

KUNI-FM/KHKE-FM

**2020
ANNUAL
REPORT**

*Financial Statements and Supplemental Information
for the Years Ended June 30, 2020 and 2019
and Independent Auditor's Report*

KUNI-FM/KHKE-FM

A Public Telecommunications Station
Operated by the University of Northern Iowa

Audited Financial Statements for
the Years Ended June 30, 2020 and 2019
and Independent Auditor's Report

KUNI-FM/KHKE-FM

TABLE OF CONTENTS

June 30, 2020

Management's Discussion and Analysis (unaudited)	1-6
Independent Auditor's Report	7-9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to Financial Statements	14-26
Supplemental Information:	
Schedule of Functional Expenses	27-28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	29-30

KUNI-FM/KHKE-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

For the Years Ended June 30, 2020, 2019 and 2018

KUNI Radio Group ("KUNI") provides this Management's Discussion and Analysis as a narrative overview of the financial performance of KUNI as of and for the three years ended June 30, 2020, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow.

KUNI Radio Group includes the following frequencies: KICJ (88.9 FM), KNSY (89.7 FM), KHKE (89.5 FM), KRNI (1010 AM), KUNI (90.9 FM), KNSM (91.5 FM), KICW (91.1 FM), KNSB (91.1 FM), K214BA (90.7 FM), K233AA (94.5 FM), K249EJ (97.7 FM), K271AF (102.1 FM), K284CN (104.7 FM) and K237GD (95.3 FM). The University of Northern Iowa is the licensee for these frequencies.

The Board of Regents, State of Iowa, established Iowa Public Radio, Inc. ("IPR") to manage the day-to-day operations including management, programming and technical support of the public radio operations at the three Regents' universities. This includes the KUNI Radio Group as well as the WOI Radio Group ("WOI") at Iowa State University and the WSUI Radio Group ("WSUI") at the University of Iowa. IPR is governed by a board of directors consisting of fifteen appointees. The President of the Board of Regents appoints twelve community directors to represent the interests of Iowa's communities. The president at each of the Regents' universities appoints a university director to represent the interests of each respective university.

The audited financial statements and footnotes of KUNI should be read in conjunction with the audited financial statements and footnotes of IPR.

Iowa Public Radio enriches the civic and cultural life in Iowa through high quality news and cultural programming. IPR delivers three streams of programming statewide, bringing Iowans award-winning national programming and producing local programs that reflect Iowa's sense of place. IPR's mission will be accomplished by focusing on its goals – strengthen the impact, reach and performance of the organization in order to better serve Iowans; grow and engage audience; deliver national, international and local news and cultural programming and develop a sustainable funding model that allows the network to thrive.

Using the Audited Financial Statements

This analysis is intended to introduce the basic financial statements of KUNI, which include as a blended component unit, the Friends of KHKE/KUNI, Inc. (the "Friends"). The financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. KUNI prepares its financial statements in accordance with Governmental Accounting Standards Board ("GASB") standards. These financial statements provide information on KUNI as a whole and present both a short-term and long-term view of KUNI's financial position. The basic financial statements also include the Notes to the Financial Statements which further explain and provide detail about the financial statements.

The Statements of Net Position

The Statements of Net Position present the assets, liabilities and net position of KUNI using the economic resources measurement focus and accrual basis of accounting. The Statements of Net Position represent the financial position at the end of each fiscal year. The difference between assets and liabilities – or net position – is one indicator of the current financial condition. The change in net position shown on the Statement of Revenues, Expenses and Changes in Net Position indicates whether the overall financial condition has improved during the fiscal year.

KUNI-FM/KHKE-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2020, 2019 and 2018

	June 30,		
	2020	2019	2018
Assets:			
Current assets	\$ 865,541	\$ 703,870	\$ 590,263
Capital assets, net	847,035	971,433	1,043,331
Total assets	<u>\$ 1,712,576</u>	<u>\$ 1,675,303</u>	<u>\$ 1,633,594</u>
Liabilities:			
Current liabilities	<u>\$ 93,135</u>	<u>\$ 96,208</u>	<u>\$ 98,769</u>
Net position:			
Investment in capital assets	\$ 847,035	\$ 971,433	\$ 1,043,331
Restricted	75,000	-	-
Unrestricted	697,406	607,662	491,494
Total net position	<u>\$ 1,619,441</u>	<u>\$ 1,579,095</u>	<u>\$ 1,534,825</u>
Total liabilities and net position	<u>\$ 1,712,576</u>	<u>\$ 1,675,303</u>	<u>\$ 1,633,594</u>

Total assets at June 30, 2020 increased 2.2% to \$1,712,576 compared to total assets of \$1,675,303 at the end of the prior fiscal year. Current assets at June 30, 2020 increased 23.0% to \$865,541 compared to current assets of \$703,870 at the end of the prior fiscal year. The increase in current assets is primarily due to an increase in cash and cash equivalents offset by a decrease in investments. Current assets at the end of fiscal year 2019 increased compared to current assets at the end of fiscal year 2018 primarily due to an increase in cash and cash equivalents.

Capital assets at June 30, 2020 decreased 12.8% to \$847,035 compared to capital assets of \$971,433 at the end of the prior fiscal year. The decrease in capital assets is due to the recording of depreciation and minimal capital asset purchases. Capital assets at the end of fiscal year 2019 decreased compared to capital assets at the end of fiscal year 2018 due to the recording of depreciation.

Current liabilities at June 30, 2020 decreased 3.2% to \$93,135 compared to current liabilities of \$96,208 at the end of the prior fiscal year. The decrease in current liabilities is primarily due to a decrease in accounts payable offset by an increase in deferred revenue. Current liabilities at the end of fiscal year 2019 decreased compared to current liabilities at the end of fiscal year 2018 due to decreases in accrued compensation and deferred revenue offset by an increase in accounts payable.

Total net position at June 30, 2020 increased 2.6% to \$1,619,441 compared to total net position of \$1,579,095 at the end of the prior fiscal year. Capital assets, as referenced above, decreased at June 30, 2020 compared to capital assets at the end of the prior fiscal year. Restricted assets increased at June 30, 2020 due to stabilization funding received from the Corporation for Public Broadcasting as part of the CARES act. Unrestricted assets increased at June 30, 2020 due to the change in net position and capital assets. Total net position at the end of fiscal year 2019 increased compared to total net position at the end of fiscal year 2018.

KUNI-FM/KHKE-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2020, 2019 and 2018

The Statements of Revenues, Expenses and Changes in Net Position

The change in net position as presented in the Statements of Net Position is based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position.

	For the years ended June 30,		
	2020	2019	2018
Total operating revenues	\$ 3,709,771	\$ 3,227,027	\$ 3,054,532
Total operating expenses	3,721,157	3,233,928	3,136,599
Operating loss	(11,386)	(6,901)	(82,067)
Non-operating revenues (expenses) - net	51,732	51,171	66,364
Change in net position	\$ 40,346	\$ 44,270	\$ (15,703)

Total operating revenues for the year ended June 30, 2020 increased 15.0% to \$3,709,771 compared to \$3,227,027 for the year ended June 30, 2019. Major components of operating revenues include:

- Support from the University of Northern Iowa for institutional, physical plant and occupancy support increased operating revenues by \$318,614;
- Support from IPR including membership and fundraising campaigns, underwriting revenue and state appropriations increased operating revenues by \$123,464;
- Support from the Corporation for Public Broadcasting for stabilization funds increased operating revenues by \$75,000;
- Support from membership and fundraising campaigns increased operating revenues by \$5,180;
- Support from the University of Northern Iowa for general appropriations decreased operating revenues by \$24,416;
- Community service grants decreased operating revenues by \$6,137;
- Special events and other revenue decreased operating revenues by \$5,628; and
- Support from other operating grants decreased operating revenues by \$3,333.

Total operating revenues for the year ended June 30, 2019 increased 5.6% to \$3,227,027 compared to \$3,054,532 for the year ended June 30, 2018. This increase was primarily due to increases in support from IPR and community service grants offset by a decrease in institutional, physical plant and occupancy support from the University of Northern Iowa.

Total operating expenses for the year ended June 30, 2020 increased 15.1% to \$3,721,157 compared to \$3,233,928 for the year ended June 30, 2019. Major components of operating expenses include:

- Management and general related expenses increased operating expenses by \$344,232 primarily due to increases in institutional support from the University of Northern Iowa and direct expenses paid by IPR;

KUNI-FM/KHKE-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2020, 2019 and 2018

- Programming and production related expenses increased operating expenses by \$76,673 primarily due to increases in direct expenses paid by IPR, programming fees and salaries, wages and benefits;
- Program information and promotion related expenses increased operating expenses by \$42,295 primarily due to an increase in direct expenses paid by IPR;
- Broadcast and engineering related expenses increased operating expenses by \$21,380 primarily due to increases in direct expenses paid by IPR, salaries, wages and benefits, facilities and telecommunications offset by a decrease in repairs and maintenance;
- Fundraising and membership development related expenses increased operating expenses by \$4,571 primarily due to an increase in direct expenses paid by IPR offset by a decrease in professional services; and
- Depreciation expense decreased operating expenses by \$1,922.

Total operating expenses for the year ended June 30, 2019 increased 3.1% to \$3,233,928 compared to \$3,136,599 for the year ended June 30, 2018. This increase was primarily due to increases in direct expenses paid by IPR, repairs and maintenance and salaries, wages and benefits offset by decreases in professional services, depreciation and institutional support from the University of Northern Iowa.

Non-operating revenues (expenses) for the year ended June 30, 2020 increased 1.1% to \$51,732 compared to \$51,171 for the year ended June 30, 2019. This increase is primarily due to an increase in rental revenue offset by a decrease in investment returns.

Non-operating revenues (expenses) for the year ended June 30, 2019 decreased 22.9% to \$51,171 compared to \$66,364 for the year ended June 30, 2018. This decrease was primarily due to a decrease in investment returns.

The Statements of Cash Flows

The Statements of Cash Flows provides information about cash receipts and cash disbursements for KUNI for the fiscal year.

	For the years ended June 30,		
	2020	2019	2018
Cash provided (used) by:			
Operating activities	\$ 117,596	\$ 129,045	\$ 53,705
Non-capital financing activities	52,660	46,112	45,823
Capital financing activities	(8,367)	(67,186)	(35,198)
Investing activities	21,285	6,974	39,642
Net change in cash	183,174	114,945	103,972
Cash beginning of year	480,768	365,823	261,851
Cash end of year	<u>\$ 663,942</u>	<u>\$ 480,768</u>	<u>\$ 365,823</u>

Cash from operating activities decreased to \$117,596 for the year ended June 30, 2020 compared to \$129,045 for

KUNI-FM/KHKE-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2020, 2019 and 2018

the year ended June 30, 2019 primarily due to decreases in cash receipts for membership and fundraising, cash received from general appropriations from the University of Northern Iowa and community service grants offset by an increase in cash received from stabilization funds.

Cash from non-capital financing activities increased to \$52,660 for the year ended June 30, 2020 compared to \$46,112 for the year ended June 30, 2019 primarily due to an increase in cash received from tower rentals.

Cash from capital financing activities increased to (\$8,367) for the year ended June 30, 2020 compared to (\$67,186) for the year ended June 30, 2019 due to decreases in purchases of capitalized and non-capitalized equipment offset by a decrease in cash received from equipment grants.

Cash from investing activities increased to \$21,285 for the year ended June 30, 2020 compared to \$6,974 for the year ended June 30, 2019 due to an increase in the proceeds from sales of investments offset by an increase in the acquisition of investments.

The net increase in cash and cash equivalents was \$183,174 for the year ended June 30, 2020 compared to a net increase of \$114,945 for the year ended June 30, 2019.

Capital Assets

At June 30, 2020, capital assets totaled \$2,957,330, with accumulated depreciation of \$2,110,295, for net capital assets of \$847,035. At June 30, 2019, capital assets totaled \$3,010,144, with accumulated depreciation of \$2,038,711, for net capital assets of \$971,433. Depreciation charges for the year ended June 30, 2020 totaled \$134,141 compared to \$136,063 for the year ended June 30, 2019. Capital assets, net of accumulated depreciation, are as follows:

	For the years ended June 30,		
	2020	2019	2018
Towers and transmission	\$ 374,416	\$ 462,240	\$ 497,563
Broadcast and production equipment	216,442	239,421	262,400
Office furniture and equipment	241,177	254,772	268,368
Digital licenses	15,000	15,000	15,000
Investment in capital assets	<u>\$ 847,035</u>	<u>\$ 971,433</u>	<u>\$ 1,043,331</u>

Economic Outlook

The management of IPR is not aware of any extraordinary items that would impact the viability of KUNI going forward and IPR is fully engaged in its effort to assure its sustainability for the coming year.

KUNI-FM/KHKE-FM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2020, 2019 and 2018

Contacting KUNI Radio Group's Financial Management

This financial report is designed to provide users with a general overview of KUNI's finances and to demonstrate accountability for the funds received. Questions regarding this report or requests for additional information, including information related to the Friends, should be directed to the Finance and Operations Director, Iowa Public Radio, Inc., 2111 Grand Avenue, Suite 100, Des Moines, IA 50312.



INDEPENDENT AUDITOR'S REPORT

Ms. Tonya Gerbracht, Controller
University of Northern Iowa
Cedar Falls, Iowa

We have audited the accompanying financial statements of KUNI-FM/KHKE-FM, a public telecommunications station operated by the University of Northern Iowa, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise KUNI-FM/KHKE-FM's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 judgement, including the assessment of the risk 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.

Phone: 515-276-7000

Fax: 515-276-7002

E-Mail: info@nearmyercpa.com

Web: www.nearmyercpa.com

6200 Aurora Avenue

Suite 402W

Urbandale, IA 50322-2800

Members:

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

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 net position of KUNI-FM/KHKE-FM 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of KUNI-FM/KHKE-FM are intended to present the net position, changes in net position, and cash flows of only that portion of the business type activities of the University of Northern Iowa that is attributable to the transactions of KUNI-FM/KHKE-FM. They do not purport to, and do not present fairly the financial position of the University of Northern Iowa as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 1 - 6 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise KUNI-FM/KHKE-FM's basic financial statements. The schedules of functional expenses on pages 27 - 28 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of functional expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020 on our consideration of KUNI-FM/KHKE-FM'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 KUNI-FM/KHKE-FM's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Nearmyer & Associates, P.C." The signature is written in a cursive, flowing style.

Nearmyer & Associates, P.C.
Certified Public Accountants
Urbandale, Iowa

December 2, 2020

KUNI-FM/KHKE-FM

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 663,942	\$ 480,768
Investments	192,781	215,056
Prepaid expenses	8,283	8,046
Accounts receivable	535	-
Total current assets	865,541	703,870
Capital assets, net	847,035	971,433
Total assets	<u>\$ 1,712,576</u>	<u>\$ 1,675,303</u>
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	\$ 13,180	\$ 18,128
Unearned rental revenue	3,673	1,825
Accrued compensation	76,274	76,247
Contributions payable	8	8
Total liabilities	93,135	96,208
Net position		
Investment in capital assets	847,035	971,433
Restricted:		
Expendable	75,000	-
Unrestricted	697,406	607,662
Total net position	1,619,441	1,579,095
Total liabilities and net position	<u>\$ 1,712,576</u>	<u>\$ 1,675,303</u>

The accompanying notes are an integral part of these financial statements.

KUNI-FM/KHKE-FM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

<u>OPERATING REVENUES</u>	<u>2020</u>	<u>2019</u>
Support from University of Northern Iowa:		
General appropriations	\$ 301,137	\$ 325,553
Institutional, physical plant and occupancy	708,736	390,122
Support from Iowa Public Radio, Inc.:		
Memberships and fundraising campaigns	1,729,572	1,587,632
Program underwriting	570,538	559,279
State appropriations	116,883	116,886
Special events	-	23,406
Other revenue	-	6,325
Support from Corporation for Public Broadcasting:		
Community service grants	196,148	202,285
Stabilization funds	75,000	-
Special events and other revenue	4,072	13,033
Memberships and fundraising campaigns	7,685	2,506
Total operating revenues	<u>3,709,771</u>	<u>3,227,027</u>
<u>OPERATING EXPENSES</u>		
Program services:		
Programming and production	1,289,216	1,212,543
Broadcasting and engineering	711,377	689,997
Program information and promotion	46,887	4,592
Support services:		
Management and general	1,082,905	738,673
Fundraising and membership development	456,631	452,060
Depreciation	134,141	136,063
Total operating expenses	<u>3,721,157</u>	<u>3,233,928</u>
Operating loss	<u>(11,386)</u>	<u>(6,901)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment return	(991)	6,688
Rental revenue	51,348	47,504
Equipment grant revenue	-	25,000
Non-capitalized equipment	-	(28,021)
Gain (loss) on sale of equipment	1,375	-
Total non-operating revenues (expenses) - net	<u>51,732</u>	<u>51,171</u>
Change in net position	40,346	44,270
Net position, beginning of year	1,579,095	1,534,825
Net position, end of year	<u>\$ 1,619,441</u>	<u>\$ 1,579,095</u>

The accompanying notes are an integral part of these financial statements.

KUNI-FM/KHKE-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2020</u>	<u>2019</u>
Cash received from the University of Northern Iowa general appropriations	\$ 301,137	\$ 325,553
Cash received from community service grants	196,148	202,285
Cash received from stabilization funds	75,000	-
Cash received from Iowa Public Radio, Inc. for membership and fundraising campaigns	750,000	800,000
Cash received from major gifts, memberships and fundraising campaigns	7,685	2,506
Cash received from other revenue	4,072	13,033
Cash payments to employees for salaries, wages and benefits	(477,292)	(467,415)
Cash payments to suppliers for goods and services	(739,154)	(746,917)
Net cash flows provided by operating activities	<u>117,596</u>	<u>129,045</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from rental income	<u>52,660</u>	<u>46,112</u>
Net cash flows provided by non-capital financing activities	<u>52,660</u>	<u>46,112</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Cash received from equipment grants	-	25,000
Purchase of equipment - non-capitalized	-	(28,021)
Purchase of equipment - capitalized	(9,742)	(64,165)
Cash proceeds from the sale of equipment	<u>1,375</u>	<u>-</u>
Net cash flows used by capital financing activities	<u>(8,367)</u>	<u>(67,186)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	89,671	57,779
Cash received from investment income	2,436	2,945
Acquisition of investments	(70,822)	(53,750)
Net cash flows provided by investing activities	<u>21,285</u>	<u>6,974</u>
Net increase in cash and cash equivalents	183,174	114,945
Cash and cash equivalents, beginning of year	<u>480,768</u>	<u>365,823</u>
Cash and cash equivalents, end of year	<u>\$ 663,942</u>	<u>\$ 480,768</u>

The accompanying notes are an integral part of these financial statements.

KUNI-FM/KHKE-FM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating loss	\$ (11,386)	\$ (6,901)
Transactions not requiring cash:		
Depreciation	134,141	136,063
(Increase) decrease in:		
Due from related party	-	1,000
Prepaid expenses	(238)	52
Increase (decrease) in:		
Accounts payable	(4,948)	688
Accrued compensation	27	(1,857)
Net cash flows provided by operating activities	<u>\$ 117,596</u>	<u>\$ 129,045</u>

Concluded.

DISCLOSURE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:

Unrealized losses of (\$29,826) and (\$8,661) decreased the fair value of investments at June 30, 2020 and 2019, respectively.

The accompanying notes are an integral part of these financial statements.

KUNI-FM/KHKE-FM

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KUNI-FM/KHKE-FM (the "Station") is a department of the University of Northern Iowa (the "University"), under the governance of the Board of Regents, State of Iowa ("Board of Regents"). Since the Board of Regents holds the corporate powers of the Station, it is not deemed to be legally separate. Accordingly, for financial reporting purposes, the Station is included in the financial report of the University and the University is included in the financial report of the State of Iowa, the primary government, as required by U.S. generally accepted accounting principles ("GAAP"). The Station is classified as a state instrumentality under Internal Revenue Code Section 115 and is exempt from federal income taxes. Certain activities of the Station may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The accompanying financial statements of KUNI-FM/KHKE-FM include as a blended component unit, Friends of KHKE/KUNI, Inc., a non-profit Iowa corporation governed by a self-appointed 18-member board. Inter-entity transactions and balances have been eliminated in combination. A copy of the Friend's financial statements may be obtained by contacting the Finance and Operations Director of Iowa Public Radio.

Financial Statement Presentation

The Station's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The Station has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB pronouncements issued after the applicable date.

Basis of Accounting

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34* ("GASB 35"). Accordingly, the financial statements of the Station have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned, expenses are recorded when an obligation has been incurred and all significant inter-entity transactions have been eliminated.

Nature of Activities

The Station is dedicated to providing programming devoted to educational, informational and cultural programs suitable for general audiences. A significant portion of the Station's funding is received from Iowa Public Radio, Inc. and the University of Northern Iowa.

Estimates

The preparation of financial statements in conformity with GAAP 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 amount of revenues and expenditures during the reported period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash, prepaid expenses, accounts payable and unearned rental revenue approximate fair value because of the short maturity of those financial instruments.

The Friends hold certain investments that are required to be measured at fair value on a recurring basis. The financial instruments reported at fair value are classified based on the inputs used to determine the value, as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuations that require inputs that are both significant to the fair value measurement and unobservable in the market.

The Station has the following recurring fair value measurements as of June 30, 2020:

- Stocks held by Friends of \$192,781 are recorded at fair value based on quoted market prices (Level 1).

The Station has the following recurring fair value measurements as of June 30, 2019:

- Stocks held by Friends of \$215,056 are recorded at fair value based on quoted market prices (Level 1).

Capital Assets

Capital assets are recorded at cost at the date of acquisition or at acquisition value at the date of donation. The Station's capitalization policy for furniture and fixtures and equipment includes all items with a unit cost of at least \$5,000 and an estimated useful life of greater than one year.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, with useful lives ranging from 4 to 40 years. Depreciation expense charged to operations for the years ended June 30, 2020 and 2019 totaled \$134,141 and \$136,063, respectively.

Certain capital assets related to the station located in Cedar Falls, Iowa, were funded by the federal government. The federal funding requires that the Station maintain and operate these stations for a period of ten years. Restrictions on the Cedar Falls station expired in the years 2018 and 2019.

The Station acquired three IBIQUITY digital licenses as part of the digital conversion grants awarded by the Corporation for Public Broadcasting ("CPB"). The licenses have a perpetual life and can be renewed indefinitely at little cost to the Station. The Station intends to renew the licenses indefinitely. The digital licenses are not subject to amortization.

Net Position

The Station's net position is classified as follows:

Investment in capital assets - Capital assets, net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets.

Restricted, expendable - Net position subject to externally imposed restrictions on use of resources either legally or contractually.

Restricted, non-expendable - Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

Unrestricted - Net position not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management.

When an expense is incurred for which both restricted and unrestricted net position is available, the Station's policy is to first apply the expense against the restricted and then toward the unrestricted asset.

Restricted net position as of June 30, 2020 reflects \$75,000 in stabilization funds from CPB.

University Support and Grant Revenue

University support is recorded as revenue when expenditures are incurred. Grants and other support to finance capital assets are recognized as revenue when expenditures are incurred. Grants utilized to finance operations are recorded when awarded by the grantor.

In-Kind Support

Contributed services are recognized as contributions if the services received, created or enhanced a long-lived asset or required specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers provide a variety of tasks that assist the Station throughout the year that have not been recognized as contributions in the financial statements because the criteria for recognition was not met. No contributed services were recognized for the years ended June 30, 2020 and 2019, respectively.

Pledges and Contributions

The Station encourages individuals, businesses and other organizations to provide support for specific and general programming. Iowa Public Radio, Inc. serves as the primary fundraising entity for the Station engaging in periodic on-air, online and direct mail fundraising campaigns on behalf of the Station. A portion of the contributions are made by pledges or unconditional promises to give. Contributions, including unconditional promises to give, are recognized in the period received, net of an allowance for doubtful accounts, if appropriate. Contributions are classified as operating revenues unless restricted for non-operating purposes. Support from IPR is recognized when an allocation of support from its fundraising efforts is pledged to the Station.

Program Underwriting

Underwriting support is treated as conditional contributions, and recognized when the conditions are met based on the terms of the underwriting agreements, and are recognized primarily on a pro rata basis as the underwriters are acknowledged.

Functional Allocation of Expenses

The cost of providing program services, support services and depreciation are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Position and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated between program and support services on the basis of benefits received.

Operating and Non-Operating Activities

Operating activities generally result from the production of program material suitable for public broadcasting. Revenues associated with, or restricted by donors for use for capital assets, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentations.

2. CONDENSED COMBINING FINANCIAL INFORMATION

The financial statements of the Station include the financial statements of the Friends, as a blended component unit. The following is condensed combining financial information of the Station and its blended component unit as of June 30, 2020.

	<u>Station</u>	<u>Friends</u>	<u>Total</u>
Condensed Statements of Net Position			
Current assets	\$ 646,592	\$ 218,949	\$ 865,541
Capital assets, net	847,035	-	847,035
Total assets	<u>\$ 1,493,627</u>	<u>\$ 218,949</u>	<u>\$ 1,712,576</u>
Current liabilities	\$ 93,127	\$ 8	\$ 93,135
Long-term liabilities	-	-	-
Total liabilities	<u>\$ 93,127</u>	<u>\$ 8</u>	<u>\$ 93,135</u>
Investment in capital assets	\$ 847,035	\$ -	\$ 847,035
Restricted	75,000	-	75,000
Unrestricted	478,465	218,941	697,406
Total net position	<u>\$ 1,400,500</u>	<u>\$ 218,941</u>	<u>\$ 1,619,441</u>

2. CONDENSED COMBINING FINANCIAL INFORMATION – continued

Condensed Statements of Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 3,702,086	\$ 7,685	\$ 3,709,771
Operating expenses	<u>3,704,603</u>	<u>16,554</u>	<u>3,721,157</u>
Operating loss	(2,517)	(8,869)	(11,386)
Non-operating revenues (expenses) - net	<u>52,723</u>	<u>(991)</u>	<u>51,732</u>
Change in net position	50,206	(9,860)	40,346
Net position, beginning of year	<u>1,350,294</u>	<u>228,801</u>	<u>1,579,095</u>
Net position, end of year	<u>\$ 1,400,500</u>	<u>\$ 218,941</u>	<u>\$ 1,619,441</u>

	<u>Station</u>	<u>Friends</u>	<u>Total</u>
Condensed Statements of Cash Flows			
Net cash provided (used) by:			
Operating activities	\$ 126,466	\$ (8,870)	\$ 117,596
Non-capital financing activities	52,660	-	52,660
Capital and related financing activities	(8,367)	-	(8,367)
Investing activities	<u>-</u>	<u>21,285</u>	<u>21,285</u>
Net change in cash & cash equivalents	170,759	12,415	183,174
Cash & cash equivalents, beginning of year	<u>467,015</u>	<u>13,753</u>	<u>480,768</u>
Cash & cash equivalents, end of year	<u>\$ 637,774</u>	<u>\$ 26,168</u>	<u>\$ 663,942</u>

The financial statements of the Station include the financial statements of the Friends, as a blended component unit. The following is condensed combining financial information of the Station and its blended component unit as of June 30, 2019.

2. CONDENSED COMBINING FINANCIAL INFORMATION – continued

	Station	Friends	Total
Condensed Statements of Net Position			
Current assets	\$ 475,061	\$ 228,809	\$ 703,870
Capital assets, net	971,433	-	971,433
Total assets	<u>\$ 1,446,494</u>	<u>\$ 228,809</u>	<u>\$ 1,675,303</u>
Current liabilities	\$ 96,200	\$ 8	\$ 96,208
Long-term liabilities	-	-	-
Total liabilities	<u>\$ 96,200</u>	<u>\$ 8</u>	<u>\$ 96,208</u>
Investment in capital assets	\$ 971,433	\$ -	\$ 971,433
Restricted	-	-	-
Unrestricted	378,861	228,801	607,662
Total net position	<u>\$ 1,350,294</u>	<u>\$ 228,801</u>	<u>\$ 1,579,095</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 3,214,822	\$ 12,205	\$ 3,227,027
Operating expenses	3,214,928	19,000	3,233,928
Operating loss	(106)	(6,795)	(6,901)
Non-operating revenues (expenses) - net	44,483	6,688	51,171
Change in net position	44,377	(107)	44,270
Net position, beginning of year	1,305,917	228,908	1,534,825
Net position, end of year	<u>\$ 1,350,294</u>	<u>\$ 228,801</u>	<u>\$ 1,579,095</u>
Condensed Statements of Cash Flows			
Net cash provided (used) by:			
Operating activities	\$ 135,839	\$ (6,794)	\$ 129,045
Non-capital financing activities	46,112	-	46,112
Capital and related financing activities	(67,186)	-	(67,186)
Investing activities	-	6,974	6,974
Net change in cash & cash equivalents	114,765	180	114,945
Cash & cash equivalents, beginning of year	352,250	13,573	365,823
Cash & cash equivalents, end of year	<u>\$ 467,015</u>	<u>\$ 13,753</u>	<u>\$ 480,768</u>

3. TRANSACTIONS WITH THE UNIVERSITY OF NORTHERN IOWA

The Station receives general appropriations from the University to help support the cost of operations. General appropriations awarded to the Station were \$301,137 and \$325,553 for the years ended June 30, 2020 and 2019, respectively.

The Station receives indirect support from the University, which consists of allocated institutional support, physical plant and office and studio occupancy costs incurred by the University for which the Station received benefits. The value of the indirect support is computed using the valuation method currently advocated by the Corporation for Public Broadcasting, which approximates fair value. The value of the indirect support totaled \$708,736 and \$390,122 for the years ended June 30, 2020 and 2019, respectively.

Program underwriting from various University departments totaled \$17,517 and \$12,407 during the years ended June 30, 2020 and 2019, respectively.

Financial statements for the University of Northern Iowa can be obtained at Office of Business Operations, University of Northern Iowa, 103 Gilchrist Hall, Cedar Falls, IA 50614-0008 or from the University's website at www.uni.edu.

4. TRANSACTIONS WITH IOWA PUBLIC RADIO, INC.

The Board of Regents established IPR to manage the day-to-day operations including management, programming and technical support of the public radio stations at the three Regents' universities. In addition to the Station, IPR manages the operations of the WOI Radio Group ("WOI") licensed to Iowa State University and the WSUI Radio Group ("WSUI") licensed to the University of Iowa. IPR is governed by a board of directors consisting of fifteen appointees including one licensee director appointed by the president of each university.

IPR engages in fundraising and underwriting campaigns on behalf of the Station through the use of on-air, online and direct mail fundraising campaigns. As a result of its fundraising efforts, IPR distributes revenue in the form of cash contributions and payment of expenses for the direct benefit of the Station.

IPR receives a state appropriation through the Board of Regents. A portion of the appropriation is included when IPR distributes revenue in the form of payment of expenses for the direct benefit of the Station.

IPR hosts special events as part of its fundraising efforts. A portion of the special events revenue is included when IPR distributes revenue in the form of payment of expenses for the direct benefit of the Station.

IPR offers online ads as part of its underwriting campaign. A portion of the online ad revenue is included when IPR distributes revenue in the form of payment of expenses for the direct benefit of the Station.

During 2012, Friends of KHKE/KUNI entered into an unconditional promise to give to the IPR Operating Endowment Fund in the amount of \$1,000,000. The promise to give payable is \$8 as of June 30, 2020 and 2019, respectively. In May, 2015, June, 2014, and November, 2013, the gift agreement was amended to reflect the distribution of \$164,000 for the year ended June 30, 2016 and \$168,000 for each of the years ended June 30, 2015 and 2014, respectively, of the outstanding payable towards general operating support reducing the final IPR Operating Endowment Fund to a total of \$500,000.

The following summarizes the distributions from IPR for the year ended June 30, 2020:

	<u>Cash Contributions</u>	<u>Payment of Direct Expenses</u>	<u>Total</u>
Memberships and fundraising campaigns	\$ 750,000	\$ 979,572	\$ 1,729,572
Program underwriting	-	570,538	570,538
State appropriation	-	116,883	116,883
Special events	-	-	-
Other revenue	-	-	-
	<u>\$ 750,000</u>	<u>\$ 1,666,993</u>	<u>\$ 2,416,993</u>

The following summarizes the distributions from IPR for the year ended June 30, 2019:

	<u>Cash Contributions</u>	<u>Payment of Direct Expenses</u>	<u>Total</u>
Memberships and fundraising campaigns	\$ 800,000	\$ 787,632	\$ 1,587,632
Program underwriting	-	559,279	559,279
State appropriation	-	116,886	116,886
Special events	-	23,406	23,406
Other revenue	-	6,325	6,325
	<u>\$ 800,000</u>	<u>\$ 1,493,528</u>	<u>\$ 2,293,528</u>

Financial statements for Iowa Public Radio, Inc. can be obtained from Iowa Public Radio at 2111 Grand Avenue, Suite 100, Des Moines, IA 50312 or from IPR's website at www.iowapublicradio.org.

5. THE CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting ("CPB") is a private, not-for-profit corporation created by Congress in 1967. As the steward of the federal government's investment in public broadcasting, the CPB helps to support the operations of more than 1,500 locally owned and locally operated public television and radio stations nationwide.

Annually, qualified public broadcasting entities are eligible to receive a Community Service Grant ("CSG") distributed by the CPB. These grants are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act of 1934, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act of 1934, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. In addition, recipients may use the funds to sustain programs initiated with CSG awards from prior years.

Certain provisions must be satisfied in connection with application for and use of the funds to maintain eligibility and meet compliance requirements. These provisions pertain to open meetings, open records, community advisory boards, record keeping and audit requirements, and licensee status with the Federal Communications Commission ("FCC").

The CSG funds are reported on the financial statements as increases in temporarily restricted net position when the Station receives the grant. Upon satisfaction of the time and purpose restrictions, the funds are reported as a release from temporarily restricted net position and an increase in unrestricted net position.

The Station received \$75,000 in stabilization funding from the CPB as part of the CARES act to prevent, prepare for, and respond to COVID-19. These funds have no expenditure period and are unrestricted funds intended to be used as needed to sustain operations and services.

Funds received and expended from the Corporation for Public Broadcasting during the reported years include:

Year of Grant	Grants Received	Expended		Uncommitted Balance at 6/30/2020
		2019	2020	
2019	\$ 202,285	\$ 202,285	\$ -	\$ -
2020	196,148	-	196,148	-
2020	75,000	-	-	75,000

6. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents of the Station are held by the University and by the Friends and consist of unrestricted cash on hand, in checking, savings, and money market accounts, and highly liquid investments with original maturities of less than three months. Cash equivalents are readily convertible to known amounts of cash.

Investments of the Friends are comprised of stocks and are stated at quoted fair value. Market value for the years ended June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Stocks		
Cost	\$ 181,931	\$ 174,381
Unrealized gain (loss)	10,850	40,675
Market value	<u>\$ 192,781</u>	<u>\$ 215,056</u>

Investment return for the years ended June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Investment return		
Dividends and interest	\$ 4,462	\$ 5,102
Realized gains (losses)	26,399	12,403
Unrealized gains (losses)	(29,826)	(8,661)
Investment fees	(2,026)	(2,156)
Total investment return	<u>\$ (991)</u>	<u>\$ 6,688</u>

The Station's cash and cash equivalents and investments are subject to the following risks:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is managed by diversification to multiple counter parties.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2020, the Station's cash and cash equivalents were highly concentrated in University and Friends' cash accounts.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Station may not be able to recover deposits or collateral securities. As of June 30, 2020 and 2019, the carrying amount of deposits with the University totaled \$637,774 and \$467,015. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund. The Friends investments are held by a custodian.

7. CAPITAL ASSETS

A summary of capital assets at June 30, 2020 is as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020
Non-depreciable capital assets:				
Digital licenses	\$ 15,000	\$ -	\$ -	\$ 15,000
Total non-depreciable capital assets	15,000	-	-	15,000
Depreciable capital assets:				
Towers and transmission equipment	2,170,300	9,743	38,536	2,141,507
Broadcast and production equipment	467,473	-	-	467,473
Office furniture and equipment	357,372	-	24,022	333,350
Total depreciable capital assets	2,995,145	9,743	62,558	2,942,330
Less accumulated depreciation:				
Towers and transmission equipment	1,708,061	97,566	38,536	1,767,091
Broadcast and production equipment	228,052	22,979	-	251,031
Office furniture and equipment	102,599	13,596	24,022	92,173
Total accumulated depreciation	2,038,712	134,141	62,558	2,110,295
Net depreciable assets	956,433	(124,398)	-	832,035
Net investment in capital assets	\$ 971,433	\$ (124,398)	\$ -	\$ 847,035

A summary of capital assets at June 30, 2019 is as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019
Non-depreciable capital assets:				
Digital licenses	\$ 15,000	\$ -	\$ -	\$ 15,000
Total non-depreciable capital assets	15,000	-	-	15,000
Depreciable capital assets:				
Towers and transmission equipment	2,106,135	64,165	-	2,170,300
Broadcast and production equipment	467,473	-	-	467,473
Office furniture and equipment	357,372	-	-	357,372
Total depreciable capital assets	2,930,980	64,165	-	2,995,145
Less accumulated depreciation:				
Towers and transmission equipment	1,608,573	99,488	-	1,708,061
Broadcast and production equipment	205,073	22,979	-	228,052
Office furniture and equipment	89,003	13,596	-	102,599
Total accumulated depreciation	1,902,649	136,063	-	2,038,712
Net depreciable assets	1,028,331	(71,898)	-	956,433
Net investment in capital assets	\$ 1,043,331	\$ (71,898)	\$ -	\$ 971,433

8. COMPENSATED ABSENCES

Employees of the Station are paid through the state universities. University employees accumulate vacation and sick leave under the provisions of Chapter 79 and 262 of the Code of Iowa, and it is the policy of the State to liquidate these accrued benefits under specific circumstances. Accrued vacation is paid at 100% of the employees' hourly rate upon retirement, death or termination and accrued sick leave is paid at 100% of the hourly rate up to a maximum of \$2,000 upon retirement. As of June 30, 2020 and 2019, the amount to liquidate accrued vacation and sick leave amounts totaled \$76,274 and \$76,247, respectively.

9. EMPLOYEE BENEFITS AND RETIREMENT PLAN

Station personnel who are employees of the University are entitled to University fringe benefit programs. This includes participation in retirement plans through the University.

Teachers Insurance and Annuity Association

The University contributes to the Teachers Insurance and Annuity Association ("TIAA") retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provision and contribution requirements. As required by the Board of Regent's policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA for years 2020 and 2019, each employee through the fifth year of employment contributed 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, contributed 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant contributed 5% and the University contributed 10% on all earnings.

The Station's share of employer contributions to TIAA is included in salaries, wages and benefits expense for the years ended June 30, 2020 and 2019. The Station's contributions are funded on a monthly basis therefore no liability has been recognized as of June 30, 2020 and 2019, respectively.

10. LEASE COMMITMENTS

The University has entered into the following operating leases on behalf of the Station:

1. A non-cancellable lease with Cedar Rapids Television Company to affix a radio transmission antenna on their tower for KUNI, expiring January 18, 2025, with rent payments increasing annually based on the CPI, plus utilities. Rent totaled \$66,486 and \$65,220 for the years ended June 30, 2020 and 2019. Utilities totaled \$25,879 and \$25,798 for the years ended June 30, 2020 and 2019, respectively.
2. A non-cancellable lease with Nexstar Broadcasting to affix a radio transmission antenna on their tower for K233AA, expiring December 31, 2020, with rent payments increasing 5% annually. Rent totaled \$11,573 and \$11,022 for the years ended June 30, 2020 and 2019, respectively.
3. A non-cancellable lease with Des Moines Public Schools to affix a radio transmission antenna on their tower for K249EJ, running year-to-year per memo of understanding. Rent totaled \$3,600 for each of the years ended June 30, 2020 and 2019.
4. A non-cancellable lease with Northern Natural Gas Company to affix a radio transmission antenna on their tower for KHKE, expiring January 31, 2022, with annual rent payments of \$550, plus utilities. Rent totaled \$550 for each of the years ended June 30, 2020 and 2019. Utilities totaled \$7,208 and \$8,087 for the years ended June 30, 2020 and 2019, respectively.
5. A non-cancellable lease with Pinnacle Towers to affix a radio transmission antenna on their tower for KNSY, expiring June 30, 2025, with rent payments increasing 3.5% annually. Rent totaled \$13,597 and \$13,137 for the years ended June 30, 2020 and 2019, respectively. Utilities totaled \$1,545 and \$1,495 for the years ended June 30, 2020 and 2019, respectively.
6. A non-cancellable lease with Pinnacle Towers to affix a radio transmission antenna on their tower for KNSB, expiring February 28, 2025, with rent payments increasing annually based on the CPI, plus utilities. Rent totaled \$18,379 and \$17,965 for the years ended June 30, 2020 and 2019, respectively. Utilities totaled \$18,250 and \$17,743 for the years ended June 30, 2020 and 2019, respectively.
7. A non-cancellable lease with River Valley Cooperative to affix a radio transmission antenna on their tower for KUNI, expiring November 11, 2020, with annual rent payments of \$1,000. Rent totaled \$1,000 for each of the years ended June 30, 2020 and 2019.
8. A non-cancellable lease with Tower Asset Sub, Inc. to affix a radio transmission antenna on their tower for KICJ, expiring June 30, 2024, with rent payments increasing 3% annually. Rent totaled \$17,761 and \$17,244 for the years ended June 30, 2020 and 2019, respectively. Utilities totaled \$12,525 and \$12,475 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under all non-cancellable operating leases for the next five years and in aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 118,806
2022	119,847
2023	120,923
2024	121,482
2025	62,189
	<u>\$ 543,247</u>

11. RISK MANAGEMENT

The Station is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to the same insurance coverage as the University which includes catastrophic property insurance, self-insured liability losses and limited motor vehicle liability coverage. The Station received \$4,072 in insurance proceeds for the year ended June 30, 2020 for hail damage incurred. The Station did not receive any insurance proceeds for the year ended June 30, 2019.

The COVID-19 outbreak of 2020 has caused business disruption. The related long-term financial impact and duration cannot be reasonably estimated at this time.

12. NON-FEDERAL FINANCIAL SUPPORT

The Corporation for Public Broadcasting allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support ("NFFS"). NFFS is defined as the total value of cash and the fair market value of property and services received either as a contribution or a payment which meets specific criteria as to recipient, form, source and purpose.

A "contribution" is an unconditional transfer of cash or other assets given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be included as NFFS: (1) the recipient must be a public broadcasting entity on behalf of a public broadcasting station; (2) the contribution must take the form of a gift, grant, bequest, donation or appropriation; (3) the source must be an entity including state and local government agencies, not-for-profit organizations and foundations, for-profit entities or individuals and excluding the Federal government or other public broadcasting entities; and (4) the purpose must be for the construction or operation of a non-commercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational radio programs and related activities.

The "payment" is a reciprocal transfer of cash or other assets in which each party receives and sacrifices approximately equal value. Support received as a payment by a public broadcasting entity must meet the following criteria to be included as NFFS: (1) the recipient must be a public broadcasting entity on behalf of a public broadcasting station; (2) the payment must take the form of an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the source must be an entity including state and local government agencies and educational institutions or organizations; and (4) the purpose must be for materials or services with respect to the provision of educational or instructional radio programs.

13. SUBSEQUENT EVENTS

Iowa Public Radio entered into a letter of intent dated October 1, 2020 with the Board of Regents, State of Iowa, to pursue a possible transfer of the FCC licenses and certain assets related to the radio operations owned by the Station, Iowa State University and the University of Iowa.

The Station has evaluated events and transactions for possible adjustment or disclosure through December 2, 2020, which is the date the financial statements were available to be issued.

At the date of this report, the Station does not have any outstanding construction commitments.

Supplemental Information

KUNI-FM/KHKE-FM

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services				Support Services			
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Total Support Services	Total
Salaries, wages and benefits	\$ 359,746	\$ 117,573	\$ -	\$ 477,319	\$ -	\$ -	\$ -	\$ 477,319
Travel	5,097	5,870	-	10,967	55	73	128	11,095
Office and other supplies	302	3,534	-	3,836	-	-	-	3,836
Direct expenses paid by								
Iowa Public Radio	538,214	291,042	46,887	876,143	348,333	442,517	790,850	1,666,993
Professional services	22,164	410	-	22,574	25,072	14,041	39,113	61,687
Postage	-	13	-	13	173	-	173	186
Repairs & maintenance	206	40,216	-	40,422	536	-	536	40,958
Facilities	-	192,724	-	192,724	-	-	-	192,724
Programming fees	363,487	-	-	363,487	-	-	-	363,487
Prof development	-	-	-	-	-	-	-	-
Telecommunications	-	59,995	-	59,995	-	-	-	59,995
Institutional, physical plant & occupancy - UNI	-	-	-	-	708,736	-	708,736	708,736
Depreciation	-	-	-	-	-	-	-	-
Total expenses	\$ 1,289,216	\$ 711,377	\$ 46,887	\$ 2,047,480	\$ 1,082,905	\$ 456,631	\$ 1,539,536	\$ 3,721,157

See Independent Auditor's Report.

KUNI-FM/KHKE-FM

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services				Support Services		
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Total Support Services
Salaries, wages and benefits	\$ 354,070	\$ 111,489	\$ -	\$ 465,559	\$ -	\$ -	\$ -
Travel	5,864	8,508	-	14,372	103	2,131	2,234
Office and other supplies	213	4,388	-	4,601	201	-	201
Direct expenses paid by							
Iowa Public Radio	487,177	247,656	4,592	739,425	320,648	433,455	754,103
Professional services	21,260	410	-	21,670	26,397	16,474	42,871
Postage	-	42	-	42	359	-	359
Repairs & maintenance	1,389	72,103	-	73,492	843	-	843
Facilities	-	188,826	-	188,826	-	-	-
Programming fees	342,570	-	-	342,570	-	-	-
Prof development	-	-	-	-	-	-	-
Telecommunications	-	56,575	-	56,575	-	-	-
Institutional, physical plant & occupancy - UNI	-	-	-	-	390,122	-	390,122
Depreciation	-	-	-	-	-	-	-
Total expenses	\$ 1,212,543	\$ 689,997	\$ 4,592	\$ 1,907,132	\$ 738,673	\$ 452,060	\$ 1,190,733

See Independent Auditor's Report.



Phone: 515-276-7000
Fax: 515-276-7002
E-Mail: info@nearmyercpa.com
Web: www.nearmyercpa.com

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*

Ms. Tonya Gerbracht, Controller
University of Northern Iowa
Cedar Falls, Iowa

We have audited, in accordance with the 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 KUNI-FM/KHKE-FM (the "Station"), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues and the changes in its net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2020.

6200 Aurora Avenue
Suite 402W
Urbandale, IA 50322-2800

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) to determine the 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.

Members:

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified
Public Accountants

Forensic Accountants
Society of North America

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free from 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 determination of financial statement amounts. 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.

A handwritten signature in blue ink that reads "Nearmyer & Associates, P.C." The signature is written in a cursive, flowing style.

NEARMYER & ASSOCIATES, P.C.
Certified Public Accountants
Urbandale, Iowa

December 2, 2020