

KTEP-FM
OF
THE UNIVERSITY OF TEXAS AT EL PASO

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

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KTEP-FM
OF
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MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2024 AND 2023

Introduction and Reporting Entity

This discussion and analysis of KTEP-FM ("KTEP"), a public radio station operated by the University of Texas at El Paso ("UTEP"), provides an overview of KTEP's financial activities during the years ended August 31, 2024, 2023 and 2022.

KTEP is the strongest public radio station in the El Paso market, serving El Paso and the surrounding areas up to 100 miles in radius. In addition to many local programs targeted specifically towards the El Paso community, KTEP also broadcasts news, cultural, and educational programs from National Public Radio and PRX, as well as other independent radio networks. In addition to serving the El Paso community, KTEP also serves as a laboratory for broadcast students.

KTEP is supported in part by the University of Texas at El Paso, which provides space for the station on campus and pays the salaries of most of the full-time employees. The remaining funds come from the KTEP listening community through memberships and underwriting support and grants from the Corporation for Public Broadcasting ("CPB").

KTEP is not a separate legal entity from UTEP and is therefore exempt from income taxes.

Overview of the Financial Statements

KTEP's financial statements present the financial activities of KTEP only, which are a group of accounts within UTEP's accounting system. All amounts contained in these financial statements are included in the financial statements of the University of Texas System, a component unit of the State of Texas.

The financial statements of KTEP are prepared in conformity with Governmental Accounting Standards Board pronouncements. Following this section are the basic financial statements and notes which should be read in conjunction with this discussion and analysis. The Statements of Net Position provide information on the types of assets and liabilities of KTEP, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether KTEP's financial position is improving or deteriorating. The Statements of Revenues, Expenses, and Changes in Net Position provide information on income and expenses for the year, with additional detail of the expenses provided in the supplementary Schedules of Functional Expenses. The Statements of Cash Flows show the sources and uses of cash and the net changes in cash during the year. The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

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Financial Highlights

A summarized comparison of KTEP's assets, and net position at August 31, 2024, 2023 and 2022, are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 471,267	\$ 513,218	\$ 621,672
Capital assets, net	-	-	-
Total assets	<u>\$ 471,267</u>	<u>\$ 513,218</u>	<u>\$ 621,672</u>
Current liabilities	\$ 7,091	\$ 17,080	\$ 73,446
Noncurrent liabilities	-	-	-
Total liabilities	<u>7,091</u>	<u>17,080</u>	<u>73,446</u>
Net Position			
Investment in capital assets	-	-	-
Restricted	114,450	139,559	104,492
Unrestricted	<u>349,726</u>	<u>356,579</u>	<u>443,734</u>
Total liabilities and net position	<u>\$ 471,267</u>	<u>\$ 513,218</u>	<u>\$ 621,672</u>

Current assets decreased by \$41,951 as of August 31, 2024, consisting of a decrease in cash of \$30,629, as KTEP used the funds from the 2023 grant from the Corporation for Public Broadcasting in fiscal year 2024. Prepaid expenses decreased by \$13,076, as programming purchases were made in fiscal year 2023 to be used in fiscal year 2024 and in fiscal year 2024 no programming purchase to be used in fiscal year 2025. Current liabilities decreased by \$9,989 as of August 31, 2024, due to a decrease in accounts payable.

KTEP's total net position decreased by \$31,962 as of August 31, 2024. The decrease in unrestricted net position of \$6,853 was the result of a decrease in direct support, underwriting contracts, and gifts. The decrease in restricted net position of \$25,109 in the net effect of using the 2023 restricted Corporation of Public Broadcasting in 2024 and receiving the 2024 restricted grant to be used in 2025. In addition, interest income was received from an endowment established for the benefit of KTEP and part of it was used for antenna maintenance during 2024.

Current assets decreased by \$108,454 as of August 31, 2023, consisting of a decrease in cash of \$128,243, as KTEP used the funds from the stabilization grant from the Corporation for Public Broadcasting in fiscal year 2023. Prepaid expenses increased by \$18,015, as a result of programming purchased in fiscal year 2023 to be used in fiscal year 2024. Current liabilities decreased by \$56,366 as of August 31, 2023, due to a decrease in deferred revenue of \$56,844 resulting from an underwriting contract that was paid upfront in the fiscal year 2022.

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KTEP's total net position decreased by \$52,088 as of August 31, 2023. The decrease in unrestricted net position of \$87,155 was the result of a decrease in direct support, underwriting contracts, and gifts. The increase in restricted net position of \$35,067 was the result of a restricted grant from the Corporation of Public Broadcasting and the interest income received from an endowment established for the benefit of KTEP.

A summarized comparison of KTEP's revenues, expenses and changes in net position for the years ended August 31, 2024, 2023 and 2022 are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues			
UTEP direct and indirect support	\$ 411,171	\$ 386,899	\$ 404,792
Grants	178,303	223,830	164,841
Membership, gifts and other	<u>286,017</u>	<u>318,941</u>	<u>391,297</u>
Total revenue	<u>875,491</u>	<u>929,670</u>	<u>960,930</u>
Operating expenses			
Program services	609,357	669,415	602,052
Supporting services	<u>298,095</u>	<u>312,343</u>	<u>277,933</u>
Total expenses	<u>907,452</u>	<u>981,758</u>	<u>879,985</u>
Change in net position	(31,961)	(52,088)	80,945
Beginning net position	<u>496,138</u>	<u>548,226</u>	<u>467,281</u>
Ending net position	<u>\$ 464,177</u>	<u>\$ 496,138</u>	<u>\$ 548,226</u>

Change in net position for 2024 increased by a net amount of \$20,126 or 39%. Program underwriting and memberships contributions decreased by \$32,924 or 11%. Grants decreased by \$45,527 in 2024, as in 2023 KTEP received a grant from a private foundation. UTEP's direct and indirect support increased by \$24,272, primarily due to an increase in the direct administration allocation.

Operating expenses for 2024 decreased by \$74,306 or 8%. Program services decreased \$60,058 as the result of increase programming purchased in fiscal 2023 coming out of the pandemic. Supporting services decreased by \$14,248 which is a decrease of 5% from prior year.

Change in net position for 2023 decreased by a net amount of \$133,033 or 164%. Program underwriting and memberships contributions decreased by \$46,981 or 24%. Grants increased by \$58,989 in 2023, as KTEP received a grant from a private foundation. UTEP's direct and indirect support decreased by \$17,893, primarily due to a decrease in the direct administration allocation.

Operating expenses for 2023 increased by \$101,773 or 11%. Program services increased \$67,363 as the result of efforts to increase programming coming out of the pandemic. Supporting services increased by \$34,410 which is an increase of 12% from prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2024 AND 2023

Economic Outlook

Perhaps the most important factor affecting revenues is inflation and the cost of consumer goods. As the cost of living goes up, gift-giving tends to go down as the public tends to be more cautious and conservative in donations to nonprofit organizations. Most certainly, KTEP has seen a slight decrease in its revenue streams.

Gift giving to the station while still strong (total equaled \$161,040) did go down by 3.7% in comparison to the previous fiscal year. The revenue stream that was most affected was underwriting with a decrease of 40%. Anticipating the decrease in revenue, steps were taken to increase the marketing efforts with a 15% increase in trade-outs to promote the station.

The station continues to collaborate with UTEP's Institutional Advancement to raise funds jointly on Raise Your Pick Gift Giving Day. This is proving to be a successful partnership and the station is slowly increasing funds raised through its on-air pledge drives. While the amount is still lower than in pre-COVID years, it is a step in the right direction.

Contacting KTEP's Management

This financial report is designed to provide our listening and membership community and grantors with a general overview of KTEP's finances. If you have any questions about this report, please contact KTEP's General Manager at 500 West University Avenue, Cotton Memorial Bldg, Suite 203, El Paso, Texas 79968.

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INDEPENDENT AUDITOR'S REPORT

To the Management of KTEP-FM
and to The University of Texas at El Paso
El Paso, Texas

Opinion

We have audited the accompanying financial statements of the business-type activities of KTEP-FM of the University of Texas at El Paso (KTEP-FM), as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of KTEP-FM of the University of Texas at El Paso, as of August 31, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KTEP-FM of the University of Texas at El Paso, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the KTEP-FM of the University of Texas at El Paso and do not purport to, and do not, present fairly the financial position of the University of Texas at El Paso, as of August 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KTEP-FM of the University of Texas at El Paso's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KTEP-FM of the University of Texas at El Paso's basic financial statements. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Pena Briones McDaniel & Co

El Paso, Texas
March 13, 2025

KTEP-FM
OF
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STATEMENTS OF NET POSITION
AUGUST 31, 2024 AND 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash	\$ 452,318	\$ 482,947
Membership and gift receivables	10,609	8,855
Prepaid expenses	<u>8,340</u>	<u>21,416</u>
Total current assets	<u>471,267</u>	<u>513,218</u>
Capital assets, net	<u>-</u>	<u>-</u>
Total assets	<u>\$ 471,267</u>	<u>\$ 513,218</u>
 <u>LIABILITIES AND NET POSITIONS</u>		
Current Liabilities:		
Accounts payable	<u>\$ 7,091</u>	<u>\$ 17,080</u>
Total liabilities	<u>7,091</u>	<u>17,080</u>
Net Position		
Investment in capital assets	-	-
Restricted net position	114,450	139,559
Unrestricted net position	<u>349,726</u>	<u>356,579</u>
Total net position	<u>464,176</u>	<u>496,138</u>
Total liabilities and net position	<u>\$ 471,267</u>	<u>\$ 513,218</u>

KTEP-FM
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
University of Texas at El Paso direct support	\$ 334,354	\$ 302,907
Indirect administrative and occupancy support from		
University of Texas at El Paso	76,817	83,992
Membership contributions and gifts	161,040	167,238
Grants	178,303	223,830
Program underwriting	49,940	82,783
Endowment- Interest and dividends	44,104	42,005
In-kind contributions	<u>30,932</u>	<u>26,915</u>
 Total operating revenues	 <u>875,490</u>	 <u>929,670</u>
 Operating Expenses:		
Programming and production	294,573	418,706
Broadcasting	269,414	208,659
Program information and production	49,781	42,050
Management and general	241,235	252,912
Fundraising and membership development	<u>52,449</u>	<u>59,431</u>
 Total operating expenses	 <u>907,452</u>	 <u>981,758</u>
 Change in net position	 (31,962)	 (52,088)
 Net position, beginning of year	 <u>496,138</u>	 <u>548,226</u>
 Net position, end of year	 <u>\$ 464,176</u>	 <u>\$ 496,138</u>

KTEP-FM
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flow from operating activities:		
Direct support from the University of Texas at El Paso	\$ 334,354	\$ 302,907
Cash receipts from membership, gifts, and underwriting	253,330	233,408
Cash receipts from grants	178,303	223,830
Cash payments for employee salaries and benefits	(466,277)	(459,951)
Cash payments to suppliers of goods or services	<u>(330,339)</u>	<u>(428,437)</u>
Net cash used in operating activities	<u>(30,629)</u>	<u>(128,243)</u>
 Net decrease in cash	 (30,629)	 (128,243)
Cash, beginning of year	<u>482,947</u>	<u>611,190</u>
Cash, end of year	<u>\$ 452,318</u>	<u>\$ 482,947</u>
 Reconciliation of operating gain (loss) to net cash used by operating activities		
Change in net position	\$ (31,962)	\$ (52,088)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Depreciation	-	-
Changes in assets and liabilities:		
Membership and gift receivables	(1,754)	(1,774)
Prepaid expenses	13,076	(18,015)
Accounts payable	(9,989)	478
Deferred revenue	<u>-</u>	<u>(56,844)</u>
Net cash used in operating activities	<u>\$ (30,629)</u>	<u>\$ (128,243)</u>

KTEP-FM
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

KTEP-FM (“KTEP”) is a public radio station which is operated by the University of Texas at El Paso (“UTEP”) in the Communications Department within the College of Liberal Arts and is governed by the University of Texas System Board of Regents. KTEP operates at the frequency 88.5 on the FM dial, providing news, music, and other programs. KTEP is not a separate legal entity nor is it a separate fund of UTEP. Its financial activity is accounted for as a group of accounts within the UTEP accounting system. All accounting transactions of KTEP are processed by UTEP’s administrative offices, and all amounts contained in these financial statements are included in the financial statements of the University of Texas at El Paso, which is part of the University of Texas System, a component unit of the State of Texas.

These financial statements present only KTEP and do not purport to, and do not, present fairly the financial position of the University of Texas at El Paso (UTEP), as of August 31, 2024 and 2023, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Complete financial statements of UTEP can be obtained at its administrative offices.

Basis of Financial Statement Presentation and Basis of Accounting

The financial statements of KTEP are presented for the purpose of reporting to the Corporation for Public Broadcasting. KTEP prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), and it complies with the Corporation for Public Broadcasting’s (CPB) *Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities*. KTEP uses the reporting model for business-type activities (enterprise fund) for its financial statements, which is one of the reporting model options allowed by CPB.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Using this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are directly related to programming, production, development, and delivery of telecommunication services. All revenues and expenses not meeting the definition of operating revenues or expenses are reported as non-operating revenues and expenses. Revenues associated with or restricted by donors to use for capital improvements are recorded as nonoperating revenues.

KTEP-FM
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

Basis of Financial Statement Presentation and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is KTEP's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash balances are commingled with other UTEP funds, which are entirely insured or collateralized by depository financial institutions. Since UTEP controls any cash and cash equivalents, it is the responsibility of UTEP to comply with the Depository Contract Law and Public Funds Investment Act. Any of KTEP's funds would be subject to the policies and contractual provisions governing deposits and investments for UTEP. Interest earned on available cash balances is not allocated to KTEP. For purposes of reporting cash flows, KTEP considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Allowance for bad debt

The allowance is determined based on prior year's experience and management's analysis of specific contracts made. As of August 31, 2024 and 2023, the allowance for uncollectible receivables was \$0.

Capital Assets

Purchased capital assets are recorded at cost. Donated property is recorded at the fair market value at the date of receipt. KTEP follows UTEP's capitalization policy and capitalizes equipment costing \$5,000 or more and buildings and improvements costing \$100,000 or more. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets over periods of 5 to 30 years. Maintenance and repair costs are charged to expense.

Net Position

Investment in capital assets represents KTEP's capital assets, net of accumulated depreciation, reduced by outstanding debt obligations related to those capital assets. There were no outstanding debt obligations at August 31, 2024 or August 31, 2023.

Unrestricted net position represents resources that are available for the support of KTEP's operations.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Net Position (Continued)

Restricted net position represents resources that have a donor restriction as to what can be used for.

Revenues

Grant funding is recognized as revenue when all eligibility requirements imposed by the grantor have been met. Membership contributions, gifts, and underwriting support are recognized as operating revenues in the period they are received in relation to monthly payments. In the event of prepayment for a long term contract, the underwriting revenue is recorded as deferred revenue for the period of which services has not been render. Non-cash contributed support is recognized as revenue when the goods or services have been provided.

Functional Expenses

Expenses are directly charged to the function that receives the benefit. Payroll expenses of staff whose time benefits more than one function are allocated based upon management's estimate of the percentage of the staff's time spent on each function. Restricted resources are first applied when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

University of Texas at El Paso Support

KTEP receives substantial support from UTEP in the form of direct appropriations and grants for operating and indirect administrative and occupancy support. Revenue for this support is recognized in the period the expenses are incurred. These direct and indirect amounts are included as both revenues and expenses in the statements of revenues, expenses and changes in net position.

Indirect support from UTEP consists of allocated administrative and occupancy costs incurred by UTEP for which KTEP receives benefits. The estimated value of this support is recognized in the statements of revenues, expenses, and changes in net position as indirect administrative support and as expenses in the management and general functional expense category. Indirect support is calculated using UTEP's Other Sponsored Activities indirect cost rate negotiated with the U.S. Department of Health and Human Services. The approved rate was modified to exclude certain cost components that do not benefit KTEP.

KTEP occasionally receives appropriations from UTEP for capital improvements. This support is reported as non-operating revenues and the related expenditure is capitalized.

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AUGUST 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

In-kind Contributions

Program information services used in operations are donated to KTEP by businesses and non-profit organizations. These in-kind contributions are included in the financial statements at fair value determined on the basis of the donors' usual and customary fees charged for equivalent goods or services. The value of these services was \$30,932 and \$26,915 for years ended August 31, 2024 and 2023, respectively. These amounts are included as both support and expenses in the statements of revenues, expenses, and changes in net position.

Fundraising and Membership Development

KTEP does not provide thank you gifts of significant value (premiums) or incur other direct, third-party expenses for special fundraising activities. Anyone making contributions to KTEP is considered a member except for underwriters.

Program Underwriting

Underwriters are those who donate and receive an on-air acknowledgment in the form of an announcement of their program sponsorship on a monthly basis.

Advertising

Advertising costs are expensed in the period in which they are incurred.

Income Taxes

As a governmental entity, UTEP is exempt from taxes. As such, KTEP is also exempt from taxes.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Leases and Subscription-Based Information Technology Arrangements

Leases

In June 2017, the Governmental Accounting Standards Board (GASB) released Statement No. 87 to account for leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract, enhancing the relevance and consistency of information about governments' leasing activities. During the reporting periods, KTEP did not have any leases that met recognition requirements.

GASB 96, Subscription-Based Information Technology Arrangements

In May 2020, the Governmental Accounting Standards Board (GASB) released Statement No. 96, to account for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. During the reporting period, KTEP did not have any SBITAs that met recognition requirements.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

2. CAPITAL ASSETS

A summary of capital assets activity for the years ended August 31, 2024 and 2023 are as follows:

	Beginning Balance 2023	Additions	Retirement	Ending Balance 2024
Transmission, broadcasting and studio equipment	\$ 287,993	\$ -	\$ -	\$ 287,993
	287,993	-	-	287,993
Less accumulated depreciation for: Transmission, broadcasting and studio equipment	(287,993)	-	-	(287,993)
	(287,993)	-	-	(287,993)
Capital assets, net	\$ -	\$ -	\$ -	\$ -

	Beginning Balance 2022	Additions	Retirement	Ending Balance 2023
Transmission, broadcasting and studio equipment	\$ 287,993	\$ -	\$ -	\$ 287,993
	287,993	-	-	287,993
Less accumulated depreciation for: Transmission, broadcasting and studio equipment	(287,993)		-	(287,993)
	(287,993)		-	(287,993)
Capital assets, net	\$ -	\$ -	\$ -	\$ -

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2. CAPITAL ASSETS (Continued)

Depreciation expense of \$0 for years ended August 31, 2024 and 2023, as all capital assets are fully depreciated.

3. PENSION PLANS

Since personnel working for KTEP are employees of UTEP, they are eligible to participate in the benefit programs of UTEP. All full-time employees at KTEP are covered by either the Teacher Retirement System of Texas (TRS) or the Optional Retirement Program (ORP) as UTEP employees. The required employer contribution for KTEP employees is recorded as an expense in these financial statements. The net pension liability related to TRS and the related deferred inflows and outflows of resources are recorded by the University of Texas System, which is a component unit of the State of Texas.

Teacher Retirement System of Texas (TRS)

Plan Description: TRS is a cost-sharing multiple-employer defined benefit pension that has a special funding situation. TRS was established and is administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue code. The Texas Legislature establishes benefit and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

Pension Plan Fiduciary Net Position: Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/Pages/about_archive_acfr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided: TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There is no automatic post-employment benefit changes; including automatic COLAs.

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3. PENSION PLANS (continued)

Benefits Provided (Continued): Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions: Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contributions for fiscal years 2020 thru 2025.

KTEP covered employees were required to contribute 8.25% of their annual compensation in 2024 and 8.00% in 2023 and 2022. The employer required contribution was 8.25% for 2024 and 8.00% for 2023 and 7.75% in 2022 of eligible employees' annual compensation. The contributions to TRS were \$22,426, \$20,459 and \$18,488 for 2024, 2023, and 2022, respectively.

Optional Retirement Program (ORP)

Certain professionals, administrators and faculty may irrevocably elect to participate in the Optional Retirement Program, instead of TRS. ORP is a defined contribution plan administered by the University of Texas (UT) System. Entry into ORP must be elected within 90 days after employment and 100 percent vesting occurs after one year of participation. Covered employees are required to contribute 6.65% of their annual compensation, and the employer contribution is 8.5% (including supplement) of their annual compensation. The contribution rates are established by the Texas Legislature and may fluctuate periodically.

The contributions to ORP were \$3,909, \$5,236 and \$7,544 for 2024, 2023, and 2022, respectively.

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4. OTHER EMPLOYEE BENEFITS

Employee Insurance Benefits - The UT System Employee Benefits program provides health and life insurance, disability, long-term care and flexible spending account coverage to all benefits-eligible employees of UTEP. These insurance benefits are provided through both self-funded and fully- insured arrangements. The UT Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. OEB was established by Chapter 1601 of the Texas Insurance Code.

KTEP is required to contribute a portion of the insurance premium at rates established by the Texas Legislature. The rates fluctuate periodically. The employee contributes any premium over and above KTEP's contributions.

Employee Compensable Absences - Employees are entitled to paid vacation of eight to twenty-one hours per month, depending upon the years of employment. UTEP estimates and charges a percentage of employee salaries to KTEP to fund the accrued compensable absences for its employees. The liability for unused vacation is recorded by UTEP.

Postemployment Health and Life Insurance Benefit - Health and life insurance benefits are provided for retired employees (OPEB), in accordance with Texas statutes. Employees become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements.

These benefits are provided to the retirees under the UT System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*.

The plan's financial information is included in the University of Texas System Consolidated Annual Financial Report that may be obtained from the University of Texas System website at www.utsystem.edu.

The liability for accrued post-employment benefits is recorded by the University of Texas System Administration and not at the individual institutions in the University of Texas System; therefore, KTEP does not record an OPEB liability.

5. RISK MANAGEMENT

KTEP participates in UTEP's self-insured general liability, property and workers compensation coverage program administered by the University of Texas System. Certain of KTEP's specialized equipment is insured under separate commercial insurance policies. KTEP's cost of these insurance programs is primarily funded through direct and indirect support provided by UTEP.

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6. CONCENTRATION OF REVENUE

KTEP receives substantial support from UTEP in the form of direct appropriations and grants for operating and indirect administrative and occupancy support.

Direct support for operating includes the cost of KTEP employees, utilities and maintenance for broadcasting facilities, and other direct expenses. Direct support from UTEP was \$334,354 and \$302,907 for the years ended August 31, 2024 and 2023, respectively, which represents 38% and 33% of operating revenues for the years ended August 31, 2024 and 2023, respectively.

Indirect support from UTEP consists of allocated administrative and occupancy costs incurred by UTEP for which KTEP receives benefits. The estimated value of this support is recognized in the statements of revenues, expenses, and changes in net position as indirect administrative support and also as expenses in the management and general functional expense category.

For the years ended August 31, 2024 and 2023, the indirect support was calculated using the standard method adopted by the Corporation for Public Broadcasting (CBP). The rate was calculated using the licensee's indirect cost and direct cost (minus institutional support and physical support). The calculated rate for the years ending August 31, 2024 and 2023, was 9.61% and 9.64%, respectively.

The value of indirect support was \$76,817 and \$83,992 for the years ended August 31, 2024 and 2023, respectively, which represents 9% of operating revenues for the years ended August 31, 2024 and 2023.

7. RESTRICTED NET POSITION

During the year ending August 31, 2024 and 2023, the following amounts were classified as restricted net position based on purpose:

	<u>2024</u>	<u>2023</u>
Grant – Corporation of Public Broadcasting	\$ 44,886	\$ 53,249
Earnings on endowment	<u>69,564</u>	<u>86,310</u>
Total restricted net position	<u>\$ 114,450</u>	<u>\$ 139,559</u>

During the year ending August 31, 2021, UTEP received a gift of \$1,000,000 to be held in perpetuity and use for the benefit of KTEP. Funds distributed from the endowment shall be used to provide support to KTEP for NPR programming subscription and equipment and at the discretion of the General Manager of KTEP. During the years ending August 31, 2024 and 2023, \$44,104 and \$42,005, respectively, were distributed from the endowment and \$60,850 and \$16,322 were used during the years ended August 31, 2024 and 2023.

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8. OTHER COMMITMENTS AND CONTINGENCIES

KTEP receives an annual radio community service grant from the Corporation for Public Broadcasting (CPB). In addition to the established level of grant funding, the CPB adjusts funding with calculations dependent on the level of non-federal financial support provided to KTEP in the preceding year. The CPB periodically performs examinations of participating organizations. As a result of these examinations, the CPB may disallow certain non-federal financial support, which may require a station to return a portion of the grants funds to the CPB. Management believes that any disallowance of non-federal financial support would not have a material impact on the amount of grant proceeds received by KTEP.

In 2011, KTEP received a grant from the U.S. Department of Commerce to purchase a new transmitter. The grant paid for \$43,840 of eligible cost and KTEP provided a matching amount. The grant provides that the Federal government retains a reversionary interest in the equipment paid with grants funds for ten years after completion of the project.

9. NEW ACCOUNTING PRONOUNCEMENTS

The following are new Governmental Accounting Standards Board (GASB) Statements that have future implementation dates. KTEP has not early implemented nor had it completed the process of evaluating the impact on its financial position that will result from adopting the listed Governmental Accounting Board Statements listed below:

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023.

10. SUBSEQUENT EVENTS

KTEP has evaluated subsequent events through March 13, 2025, the date on which the financial statements were available to be issued and no reportable items were noted.

SUPPLEMENTARY INFORMATION

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SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024

	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership	Total Supporting Services	Total Expenses
Salaries, wages and employee benefits	\$ 230,946	\$ 62,290	\$ 13,773	\$ 307,009	\$ 113,357	\$ 45,911	\$ 159,268	\$ 466,277
Programming expenses	63,627	-	-	63,627	-	-	-	63,627
Indirect administrative costs	-	-	-	-	76,817	-	76,817	76,817
Professional and contract services	-	131,015	703	131,718	33,560	2,379	35,939	167,657
Advertising	-	-	31,254	31,254	-	-	-	31,254
Rent	-	44,462	-	44,462	-	-	-	44,462
Electricity	-	13,681	-	13,681	-	-	-	13,681
Depreciation	-	-	-	-	-	-	-	-
Office and other supplies	-	-	-	-	7,568	-	7,568	7,568
Printing, postage and promotion	-	-	-	-	-	1,957	1,957	1,957
Repair and improvement expenses	-	17,966	-	17,966	5,550	-	5,550	23,516
Miscellaneous expenses	-	-	4,051	4,051	4,383	2,202	6,585	10,636
Total expenses	\$ 294,573	\$ 269,414	\$ 49,781	\$ 613,768	\$ 241,235	\$ 52,449	\$ 293,684	\$ 907,452

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SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership	Total Supporting Services	Total Expenses
Salaries, wages and employee benefits	\$ 220,535	\$ 70,323	\$ 12,400	\$ 303,258	\$ 115,359	\$ 41,334	\$ 156,693	\$ 459,951
Programming expenses	198,171	-	-	198,171	-	-	-	198,171
Indirect administrative costs	-	-	-	-	83,992	-	83,992	83,992
Professional and contract services	-	58,186	741	58,927	40,352	9,746	50,098	109,025
Advertising	-	-	27,312	27,312	-	-	-	27,312
Rent	-	42,793	-	42,793	-	-	-	42,793
Electricity	-	16,251	-	16,251	-	-	-	16,251
Depreciation	-	-	-	-	-	-	-	-
Office and other supplies	-	-	-	-	7,650	-	7,650	7,650
Printing, postage and promotion	-	-	-	-	-	6,151	6,151	6,151
Repair and improvement expenses	-	21,106	-	21,106	1,575	-	1,575	22,681
Miscellaneous expenses	-	-	1,597	1,597	3,984	2,200	6,184	7,781
Total expenses	\$ 418,706	\$ 208,659	\$ 42,050	\$ 669,415	\$ 252,912	\$ 59,431	\$ 312,343	\$ 981,758