




# **KACU-FM**

## **Independent Auditor's Report and Financial Statements**

May 31, 2024 and 2023



**KACU-FM**  
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**May 31, 2024 and 2023**

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## **Independent Auditor's Report**

Institutional Licensee  
KACU-FM  
Abilene, Texas

### ***Opinion***

We have audited the financial statements of KACU-FM, which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KACU-FM as of May 31, 2024 and 2023, and the changes in its net assets and its 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 KACU-FM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KACU-FM's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***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 GAAS 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 GAAS, 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 KACU-FM'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KACU-FM's ability to continue as a going concern for a reasonable period of time.

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.

**Forvis Mazars, LLP**

**Fort Worth, Texas  
December 13, 2024**

**KACU-FM**  
**Statements of Financial Position**  
**May 31, 2024 and 2023**

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<b>Assets</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 322,776	\$ 371,633
Investments	81,430	79,530
Right-of-use assets - operating leases	109,371	124,596
Property and equipment, net	109,185	118,177
<b>Total Assets</b>	<b>\$ 622,762</b>	<b>\$ 693,936</b>
<b>Liabilities and Net Assets</b>		
Accrued expenses	\$ 6,435	\$ 4,689
Deferred grant revenue	5,000	-
Operating lease liability	112,495	128,208
<b>Total Liabilities</b>	<b>123,930</b>	<b>132,897</b>
<b>Net Assets</b>		
Without donor restrictions	162,580	195,303
With donor restrictions	336,252	365,736
<b>Total Net Assets</b>	<b>498,832</b>	<b>561,039</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 622,762</b>	<b>\$ 693,936</b>

**KACU-FM**  
**Statements of Activities**  
**Years Ended May 31, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>						
Contributions	\$ 89,199	\$ -	\$ 89,199	\$ 71,732	\$ -	\$ 71,732
Grants	-	137,404	137,404	-	130,000	130,000
Underwriting	7,592	-	7,592	32,223	-	32,223
Underwriting- barter/trade	20,234	-	20,234	22,280	-	22,280
Sponsorships	10,700	-	10,700	-	-	-
Ticket sales	22,058	-	22,058	1,558	-	1,558
Book sales	3,009	-	3,009	-	-	-
Contributed facilities and utilities	53,130	-	53,130	46,718	-	46,718
Net investment return	560	4,825	5,385	149	1,284	1,433
Support from institutional licensee	166,525	-	166,525	178,795	-	178,795
Net assets released from restrictions	171,713	(171,713)	-	120,843	(120,843)	-
<b>Total Revenues, Gains and Other Support</b>	<b>544,720</b>	<b>(29,484)</b>	<b>515,236</b>	<b>474,298</b>	<b>10,441</b>	<b>484,739</b>
<b>Expenses and Losses</b>						
Programming and production	202,831	-	202,831	157,503	-	157,503
Broadcasting	119,762	-	119,762	119,506	-	119,506
Program information and promotion	58,109	-	58,109	59,017	-	59,017
<b>Total Program Services</b>	<b>380,702</b>	<b>-</b>	<b>380,702</b>	<b>336,026</b>	<b>-</b>	<b>336,026</b>
Management and general	93,945	-	93,945	80,428	-	80,428
Fundraising	63,670	-	63,670	51,890	-	51,890
Underwriting	39,126	-	39,126	43,850	-	43,850
<b>Total Support Services</b>	<b>196,741</b>	<b>-</b>	<b>196,741</b>	<b>176,168</b>	<b>-</b>	<b>176,168</b>
<b>Total Expenses and Losses</b>	<b>577,443</b>	<b>-</b>	<b>577,443</b>	<b>512,194</b>	<b>-</b>	<b>512,194</b>
<b>Change in Net Assets</b>	<b>(32,723)</b>	<b>(29,484)</b>	<b>(62,207)</b>	<b>(37,896)</b>	<b>10,441</b>	<b>(27,455)</b>
	195,303	365,736	561,039	233,199	355,295	588,494
<b>Net Assets, End of Year</b>	<b>\$ 162,580</b>	<b>\$ 336,252</b>	<b>\$ 498,832</b>	<b>\$ 195,303</b>	<b>\$ 365,736</b>	<b>\$ 561,039</b>

**KACU-FM**  
**Statements of Functional Expenses**  
**Year Ended May 31, 2024**

	Program Services			Support Services			Total
	Programming & Production	Broadcasting	Program Information & Promotion	Management and General	Fundraising/ Member Development	Underwriting	
Salaries	\$ 50,757	\$ 30,271	\$ 49,307	\$ 29,163	\$ 21,129	\$ 21,129	\$ 201,756
Employee benefits and taxes	19,776	11,797	8,041	11,399	7,880	7,880	66,773
Rent	-	19,200	-	-	-	-	19,200
Bartered services received	-	-	-	-	10,117	10,117	20,234
Contributed facilities and utilities	-	26,565	-	26,565	-	-	53,130
Depreciation	-	28,067	-	-	-	-	28,067
Professional services	-	-	-	17,059	-	-	17,059
Dues	13	12	-	825	-	-	850
Office supplies	-	-	-	593	-	-	593
Postage and shipping	-	-	-	-	972	-	972
Printing	-	-	-	599	1,805	-	2,404
Promotional materials	-	-	179	-	1,053	-	1,232
Repairs and maintenance	-	900	-	-	-	-	900
Purchased programming	127,287	-	-	-	-	-	127,287
Special event expenses	-	-	-	-	14,076	-	14,076
Subscriptions	498	-	-	-	-	-	498
Telephone/internet service	-	884	-	-	-	-	884
Database services	-	2,066	-	-	-	-	2,066
Travel	1,386	-	-	4,514	1,018	-	6,918
Other expenses	3,114	-	582	3,228	5,620	-	12,544
Total expenses and losses as shown on the statements of activities	<u>\$ 202,831</u>	<u>\$ 119,762</u>	<u>\$ 58,109</u>	<u>\$ 93,945</u>	<u>\$ 63,670</u>	<u>\$ 39,126</u>	<u>\$ 577,443</u>

**KACU-FM**  
**Statement of Functional Expenses**  
**Year Ended May 31, 2023**

**(Continued)**

	Program Services			Support Services			Total
	Programming & Production	Broadcasting	Program Information & Promotion	Management and General	Fundraising/ Member Development	Underwriting	
Salaries	\$ 41,775	\$ 30,002	\$ 50,179	\$ 25,908	\$ 22,814	\$ 22,813	\$ 193,491
Employee benefits and taxes	16,000	11,943	5,808	10,192	8,230	8,230	60,403
Rent	-	20,800	-	-	-	-	20,800
Bartered services received	-	-	-	-	11,140	11,140	22,280
Contributed facilities and utilities	-	23,359	-	23,359	-	-	46,718
Depreciation	-	26,247	-	-	-	-	26,247
Professional services	-	-	-	14,023	-	-	14,023
Office supplies	-	-	-	1,298	-	-	1,298
Postage and shipping	-	-	-	-	1,386	-	1,386
Printing	-	-	-	167	1,255	-	1,422
Promotional materials	363	-	-	-	1,438	1,438	3,239
Repairs and maintenance	-	3,317	-	-	-	-	3,317
Purchased programming	97,079	-	-	-	-	-	97,079
Subscriptions	772	-	-	-	229	229	1,230
Telephone/internet service	260	884	-	-	-	-	1,144
Database services	-	2,954	-	-	-	-	2,954
Travel	613	-	-	2,980	75	-	3,668
Other expenses	641	-	3,030	2,501	5,323	-	11,495
Total expenses	<u>\$ 157,503</u>	<u>\$ 119,506</u>	<u>\$ 59,017</u>	<u>\$ 80,428</u>	<u>\$ 51,890</u>	<u>\$ 43,850</u>	<u>\$ 512,194</u>



**KACU-FM**  
**Statements of Cash Flows**  
**Years Ended May 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ (62,207)	\$ (27,455)
Items not requiring (providing) cash		
Depreciation	28,067	26,247
Noncash operating lease expense	15,225	9,557
Net realized and unrealized gains on investments	(5,385)	(1,433)
Changes in		
Prepaid expenses	-	6,491
Deferred grant revenue	5,000	-
Accrued expenses	1,746	184
Operating lease liability	<u>(15,713)</u>	<u>(15,260)</u>
<b>Net Cash Used in Operating Activities</b>	<u>(33,267)</u>	<u>(1,669)</u>
<b>Investing Activities</b>		
Proceeds from sales of investments	3,485	3,298
Purchase of property and equipment	<u>(19,075)</u>	<u>-</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(15,590)</u>	<u>3,298</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(48,857)	1,629
<b>Cash and Equivalents, Beginning of Year</b>	<u>371,633</u>	<u>370,004</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 322,776</u></u>	<u><u>\$ 371,633</u></u>

## **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

KACU-FM is a non-profit Radio Station operated by Abilene Christian University, the institutional licensee (ACU or University) that broadcasts a wide range of programming from National Public Radio and Public Radio International as well as locally produced programming.

KACU-FM is not a legally separate entity from the University. As a result, the financial position of KACU-FM and changes in its net assets and its cash flows are presented in the financial statements of the University. The financial statements herein present the financial position, operations and cash flows of KACU-FM.

The University is incorporated and operating as a not-for-profit institution of higher education. The University is a tax-exempt institution as a Station described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (IRC), and is not a "private foundation" under Section 501(a) of the IRC; accordingly, no provision for taxes has been made in the financial statements.

KACU-FM's revenue and other support are derived principally from contributions, underwriting revenue and CPB grants and KACU-FM conducts its activities in the Abilene area.

The financial statements of KACU-FM have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses recognized when incurred. Expenses are reported as decreases in net assets without donor restrictions.

### ***Summary of Significant Accounting Policies***

#### ***Use of 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

KACU-FM considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2024 and 2023, cash and cash equivalents consisted primarily of pooled cash accounts with the University.

**KACU-FM**  
**Notes to Financial Statements**  
**May 31, 2024 and 2023**

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***Investments and Net Investment Return***

KACU-FM measures investments at fair value. At May 31, 2024 and 2023, KACU-FM's investment was 133.155 and 138.852 shares, respectively, in the ACU investment pool, which owns the direct interest in the managed funds comprising a diversified portfolio. The estimated fair value of the units in the ACU investment pool is based on valuations provided by ACU. The underlying investments within the pool are based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on valuations provided by the external investment managers. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment return in the statements of activities.

***Property and Equipment***

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset, which range from 5 to 15 years. s

***In-Kind Contributions***

Donated facilities from the University consist of office and studio space. These items, together with related occupancy costs, are recorded in revenue and expenses at estimated fair rental values, based on guidance provided by the Corporation for Public Broadcasting (CPB). Administrative support from the University consists of allocated institutional costs and certain other expenses incurred by the University on behalf of the station, which is recorded at fair value based actual costs incurred. All in-kind contributions are utilized by KACU-FM and allocated to program and support services consistent with other expenses incurred.

***Support from Institutional Licensee***

Support from institutional licensee includes expenses of KACU-FM paid by ACU.

***Long-Lived Asset Impairment***

KACU-FM evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended May 31, 2024 and 2023.

**KACU-FM**  
**Notes to Financial Statements**  
**May 31, 2024 and 2023**

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***Leases***

KACU-FM determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating lease ROU assets in the statements of financial position while finance leases are recorded as finance lease ROU assets over the term of the lease. Lease liabilities represent KACU's contractual obligation to make lease payments over the lease term.

For operating leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or the University's incremental borrowing rate if the implicit rate is not determinable. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. KACU-FM has elected to not recognize a ROU asset and lease liability for leases with an initial term of 12 months or less, but includes the expense associated with short-term leases in the lease expense in the statements of activities.

For finance leases, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term except for leases with a purchase option for which the KACU-FM believes purchase of the asset is expected to be exercised. For assets to be acquired under such purchase options, the ROU asset is amortized over the expected life consistent with KACU-FM's policy for similar property and equipment.

ROU assets are assessed for impairment in accordance with KACU-FM's long-lived asset policy. Management reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Accounting Standards Codification (ASC) Topic 842, *Leases*.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment.

**KACU-FM**  
**Notes to Financial Statements**  
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Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

***Contributions***

Contributions are provided to KACU-FM either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the KACU-FM overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

**KACU-FM**  
**Notes to Financial Statements**  
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Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain joint expenses, such as employee benefits, payroll and depreciation, are allocated among the program and support services to which they relate. Expenses are allocated based on employees' time incurred or other appropriate usage factors.

**Note 2: Property and Equipment**

Property and equipment at May 31, 2024 and 2023, consists of:

	<b>2024</b>	<b>2023</b>
Transmitter and tower	\$ 288,271	\$ 269,196
Studio and technical equipment	66,524	66,524
Office equipment	23,959	23,959
	<u>378,754</u>	<u>359,679</u>
Less accumulated depreciation	<u>(269,569)</u>	<u>(241,502)</u>
	<u><u>\$ 109,185</u></u>	<u><u>\$ 118,177</u></u>

**KACU-FM**  
**Notes to Financial Statements**  
**May 31, 2024 and 2023**

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**Note 3: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at May 31, 2024, and 2023 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
CPB Community Service Grant	\$ -	\$ 12,112
CPB Stabilization Grant - COVID-19	<u>263,287</u>	<u>282,362</u>
	<u>263,287</u>	<u>294,474</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Available for general use	30,618	28,915
Subject to NFP endowment spending policy and appropriation		
General use	<u>42,347</u>	<u>42,347</u>
	<u>72,965</u>	<u>71,262</u>
Total endowments	<u>\$ 336,252</u>	<u>\$ 365,736</u>

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
National programming	\$ 149,516	\$ 117,888
CPB Stabilization Grant - COVID-19	19,075	-
Restricted purpose spending-rate distributions and appropriations		
General use	<u>3,122</u>	<u>2,955</u>
	<u>\$ 171,713</u>	<u>\$ 120,843</u>

**KACU-FM**  
**Notes to Financial Statements**  
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**Note 4: Endowment**

KACU-FM's endowment consists of one individual donor restricted endowment fund managed in ACU's investment pool. The net assets of the endowment fund are classified and reported based on the existence or absence of donor restrictions. Endowment funds without donor restrictions represents board-designated funds.

***Interpretation of Relevant Law***

KACU-FM interprets the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing KACU-FM, absent donor stipulations to the contrary as stated in the gift instrument, to appropriate so much of a donor restricted endowment fund as KACU-FM determines is prudent for the uses, benefits, purposes and duration for which the endowment is established. The assets in the endowment fund remain restricted until appropriated for expenditure by KACU-FM.

The following factors are considered in making a determination to appropriate or accumulate donor restricted endowment funds: 1) The duration and preservation of the fund; 2) The purposes of KACU-FM and the donor restricted endowment fund; 3) General economic conditions; 4) The possible effect of inflation and deflation; 5) The expected total return from income and the appreciation of investments; 6) Other resources of KACU-FM; and 7) The investment policies of ACU.

The composition of net assets by type of endowment fund at May 31, 2024 and 2023, was:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 8,466	\$ -	\$ 8,466
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	42,347	42,347
Accumulated investment gains	-	30,618	30,618
Total endowment funds	<u>\$ 8,466</u>	<u>\$ 72,965</u>	<u>\$ 81,431</u>



**KACU-FM**  
**Notes to Financial Statements**  
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	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 8,268	\$ -	\$ 8,268
Donor-restricted endowment funds			
Original donor-restricted gift amount			
maintained in perpetuity by donor	-	42,347	42,347
Accumulated investment gains	-	28,915	28,915
Endowment net assets, end of year	<u>\$ 8,268</u>	<u>\$ 71,262</u>	<u>\$ 79,530</u>

Change in endowment net assets for the year ended May 31, 2024 and 2023, was:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 8,268	\$ 71,262	\$ 79,530
Net realized and unrealized gains	560	4,825	5,385
Appropriation of endowment assets for expenditures	(362)	(3,122)	(3,484)
Endowment net assets, end of year	<u>\$ 8,466</u>	<u>\$ 72,965</u>	<u>\$ 81,431</u>

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 8,462	\$ 72,933	\$ 81,395
Net realized and unrealized gains	149	1,284	1,433
Appropriation of endowment assets for expenditures	(343)	(2,955)	(3,298)
Endowment net assets, end of year	<u>\$ 8,268</u>	<u>\$ 71,262</u>	<u>\$ 79,530</u>

### ***Funds with Deficiencies (Underwater Endowments)***

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are required to be reported as reductions to assets with donor restrictions. KACU-FM considers an individual endowment with a fair value below 50% of its original gift value to be deficient at which time spending would be limited to interest, dividends, rents and royalties. KACU-FM had no deficiencies of this nature reported in assets with donor restrictions as of May 31, 2024 and 2023.

### ***Return Objective and Risk Parameters***

KACU-FM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowments include those assets of a donor restricted fund that KACU-FM must hold in perpetuity. KACU-FM expects its endowment fund, overtime, to provide an average rate-of-return in excess of 5.5% annually plus inflation. Actual returns in any given year may vary from this amount.

### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, KACU-FM relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest, dividends, rents, and royalties). KACU-FM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

KACU-FM has a policy of appropriating for distribution each year an amount equal to 70% of an endowment's prior year distribution for spending, adjusted for inflation plus 1%, plus 30% of its beginning of year market value, times the target rate of 4.5%. Distributions are then limited to no less than 2% nor greater than 6% of beginning endowment market value and annual increases for an individual endowment to 7%. Accordingly, over time, KACU-FM expects the current spending policy to allow its endowment to grow at an average of at least 1% plus inflation annually. This is consistent with KACU-FM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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**Note 5: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of May 31, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 322,776	\$ 371,633
Investments	<u>81,430</u>	<u>79,530</u>
Total financial assets	404,206	451,163
Internal designations		
Board-designated endowment	(8,466)	(8,268)
Donor imposed restrictions		
Endowments	<u>(72,965)</u>	<u>(71,262)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 322,775</u>	<u>\$ 371,633</u>

KACU-FM regularly monitors the availability of resources required to meet its operating needs. For purpose of analyzing resources available to meet general expenditures within one year of the statement of financial position date, KACU-FM considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. At May 31, 2024 and 2023, \$263,287 and \$294,474, respectively, was included in financial assets available to meet cash needs for general expenditures within one year.

In addition to financial assets available to meet general expenditures over the next twelve months, KACU-FM follows a policy of operating with a balanced budget.

Endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Donor restricted endowment funds are not available for general expenditure. A board-designated endowment of \$8,466 and \$8,268 at May 31, 2024 and 2023, respectively, is subject to an annual spending rate as discussed in *Note 4*. Although KACU-FM does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

## **Note 6: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

### ***Recurring Measurements***

Investments are recognized in the accompanying statement of financial position measured at fair value on a recurring basis and are within Level 3 of the fair value hierarchy at May 31, 2024 and 2023.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended May 31, 2024 and 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Due to the unobservable inputs of the investments held in the ACU investment pool, they are classified in Level 3 of the valuation hierarchy. The only changes in the investments were allocation of current years' earnings and distribution of accumulated earnings in accordance with the spending policy.

## **Note 7: Community Service Grants**

The CPB is a private, nonprofit grant making organization responsible for funding nearly 1,500 locally owned public radio and television stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, recordkeeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in net assets with donor restrictions until satisfaction of the time and purpose restrictions, after which they are reported as a release from net assets with donor restrictions and an increase in net assets without donor restrictions.

During 2021, the CPB awarded additional funding to KACU-FM to ensure continued access to public broadcasting stations during the COVID-19 pandemic, of which \$263,287 is included in net assets with donor restrictions at May 31, 2024, and expected to be spent in 2025.

## **Note 8: Indirect Administrative Support**

The institutional licensee, ACU, provides certain administrative services and support for KACU-FM. Such services and support include physical plant operations, office space and related utilities. This indirect administrative support is recognized in the accompanying financial statements as revenue and expense totaling \$53,130 and \$46,718 for the years ended May 31, 2024 and 2023, respectively.

KACU-FM also participates in ACU's defined contribution retirement plan and employee health insurance plan. Employer contributions to the retirement plan for KACU-FM's employees totaled \$11,756 and \$10,778 for the years ended May 31, 2024 and 2023, respectively, and are recorded in benefits expense in the accompanying statements of activities.

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**Note 9: Lease**

KACU-FM leases a radio tower site. The original lease was entered into in 2015 with a term of 60 months with three renewal terms of an additional 60 months each. During December of 2021, the lease was modified with a retroactive effective date of November 2020, when the original term of the lease ended. The modified lease has a term of 60 months at \$1,600 per month and will automatically renew unless the lessee gives notice prior to 90 days prior to the end of the current term. New terms will be discussed 90 days prior to contract expiration. Due to the favorable location of the tower site, KACU-FM considered renewal reasonably certain and included a 60-month renewal term with the current terms in the calculation of the ROU asset and lease liability.

Operating lease expense was \$18,713 and \$20,077 for of the years ended May 31, 2024 and 2023, respectively, including variable lease expense of \$0 and \$877, respectively. Cash paid for amounts included in the measurement of lease liabilities related to operating lease for the years ended May 31, 2024 and 2023 was \$19,200 each year. The years remaining for the operating lease is 6.42 and 7.42 at May 31, 2024 and 2023, respectively. The discount rate used was 2.92%.

Future minimum lease payments and reconciliation to the statement of financial position at May 31, 2024, are as follows:

2025	\$ 19,200
2026	19,200
2027	19,200
2028	19,200
2029	19,200
Thereafter	<u>27,200</u>
Total undiscounted cash flows	123,200
Less interest	<u>(10,705)</u>
Lease liability	<u><u>\$ 112,495</u></u>

## **Note 10: Risks and Uncertainties**

### ***Investments***

KACU-FM invests in the ACU investment pool. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

## **Note 11: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

### ***Contributions***

Approximately 36 percent of all contributions were received from two donors in 2024.

## **Note 12: Subsequent Events**

KACU-FM has evaluated subsequent events through December 13, 2024, the date the financial statements were available to be issued.