

## **Q&A #1**

### **University of Arkansas System RFP No. 051721 Audits of National Public Radio Stations**

**Question:**

Do you have a copy of the 2020 audit reports for both stations we could review?

**Answer:**

Yes. The approved Fiscal Year 2020 reports are enclosed in this document.

**Question:**

Can you disclose what the fee paid to the prior auditors for each radio stations audit was in 2020?

**Answer:**

The total fee paid to the prior auditors in 2020 was \$21,384.67. This also includes the reimbursable expenses.

**Question:**

Do you know the number of audit staff involved and time spent in the field for the audits?

**Answer:**

No, we do not.

**Question:**

Are any federal/state grants received by either of the radio stations in the 2021 year? If so, do you know how much was received?

**Answer:**

Yes, KUAF received two grants totaling \$274,230 and KLRE/KUAR received four grants totaling \$366,711.

**Question:**

What accounting system is utilized by the radio stations?

**Answer:**

The radio stations utilize the following systems: Workday, Banner, QuickBooks, Foundation Fund tracking & Administration, Blackbaud, and Marketron Visual Traffic.



October 26, 2020

Audit and Fiscal Responsibility Committee  
KLRE-FM/KUAR-FM  
Little Rock, AR

We have audited the financial statements of KLRE-FM/KUAR-FM (the Station) as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon dated October 26, 2020. Professional standards require that we advise you of the following matters relating to our audit.

***Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards***

As communicated in our engagement letter dated July 1, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Station solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Station is included in Note 2 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2020.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the allowance for doubtful accounts
- Functional allocations of expenses
- Useful lives of property and equipment
- Indirect cost allocation

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- Refundable advance
- Restricted net position

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management included the recording of depreciation expense and the indirect expense allocation.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Station's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached management representation letter dated October 26, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Station, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Station's auditors.

### **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Station's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have reviewed the information as uploaded to the Corporation for Public Broadcasting for the Station's grant application, including reading the schedules accompanying the application, to consider whether such information was materially consistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Modification of the Auditor's Report**

We have made the following modifications to our auditor's report:

- 1) As discussed in Note 1, the financial statements present only the funds of the Station and do not purport to, and do not, present fairly the financial position of the University of Arkansas at Little Rock, Arkansas, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the Audit and Fiscal Responsibility Committee and management of the Station and is not intended to be and should not be used by anyone other than these specified parties.

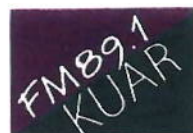
  
Certified Public Accountants

October 26, 2020  
Fort Smith, Arkansas



UNIVERSITY OF ARKANSAS AT LITTLE ROCK

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**LANDMARK PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
3101 South 70<sup>th</sup>  
Fort Smith, Arkansas 72903

This representation letter is provided in connection with your audit of the financial statements of the KLRE-FM/KUAR-FM (the Station) as of June 30, 2020 and 2019 for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the net position, results of operations, and cash flows of the Station in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 1, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates are reasonable.



9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
13. All funds and activities are properly classified.
14. All funds that represent the activities of the Station are included in the financial statements.
15. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
16. All net assets components and fund balance classifications have been properly reported.
17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Special items and extraordinary items have been properly classified and reported.
21. Deposit and investment risks have been properly and fully disclosed.
22. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
23. All required supplementary information is measured and presented within the prescribed guidelines.
24. We have evaluated the Station's ability to continue as a going concern for a period of one year from the date of independent auditor's report and have determined that there is not a substantial doubt that the entity will be able to meet its obligations as they come due.

#### Information Provided

25. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 26. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 28. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
- 29. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- 30. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 31. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 32. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 33. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 34. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- 35. The Station has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 36. We have disclosed to you all guarantees, whether written or oral, under which the Station is contingently liable.
- 37. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 38. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.



39. The Station has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
40. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
41. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Other Matters**

42. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accept responsibility for those financial statements and related notes.
43. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
44. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
45. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
46. Provisions for uncollectible receivables have been properly identified and recorded.
47. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
48. We have appropriately disclosed the entity's accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
49. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

50. In regards to the nonattest services performed by you, we have:

- a. Made all management decisions and performed all management functions.
- b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services.

51. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.

52. We understand that you have maintained our depreciation schedules, but we have determined the items to be capitalized, the method and rate of depreciation and any salvage value and acknowledge our responsibility for these items.

53. We believe that all material expenditures that have been deferred to future periods will be recoverable.



Nathan Vandiver, Station Manager



Jennifer Goss, Finance Director



Laura Cheak, Chief Audit Executive

October 26, 2020

(Financial Statement Date Approved)



**KLRE-FM/KUAR-FM**

Financial Statements  
June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

## **KLRE-FM/KUAR-FM**

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## INDEPENDENT AUDITOR'S REPORT

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Little Rock, Arkansas

We have audited the accompanying financial statements of KLRE-FM/KUAR-FM (the Station), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility 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. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Emphasis of Matter - Financial Reporting**

As discussed in Note 1, the financial statements present only the funds of the Station and do not purport to, and do not, present fairly the financial position of the University of Arkansas at Little Rock, Arkansas, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated October 26, 2020 on our consideration of the Station's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

  
Certified Public Accountants

October 26, 2020  
Fort Smith, Arkansas

## **Required Supplementary Information**



KLRE-FM/KUAR-FM  
(A DEPARTMENT OF THE UNIVERSITY OF ARKANSAS AT LITTLE ROCK)  
Management's Discussion and Analysis  
For the Years Ended June 30, 2020, 2019, and 2018

**Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of KLRE-FM/KUAR-FM for the years ended June 30, 2020, 2019, and 2018. Management of KLRE-FM/KUAR-FM has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KLRE-FM/KUAR-FM is an instrumentality of the State of Arkansas and is governed by the Board of Trustees of the University of Arkansas, whose members are appointed by the Governor of Arkansas.

KLRE-FM/KUAR-FM's primary function is to maintain noncommercial educational telecommunications facilities within Arkansas and to provide transmission of noncommercial educational telecommunications programs throughout the central part of the State.

KLRE-FM and KUAR-FM are licensed to the Board of Trustees of the University of Arkansas. KLRE-FM and KUAR-FM broadcast two separate program streams, both originating from Little Rock, Arkansas. The two stations reach an estimated 80,000 persons each week. Contributing membership consists of approximately 2,800 individuals.

**Overview of the Financial Statements**

KLRE-FM/KUAR-FM's financial statements present only the combined funds held by the University of Arkansas- Little Rock (UA Little Rock) and the Friends of KLRE/KUAR funds held at the University of Arkansas Foundation (Foundation) for the benefit of KLRE-FM/KUAR-FM. Friends of KLRE/KUAR is a citizen-supported group, which solicits funds to be used to support program production and broadcasting of public radio.

The financial statements of KLRE-FM/KUAR-FM consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

The Statements of Net Position includes Assets, Liabilities and Net Position of KLRE/KUAR as of June 30, 2020 and 2019. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Position divided into Invested in Capital Assets, Restricted, and Unrestricted components. The Statements of Revenues, Expenses and Changes in Net Position depict the operating revenues and expenses resulting in Net Operating Revenue (Loss), which is then combined with Non-Operating Revenues (Expenses) and Operating Transfers from the University of Arkansas at Little Rock to provide the Change in Net Position. The Statements of Cash Flows shows the sources and uses of cash from operations, cash flows, from non-capital financial activities, cash flows (used for) capital and related financing activities and cash flows from

investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### **Financial Highlights**

KLRE/KUAR had an increase in its Net Position of \$145,104 by June 30, 2020. This change followed an increase of \$336,669 at the end of FY 2019, and a decrease of \$16,166 at the end of FY 2018, for a total net increase over the 3-year period of \$465,607. The increase for FY 2020 was due to: a one-time Corporation for Public Broadcasting CARES Act Grant in the amount of \$75,000; two foundation grants in the amount of \$61,682 for repair and maintenance projects and matching grant for fund drive; and increased efforts for both underwriting and individual giving, even throughout the COVID-19 pandemic. Net position for the year ending June 30, 2020 totaled \$1,136,426 (FY 2020), \$991,322 for the year ending June 30, 2019 (FY 2019), and \$654,653 for the year ending June 30, 2018 (FY 2018).

Operating Revenues were at \$1,204,922 for FY 2020, compared to \$1,387,704 for FY 2019, and \$1,247,378 for FY 2018. Program Underwriting was down \$199,432 from FY 2019 bringing the annual amount to \$338,995. In FY 2019 and FY 2018, Program Underwriting was \$538,427 and \$348,529, respectively. The decrease in FY 2020 was largely due to the significant decrease in revenue related to the COVID-19 pandemic that prevented businesses from investing in marketing opportunities as consumer restrictions existed. Thanks to work of staff, partial revenue was recovered by pivoting which contracts were pursued. Contributions raised by Friends were down in FY 2020 at \$668,999 as compared to \$688,149 in FY 2019, as compared to \$596,106 in FY 2018. The decrease in FY 2020 was largely due to COVID-19 pandemic, which prevented a full Spring Fund Drive fundraising opportunity. Similar to underwriting, thanks to creative fundraising opportunity shifts, the loss wasn't as severe as it could have been.

KLRE/ KUAR's Operating Expenses decreased by .06% in FY 2020 compared with the previous fiscal year, with totals of \$1,389,832 in FY 2020, \$1,390,706 in FY 2019, and \$1,632,549 in FY 2018. The Net Operating Loss for FY 2020 was \$184,910, including non-cash depreciation expense of \$50,543, compared with a net loss of \$3,002 in FY 2019, including \$56,294 in non-cash depreciation, and a \$385,171 loss in FY 2018, including \$59,607 in non-cash depreciation.

Net Non-Operating Revenues were down in FY 2020 \$14,270 from FY 2019. Non-operating Revenues (Expenses) were \$3,577 in FY 2020, compared to \$17,847 in FY 2019, and \$29,878 in FY 2018.

Operating transfers from the University of Arkansas at Little Rock increased 1.4% in FY 2020. The increase is attributable to a small increase in the maintenance budget. Totals for FY 2020 were \$326,437, compared to \$321,824 in FY 2019, and \$339,127 in FY 2018.

KLRE-FM/KUAR-FM's property and equipment, net of accumulated depreciation, totaled \$454,254 at June 30, 2020. The amounts on June 30, 2019 and June 30, 2018 were \$437,648 and \$492,193, respectively. Property and equipment additions totaled \$67,149 in FY 2020; \$1,749 in FY 2019 and \$4,531 in FY 2018.

KLRE-FM/KUAR-FM condensed financial statements represented below for FY 2020, 2019, and 2018.

**Summary of Net Position**  
**June 30,**

	2020	2019	2018 Restated
<b>Assets:</b>			
Current Assets	\$ 574,265	\$ 383,046	\$ 155,266
Non-Current Assets	848,532	793,518	844,670
Total Assets	1,422,797	1,176,564	999,936
<b>Liabilities:</b>			
Current Liabilities	286,371	185,242	345,283
Long-Term Debt, Less Current Position			
<b>Net Position:</b>			
Invested in Capital Assets	454,254	437,648	492,193
Restricted for:			
Endowment- expendable	94,278	105,870	102,477
Endowment- nonexpendable	250,000	250,000	250,000
Arkansas Public Media Grant	-	-	-
Other	60,859	31,949	-
Unrestricted	277,035	165,855	(190,017)
Total Liabilities and Net Position	\$ 1,422,797	\$ 1,176,564	\$ 999,936

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	2020	2019	2018 Restated
Corporation for Public Broadcasting Grants	\$ 196,928	\$ 161,128	\$ 302,743
Other Operating Revenues	1,007,994	1,226,576	944,635
Other Expenses	1,389,832	1,390,706	1,632,549
Operating Loss	(184,910)	(3,002)	(385,171)
Non-Operating Revenues	3,577	17,847	29,878
Operating Transfers for UA Little Rock	326,437	321,824	339,127
Net Non-Operating Revenues	330,014	339,671	369,005
Increase (Decrease) in Net Position	145,104	336,669	(16,166)
Net Position, Beginning of Year	991,322	654,653	670,819
Net Position, End of Year	\$ 1,136,426	\$ 991,322	\$ 654,653

**Condensed Statements of Cash Flows**

	2020	2019	2018 Restated
Net Cash Flows Used by Operating Activity	\$ (40,505)	\$ (159,106)	\$ (212,301)
Net Cash Flows Provided by Noncapital Financing Activities	326,437	321,824	339,127
Net Cash Flows used by Capital and Related Financing Activities	(33,892)	(10,654)	(59,708)
Net Cash Flows from Investing Activities	15,169	14,454	13,994
Net Increase (Decrease) in Cash	267,209	166,518	81,112
Cash and Cash Equivalents, Beginning of Year	274,644	108,126	27,014
Cash and Cash Equivalents, End of Year	\$ 541,853	\$ 274,644	\$ 108,126

Current Assets consist primarily of cash, accounts receivable, and prepaid expenses. Non-Current Assets consist primarily of property and equipment and beneficial interest in endowment fund. Property and equipment are presented net of accumulated depreciation. Current Liabilities consist of accounts payable, accrued expenses, and deferred revenues.

Operating Revenues consist primarily of CPB grant revenues, other grant revenues, program underwriting, and contributed support. Operating expenses consist primarily of broadcasting, programming and production, management and general, fundraising and membership development expenses, and depreciation. Non-Operating Revenues consist primarily of investment income.

University of Arkansas at Little Rock provided financial support in the form of direct and indirect expenses totaling \$326,437, \$321,824, and \$339,127 at June 30, 2020, 2019, and 2018, respectively.

### **Request for Information**

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of the KLRE-FM/KUAR-FM's finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

KLRE-FM/KUAR-FM  
2801 South University  
Little Rock, AR 72204

**Financial Statements**

# KLRE-FM/KUAR-FM

## Statements of Net Position June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 491,853	\$ 274,644
Accounts receivable, net of allowance for doubtful accounts of \$6,780 and \$7,991, respectively	52,637	97,991
Grant receivable	18,340	-
Prepaid expenses	11,435	10,411
<b>Total Current Assets</b>	<u>574,265</u>	<u>383,046</u>
<b>Noncurrent Assets</b>		
Restricted cash	50,000	-
Endowment fund	344,278	355,870
Capital assets, net	454,254	437,648
<b>Total Noncurrent Assets</b>	<u>848,532</u>	<u>793,518</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,422,797</u>	<u>\$ 1,176,564</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 213,422	\$ 155,302
Compensated absences payable	16,746	22,307
Deferred revenue	6,203	7,633
Refundable advance	50,000	-
<b>Total Current Liabilities</b>	<u>286,371</u>	<u>185,242</u>
<b>Net Position</b>		
Invested in capital assets	454,254	437,648
Restricted net position		
Endowment		
Expendable	94,278	105,870
Nonexpendable	250,000	250,000
Other	60,859	31,949
Unrestricted net position	277,035	165,855
<b>Total Net Position</b>	<u>1,136,426</u>	<u>991,322</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,422,797</u>	<u>\$ 1,176,564</u>

See accompanying notes to financial statements.

# KLRE-FM/KUAR-FM

## Statements of Revenues, Expenses, and Changes in Net Position Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUE</b>		
Program underwriting	\$ 338,995	538,427
Contributions raised by Friends	668,999	688,149
Corporation for Public Broadcasting Grants:		
Arkansas Public Media grant	-	48,372
CARES Act	75,000	-
Community service grant	121,928	112,756
<b>Total operating revenues</b>	<u>1,204,922</u>	<u>1,387,704</u>
<b>OPERATING EXPENSES</b>		
Programming and production	615,631	585,544
General administration	497,583	532,304
Broadcasting	127,598	139,200
Fundraising and membership development	72,555	70,353
Program information and promotion	76,465	63,305
<b>Total operating expenses</b>	<u>1,389,832</u>	<u>1,390,706</u>
<b>Operating loss</b>	<u>(184,910)</u>	<u>(3,002)</u>
<b>NONOPERATING REVENUES</b>		
Investment income	3,577	17,847
<b>Total nonoperating revenues</b>	<u>3,577</u>	<u>17,847</u>
<b>Net income (loss) before operating transfers</b>	(181,333)	14,845
Operating transfers from the University of Arkansas at Little Rock	<u>326,437</u>	<u>321,824</u>
<b>CHANGE IN NET POSITION</b>	145,104	336,669
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>991,322</u>	<u>654,653</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,136,426</u>	<u>\$ 991,322</u>

See accompanying notes to financial statements.



# KLRE-FM/KUAR-FM

## Statements of Cash Flows Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Program underwriting receipts	\$ 382,919	\$ 398,024
Contributions raised by Friends	700,659	688,149
The Corporation for Public Broadcasting Grants	121,928	163,470
The Corporation for Public Broadcasting CARES	75,000	-
Cash payments for:		
Programming and production	(596,720)	(604,416)
General administration	(491,697)	(562,104)
Broadcasting	(120,723)	(140,754)
Fund-raising and membership development	(71,547)	(74,003)
Program information and promotion	(40,324)	(27,472)
<b>Net Cash (Used In) Operating Activities</b>	<u>(40,505)</u>	<u>(159,106)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from the University of Arkansas at Little Rock	326,437	321,824
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>326,437</u>	<u>321,824</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(33,892)	(1,749)
Change in bank overdraft	-	(8,905)
<b>Net Cash (Used In) Capital and Related Financing Activities</b>	<u>(33,892)</u>	<u>(10,654)</u>
<b>INVESTING ACTIVITIES</b>		
Endowment funds released from nonexpendable	-	(3,393)
Investment income received	15,169	17,847
<b>Net Cash Provided By Investing Activities</b>	<u>15,169</u>	<u>14,454</u>
<b>NET INCREASE IN CASH</b>	267,209	166,518
<b>CASH, BEGINNING OF YEAR</b>	<u>274,644</u>	<u>108,126</u>
<b>CASH, END OF YEAR</b>	<u>\$ 541,853</u>	<u>\$ 274,644</u>

See accompanying notes to financial statements.

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO</b>		
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>		
Operating loss	\$ (184,910)	\$ (3,002)
Depreciation	50,543	56,294
Changes in:		
Accounts receivable	45,354	(61,422)
Grants receivable	(18,340)	2,342
Prepaid expenses	(1,024)	(2,182)
Accounts payable	24,863	(62,958)
Compensated absences payable	(5,561)	(9,197)
Deferred revenue	(1,430)	(78,981)
Refundable advance	<u>50,000</u>	<u>-</u>
<b>Net Cash (Used In) Operating Activities</b>	<u>\$ (40,505)</u>	<u>\$ (159,106)</u>

See accompanying notes to financial statements.

# KLRE-FM/KUAR-FM

## Notes to Financial Statements June 30, 2020 and 2019

### **NOTE 1: NATURE OF BUSINESS**

The Station is a department of the University of Arkansas at Little Rock (UA Little Rock) and is comprised of two licensed public telecommunications radio stations. UA Little Rock is both the licensee and operator of the radio stations. The Station presents national public radio news and classical jazz music and is dedicated to bringing fine arts programming to listeners throughout the central part of Arkansas.

In accordance with UA Little Rock's policies, certain cash, pledge and investment accounts of the Station are held and administered by the University of Arkansas Foundation, Inc. (the Foundation), a legally separate nonprofit entity. The Foundation administers and invests gifts and other amounts received directly or indirectly as a result of fund-raising activities of various units of UA Little Rock and other affiliated entities related to UA Little Rock. Only accounts held at the Foundation and UA Little Rock for the benefit of the Station are included in these financial statements.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Station has adopted Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although a significant amount of the Station's resources are derived from general contributions and support from the Corporation for Public Broadcasting Radio Community ("CPB") and UA Little Rock, its accounting policy is to prepare its financial statements as a business type activity, rather than as a governmental fund type, since the CPB prefers the recipients of its funds to utilize this basis for financial statement presentation. Accordingly, the Station utilizes the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Operating revenues and expenses are distinguished from other revenues (expenses) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues (expenses), but remain a major component of the overall revenues and expenses of the Station.

# **KLRE-FM/KUAR-FM**

## **Notes to Financial Statements June 30, 2020 and 2019**

### ***Accounts Receivable***

The Station utilizes the allowance method of accounting for uncollectible accounts receivable. Amounts are written off at the point when collection attempts have been exhausted, which is based on individual credit evaluation and specific circumstances of the donor. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical donor performance and anticipated donor performance. While management believes the Station's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific donor conditions may require adjustment to the allowance recorded by the Station. At June 30, 2020 and 2019, management had recorded an allowance for doubtful accounts of \$6,780 and \$7,991, respectively.

### ***Investments and Investment Income***

Investments consist of marketable securities at the Foundation and are presented on the Statements of Net Position at fair market value based on quoted market prices as of June 30, 2020 and 2019. Any concentration of credit risk from investments is expected to be insignificant.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments.

### ***Capital Assets***

All property, plant, and equipment is valued at cost except for donated equipment which is capitalized at the fair market value at the date of donation. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed on the straight-line method for financial reporting purposes, based on the estimated useful lives of the assets, which range from 3 to 30 years. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. The Station capitalizes all purchases over \$2,500 and a useful life over one year.

### ***Long-Lived Assets***

FASB Accounting Standards Codification (Codification) Topic *Property, Plant and Equipment, Section Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Station's reported earnings, financial condition or cash flows.

### ***Compensated Absences***

The liability for compensated absences consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

### ***Deferred Revenue***

Deferred revenue represents payments for program underwriting received in advance of the program broadcast.

# **KLRE-FM/KUAR-FM**

## **Notes to Financial Statements June 30, 2020 and 2019**

### ***Refundable advance***

Refundable advance represents payments received in advance on grants that include barriers to recognition that have not been overcome.

### ***Net Position Classifications***

Net position is classified and displayed in the following three components:

Invested in capital assets – Consists of capital assets, net of accumulated depreciation

Restricted – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and unrestricted net position. Gifts received with a donor stipulated time restriction are reported in restricted net position. When the donor stipulated time restriction ends, the contributions are reclassified to unrestricted net position.

### ***Use of Restricted Funds***

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

### ***Advertising***

The Station follows the policy of charging advertising to expense as incurred. For the years ended June 30, 2020 and 2019, advertising expense was approximately \$22,000 and \$24,000, respectively.

### ***Functional Allocation of Expenses***

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services on the basis of benefits received and based upon management's best estimate.

### ***Donated Facilities and Services***

UA Little Rock provides the use of certain office and studio space to the Station. The value of such use is recorded based upon the estimated fair market value of the facility usage during the period of occupancy. In addition, administrative support is received from UA Little Rock which consists of allocated financial department costs and other expenses incurred on behalf of the Station. All such support from UA Little Rock is recorded as an operating transfer.

### ***Tax Status***

The Station is considered a political subdivision of UA Little Rock and, therefore, is exempt from income taxes.

# KLRE-FM/KUAR-FM

## Notes to Financial Statements June 30, 2020 and 2019

### ***Use of Estimates***

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

### **NOTE 3: DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Station's funds are held by UA Little Rock and the Foundation. UA Little Rock accounts are insured by the Federal Deposit Insurance Corporation or collateral held by the Federal Reserve. The Foundation accounts are also insured or collateralized. Any concentrations of credit risk are expected to be insignificant.

### **NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020 was:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>ENDING BALANCE</b>
Equipment rights	\$ 290,343	\$ -	\$ (3,640)	\$ 286,703
Radio tower and antenna	575,756	33,880	-	609,636
Other broadcast equipment	82,503	29,946	(21,359)	91,090
Building improvements	212,341	-	(595)	211,746
Office furniture and equipment	18,532	3,323	(1,764)	20,091
Total assets	1,179,475	67,149	(27,358)	1,219,266
Accumulated depreciation	(741,827)	(50,543)	27,358	(765,012)
	<u>\$ 437,648</u>	<u>\$ 16,606</u>	<u>\$ -</u>	<u>\$ 454,254</u>

## KLRE-FM/KUAR-FM

### Notes to Financial Statements June 30, 2020 and 2019

Capital assets activity for the year ended June 30, 2019 was:

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
Equipment rights	\$ 313,252	\$ -	\$ (22,909)	\$ 290,343
Radio tower and antenna	575,756	-	-	575,756
Other broadcast equipment	89,722	-	(7,219)	82,503
Building improvements	210,592	1,749	-	212,341
Office furniture and equipment	28,125	-	(9,593)	18,532
Total assets	1,217,447	1,749	(39,721)	1,179,475
Accumulated depreciation	(725,254)	(56,294)	39,721	(741,827)
	<u>\$ 492,193</u>	<u>\$ (54,545)</u>	<u>\$ -</u>	<u>\$ 437,648</u>

#### **NOTE 5: NONCASH INVESTING AND FINANCING ACTIVITIES**

During the years ended June 30, 2020 and 2019, the Station capitalized the following property and equipment:

	2020	2019
Capital expenditures	\$ 67,149	\$ -
Purchases included in accounts payable	(33,257)	-
Cash paid for capital expenditures	<u>\$ 33,892</u>	<u>\$ -</u>

#### **NOTE 6: REFUNDABLE ADVANCE**

During the year ended June 30, 2020, the Station was awarded a grant of \$150,000 to be received in \$50,000 payments during the years ended 2021, 2022, and 2023. The grant is restricted to fund a new "Politics and Government Reporter" position for each of those years. The barrier for recognition will be overcome during the year ending June 30, 2021 when this position is created. As of June 30, 2020, the Station had received \$50,000 which is included in "Cash" and "Refundable advance" on the Statements of Net Position.



# KLRE-FM/KUAR-FM

## Notes to Financial Statements June 30, 2020 and 2019

### **NOTE 7: RESTRICTED NET POSITION**

#### ***Nonexpendable endowment***

Support of \$250,000 was contributed to a nonexpendable endowment at the Foundation on behalf of the Station during the year ended June 30, 2003. It is the donor's intent that this endowment fund shall be permanent and that only the net appreciation of the fund may be used for general operating support of the Station. The net appreciation on investments available for authorization for expenditure by the governing board as of June 30, 2020 and 2019 was \$94,278 and \$105,870, respectively. These amounts are reported under net position restricted for endowment - expendable.

#### ***Interpretation of Relevant Law***

The Foundation interprets Arkansas Act 262, cited as the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), which was approved February 2009, 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated 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 applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation 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 purpose of the Foundation 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 Foundation
- 7) The investment policy of the Foundation

#### ***Spending Policy***

The Board-approved spending policy of the Foundation allows transfers of endowments quarterly to appropriate funds based on a spending rate of 5% in 2020 and 2019 to the 36-month average fair value as of the end of each quarter. The funds are invested in an external investment pool at the Foundation. The University issues a separate report for this external investment pool. It can be obtained by contacting the University of Arkansas System, 2404 North University Avenue, Little Rock, AR 72207.

# KLRE-FM/KUAR-FM

## Notes to Financial Statements June 30, 2020 and 2019

### ***Restricted net position - other***

During the year ended June 30, 2016, the Station was awarded a \$278,300 grant from the Corporation for Public Broadcasting (CPB) to be used for the purpose of consolidating journalism collaboration between four public radio stations in Arkansas, enabling coordinated statewide news coverage of rural Arkansas with a unified editorial focus on topics important to the state, including education, healthcare, and energy (the "Arkansas Public Media" project). The grant was disbursed in phases during the years ended June 30, 2016 through June 30, 2019, on a reimbursement basis, based on progress reports prepared during the project. As this was a reimbursement grant, there were no temporarily restricted funds related to this grant at June 30, 2019. This program was completed and the grant closed during the year ended June 30, 2019.

During the year ended June 30, 2019, the Station received a grant of \$50,000 to be used for the purpose of creating a public media oral health initiative, reporting statewide on oral health care related issues. At June 30, 2020 and 2019, \$-0- and \$31,949 was included in "Cash" and "Restricted net position - other" on the Statements of Net Position, respectively. This program was completed and the grant closed during the year ended June 30, 2020.

During the year ended June 30, 2020, the Station received a grant of \$25,000 to be used to upgrade portions of the Station's radio equipment and to match gifts received in the Fall Fund Drive. As of June 30, 2020, the Station had spent \$15,000 to upgrade radio equipment and the remaining \$10,000 to be used for the fund drive was included in "Cash" and "Restricted net position - other" on the Statements of Net Position.

During the year ended June 30, 2020, the Station was awarded community service grant funds from the CPB of \$121,928, of which \$32,519 is restricted for production, program and content, acquisition, distribution, and promotion expenditures during the year ended June 30, 2021. As of June 30, 2020, \$32,519 was included in "Cash" and "Restricted net position - other" on the Statement of Net Position.

The Station had a grant receivable of \$18,340, unrelated to the grants above, which was included in "Restricted Net Position - other" on the Statement of Net Position at June 30, 2020. There were no grants receivable at June 30, 2019.

# KLRE-FM/KUAR-FM

## Notes to Financial Statements June 30, 2020 and 2019

### **NOTE 8: AGREEMENT TO PROVIDE OPERATIONS**

UA Little Rock entered into an agreement to provide for licensing and operation of the Station. Under this agreement, UA Little Rock is to provide general appropriations support and other direct and indirect financial support. A summary of such support and other direct and indirect financial support is as follows:

	<u>2020</u>	<u>2019</u>
General appropriations	\$ 201,842	\$ 190,120
Utilities, in-kind	25,794	20,800
Facilities use and administrative support, in kind	98,801	110,904
	<u>\$ 326,437</u>	<u>\$ 321,824</u>

### **NOTE 9: PERSONNEL EXPENSES**

All personnel working at the Station are employees of UA Little Rock, and thus are eligible for retirement or other benefits provided by UA Little Rock. The Station reimburses UA Little Rock for all wages and benefits related to the operations of the Station.

### **NOTE 10: RISKS AND UNCERTAINTIES**

As of the date of the Independent Auditor's Report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Station's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

### **NOTE 11: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2020, the date the financial statements were available to be issued.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Little Rock, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the KLRE-FM/KUAR-FM (the Station) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated October 26, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Little Rock, Arkansas

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Certified Public Accountants

October 26, 2020  
Fort Smith, Arkansas



December 28, 2020

Audit and Fiscal Responsibility Committee  
KUAF-FM  
Little Rock, AR

We have audited the financial statements of KUAF-FM (the Station) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 28, 2020. Professional standards require that we advise you of the following matters relating to our audit.

***Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards***

As communicated in our engagement letter dated July 1, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Station solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Station is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Functional allocations of expenses
- Indirect cost allocation
- Useful lives of property and equipment

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken a whole.



### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- Bonds payable
- Restricted net position - other

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the station's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached management representation letter dated December 28, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Station, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Station's auditors.

### **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Station's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have reviewed the information as uploaded to the Corporation for Public Broadcasting for the Station's grant application, including reading the schedules accompanying the application, to consider whether such information was materially consistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Modification of the Auditor's Report**

We have made the following modifications to our auditor's report.

- 1) As discussed in Note 1, the financial statements present only the funds of the Station and do not purport to, and do not, present fairly the financial position of the University of Arkansas at Fayetteville, Arkansas, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the Audit and Fiscal Responsibility Committee and management of the Station and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

Fort Smith, Arkansas  
December 28, 2020

# KUAF-FM

**LANDMARK PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
3101 South 70<sup>th</sup>  
Fort Smith, Arkansas 72903

This representation letter is provided in connection with your audit of the financial statements of the KUAF-FM (the Station) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the net position, results of operations, and cash flows of the Station in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 1, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates are reasonable.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
13. All funds and activities are properly classified.
14. All funds that represent the activities of the Station have been identified by us and have been included appropriately in the financial statements.
15. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
16. All net assets components and fund balance classifications have been properly reported.
17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Special items and extraordinary items have been properly classified and reported.
21. Deposit and investment risks have been properly and fully disclosed.
22. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
23. All required supplementary information is measured and presented within the prescribed guidelines.
24. We have evaluated the Station's ability to continue as a going concern for a period of one year from the date of the independent auditor's report and have determined that there is not a substantial doubt that the entity will be able to meet its obligations as they come due.

#### **Information Provided**

25. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 26. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 28. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
- 29. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- 30. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 31. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 32. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 33. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 34. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- 35. The Station has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 36. We have disclosed to you all guarantees, whether written or oral, under which the Station is contingently liable.
- 37. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 38. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

39. The Station has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
40. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
41. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Other Matters**

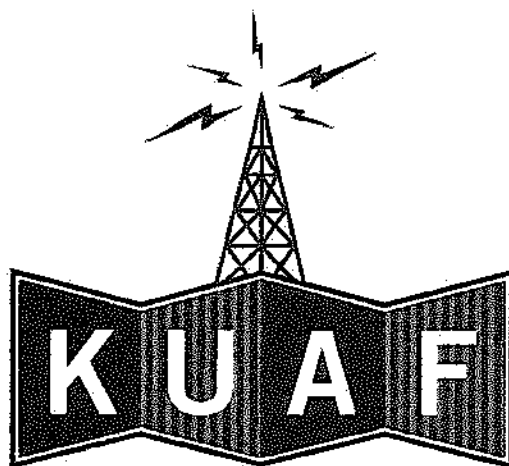
42. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accept responsibility for those financial statements and related notes.
43. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
44. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
45. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
46. Provisions for uncollectible receivables have been properly identified and recorded.
47. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
48. We have appropriately disclosed the entity's accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
49. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
50. In regards to the nonattest services performed by you, we have:
  - a. Made all management decisions and performed all management functions.
  - b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

- c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services.
51. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.
52. We believe that all material expenditures that have been deferred to future periods will be recoverable.

  
\_\_\_\_\_  
Laura Cheak, Chief Audit Executive

  
\_\_\_\_\_  
Leigh Wood, Station Director

12/28/2020  
(Financial Statement Date Approved)



**National Public Radio 91.3**

**KUAF-FM**

**Financial Statements  
June 30, 2020 and 2019**

**(With Independent Auditor's Report Thereon)**



# KUAF-FM

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## INDEPENDENT AUDITOR'S REPORT

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Little Rock, Arkansas

We have audited the accompanying financial statements of KUAF-FM (the Station), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Emphasis of Matter - Financial Reporting**

As discussed in Note 1, the financial statements present only the funds of the Station and do not purport to, and do not, present fairly the financial position of the University of Arkansas at Fayetteville, Arkansas, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

  
Certified Public Accountants

December 28, 2020  
Fort Smith, Arkansas

## Required Supplementary Information

**KUAF PUBLIC RADIO**  
**Licensed to the Board of Trustees, University of Arkansas**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2020 and 2019**

**Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of KUAF Public Radio for the years ended June 30, 2020 and 2019. Management of KUAF has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KUAF is owned by the University of Arkansas and licensed by the Federal Communications Commission to the University's Board of Trustees whose members are appointed by the governor of Arkansas. KUAF is a non-commercial, educational radio station with studios and offices located in downtown Fayetteville just off the campus of the University of Arkansas. The antenna and transmitter are located 22 miles SSE of Fayetteville near Brentwood, AR. Operating with the maximum power of 100,000 watts, KUAF broadcasts to 10 counties in northwest Arkansas, four counties in Oklahoma and two counties in Missouri and serves a potential audience of over 600,000 people. Out of that number approximately 60,000 people tune in every week. Over 3,000 listeners make annual financial contributions to KUAF.

The station went on the air in 1973 with 10-watts of power and was operated by students at the University of Arkansas. Oversight was provided by broadcast faculty in the Department of Journalism. In 1985, a new student station was built and KUAF became a full-time, professionally operated public radio station broadcasting a mix of NPR news, local news, classical music, jazz and other programs. Steady growth in fundraising and audience numbers resulted in KUAF being one of the top public radio stations in the U.S.

**Overview of the Financial Statements**

The financial statements of KUAF consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows (direct method). These statements are prepared in conformity with Government Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Statement 34 requires the classification of net assets into three categories—invested in capital assets, net of related debt; restricted; and unrestricted. The Statement of Position includes Assets, Liabilities and Net Assets of KUAF as of June 30, 2020 and 2019. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Assets classified in the categories as noted above. The Statement of Revenues, Expenses and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Income (Loss), which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Assets. The Statement of Cash Flows shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### Financial Highlights

The financial position of KUAF at June 30, 2020 remains strong, despite an increase in expenses. Net Position totaled \$2,234,652 for the year ended June 30, 2020 compared to \$2,224,855 for the year ended June 30, 2019. KUAF's Net Assets increased by \$9,797 in FY 2020 over FY 2019.

KUAF's Operating Revenues were up substantially in FY 2020 compared to last year. Operating Revenues totaled \$1,201,122 in FY 2020 compared to \$1,043,906 in FY 2019, an increase of \$157,216. Operating Expenses increased as well for FY 2020 with \$1,534,737 in FY 20 compared to FY 2019 expenses which were \$1,516,950. Operating transfers in FY 2020 from the U of A, in support of KUAF's contribution to the educational mission of the University, totaled \$338,951. The increase in Total Net Position for FY 2020 was \$9,797 compared to a decrease of \$20,532 in FY 2019.

Fundraising for the fiscal year was up compared to FY 2019. Local business support was down by \$18,130 while listener support increased by \$64,829. The total increase in local fundraising of \$46,699 continues a seven-year trend of increases. While we expect to see lower revenue from local business support due to the effects of the pandemic, we expect individual fundraising will continue to result in more funding through improved fundraising techniques.

KUAF's property and equipment, net of accumulated depreciation, totaled \$2,259,117 for FY 2020 compared to \$2,440,156 for FY 2019. Construction of a new broadcast facility for KUAF resulted in additions in FY 2010 of \$981,721 and in FY 2009 of \$988,303. The increases in FY 2010 and 2009 were primarily the cost of building a new facility to house KUAF. The building is located in downtown Fayetteville next to the Fayetteville public library. A \$1.5 million capital campaign was undertaken by KUAF staff in FY 2008 to pay for the renovation of the building and an addition on the building that has resulted in a modern facility of over 7,000 square feet. This has resulted in a major improvement over the station's campus home of nearly 20 years, which was an old apartment building where the station operated out of 2,500 square feet.

Since starting in FY 2008, over \$1.1 million had been pledged to the KUAF capital campaign by June 30, 2010 with most pledges scheduled for payment by FY 2013. Construction of the new building was completed in January, 2010. In order to pay for the building KUAF was awarded bond proceeds of \$1,008,000 from a much larger bond secured by the University of Arkansas for campus construction projects. KUAF has a repayment schedule of approximately \$66,000 a year for 30 years. In FY 2016, an advanced refunding reduced the outstanding balance owed by KUAF as discussed in Note 7 to the Financial Statements.

In FY 2019, construction began on a new tower for the station. The project was not completed by the end of the fiscal year, but the transfer of funds for the project can be seen in the change in current assets of \$1,382,818 in FY 2017 to \$702,568 in FY 2018, a decrease of \$680,250. However, noncurrent assets for the station increased by \$753,291 with the construction project in FY 2019. KUAF began transmitting from the new tower site in September of 2019. With net deduction of the old tower totaling \$49,659, current year depreciation expense of \$142,044 and additional equipment capitalized of \$10,664 the ending balance of Capital Assets for FY 2020 was \$2,259,117 – a decrease of \$181,039 compared to FY 2019.

### Financial Analysis of the Statements

KUAF-FM condensed financial statements represented below for FY 2020 and 2019.

#### **Condensed Statements of Net Position**

<b>Assets:</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Current Assets	867,698	702,568
Noncurrent	<u>2,259,117</u>	<u>2,440,156</u>
Deferred Outflows of Resources	<u>46,797</u>	<u>49,349</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$3,173,612</u></b>	<b><u>\$3,192,073</u></b>
<b>Liabilities:</b>		
Current Liabilities	96,694	94,447
Noncurrent Liabilities	<u>842,266</u>	<u>872,771</u>
<b>Total Liabilities</b>	<b><u>\$ 938,960</u></b>	<b><u>\$ 967,218</u></b>
<b>Net Position</b>		
Invested in capital assets	1,438,130	1,592,517
Restricted	63,978	31,624
Unrestricted	<u>732,544</u>	<u>600,714</u>
<b>Total Net Position</b>	<b><u>\$2,234,652</u></b>	<b><u>\$2,224,855</u></b>

#### **Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Corporation for Public Broadcasting	\$ 125,171	\$ 123,440
CPB CARES Act Grant	\$75,000	\$0
Other Operating Revenues	1,000,951	920,466
Operating Expenses	<u>(1,534,737)</u>	<u>(1,516,950)</u>
Operating loss	(333,615)	(473,044)
Non-Operating support and revenues	<u>343,412</u>	<u>452,512</u>
Change in Net Position	9,797	<u>(20,532)</u>
Net assets—beginning of year	<u>\$2,224,855</u>	<u>\$2,245,387</u>
Net assets—end of year	<u>\$2,234,652</u>	<u>\$2,224,855</u>

Current Assets consist primarily of restricted and unrestricted cash and cash equivalents, contributions receivable, restricted investments, and prepaid expenses. Non-Current Assets consist primarily of property and equipment. Deferred Outflows of Resources consists primarily of deferred bond refunding costs. Property and equipment are presented net of accumulated depreciation. Current Liabilities consist of compensated absences, accounts payable, accrued interest and current portion of bond payable.

Operating Revenues consist primarily of membership contributions, community service grants from CPB, business (underwriting) support, and contributed support. Additional support is provided by the University of Arkansas. Operating expenses consist primarily of broadcasting, programming and production, program information, management and general, depreciation, fundraising and membership development, and grants and underwriting. Non-Operating Revenues consist of investment income and building campaign contributions. Non-Operating Expenses consist of bond issuance costs and losses from disposal of equipment.

### **Request for Information**

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of the KUAF-FM's finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

KUAF-FM  
University of Arkansas Public Radio  
9 S. School Ave.  
Fayetteville, AR 72701



## Financial Statements

# KUAF-FM

## Statements of Net Position June 30, 2020 and 2019

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash	\$ 804,681	\$ 616,472
Investments - restricted	30,594	31,624
Accounts receivable	32,423	54,426
Prepaid expenses	-	46
<b>Total Current Assets</b>	<u>867,698</u>	<u>702,568</u>
<b>Noncurrent Assets</b>		
Capital assets, net	2,259,117	2,440,156
<b>Total Noncurrent Assets</b>	<u>2,259,117</u>	<u>2,440,156</u>
<b>Deferred Outflows of Resources</b>		
Deferred bond refunding costs	46,797	49,349
<b>Total Deferred Outflows of Resources</b>	<u>46,797</u>	<u>49,349</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,173,612</u>	<u>\$ 3,192,073</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,615	\$ 12,216
Compensated absences payable	51,805	43,642
Deferred revenue	3,373	9,108
Accrued interest	6,381	5,264
Current portion of bonds payable	25,520	24,217
<b>Total Current Liabilities</b>	<u>96,694</u>	<u>94,447</u>
<b>Long-Term Liabilities</b>		
Bonds payable, net of unamortized premium	842,266	872,771
<b>Total Long-Term Liabilities</b>	<u>842,266</u>	<u>872,771</u>
<b>Total Liabilities</b>	<u>938,960</u>	<u>967,218</u>
<b>Net Position</b>		
Net investment in capital assets, net of related debt	1,438,130	1,592,517
Restricted net position:		
Building and scholarship funds	30,594	31,624
Other	33,384	-
Unrestricted net position	732,544	600,714
<b>Total Net Position</b>	<u>2,234,652</u>	<u>2,224,855</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,173,612</u>	<u>\$ 3,192,073</u>

See accompanying notes to financial statements.

# KUAF-FM

## Statements of Revenues, Expenses, and Changes in Net Position Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Program underwriting	\$ 291,203	\$ 309,333
Membership contributions	622,098	557,269
Corporation for Public Broadcasting Grants:		
CARES Act	75,000	-
Community service grant	125,171	123,440
Contributed support	51,800	53,864
Podcast production	35,850	-
<b>Total operating revenues</b>	<u>1,201,122</u>	<u>1,043,906</u>
<b>OPERATING EXPENSES</b>		
Programming and production	760,411	798,550
Management and general	385,126	410,940
Broadcasting	196,222	106,954
Grants expense	97,703	92,827
Fundraising and membership development	79,113	92,592
Program information	16,162	15,087
<b>Total operating expenses</b>	<u>1,534,737</u>	<u>1,516,950</u>
<b>Operating loss</b>	<u>(333,615)</u>	<u>(473,044)</u>
<b>NONOPERATING REVENUES</b>		
Investment income, net	4,461	8,397
<b>Total nonoperating revenues</b>	<u>4,461</u>	<u>8,397</u>
<b>Loss before operating transfers</b>	(329,154)	(464,647)
<b>OPERATING TRANSFERS FROM THE UNIVERSITY OF ARKANSAS AT FAYETTEVILLE</b>	<u>338,951</u>	<u>444,115</u>
<b>CHANGE IN NET POSITION</b>	9,797	(20,532)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,224,855</u>	<u>2,245,387</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,234,652</u>	<u>\$ 2,224,855</u>

See accompanying notes to financial statements.

# KUAF-FM

## Statements of Cash Flows Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Program underwriting receipts	\$ 307,471	\$ 308,590
Membership contributions	622,098	557,269
Corporation for Public Broadcasting CARES Act	75,000	-
Corporation for Public Broadcasting Community service grant	125,171	123,440
Contributed support	51,800	53,864
Podcast production	35,850	-
Cash payments for:		
Programming and production	(692,805)	(777,257)
Management and general	(334,984)	(356,154)
Broadcasting	(123,582)	(75,715)
Grants expense	(97,703)	(92,827)
Fundraising and membership development	(73,507)	(86,986)
Program information	(16,162)	(15,087)
<b>Net Cash (Used In) Operating Activities</b>	<u>(121,353)</u>	<u>(360,863)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from the University of Arkansas at Fayetteville	338,951	444,115
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>338,951</u>	<u>444,115</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on revenue bonds	(24,216)	(23,144)
Purchase of capital assets	(10,664)	(753,291)
<b>Net Cash (Used In) Capital and Related Financing Activities</b>	<u>(34,880)</u>	<u>(776,435)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in investments	1,030	(302)
Net investment income received	4,461	8,397
<b>Net Cash Provided By Investing Activities</b>	<u>5,491</u>	<u>8,095</u>
<b>NET CHANGE IN CASH</b>	188,209	(685,088)
<b>CASH, BEGINNING OF YEAR</b>	<u>616,472</u>	<u>1,301,560</u>
<b>CASH, END OF YEAR</b>	<u>\$ 804,681</u>	<u>\$ 616,472</u>

See accompanying notes to financial statements.

# KUAF-FM

## Statements of Cash Flows Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO</b>		
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>		
Operating loss	\$ (333,615)	\$ (473,044)
Depreciation	142,044	100,643
Amortization included in interest expense	(2,434)	(2,434)
Loss on disposal of assets	49,659	-
Changes in:		
Accounts receivable	22,003	(7,928)
Prepaid expenses	46	3,392
Accounts payable	(2,601)	9,047
Compensated absences payable	8,163	3,782
Deferred revenue	(5,735)	7,185
Accrued interest	1,117	(1,506)
<b>Net Cash (Used In) Operating Activities</b>	<u>\$ (121,353)</u>	<u>\$ (360,863)</u>

See accompanying notes to financial statements.

# KUAF-FM

## Notes to Financial Statements June 30, 2020 and 2019

### **NOTE 1: NATURE OF BUSINESS**

KUAF-FM (the Station) is a licensed public telecommunications radio station operated as part of the journalism department within the College of Arts and Sciences at the University of Arkansas, Fayetteville (the University). The Station presents national public radio news and classical and jazz music to a potential audience of 600,000 listeners. The Station is dedicated to bringing fine arts programming to Northwest Arkansas and the surrounding areas. The Station is supported by the University, the Corporation for Public Broadcasting (CPB), underwriters, contributors, and member listeners.

In accordance with the University's policies, certain cash, pledge, and investment accounts of the Station are held and administered by the University of Arkansas Foundation, Inc. (the Foundation), a legally separate nonprofit entity. The Foundation administers and invests gifts and other amounts received directly or indirectly as a result of fund-raising activities or various units of the University and other affiliated entities related to the University. Only accounts held at The Foundation and the University for the benefit of the Station are included in these financial statements.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Station has adopted Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although a significant amount of the Station's resources are derived from general contributions and support from the CPB and the University, its accounting policy is to prepare its financial statements as a business-type activity, rather than as a governmental fund type, since the CPB prefers the recipients of its funds to utilize this basis for financial statement presentation. Accordingly, the Station utilizes the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Operating revenues and expenses are distinguished from other revenue and expense items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues (expenses), but remain a major component of the overall revenues and expenses of the Station.

# KUAF-FM

## Notes to Financial Statements

June 30, 2020 and 2019

### ***Accounts Receivable***

The Station utilizes the allowance method of accounting for uncollectible accounts receivable. Amounts are written off at the point when collection attempts have been exhausted, which is based on individual credit evaluation and specific circumstances of the donor. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical donor performance and anticipated donor performance. While management believes the Station's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific donor conditions may require adjustment to the allowance recorded by the Station. At June 30, 2020 and 2019, management determined that an allowance for doubtful accounts was not necessary.

### ***Investments and Investment Income***

Investments consist of marketable securities at the Foundation and are presented on the Statements of Net Position at fair market value based on quoted market prices as of June 30, 2020 and 2019. Any concentration of credit risk from investments is expected to be insignificant.

Investment income includes dividend and interest income, the net change for the year in the fair value of investments, and investment fees.

### ***Capital Assets***

All capital assets are valued at cost, except for donated equipment which is capitalized at the fair market value at the date of donation. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed on the straight-line method for financial reporting purposes, based on the estimated useful lives of the assets which range from 3 to 30 years. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. The Station capitalizes all purchases over \$2,500, with a useful life over one year.

### ***Long-Lived Assets***

FASB Accounting Standards Codification (Codification) Topic *Property, Plant and Equipment, Section Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Station's reported earnings, financial condition or cash flows.

### ***Deferred Outflows of Resources***

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Station has one item that qualifies for reporting in this category: bond refunding costs. A deferred outflow on bond refunding costs results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 7 for additional information.

# KUAF-FM

## Notes to Financial Statements June 30, 2020 and 2019

### ***Refunding Deferral***

Refunding deferrals result from a difference in the reacquisition price and the net carrying amount of old debt on bond refundings. This difference is reported in the accompanying financial statements as a deferred outflow of resources. The Series 2016A and 2016B refunding deferral (discussed further in Note 7) is amortized over the life of the bonds on the straight-line method and is treated as a component of interest expense. Amortization of refunding deferral amounted to \$2,552 for each of the years ended June 30, 2020 and 2019.

### ***Compensated Absences***

The liability for compensated absences consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

### ***Deferred Revenue***

Deferred revenue represents payments for program underwriting received in advance of the program broadcast.

### ***Net Position Classifications***

Net position is classified and displayed in the following three components:

Net investment in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted – All other net assets that do not meet the definition of “net investment in capital assets, net of related debt” or “restricted”.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and unrestricted net position. Gifts received with a donor stipulated time restriction are reported in restricted net position. When the donor stipulated time restriction ends, the contributions are reclassified to unrestricted net position.

### ***Use of Restricted Funds***

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



# KUAF-FM

## Notes to Financial Statements June 30, 2020 and 2019

### ***Donated Facilities and Services***

Administrative support is received from the University which consists of allocated financial department costs and other expenses incurred on behalf of the Station. All such support from the University is recorded as an operating transfer.

### ***Functional Allocation of Expenses***

The costs of providing the various program services and other activities have been summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Position. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received and based upon management's best estimate.

### ***Tax Status***

The Station is considered a political subdivision of the University and, therefore, is exempt from income taxes.

### ***Use of Estimates***

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

## ***NOTE 3: DEPOSITS***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Station funds are held by the University and the Foundation. The University accounts are insured by the Federal Deposit Insurance Corporation or collateral held by the Federal Reserve. The Foundation accounts are also insured or collateralized. Any concentrations of credit risk are expected to be insignificant.

## ***NOTE 4: ACCOUNTS RECEIVABLE***

Unconditional promises to give amounted to \$32,423 and \$54,426 for the years ended June 30, 2020 and 2019, respectively, and are reported as accounts receivable on the Statements of Net Position.

# KUAF-FM

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was:

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
Land	\$ 389,157	\$ -	\$ -	\$ 389,157
Equipment	303,910	244,249	(18,014)	530,145
Building	2,044,993	-	-	2,044,993
Radio tower	246,947	519,706	(246,947)	519,706
Construction in progress	753,291	-	(753,291)	-
	<u>3,738,298</u>	<u>763,955</u>	<u>(1,018,252)</u>	<u>3,484,001</u>
Less accumulated depreciation	<u>(1,298,142)</u>	<u>(142,044)</u>	<u>215,302</u>	<u>(1,224,884)</u>
	<u>\$ 2,440,156</u>	<u>\$ 621,911</u>	<u>\$ (802,950)</u>	<u>\$ 2,259,117</u>

Capital assets activity for the year ended June 30, 2019 was:

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
Land	\$ 389,157	\$ -	\$ -	\$ 389,157
Equipment	309,175	-	(5,265)	303,910
Building	2,044,993	-	-	2,044,993
Radio tower	246,947	-	-	246,947
Construction in progress	-	753,291	-	753,291
	<u>2,990,272</u>	<u>753,291</u>	<u>(5,265)</u>	<u>3,738,298</u>
Less accumulated depreciation	<u>(1,202,764)</u>	<u>(100,643)</u>	<u>5,265</u>	<u>(1,298,142)</u>
	<u>\$ 1,787,508</u>	<u>\$ 652,648</u>	<u>\$ -</u>	<u>\$ 2,440,156</u>

# KUAF-FM

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE 6: NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

The Station had noncash capital and related financing activities as follows during the years ended June 30, 2020 and 2019:

	2020	2019
Amortization on bond premium	\$ 4,986	\$ 4,986
Amortization on bond refunding deferral	(2,552)	(2,552)
Bond interest expense	(2,434)	(2,434)
	<u>\$ -</u>	<u>\$ -</u>

### NOTE 7: BONDS PAYABLE

On April 5, 2016, the University issued various Facility Revenue Bonds, Series 2016A and 2016B, in the amount of \$93,265,000 and \$15,305,000, respectively. The proceeds of these bonds will be used for the purpose of refunding certain outstanding indebtedness of the Board previously issued to finance various improvements of the University, financing certain additional improvements, funding capitalized interest, and paying costs of issuance of the 2016A and 2016B bonds. A portion of these bond proceeds were used to purchase US government securities and shall be utilized to pay the principal of and interest on the Series 2008A and 2008B bonds. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008A and 2008B bonds.

As a result, the 2008A and 2008B bonds are considered to be defeased and the Station's portion of the liability for those bonds has been removed. The economic gain from the transaction is calculated for the University as a whole and is not separately available for the Station. Additional information on the bond issuance can be found in the separately issued University's June 30, 2016 financial statements which are available through the University's Office of Financial Affairs.

The deferred bond refunding costs and the unamortized premium are both amortized on a straight-line basis over the remaining life of the bonds. For each of the years ended June 30, 2020 and 2019, the net effect of the amortization resulted in decreases to interest expense of \$2,552. As of June 30, 2020 and 2019, deferred bond refunding costs were \$46,797 and \$49,349, respectively, and the unamortized premium on bonds payable was \$91,419 and \$96,405, respectively.

The total amount of interest expense paid during the years ended June 30, 2020 and 2019 was \$36,620 and \$37,688, respectively, which is included in management and general expense on the Statements of Revenues, Expenses, and Changes in Net Position.

## KUAF-FM

### Notes to Financial Statements June 30, 2020 and 2019

Future maturities of these bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	25,520	60,896	86,416
2022	26,797	60,865	87,662
2023	28,125	60,821	88,946
2024	29,607	60,859	90,466
2025	31,088	60,823	91,911
2026-2030	181,115	304,177	485,292
2031-2035	230,084	304,139	534,223
2036-2039	224,031	243,204	467,235
	<u>\$ 776,367</u>	<u>\$ 1,155,784</u>	<u>\$ 1,932,151</u>

The outstanding principal amount in the above table does not include the unamortized bond premium of \$91,419. The premium is amortized over the life of the bonds on the straight-line method and is treated as a component of interest expense. Amortization of bond premium amounted to \$4,986 for each of the years ended June 30, 2020 and 2019.

#### **NOTE 8: RESTRICTED NET POSITION - OTHER**

During the year ended June 30, 2020 the Station was awarded community service grant funds from the CPB of \$125,171 of which \$33,384 is restricted for production, program and content, acquisition, distribution, and promotion expenditures to be incurred during the year ending June 30, 2021. At June 30, 2020, \$33,384 was included in "Cash" and "Restricted net position - other" on the Statements of Net Position.

#### **NOTE 9: PERSONNEL EXPENSES**

All personnel working at the Station are employees of the University, and thus are eligible for retirement or other benefits provided by the University. The Station reimburses the University for all wages and benefits related to the operations of the Station.

#### **NOTE 10: OPERATING LEASES**

The Station has a non-cancelable copier lease that will expire August 2021.

During the year ended June 30, 2019, the Station entered into a non-cancelable lease for land under the tower. The lease term is five years with four automatic renewals resulting in a total lease period of twenty five years. The lease payments in the agreement started during the year ended June 30, 2020.

## KUAF-FM

### Notes to Financial Statements June 30, 2020 and 2019

Future minimum payments under these leases for the next five years are as follows:

	<u>Copier</u>	<u>Tower Land</u>
Years ending June 30, 2021	\$ 3,576	\$ 9,000
2022	596	9,000
2023	-	9,000
2024	-	10,800
2025	-	10,800
Total minimum lease payments	<u>\$ 4,172</u>	<u>\$ 48,600</u>

Total rental expense incurred during the years ended June 30, 2020 and 2019 was \$23,645 and \$47,566, respectively.

#### **NOTE 11: RISKS AND UNCERTAINTIES**

As of the date of the Independent Auditor's Report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Station's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

#### **NOTE 12: SIGNIFICANT ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. GASB 87 improves consistency in accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 is effective for periods beginning after December 15, 2020. The Station is currently in the process of evaluating the impact of adoption of this GASB on the financial statements.

#### **NOTE 13: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 28, 2020, the date the financial statements were available to be issued.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Little Rock, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of KUAF-FM (the Station) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated December 28, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Little Rock, Arkansas

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Certified Public Accountants

December 28, 2020  
Fort Smith, Arkansas