

WRTU-FM
UNIVERSIDAD DE PUERTO RICO
(A Public Telecommunication Entity Operated by
The University of Puerto Rico)

FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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Independent Auditor's Report

To the Governing Board of WRTU - FM
Radio Universidad de Puerto Rico
University of Puerto Rico

Opinion

I have audited the financial statement of the WRTU-FM Radio Universidad de Puerto Rico (the Station), (A Public Telecommunication Entity Operated by the University of Puerto Rico or University), which comprise the Statements of Net Position as of June 30, 2023 and 2022, and the related statement of Revenues, Expenses and Change In Net Position and Statements of Cash Flows for the year 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 WRTU-FM Radio Universidad de Puerto Rico, as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the year 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 (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 independent of WRTU-FM Radio Universidad de Puerto Rico and have fulfilled 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 these 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 WRTU-FM Radio Universidad de Puerto Rico ability to continue as a going concern within one year after the date that the financial statements are 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 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 collusions, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an Audit in accordance with GAAS, we:

- Use professional judgment and exercise 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 WRTU-FM Radio Universidad de Puerto Rico 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WRTU-FM Radio Universidad de Puerto Rico ability to continue as a going concern within one year after the date that the financial statements are issued.

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 internal control related matters identified during our audit.

Uncertainty about Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Station and the University will continue as a going concern. As discussed in Note 6 to the financial statements, the University is highly dependent on the Commonwealth of Puerto Rico (the Commonwealth) appropriations to finance its operations. Similarly, the Station is highly dependent on University appropriation to finance operations. The financial difficulties experienced by the Commonwealth, including the uncertainty as to its ability to fully satisfy its obligations, raises substantial doubt about the University's ability to continue as a going concern. Accordingly, the economic situation that is affecting the Commonwealth, is also affecting the University and therefore the Station. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. My opinion is not modified with respect this matter.

The latest audited and issued financial statements from the Commonwealth and the University, have included information related about both entities ability to continue as a going concern.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on page 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic

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financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

United States, which consisted of inquires of management about the method of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements. I 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.

Emphasis of Matters

As discussed in note 1, the financial statements present only the WRTU-FM Radio Universidad de Puerto Rico and do not purport to, and do not present fairly the financial position of the University of Puerto Rico, 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. My opinion is not modified with respect to this matter.

Joel I. González Aponte
JOEL I. GONZALEZ APONTE, CPA
Lic. 5819
Expira 12/1/2026

San Juan, Puerto Rico
January 9, 2024



Management Discussion and Analysis (Unaudited)

Introduction

This section of the financial report of the WRTU-FM Radio Universidad de Puerto Rico (hereinafter the "Station") presents an overview of the financial position and financial activities for the years ended June 30, 2023, 2022 and 2021. This discussion and analysis was prepared by the Station's management and should be read in conjunction with the financial statements of the Station, including the notes thereto.

WRTU-FM, a network of two public radio stations located in San Juan and Mayaguez, Puerto Rico recognized as the Station, is licensed by the Federal Communications Commission (FCC) and operates under control of the Regents of the University of Puerto Rico (hereinafter the "University") through the Rio Piedras Campus. The Station started its operation in 1980 and is attached to the School of Public Communications of the Rio Piedras Campus of the University.

The Station offers a program aimed to the independent listener, which embraces diversity and rejects the banal approach of commercial radio. Our musical spaces covering indigenous expressions from all over the world, from the most deeply rooted in tradition and folklore to the most sophisticated and trendy. The Station coexists within the typical Puerto Rican music, the Arab, African and Brazilian music, jazz, classical music, tango, bolero, nova trova, rock and hip-hop. Our programs are produced and conducted by experts in their respective fields, who combine their skillful musical selection with accurate and insightful comments. In addition, as a university radio station we are set to serve in the School of Communication in the Rio Piedras Campus of the University of Puerto Rico and offer our facility as a center of professional practice for future communications.

The Station is the only station in Puerto Rico where you can hear a Beethoven symphony, a number of "salsa dura" of the 70's, an Argentina milonga through electronic textures, the opening of a Hollywood epic, a choir singing a song from J.S. Bach with jazz phrasing, and a bolero if Sylvia Rexach combined with plena. It is originality, vanguardism, and experimentation.

Its main studios are located in Puerto Rico, the Station comprises: WRTU-FM – San Juan (89.7FM) and WRUO-FM – Mayaguez (88.3FM). The Station can reach about 3 millions inhabitants, can be heard live via internet, and much of its programming has been recognized for its cultural caliber.

The Station is an active member of National Federation of Community Broadcasters, African American Public Radio Consortium and American Public Media.

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Management Discussion and Analysis (Unaudited)

The Counselor of the Rio Piedras Campus of the University is the license holder of the FCC. In compliance with the requirements of the FCC, the University has established a Steering Committee, which serves as the Board of Directors. This Committee is appointed by the Chancellor of the Rio Piedras Campus and consists of thirteen members.

The Station, being part of the University, is exempt from the payment of income, property and other municipal taxes; and its operations are included in the financial statements of the University.

The following discussion presents an overview of the financial position and financial activities of the Station for the years ended June 30, 2023, 2022 and 2021. The discussion and analysis was prepared by the Station's management and should be read in conjunction with the basic financial statements of the Station, including the notes thereto.

Overview of the Basic Financial Statements

This discussion and analysis is required supplementary information to the basic financial statements of the Station and is intended to serve as introduction to the basic financial statements of the Station. The basic financial statements present information about the Station as a primary government.

The accounting and reporting policies of the Station conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

For financial reporting purposes, the University, and therefore the Station, is considered a special purpose government agency engaged only in business type activities, as defined by GASB Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis for accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The basic financial statements of the Station include the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Basic Financial Statements.

Management Discussion and Analysis (Unaudited)

Statement of Net Position – This statement presents information on all the Station's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Station's net position may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position – This statement presents information showing how the Station's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The purpose of this statement is to present the revenue earned, both operating and non-operating, and the expenses paid and accrued and any other revenues, expenses, gains and losses earned or spent by the Station during the reporting periods.

Statement of Cash Flows – This statement shows changes in cash and cash equivalents, resulting from operating, non-capital and capital financing and investing activities, which include cash receipts and cash disbursements information.

Notes to the Basic Financial Statements – The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Financial Highlights

As of June 30, 2023, the Station has total assets of \$1,633,784 (\$1,555,497 in 2022 and \$1,648,685 in 2021), total liabilities of \$730,904 (\$679,432 in 2022 and \$781,652 in 2021) and net position of \$902,880 (\$876,065 in 2022 and \$867,033 in 2021). The Station's net position increased \$26,815 in 2023 when compared to prior year. The reason for this change is detail in the statements of revenues, expenses and changes in net position.

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Management Discussion and Analysis (Unaudited)

Condensed financial statements for the Station as of and for the years ended June 30, 2023, 2022 and 2021, follows:

Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$ 1,057,929	\$ 1,016,120	\$ 1,130,158
Noncurrent Assets	<u>575,855</u>	<u>539,377</u>	<u>518,527</u>
 Total Assets	 <u>1,633,784</u>	 <u>1,555,497</u>	 <u>1,648,685</u>
 Current Liabilities	 <u>730,904</u>	 <u>679,432</u>	 <u>781,652</u>
 Net Position			
Net investment in capital assets	575,855	539,377	518,527
Unrestricted	<u>327,025</u>	<u>336,688</u>	<u>348,506</u>
 Total net position	 <u>\$ 902,880</u>	 <u>\$ 876,065</u>	 <u>\$ 867,033</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 334,685	\$ 404,196	\$ 257,602
Operating expenses	<u>1,161,395</u>	<u>1,423,081</u>	<u>1,429,724</u>
Operating loss	(826,710)	(1,018,885)	(1,172,122)
Non-operating revenues	<u>853,525</u>	<u>1,027,917</u>	<u>1,257,408</u>
Changes in net position	26,815	9,032	85,286
Net position, at beginning	<u>876,065</u>	<u>867,033</u>	<u>781,747</u>
Net position, at end	<u>\$ 902,880</u>	<u>\$ 876,065</u>	<u>\$ 867,033</u>

Management Discussion and Analysis (Unaudited)

Analysis of Net Position and Changes in Net Position

Total assets amounted to \$1,633,784, \$1,555,497 and \$1,648,685 as of June 30, 2023, 2022 and 2021, respectively. Total assets increased by \$78,287 or 5.03% in 2023, decreased \$93,188 or 5.65% in 2022 and increased by \$243,702 or 17.3% in 2021, when compared with the prior year. Current assets consist mainly of cash with the University of Puerto Rico. As of June 30, 2023, 2022 and 2021, the current assets amounted to \$1,057,929, \$1,016,120 and \$1,130,158, respectively. In 2023, the Station's cash with the University of Puerto Rico increase by \$41,809 or 4.11%, when compared with prior year.

Capital assets increase by \$36,478 in 2023 or 6.76% from \$539,377 in 2022 to \$575,855 in 2023. The change of \$36,478 was principally caused by net assets acquisitions of \$57,674 less the depreciation expense of \$21,196.

Total liabilities amounted to \$730,904, \$679,432 and \$781,652, as of June 30, 2023, 2022 and 2021, respectively. In 2023, the liabilities increased by \$51,472 or 7.58%, when compared with the prior year balance. In 2022 the liabilities decrease by \$102,220 or 13.08%, when compared with prior year balance. The liabilities consist of accounts payable, compensated absences and deferred revenues.

Net position represents the residual interest in the Station's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position amounted to \$902,880, \$876,065, and \$867,033, as of June 30, 2023, 2022 and 2021, respectively. The major classifications in net positions are net investment in capital assets and unrestricted. Net investment in capital assets consists of the Station's capital assets less accumulated depreciation. Unrestricted net position is the net position amount of the assets, liabilities that are not included in the determination of the net investment in capital assets or restricted components of net position.

Total operating revenues amounted to \$334,685, \$404,196 and \$257,602 for the years ended June 30, 2023, 2022 and 2021, respectively. The operating revenues mainly consist of funds received from the Corporation of Public Broadcasting and recording as revenue; the balance not recognized as revenue is recorded as deferred revenue. The remainder consists of program underwriting, fees for services, and other contributions or donations received for the operations.

Total non-operating revenues amounted to \$853,525, \$1,027,917 and \$1,257,408 for the years ended June 30, 2023, 2022 and 2021, respectively. The principal source of non-operating revenues is the appropriations from the University of Puerto Rico.

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Management Discussion and Analysis (Unaudited)

Total operating expenses amounted to \$1,161,395, \$1,423,081 and \$1,429,724 for the years ended June 30, 2023, 2022 and 2021, respectively. These figures show a decrease of \$6,643 or .46% and increase of \$305,845 or 27.2% in 2022 and 2021, respectively.

Capital Assets

Capital assets are comprised of transmission antenna, tower, studio, broadcast and other equipment. The capital assets were decrease by depreciation expense of \$21,196 and \$15,420 in 2023 and 2022, respectively. Refer to note 2 to financial statements for further information regarding the station's capital assets.

Going Concern

The Station is highly dependent of the University appropriations to finance its activities. Also, the University is highly dependent of the Commonwealth appropriations to finance its operations. The Commonwealth is in the midst of a fiscal, economic and liquidity crisis, an economic recession (since 2006), a population decline, and high levels of debt and pension related obligations. The fiscal and economic crisis that the Commonwealth has gone through for the past seventeen years has financially affected the University, and therefore the Station.

GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, establishes that the continuation of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions. Indicators such as negative trends in operating losses and negative cash flows, possible financial difficulties such as nonpayment or default of debt and/or restructurings or noncompliance with capital or reserve requirements, and internal or external matters impacting the governmental entity's ability to meet its obligations as they become due, are factors that are considered in this evaluation.

Management Discussion and Analysis (Unaudited)

The University faces significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they become due. The risks and uncertainties facing the University together with other factors further described below, have led management to conclude that there is substantial doubt as to the ability of the University to continue as a going concern in accordance with GASB Statement No. 56.

The management of the Station has no control in making decisions about these financial situations. The Station depends substantially on the decisions of the University. In the way that Commonwealth's contributions for the University decrease, also the contributions for the Station is reduced. This financial situation keeps the University and Station in one of uncertainty.

The latest audited financial statements of the University as of June 30, 2022, include notes on their ability to continue as a going concern.

Request for Information

This financial report is designed to provide a general overview of the Station's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, **WRTU-FM Radio Universidad de Puerto Rico**, PO Box 21305, San Juan, PR 00931-1305.

WRTU-FM
RADIO UNIVERSIDAD DE PUERTO RICO
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STATEMENTS OF NET POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash with the University of Puerto Rico		
CPB Funds	\$ 769,526	\$ 716,788
Others	288,403	299,332
Total current assets	1,057,959	1,016,120
Capital assets, net	<u>575,855</u>	<u>539,377</u>
Total assets	<u>\$ 1,633,784</u>	<u>\$ 1,555,497</u>
Current Liabilities		
Accounts payable	14,434	17,968
Compensated absences	286,001	286,971
Deferred revenue- CPB Funds	430,469	374,493
Total Liabilities	<u>730,904</u>	<u>679,432</u>
Net position		
Net investment in capital assets	575,855	539,377
Unrestricted	<u>327,025</u>	<u>336,688</u>
Total net position	<u>902,880</u>	<u>876,065</u>
Total liabilities and net position	<u>\$ 1,633,784</u>	<u>\$ 1,555,497</u>

See accompanying notes to financial statements.

WRTU-FM
RADIO UNIVERSIDAD DE PUERTO RICO
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STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Corporation of Public Broadcasting grants	\$ 205,903	\$ 267,346
Program underwriting	87,187	335
Fees for services	19,015	14,369
Contributions support	22,580	122,146
	<u>334,685</u>	<u>404,196</u>
Operating Expenses		
Program Services		
Programming and Local Production	411,611	561,951
Broad casting	182,390	264,390
Program Information	64,927	82,869
	<u>658,928</u>	<u>909,210</u>
Management and General	450,466	444,992
Fundraising	30,805	53,459
Depreciation	21,196	15,420
	<u>502,467</u>	<u>513,871</u>
Total Operating Expenses	<u>1,161,395</u>	<u>1,423,081</u>
Operating loss	<u>(826,710)</u>	<u>(1,018,885)</u>
Appropriations from the University of Puerto Rico	853,525	1,027,917
	<u>853,525</u>	<u>1,027,917</u>
Change in Net Position	26,815	9,032
Net Position, beginning of year	<u>876,065</u>	<u>867,033</u>
Net Position, end of year	<u>\$ 902,880</u>	<u>\$ 876,065</u>

See accompanying notes to financial statements.

WRTU-FM
RADIO UNIVERSIDAD DE PUERTO RICO
(A Public Telecommunication Entity Operated by the University of Puerto Rico)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Corporation of Public Broadcasting grants	\$ 203,311	\$ 189,838
Program underwriting and fees for services	106,202	14,704
Contributions support	22,580	122,146
Payments to employees and benefits	(835,525)	(1,079,498)
Payments to suppliers	(250,610)	(352,875)
Net cash used in operating activities	<u>(754,042)</u>	<u>(1,105,685)</u>
Cash Flows from Noncapital Financing Activities:		
General appropriations from the University of Puerto Rico	853,525	1,027,917
Net cash provided by noncapital financing activities	<u>853,525</u>	<u>1,027,917</u>
Cash Flows from Capital and Related Financing Activities		
Net cash used to acquisitions of capital assets	<u>(57,674)</u>	<u>(36,270)</u>
Net Change in Cash	41,809	(114,038)
Cash beginning of the year	<u>1,016,120</u>	<u>1,130,158</u>
Cash at end of year	<u>\$ 1,057,929</u>	<u>\$ 1,016,120</u>
Reconciliation of operating loss to net cash use in operating activities		
Operating loss	\$ (826,710)	\$ (1,018,885)
Adjustments reconcile operating loss to net cash used in operating activities:		
Depreciation	21,196	15,420
Increase (decrease) in account payable, accruals and deferred revenues	51,472	(102,220)
Total adjustments	<u>72,668</u>	<u>(86,800)</u>
Net cash used in operating activities	<u>\$ (754,042)</u>	<u>\$ (1,105,685)</u>

See accompanying notes to financial statements.

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RADIO UNIVERSIDAD DE PUERTO RICO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Reporting Entity

WRTU-FM University de Puerto Rico (hereinafter the "Station") is a public telecommunications entity licensed by the Federal Communications Commission and operated by the University of Puerto Rico, Rio Piedras Campus (hereinafter the "University") through its Center for the Development and Improvement of Education (CEDME), which responds to the Deanship of Academic Affairs since 1980.

The University is a public corporation of the Commonwealth of Puerto Rico (the Commonwealth) governed by fourteen-member Governing Board, of which eight members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth and a member of the Puerto Rico Fiscal Agency and Financial Advisory Authority become ex-officio members of the Governing Board. The Governor appointed the original members for a term of six years. The terms for the students and professors are one year.

Collectively known as Cadena Radio Universidad de Puerto Rico, this network of two public radio stations includes WRTU-FM-San Juan (89.7 FM), and WRUO-FM-Mayaguez (88.3 FM).

The Station operates with funding sources through appropriations from the University of Puerto Rico, grants from the Corporation for Public Broadcasting (CPB), a private, non-profit corporation that provides funding for public radio and television, and funds internally generated.

The University is exempt from the payment of taxes on its revenues and properties. Accordingly, the Station also is exempt of income, property, and other taxes.

The following is a summary of the significant accounting policies followed by the Station:

Basis of Presentation

The Station has established its financial activities as business-type. Business-type activities are used to account for operations that are financed and operated in a manner similar to private business enterprise. Costs of providing goods and services to the general public on continuing basis, including depreciation, are financed or recovered primarily through user charges.

The business-type activities account for resources devoted to finance the general services that the Station provides to the general public. Contributions from the University of Puerto Rico and contributions from the Corporation for Public Broadcasting and other sources of revenue, used to finance the operations of the Station, are also included.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)

Measurement Focus and Basis of Accounting

The accounting and reporting policies of the Station conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities as prescribed by Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the University and the Station are considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, Basis Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principle in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

All capital expenditures of \$5,000 (\$1,000 before July 1, 2014) or more and having a useful life of two or more years are capitalized at costs at the date of acquisition. Donated assets are recorded at estimated fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets, whichever is shorter, generally 5 to 20 years for equipment and software. Renovations to buildings and other assets that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense been incurred.

Impairment of Capital Assets

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Station should be reported at the lower of carrying value or fair value. No impairment charges were recorded during the years ended June 30,2023 and 2022.

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)

Classification of Net Position

The Station's net position is classified as follow:

Invested in capital assets, net of related debt consists of the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position consists the resources that the Station is legally or contractually obligated to spend in accordance with restriction imposed by external third parties.

Unrestricted net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debts." The unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees; they are available for use at the discretion of the governing board, to meet current expenses for any purpose.

Compensated Absences

The vacation policy of the University generally provides for the accumulation of 2.5 days per month. Unpaid vacation time accumulated is fully vested to the employees from the first day of work up to a maximum of 60 days. Employees accumulate sick leave generally at a rate of 1.5 days per month up to a maximum of 90 days. Upon retirement, an employee receives compensation for all accumulated unpaid vacation leave at the current rate, regardless of years of service; and for all accumulated unpaid sick if the employee has at least 10 years of service with the University

Classification of Revenues

The Station has classified its revenues as either operating or non-operating revenues. Operating revenue include activities that have the characteristics of exchange transactions such as activities that results from providing services and production and delivering goods and/or services, most federal, state and local grants and contractors.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gift and contributions, grants and other revenue sources that are defined as no-operating revenues, such as state appropriations, investment income and gifts.

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)

Gifts and Pledges

Pledges of financial support from organizations and individuals representing unconditional promise to give are recognized in the financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such promises, revenue is recognized when the gift is received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

Governmental Contributions

Governmental contributions are recorded in the year in which the funds are available to the Station. When their use is restricted for the acquisition or construction of capital assets and related activities, they are recorded as capital contribution.

The primary sources of income of the Station consist of appropriations from the University. Appropriations from the Commonwealth are the principal source of revenues of the University and are supported by Act No. 2 of January 20, 1966, as amended. Unused resources are reassigned to other components of the University.

Grants and Contracts

The Station has been awarded grants and contracts for which the funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the financial statements but represent commitments of sponsors to provide funds for specific purpose. For grants that have allowable cost provisions, the revenue will be recognized as the work is completed and for grants without either of the above requirements, the revenue is recognized as it is received.

The Corporation of Public Broadcasting (CPB) provides Community Services Grant (CSG) to the Station to enhance the quality of programming and expand the scope of public broadcasting services. According to the Community Act, funds may be used at the discretion of recipients for purpose relating primarily to production and acquisition of programming. Also, the may be used to sustain activities begun with the CSG 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 the compliance requirements. The General Provision pertains to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee statues with the Federal Communications Commission.

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)

Contributions

For the year ended June 30, 2023, contributions represent principally donated facilities (office and studio space at occupancy value) and administrative support, totaling \$149,695 (\$163,646 in 2022). The University's administrative support, of \$68,282 (\$82,233 in 2022), equal eight percent of the University's appropriations. The occupancy value of \$81,413, annually, has been determined by dividing the cost of the building of \$3,663,592 by its 45-year useful life.

Pension

Pension cost in the University's financial statements is recognized and disclosed using the accrual basis of accounting. The University recognizes a net pension liability for its qualified pension plan, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the University's prior year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees, in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Employer's contributions made after the measurement date are recorded as a deferred outflow of resources.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information of the fiduciary net position of the University of Puerto Rico Retirement System and additions to/deductions from the employees pension plan's fiduciary net position have been determined on the same basis as they are reported by the University of Puerto Rico Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

For purpose of the Station's financial statements, the pension costs recognized is equal to the statutory or contractually required contributions, with a liability recorded for any unpaid required contributions.

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NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)

Postemployment Benefits Other than Pensions

Other postemployment benefits (OPEB) are measured and disclosed using the accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

Concentration of Credit Risk

The cash of the Station are under the control and custody of the University. All the operating cash of the University of Puerto Rico (including the cash assigned to the Station) is pooled into one bank account. Cash balances by funds represent the cash that is allocated to each fund of the University. Custodial credit risk related to deposits is the risk that in the event of a financial institution failure, the University's deposits might not be recovered. The University is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico (Department of Treasury). Also, the University deposits are maintained in separate bank accounts in the name of the University. Such authorized depositories collateralize the amount deposited in excess of federal depository insurance of \$250,000 with securities that are pledged with the Department of the Treasury.

Statement of Cash Flows

The accompanying statement of cash flows is presented in accordance with the provisions of GASB Statement No. 9, as amended, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". For purposes of reporting cash flows, cash includes cash and cash with the University of Puerto Rico.

Risk Management

The Station is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters and other losses. Commercial insurance coverage is obtained for claims arising from such matters. The commercial insurance coverage is negotiated and paid by the University.

Date of Management's review

The Station has evaluated events and transactions for potential recognition or disclosures through January 9, 2024, the date the financial statements were available for issuance.

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NOTES 2 - CAPITAL ASSETS

Changes in the Station's capital assets for the year ended June 30, 2023 is as follows:

	Beginning Balance June 30, 2022	Additions (Dispositions)	Ending Balance June 30, 2023
Capital Assets being depreciated:			
Transmission antenna and tower	\$ 266,228	\$ -	\$ 266,228
Studio, broadcast and other equipment	1,048,970	(77,621)	971,349
	1,315,198	(77,621)	1,237,577
Accumulated depreciation	(775,821)	114,099	(661,722)
	<u>\$ 539,377</u>	<u>\$ 36,478</u>	<u>\$ 575,855</u>

Changes in the Station's capital assets for the year ended June 30, 2022 is as follows:

	Beginning Balance June 30, 2021	Additions	Ending Balance June 30, 2022
Capital Assets being depreciated:			
Transmission antenna and tower	\$ 266,228	\$ -	\$ 266,228
Studio, broadcast and other equipment	1,012,700	36,270	1,048,970
	1,278,928	36,270	1,315,198
Accumulated depreciation	(760,401)	(15,420)	(775,821)
	<u>\$ 518,527</u>	<u>\$ (20,850)</u>	<u>\$ 539,377</u>

NOTE 3 - UNIVERSITY OF PUERTO RICO RETIREMENT SYSTEM

The University of Puerto Rico Retirement System (the System) is a single-employer, defined benefit pension plan that covers all employees of the University of Puerto Rico (including the employees of the Station) with the exception of hourly, temporary, part-time, contract and substitute employees, and visiting professors. It is qualified and exempt from Puerto Rico and United States income taxes.

The System is not subject to the requirements of the Employees Retirement Income Security Act of 1974 (ERISA). The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the University of Puerto Rico Retirement System at P.O. Box 21769, San Juan, Puerto Rico 00931-1769 or at www.retiro.upr.edu.

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NOTE 3 - UNIVERSITY OF PUERTO RICO RETIREMENT SYSTEM (CONTINUED)

The benefits provided to members of the Retirement System are established by the Governing Board of the University (the Governing Board). Directions of the Governing Board are communicated through a document named "Certification". Benefit provisions vary depending on the date of membership. The responsibility for the proper operation and administration of the Retirement System is vested on the Governing Board which then assigns duty to its Financial Affairs and Retirement System Committee. Decisions are made by the Governing Board upon recommendation of its Financial Affairs and Retirement System Committee.

The Trust of the University Retirement System is a "de facto trust" since 1945. In July 2016, the University filed the Deed of Confirmation and Acknowledgment of Trust of the University Retirement System in which the University as the Original Settlor and the University through its Governing Board as the Original Trustee hereby confirm, restate and acknowledge the inception of the Pension Plan and its Trust Fund in accordance to the provisions of the laws of the Commonwealth of Puerto Rico, specifically, the provisions of Act No. 219-2012.

The System provides retirement, disability and death benefits to participants and beneficiaries. Participants are entitled to annual retirement benefits at any age after 30 years of service; or at age 58 after 10 years of service; or at age 55 after 25 years of service. No cost-of-living adjustments have been granted by the Governing Board since July 1, 2007. The amount of the service retirement annuity is based on the applicable retirement formula, as defined.

If a participant terminates after rendering 10 years of service, and does not withdraw his contributions, the participant receives a retirement annuity payable beginning at age 60 based on the applicable retirement benefit formula.

If a participant terminates before rendering 10 years of service, the right to receive a portion of his accumulated plan benefits attributable to the University's contributions is forfeited. However, the employee is entitled to receive, in a lump-sum payment, the value of his accumulated contributions. Refund of a participant's own contributions may also be obtained after 10 years of service, but the vested benefit is lost.

The contributions requirements of participants and the University are established and may be amended by the Governing Board. Plan members are required to contribute from 7% to 11 % of their compensation annual covered salary up to certain specified amounts, as defined.

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NOTE 3 - UNIVERSITY OF PUERTO RICO RETIREMENT SYSTEM (CONTINUED)

Contribution rates to the Retirement System are annually established by the Governing Board of the University and they are mainly based on an actuarially determined rate recommended by an independent actuary at the beginning of the fiscal year. The actuarially determined rate is the estimated amount to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The University is required to contribute the difference between the total contribution rate approved by the Governing Board of the University and the contribution rate of employees.

For the years ended June 30, 2022 and 2021, the average active employee contribution rate was 9% and 8.9% of annual pay, and the University's average contribution rate was 39.2% and 40%, respectively of annual payroll. The actuarially determined employer contribution rate takes into account payment of administrative expenses. Therefore, administrative expenses are paid out of the trust fund. The University contributed 41.2% and 39.4% of covered employee payroll in for 2022 and 2021, respectively. The University's contributions to the Retirement System amounted to approximately \$161.6 millions and \$161 millions for the years ended June 30, 2022, and 2021, respectively. The information for June 30, 2023 was not available as of the date of issuance of these financial statements.

The contributions of the University were originally designed to fund, together with the contributions of the participants, the current service cost on a current basis and the estimated accrued benefit cost attributable to qualifying service prior to the establishment of the Retirement System over a 40-year period, but as a result of increasing benefits without a correlative increase in employer's contributions, they fall short of accomplishing the necessary funding.

Statement No. 68 of Governmental Accounting Standard Board, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 (GASB 68) became effective for the year ended June 30, 2015. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria.

The accompanying financial statements do not present the financial position or operations of the University. The Station is a unit within the University, and its operations are included within the Statements of the University. These financial statements of the Station are presented to comply with the requirements of the CPB.

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NOTE 3 - UNIVERSITY OF PUERTO RICO RETIREMENT SYSTEM (CONTINUED)

Therefore, the accompanying financial statements do not have any adjustments that will be necessary for the Station to account for its proportionate share of the net pension liability, deferred inflow of resources and deferred outflow of resources in the statement of net assets as of July 1, 2020 as well as the effect in the recorded pension expense in the statement of revenue, expenses and changes in net position for the year ended June 30, 2022. Also, additional disclosures required by GASB 68 as well as required supplementary information have been omitted from these basic financial statements.

Additional information on the System is also provided in the University's financial statements; a copy of which can be obtained at 1187 Flamboyán Street, Jardín Botánico Sur, San Juan Puerto Rico 00926.

NOTE 4 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The University provides post-employment benefits other than pension (described in Note 3) for its retired employees (the "OPEB Program"). Substantially all of the employees may become eligible for these benefits if they are eligible to retire under the University of Puerto Rico Retirement System (30 years of service, age 58 with 10 years of service or age 55 with 25 years of service). Employees are also eligible on disability with 10 years of service. The cost of providing such benefits are recognized when paid.

The University provides the following OPEB:

- **Medical Subsidy:** Fixed subsidy of \$125 per month (\$1,500 per year) per participant (\$0 for spouse) is paid by the University for the life of the participant at retirement to an insurance company selected by the University whose premiums are paid by the retiree and by the University or directly to the participant living outside of Puerto Rico with proof of coverage.
- **Tuition Remission:** Tuition fees for classes at the University were waived for life after retirement until June 30, 2018. In fiscal year 2019, the tuition remission provision was eliminated.

The University's OPEB Program is funded on a pay-as-you-go basis. Retiree benefits are paid of the University's general assets each year.

Additional information on the OPEB Program is also provided in the University's financial statements; a copy of which can be obtained at 1187 Flamboyán Street, Jardín Botánico Sur, San Juan Puerto Rico 00926

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NOTE 5 - DEFERRED REVENUE- CPB FUNDS

Deferred revenue arises when potential revenue does not meet either the "measurable" or the "available" criteria for revenue recognition in the current year. Also arises when resources are received before the Station has a legal claim to them, as when grant moneys are received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria are met, or when the Station has a legal claim to the resources, the liability for deferred revenues is removed from the statement of net position and the revenue is recognized in such period.

The detail of deferred revenue of the Station as of June 30, 2023 and 2022 follows:

Grant	June 30	
	2023	2022
2010-2015	\$ 123,084	\$ 123,084
2018	2,077	2,077
2019	37,691	37,691
2020	3,438	3,438
2021	1,410	16,065
2022	57,158	189,838
2023	203,311	-
2018 (Support Funds)	2,300	2,300
	<u>\$ 430,469</u>	<u>\$ 374,493</u>

NOTE 6 - ECONOMIC DEPENDENCY AND GOING CONCERN

The Commonwealth is in the midst of a fiscal, economic and liquidity crisis, an economic recession (since 2006), a population decline, and high levels of debt and pension related obligations. The fiscal and economic crisis that the Commonwealth has gone through for the past fourteen years has financially affected the University, and therefore the Station. The Station is highly dependent of the University appropriations to finance its activities. Also, the University is highly dependent of the Commonwealth appropriations to finance its operations.

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NOTE 6 - ECONOMIC DEPENDENCY AND GOING CONCERN (CONTINUED)

The University faces significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the University and the Station together with other factors, have led management to conclude that there is substantial doubt as to ability of the University and Station to continue as a going concern in accordance with GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, Going Concern Consideration Section.

The University has had operating losses (without considering nonoperating revenues and expenses such as: Commonwealth appropriations and others) during the last fiscal years. Similarly, the Station has had (without considering nonoperating revenues and expenses such as: University appropriations and others). For the years ended June 30, 2023 and 2022, the operating loss amounted to \$826,710 and \$1,018,885, respectively. The operating results of the University are mainly funded by non-operating revenues from Commonwealth of Puerto Rico appropriations. If economic conditions worsen more than expected, it could significantly reduce Commonwealth's revenues and therefore reduce the University's revenues from Commonwealth's appropriations and the University's liquidity, which could have an adverse effect on the University's financial position or changes in its net position.

The management of the Station has no control in making decisions about these financial situations. The Station depends substantially on the decisions of the University. In the way that Commonwealth's contributions for the University decrease, also the contributions for the Station are reduced. This financial situation keeps the University and Station in one of uncertainty. The Station and the University continue working on alternatives to keep offering their services to their community.

NOTES 7 - COMMITMENTS AND CONTINGENCIES

The Station is defendant in several lawsuits arising out of the normal course of business. Management based on advice of legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings will not have a material adverse effect on the financial position and results of operations of the Station. Besides, the Station is fully represented by the legal office of the University in defense of all legal case against the Station.

On May 25, 2005, the University signed a lessee contract for the site where transmitter equipment and the Station antenna are located. The original contract expired in May 2010. The contract was renewed in September 2011 until August 2016; October 2016 to September 2021 and November 2021 to October 2026. The payment of rent continues for \$1,500 per month. The rent expense of the years ended June 30, 2023 and 2022 amounted to approximately \$18,000, respectively.

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NOTES 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Station signed a lessee contract with a public corporation of the Commonwealth of Puerto Rico for the site where transmitter equipment and the Station antenna are located. The Station only reimbursed the public corporation the security expense of the site.