

WAMU-FM

**(A noncommercial educational FM station
owned and operated by American University)**

Financial Statements

For the years ended June 30, 2024 and 2023

And report of independent auditors



Report of Independent Auditors

To the Board of Trustees of American University

Opinion

We have audited the accompanying financial statements of WAMU-FM (the "Station"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station 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.

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 the Station's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 US 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 US 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 the Station'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 the Station'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.

PricewaterhouseCoopers LLP

Washington, District of Columbia
February 5, 2025

WAMU-FM**(A noncommercial educational FM station owned and operated by American University)****Statements of Financial Position****Years ended June 30, 2024 and 2023**

	2024	2023
Assets		
Cash held on deposit by American University	\$ 15,893,125	\$ 14,738,118
Accounts receivable, net	2,321,462	2,111,052
Contributions receivable, net	56,583	-
Prepaid expenses	797,186	816,733
Investments	3,874,762	3,311,694
Station and studio improvements, and equipment, net	13,990,288	14,683,496
Right of use assets under finance leases	9,605,225	9,855,851
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Total assets	\$ 46,538,631	\$ 45,516,944
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Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 923,766	1,221,970
Deferred revenue and other refundable advances	140,774	348,423
Loan from American University	2,103,333	2,818,333
Finance lease liabilities	12,349,625	12,642,912
Total liabilities	15,517,498	17,031,638
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Net Assets:		
Without donor restrictions	30,650,401	28,303,920
With donor restrictions	370,732	181,386
Total net assets	31,021,133	28,485,306
Total liabilities and net assets	\$ 46,538,631	\$ 45,516,944
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See accompanying notes to the financial statements.

WAMU-FM**(A noncommercial educational FM station owned and operated by American University)****Statement of Activities****Year ended June 30, 2024**

	Without donor restrictions	With donor restrictions	Total
Operating revenues and support			
Contributions	\$ 14,190,847	\$ 181,583	\$ 14,372,430
Corporate underwriting	9,685,624	-	9,685,624
Corporation for Public Broadcasting grants	1,554,406	-	1,554,406
Program grants	441,559	-	441,559
National public radio licensing fees	3,182,339	-	3,182,339
Facilities and other income	537,342	-	537,342
Donated services from American University	4,432,879	-	4,432,879
Donated goods and services	1,834,643	-	1,834,643
Endowment investment return	132,978	-	132,978
Total operating revenues and support	35,992,617	181,583	36,174,200
Operating expenses			
Program services			
Programming and production	15,556,461	-	15,556,461
Broadcasting	4,821,691	-	4,821,691
Public information and promotion	867,672	-	867,672
Total program services	21,245,824	-	21,245,824
Supporting services			
Management and general	5,648,072	-	5,648,072
Fund-raising and membership development	6,965,025	-	6,965,025
Total supporting services	12,613,097	-	12,613,097
Total operating expenses	33,858,921	-	33,858,921
Net operating activities	2,133,696	181,583	2,315,279
Nonoperating items			
Other nonoperating activities	-	(3,470)	(3,470)
Investment return, net of endowment spending gains	212,785	11,233	224,018
Total nonoperating activities	212,785	7,763	220,548
Change in net assets	2,346,481	189,346	2,535,827
Net assets at beginning of year	28,303,920	181,386	28,485,306
Net assets at end of year	\$ 30,650,401	\$ 370,732	\$ 31,021,133

See accompanying notes to the financial statements.

WAMU-FM**(A noncommercial educational FM station owned and operated by American University)****Statement of Activities****Year ended June 30, 2023**

	Without donor restrictions	With donor restrictions	Total
Operating revenues and support			
Contributions	\$ 16,070,856	\$ 22,082	\$ 16,092,938
Corporate underwriting	9,606,255	-	9,606,255
Corporation for Public Broadcasting grants	1,477,069	-	1,477,069
Program grants	550,432	-	550,432
National public radio licensing fees	2,889,858	-	2,889,858
Facilities and other income	518,125	-	518,125
Donated services from American University	5,537,274	-	5,537,274
Donated goods and services	1,703,011	-	1,703,011
Endowment investment return	92,689	-	92,689
Net Asset Release	6,206	(6,206)	-
Total operating revenues and support	38,451,775	15,876	38,467,651
Operating expenses			
Program services			
Programming and production	16,841,090	-	16,841,090
Broadcasting	5,587,522	-	5,587,522
Public information and promotion	1,037,837	-	1,037,837
Total program services	23,466,449	-	23,466,449
Supporting services			
Management and general	5,597,650	-	5,597,650
Fund-raising and membership development	7,444,963	-	7,444,963
Total supporting services	13,042,613	-	13,042,613
Total operating expenses	36,509,062	-	36,509,062
Net operating activities	1,942,713	15,876	1,958,589
Nonoperating items			
Other nonoperating activities	130,733	-	130,733
Investment return, net of endowment spending gains	162,196	7,899	170,095
Total nonoperating activities	292,929	7,899	300,828
Change in net assets	2,235,642	23,775	2,259,417
Net assets at beginning of year	26,068,278	157,611	26,225,889
Net assets at end of year	\$ 28,303,920	\$ 181,386	\$ 28,485,306

See accompanying notes to the financial statements.

WAMU-FM**(A noncommercial educational FM station owned and operated by American University)****Statements of Cash Flows****Years ended June 30, 2024 and 2023**

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 2,535,827	\$ 2,259,417
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	709,608	750,748
Amortization of right of use assets	250,626	250,626
Allowance for uncollectible accounts	(44,175)	15,733
Changes in cash held on deposit with American University	(1,155,007)	(708,799)
Net realized and unrealized capital (gain) loss	(219,734)	(219,178)
Net gain on the disposal of fixed asset	-	(130,579)
Changes in assets and liabilities		
Increase in accounts receivable	(162,818)	(36,440)
Increase in contributions receivable	(60,000)	-
Decrease (increase) in prepaid expenses	19,547	(10,629)
Decrease in accounts payable	(298,204)	(16,672)
Decrease in deferred revenue and refundable advances	(207,649)	(71,238)
Contributions collected and revenues restricted for long-term investment	-	(22,082)
Net cash provided by operating activities	<u>1,368,021</u>	<u>2,060,907</u>
Cash flows from investing activities		
Purchases of investments	(343,334)	(1,101,243)
Purchases of property, plant, and equipment	(16,400)	(15,331)
Net cash used in investing activities	<u>(359,734)</u>	<u>(1,116,574)</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	-	22,082
Repayment of debt	(715,000)	(715,000)
Principal payments on finance lease	(293,287)	(251,415)
Net cash used in financing activities	<u>(1,008,287)</u>	<u>(944,333)</u>
Net (decrease) increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	1,911,420	1,953,292

See accompanying notes to the financial statements.

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Notes to the Financial Statements

June 30, 2024 and 2023

1. Organization

WAMU 88.5 FM (the Station or WAMU), is a 24-hour, 50,000-watt public radio station licensed to American University (the University) since 1961. During the year ended June 30, 2024, the Station served 512,700 listeners in Virginia, Maryland, and the District of Columbia with news and talk programming. WAMU is dependent for its continued operations on the financial support of the University.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of WAMU have been reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Station and changes therein are classified and reported as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations. This classification also includes net assets earmarked for board designated endowments.

With donor restrictions – Net assets subject to donor-imposed stipulations that either expire by passage of time, can be fulfilled by actions of the Station pursuant to those stipulations or are subject to donor-imposed stipulations that must be maintained permanently by the Station.

Revenues are reported as increases in net assets without donor restrictions unless restricted by time or purpose. Expenses are reported as decreases in unrestricted net assets.

Contributions are reported as increases in the appropriate category of net assets, except that contributions which impose restrictions that are met in the same year they are received are included in unrestricted revenues. Contributions are classified as unrestricted if their usage is not limited to specific activities of the Station by the contributor. This treatment is consistent with appeals for contributions and pledges. WAMU engages in annual fundraising campaigns, including on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to WAMU for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Revision of Prior Year Cash Flow

In connection with the preparation of the financial statements for the year ended June 30, 2024, the Station identified a cash flow error for its treatment of interest expense for its financing leases as an addback to operating activities and outflow for financing activities in its previously issued June 30,

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2023, financial statements. As a result of the error, for the classification of interest expense, net operating cash provided by and cash used in financing activities were overstated by \$1,953,292. The error had no impact on the previously issued statement of financial position and statement of activities. Management assessed the materiality of this error and concluded it was not material to the previously issued financial statements or disclosures. However, management has revised the prior period to reflect the correction of the error.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially, in the near term, from the amounts reported.

Accounting Pronouncements Adopted

In June 2016, the FASB issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326) to provide financial statements users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments replace the incurred loss impairment methodology in the current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance is effective for fiscal years beginning after December 15, 2022. The station adopted ASU 2016-13 for the fiscal year ended June 30, 2024. There was no material impact on the station's financial statements due to this adoption.

Cash held on deposit by American University

Cash held on deposit with American University represents funds held with the University on behalf of the Station.

Accounts Receivable

Accounts receivable consist primarily of on-air acknowledgments of corporate underwriting and amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts. The Station reviews the individual receivables as well as the history of collectability to determine the collectible amount as of the date of the statement of financial position.

Investments

The Station invests their endowment assets in the American University Pooled Investment fund. See Note 8 for an explanation as to methodology for determining fair value. All realized and unrealized gains and losses from investments of endowment funds are reported as non-operating revenues. Investment return is reported net of management fees.

Station and Studio Improvements and Equipment

Station and studio improvements and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of receipt.

The Station depreciates station and studio improvements and equipment using the straight-line method

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over the estimated useful lives of the assets. Half of one year's depreciation expense is recognized in the year of acquisition. The Station's capitalization policy is to capitalize all fixed assets that have a cost of \$10,000 or more per unit and a useful life of two years or more.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Corporate Underwriting

Corporate Underwriting is an exchange transaction and is recognized as revenue when credits either are aired or delivered digitally (e.g. online, podcasts, etc.). Corporate Underwriting paid in advance of crediting is reflected as contract liabilities until the credits are either aired or delivered digitally.

Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG's) to qualifying public telecommunications entities. CSG's 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. In any event, each CSG must be expended within two years of the initial grant authorization.

Under the Communications Act, funds may be used at the discretion of recipients. WAMU uses these funds for purposes relating primarily to production and acquisition of programming.

The Station considers the CPB grants to be nonreciprocal conditional contributions and recognizes revenues associated with these grants as the related costs are incurred and as conditions are met in accordance with the terms of the grant agreements. The CSG's are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the CSG's to maintain eligibility and compliance requirements. These guidelines pertain to the use of CSG funds, record keeping, financial reporting, and licensee status with the Federal Communications Commission.

Program Grants

The Station receives program grants revenue from various governmental and private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the Station, the funding organization's mission, or the public at large. The Station considers the majority of its grants and contracts from governmental sources and private foundations to be nonreciprocal conditional contributions. The Station recognizes revenues associated with these program grants as the related costs are incurred in accordance with the terms of the grant agreements. Total program grant revenue from contributions of private foundations for the years ended June 30, 2024 and 2023 was \$441,559 and \$550,432, respectively.

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In addition, the Station had remaining available award balances on private conditional grants and contracts for program grants of \$14,124 and \$576,075 for the years ended June 30, 2024 and 2023, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

National Public Radio Licensing Fees

The Station has a distribution agreement with National Public Radio (NPR) which has a revenue share component. The licensing fees from the Station's nationally aired programs, including 1A, are recorded as the shows are aired.

Facilities and Other Income

Facilities and other income include the revenue related to the operations of the Station's broadcast tower. In 2018, the Station acquired the University's broadcast antenna. As part of the asset transfer, the Station is responsible for managing the eight broadcast and cellular tenants as well as capital maintenance of the antenna. Revenue is recognized as tenants use the broadcast tower based on the terms of the contractual agreement.

Indirect Support from American University

The Station reimburses the University for a portion of indirect support that includes facilities and administrative support, based on a predetermined formula, and is allocated among program and supporting services expense in the accompanying statements of activities. Facilities support from the University includes occupancy costs at estimated fair value based on market rental rates for similar occupancy space usage. Administrative support from the University includes allocated services and certain other expenses incurred by the University on behalf of the Station. During the years ended June 30, 2024 and 2023, the Station reimbursed the University \$3.9 million and \$3.8 million, respectively, which has been recorded as expenses and allocated among program and supporting services in the statements of activities.

Donated Goods and Services

Donated goods and services from legal services and underwriting trade agreements are recorded as revenue and expense in the accompanying statements of activities at estimated fair value. At June 30, 2024, the station did not receive any donated legal services, whereas legal services valued at \$2,826 were donated to the station at June 30, 2023.

The University donated a total of \$4.4 million and \$5.5 million in indirect support cost during the years ended June 30, 2024 and 2023, respectively. As described above, the University provides the Station with facilities and administrative support which is allocated to the Station based on a predetermined formula. The indirect support rate applicable to the Station for the years ended June 30, 2024 and 2023 was 36.0% and 38.0%, respectively, and was applied to the Station's allocable operating costs. The total indirect support expenses are allocated among program and supporting services expense in the accompanying statements of activities.

It is the Station's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. Donated vehicles to the Station were valued at \$1.8 million and \$1.5 million at June 30, 2024 and 2023, respectively. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds at their disposition.

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June 30, 2024 and 2023

The following amounts included in expenses relate to donated goods and services (excluding University donated services) for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Programming and production	\$ 21,080	\$ 20,000
Public information and Promotion	22,500	125,704
Management and general	1,781,063	1,557,307
Fundraising and Membership Development	<u>10,000</u>	<u>-</u>
Total donated goods and services	<u>\$ 1,834,643</u>	<u>\$ 1,703,011</u>

Functional Expenses

Costs related to facilities and administrative support and depreciation are allocated between the functional expenses based upon the number of full-time equivalent staff assigned to each function.

Income Taxes

The Station is exempt, as part of the University's exemption granted by the Internal Revenue Service, from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except on activities unrelated to its exempt purpose. Such activities resulted in no net taxable income in the years ended June 30, 2024 and 2023.

3. Liquidity

The Station strategically manages its fiscal assets to ensure adequate liquidity to meet its operating needs and other contractual commitments, while also maximizing the investment of its available funds. In addition to financial assets available to meet general expenditures over the next twelve months, the Station anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2024 and 2023, the following assets could readily be made available within one year to meet general expenditures:

	<u>2024</u>	<u>2023</u>
Cash held on deposit by American University	\$ 15,893,125	\$ 14,738,118
Accounts receivable, net	2,321,462	2,111,052
Contributions receivable, net	<u>30,000</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 18,244,587</u>	<u>\$ 16,849,170</u>

WAMU-FM**(A noncommercial educational FM station owned and operated by American University)****Notes to the Financial Statements****June 30, 2024 and 2023**

4. Accounts Receivable, Net

Accounts receivable, net, at June 30, 2024 and 2023, are as follows:

	2024	2023
Accounts receivable		
Corporate Underwriting	\$ 2,026,829	\$ 1,957,276
Other	308,177	214,912
	<u>2,335,006</u>	<u>2,172,188</u>
Less: allowance for uncollectible accounts	(13,544)	(61,136)
	<u>\$ 2,321,462</u>	<u>\$ 2,111,052</u>

5. Contributions Receivable, Net

As of June 30, 2024 and 2023, unconditional promises to give are as follows:

	2024	2023
Amounts due in:		
Less than one year	\$ 30,000	\$ -
One year to five years	30,000	-
Over five years	-	-
	<u>60,000</u>	<u>-</u>
Less: unamortized discount	(3,417)	-
Less: allowance for doubtful accounts	-	-
	<u>\$ 56,583</u>	<u>\$ -</u>

Contributions receivable over one year are discounted at 4.0%. New contributions received during the year ended June 30, 2024, were assigned a discount rate commensurate with the market and credit risk involved.

The Station also received bequest intentions and conditional promises to give of \$623 thousand and \$1.6 million during the years ended June 30, 2024 and 2023, respectively. These intentions to give are not recognized as assets. If the bequests are received, they will generally be restricted for specific purposes stipulated by the donors or general operating support. Conditional promises to give are recognized as contributions when the donor-imposed conditions are substantially met.

6. Station and Studio Improvements, and Equipment

Station and studio improvements, and equipment and related accumulated depreciation at June 30, 2024 and 2023, are as follows:

	2024	2023
Station and Studio Equipment	\$ 16,979,712	\$ 16,979,712
Other Equipment	5,949,225	5,932,825
	<u>22,928,937</u>	<u>22,912,537</u>
Accumulated depreciation	(8,938,649)	(8,229,041)
	<u>\$ 13,990,288</u>	<u>\$ 14,683,496</u>

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Depreciation expenses during the years ended June 30, 2024, and 2023 were \$709,608 and \$750,748, respectively.

7. Leases

In June of 2012, the Station signed a 20-year finance lease with American University at 4401 Connecticut Ave NW, Washington, DC 20016. WAMU's media center spans five floors and includes studio and broadcast space on all but one floor. The building is home to WAMU's talk shows – 1A and The Politics Hour. The community focused lower level includes a theater and a large open space with stage and a full kitchen for catered events. This finance lease had a weighted average discount rate of 1.29% and a weighted average remaining term of 7.83 years as of June 30, 2024.

The total cost of finance leases consists of the following for the year ended June 30, 2024:

Amortization of finance lease assets	\$ 250,626
Interest on finance lease liabilities	<u>1,911,420</u>
	<u>\$ 2,162,046</u>

The total future minimum lease payments are as follows:

Years ending June 30:

2025	\$ 2,204,707
2026	2,204,707
2027	2,204,707
2028	2,204,707
2029	2,204,707
Thereafter	<u>6,246,670</u>
	<u>\$ 17,270,205</u>

Less: Amount representing interest	4,920,580
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Present value of net minimum lease payments	<u>\$ 12,349,625</u>
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The guaranteed residual value under the lease is \$7,537,562. There were no rental expenses for the fiscal year ended June 30, 2024, whereas the rental expenses for the year ended June 30, 2023, were \$2,996.

8. Fair Value Measurements

The Station determines fair value in accordance with fair value measurement accounting standards. These standards establish a framework for measuring fair value, a fair value hierarchy based on the observability of inputs used to measure fair value, and disclosure requirements for fair value measurements. Financial assets and liabilities are classified and disclosed in one of the following three categories based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

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Level 2: Inputs other than Level 1, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Assets and Liabilities Measured at Fair Value

The following table displays the carrying value and estimated fair value of the Stations' financial instrument as of June 30, 2024:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of June 30, 2024
Assets				
Investments				
American University Endowment Fund	\$ -	\$ -	\$ 3,796,541	\$ 3,796,541
American University Annuity Fund	-	-	78,221	78,221
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,874,762</u>	<u>\$ 3,874,762</u>

The following table displays the carrying value and estimated fair value of the Stations' financial instrument as of June 30, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of June 30, 2023
Assets				
Investments				
American University Endowment Fund	\$ -	\$ -	\$ 3,234,223	\$ 3,234,223
American University Annuity Fund	-	-	77,471	77,471
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,311,694</u>	<u>\$ 3,311,694</u>

As the Station only invests in the American University Endowment and Annuity Funds which have no active market, the assets are classified as Level 3.

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Changes in Level 3 Assets

The following tables are a roll-forward of the statement of financial position amounts for financial instruments classified by the Station within Level 3 of the fair value hierarchy defined above for the years ended June 30, 2024 and 2023:

	2024	2023
Beginning Balance at July 1st	\$ 3,311,694	\$ 1,991,273
Total gains or losses (realized/unrealized) included in earnings	219,734	219,178
Purchases, issuances, sales and settlements		
Purchases	343,334	1,101,243
Issuances	-	-
Sales	-	-
Settlements	-	-
Transfers into Level 3	-	-
Transfers out of level 3	-	-
Ending Balance at June 30th	<u>\$ 3,874,762</u>	<u>\$ 3,311,694</u>
Total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at period end	<u>\$ 271,669</u>	<u>\$ 161,891</u>

Transfers into and out of Level 3 are typically the result of a change in the availability and the ability to observe market data which is considered a significant valuation input required by various models. Generally, as markets evolve, the data required to support valuations becomes more widely available and observable. There were no transfers into or out of Level 3 as of June 30, 2024 and 2023.

9. Endowments

The Station has five endowments established to provide support for the operations of the Station. These endowments are invested in the American University pooled endowment funds. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees of American University to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Permanently Restricted Net Assets – Interpretation of Relevant Law

The Station relies on the Board of Trustees of American University to govern its endowed funds. The Board of Trustees of American University has interpreted the District of Columbia enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies net assets with donor restrictions (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument

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at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified in net assets with donor restrictions is classified as net assets with donor restriction until purpose and timing restrictions are met and amounts are appropriated for expenditure by the Board of Trustees of American University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, American University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University 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 the University
- (7) The investment policies of the University

The endowment net assets composition by type of fund at June 30, 2024 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 167,069	\$ 167,069
Board-designated endowment funds	3,626,729	-	3,626,729
Total endowment funds	<u>\$ 3,626,729</u>	<u>\$ 167,069</u>	<u>\$ 3,793,798</u>

The endowment net assets composition by type of fund at June 30, 2023 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 155,836	\$ 155,836
Board-designated endowment funds	3,075,809	-	3,075,809
Total endowment funds	<u>\$ 3,075,809</u>	<u>\$ 155,836</u>	<u>\$ 3,231,645</u>

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The changes in endowment net assets for the year ended June 30, 2024 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2023	\$ 3,075,809	\$ 155,836	3,231,645
Investment return:			
Net appreciation on investments	291,625	11,233	302,858
Investment Net Income	48,940	-	48,940
Total investment return	340,565	11,233	351,798
Contributions to endowment	343,333	-	343,333
Appropriation of endowment assets for expenditure	(132,978)	-	(132,978)
Endowment net assets, June 30, 2024	\$ 3,626,729	\$ 167,069	\$ 3,793,798

The changes in endowment net assets for the year ended June 30, 2023 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2022	\$ 1,815,534	\$ 147,937	1,963,471
Investment return:			
Net appreciation on investments	218,747	7,899	226,646
Investment Net Income	32,975	-	32,975
Total investment return	251,722	7,899	259,621
Contributions to endowment	1,101,242	-	1,101,242
Appropriation of endowment assets for expenditure	(92,689)	-	(92,689)
Endowment net assets, June 30, 2023	\$ 3,075,809	\$ 155,836	\$ 3,231,645

Return Objectives, Risk Parameters, and Strategies

American University's objective is to earn a predictable, long-term, risk-adjusted total rate of return to support the designated programs. The University recognizes and accepts that pursuing such a rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The University has established a policy portfolio, or normal asset allocation. The University 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. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon

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long-term expected returns.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As a dependent of the University, the Station abides by the spending policies and investment objectives adopted by American University. American University has a policy of appropriating for distribution each year, 5% of the endowment fund's average fair value calculated on an annual basis over the preceding three fiscal years. As part of the pooled endowment fund, the Station received its first distribution in 2014. In establishing this policy, the University considers the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to provide additional real growth through new gifts and investment return.

10. Commitments and Contingencies

In fiscal year 2013, the Station entered into a loan agreement with American University to borrow \$6.25 million dollars to help fund the leasehold improvements at 4401 Connecticut Avenue. As of June 30, 2024, \$2.1 million of the loan was outstanding. The balance is due in full April 30, 2027 and carries a zero percent interest rate.

11. Net Assets

The Station had net assets with donor restrictions related to time or purpose of \$243,650 and \$54,304 as of June 30, 2024 and 2023, respectively, consisting of unspent contributions and related investment income. Net assets with donor restrictions in perpetuity were \$127,082 and \$127,082 as of June 30, 2024 and 2023, respectively.

12. Expenses

Expenses incurred for the year ended June 30, 2024 were:

	Programming and Production	Broadcasting	Public Information and Promotion	Management and General	Fundraising and Membership Development	Total
Salaries, wages, and benefits	\$ 6,491,401	\$ 2,489,091	\$ 310,508	\$ 1,960,751	\$ 1,692,148	\$ 12,943,899
Production costs	5,612,743	1,897,250	361,978	1,365,187	4,666,424	13,903,582
National Public Radio dues	2,650,989	-	-	-	-	2,650,989
Travel	42,620	93	226	5,320	374	48,633
Telecommunications	1,578	120,712	-	-	-	122,290
Facilities and administrative	51,984	88,366	1,248	1,859,653	60,249	2,061,500
Printing	-	3,316	1,575	2,318	120,385	127,594
Professional services	116,208	700	200	69,680	-	186,788
Supplies	18,256	113,127	125,045	223,781	239,323	719,532
Postage	193	1,044	43	293	43,340	44,913
Telemarketing	-	-	-	-	25,387	25,387
Subtotals	\$ 14,985,972	\$ 4,713,699	\$ 800,823	\$ 5,486,983	\$ 6,847,630	\$ 32,835,107
Depreciation	549,409	107,992	44,349	151,089	107,395	960,234
Donated legal and other services	21,080	-	22,500	10,000	10,000	63,580
Total	\$ 15,556,461	\$ 4,821,691	\$ 867,672	\$ 5,648,072	\$ 6,965,025	\$ 33,858,921

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For the year ended June 30, 2023, expenses were incurred for:

	Programming and Production	Broadcasting	Public Information and Promotion	Management and General	Fundraising and Membership Development	Total
Salaries, wages, and benefits	\$ 7,208,970	\$ 2,530,077	\$ 355,767	\$ 1,708,724	\$ 1,496,955	\$ 13,300,493
Production costs	5,994,166	2,408,297	323,578	1,588,974	4,884,375	15,199,390
National Public Radio dues	2,577,646	-	-	-	-	2,577,646
Travel	93,704	1,202	305	5,457	5,854	106,522
Telecommunications	1,862	80,471	-	-	-	82,333
Facilities and administrative	46,117	6,873	-	1,871,167	128,947	2,053,104
Printing	25,337	112,484	2,957	11,705	350,434	502,917
Professional services	290,269	-	36,933	6,049	-	333,251
Supplies	56,133	252,388	147,900	273,474	186,111	916,006
Postage	884	2,039	677	1,078	248,222	252,900
Telemarketing	-	-	-	-	26,166	26,166
Subtotals	\$ 16,295,088	\$ 5,393,831	\$ 868,117	\$ 5,466,628	\$ 7,327,064	\$ 35,350,728
Depreciation	526,002	193,691	44,016	119,766	117,899	1,001,374
Donated legal and other services	20,000	-	125,704	11,256	-	156,960
Total	\$ 16,841,090	\$ 5,587,522	\$ 1,037,837	\$ 5,597,650	\$ 7,444,963	\$ 36,509,062

13. Subsequent Events

The Station has performed an evaluation of subsequent events through February 5, 2025, which is the date the financial statements were available to be issued. No events were noted which would affect the financial statements as of June 30, 2024.