

KLRE-FM/KUAR-FM
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(With independent auditor's report thereon)

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of KLRE-FM/KUAR-FM ("the Station") which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses, and changes in net position and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 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, 2021, 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.

Prior Period Financial Statements

The financial statements of the Station as of June 30, 2020, were audited by other auditors whose report dated October 26, 2020, expressed an unmodified opinion on those statements.

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 3 through 6 be presented to supplement the basic financial statements. Such information, although not 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 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. 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, 2021, 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 February 11, 2022, 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.

EGP, PLLC

February 11, 2022

Certified Public Accountants & Consultants
Bryant, Arkansas

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, 2021 and 2020

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, 2021 and 2020. 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 2,990 individuals.

Overview of the Financial Statements

KLRE-FM/KUAR-FM's financial statements present only the combined funds held by the University of Arkansas at Little Rock (UA Little Rock) and the University of Arkansas Foundation (Foundation) for the benefit of KLRE-FM/KUAR-FM.

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, 2021 and 2020. This statement is classified into Current and Noncurrent 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 \$472,624 by June 30, 2021. This change followed an increase of \$145,104 at the end of FY 2020, for a total net increase over the 2-year period of \$617,728. The increase for FY 2021 was due to: an increase in fundraising of \$90,415 over FY 2020 in individual donations deposited to Foundation; a slight increase in revenue from underwriting; a significant decrease in programming and production spending - down \$246,192; and a decrease in fundraising and membership development spending - down \$44,331. Net position for the year ending June 30, 2021 totaled \$1,609,050 and \$1,136,426 for the year ending June 30, 2020.

Operating Revenues were at \$1,155,170 for FY 2021, compared to \$1,204,922 for FY 2020. Program Underwriting increased \$6,761 from FY 2020 bringing the annual amount to \$345,756. In FY 2020, Program Underwriting was \$338,995. The increase in FY 2021 was not significant, but reflected stabilization of underwriting accounts following instability brought on by the COVID-19 pandemic. Contributions raised by Friends increased by \$90,415 in FY 2021 to \$759,414 compared to FY 2020 at \$668,999. The stations benefited from being able to produce all regular fund drives in FY 2021, whereas one significant drive was executed at a significantly reduced capacity due to the COVID-19 pandemic in FY 2020.

KLRE/KUAR's Operating Expenses decreased by roughly 20% in FY 2021 compared with the previous fiscal year, with totals of \$1,100,630 in FY 2021 and \$1,389,832 in FY 2020. This decrease of \$289,202 was related to reduced spending on capital projects, reduced programming costs, and reduced staffing costs related to hourly labor. Due to reduced expenses in FY 2021, the stations had a Net Income Before Operating Transfers of \$54,540, including non-cash depreciation expenses of \$50,420. In FY2020, the stations had a Net Loss Before Operating Transfers of \$184,910, including non-cash depreciation expense of \$50,543.

Non-Operating Revenues increased in FY 2021 by \$127,376 to \$130,953 from \$3,577 in FY 2020. The increase in FY2021 was due to earnings on investment income.

Operating transfers from the University of Arkansas at Little Rock decreased 12% in FY 2021 to \$287,131 from FY 2020's \$326,437. This decrease is due to a reduction in general appropriations.

KLRE-FM/KUAR-FM's property and equipment, net of accumulated depreciation, totaled \$403,834 for FY 2021, down from \$454,254 for FY 2020. There were no property and equipment additions for FY 2021. Property and equipment additions totaled \$67,149 in FY 2020.

KLRE-FM/KUAR-FM condensed financial statements are represented below for FY 2021 and 2020.

Summary of Net Position**June 30,**

	2021	2020	2019
Assets:			
Current assets	\$ 986,194	\$ 574,265	\$ 383,046
Non-current assets	913,938	848,532	793,518
Total assets	1,900,132	1,422,797	1,176,564
Liabilities:			
Current liabilities	291,082	286,371	185,242
Long-term debt, less current position			
Net position:			
Invested in capital assets	403,834	454,254	437,648
Restricted for:			
Endowment-expendable	210,104	94,278	105,870
Endowment-nonexpendable	250,000	250,000	250,000
Arkansas Public Media Grant	-	-	-
Other	-	60,859	31,949
Unrestricted	745,112	277,035	165,855
Total liabilities and net position	\$ 1,900,132	\$ 1,422,797	\$ 1,176,564

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	2019
Corporation for Public Broadcasting Grants	\$ -	\$ 196,928	\$ 161,128
Other operating revenues	1,155,170	1,007,994	1,226,576
Other expenses	1,100,630	1,389,832	1,390,706
Operating loss	54,540	(184,910)	(3,002)
Non-operating revenues	130,953	3,577	17,847
Operating transfers for UA-Little Rock	287,131	326,437	321,824
Net non-operating revenues	418,084	330,014	339,671
Increase (decrease in net position)	472,624	145,104	336,669
Net position, beginning of year	1,136,426	991,322	654,653
Net position, end of year	\$ 1,609,050	\$ 1,136,426	\$ 991,322

Condensed Statements of Cash Flows

	2021	2020	2019
Net cash flows used by operating activity	\$ 155,542	\$ (40,505)	\$ (159,106)
Net cash flows provided by noncapital financing activities	287,131	326,437	321,824
Net cash flows used by capital and related financing activities	-	(33,892)	(10,654)
Net cash flows from investing activities	15,127	15,169	14,454
Net increase (decrease) in cash	457,800	267,209	166,518
Cash and cash equivalents, beginning of year	541,853	274,644	108,126
Cash and cash equivalents, end of year	\$ 999,653	\$ 541,853	\$ 274,644

Current Assets consist primarily of cash and cash equivalents, investments, 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 \$287,131 and \$326,437 at June 30, 2021 and 2020, 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

KLRE-FM/KUAR-FM
Statements of Net Position
June 30, 2021 and 2020
(See independent auditor's report.)

	<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current Assets			
Cash and cash equivalents	\$	949,653	491,853
Accounts receivable, net of allowance for doubtful accounts of \$867 and \$6,780, respectively		36,541	52,637
Grants receivable		-	18,340
Prepaid expenses		-	11,435
Total Current Assets		<u>986,194</u>	<u>574,265</u>
Noncurrent Assets			
Restricted cash		50,000	50,000
Endowment fund		460,104	344,278
Capital assets, net		403,834	454,254
Total Noncurrent Assets		<u>913,938</u>	<u>848,532</u>
Total Assets		<u><u>1,900,132</u></u>	<u><u>1,422,797</u></u>
<u>Liabilities and Net Position</u>			
Current Liabilities			
Accounts payable		200,948	213,422
Compensated absences payable		17,659	16,746
Deferred revenue		22,475	6,203
Refundable advance		50,000	50,000
Total Current Liabilities		<u>291,082</u>	<u>286,371</u>
Net Position			
Invested in capital assets		403,834	454,254
Restricted net position			
Endowment			
Expendable		210,104	94,278
Nonexpendable		250,000	250,000
Other		-	60,859
Unrestricted net position		745,112	277,035
Total Net Position		<u>1,609,050</u>	<u>1,136,426</u>
Total Liabilities and Net Assets	\$	<u><u>1,900,132</u></u>	<u><u>1,422,797</u></u>

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

KLRE-FM/KUAR-FM
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021 and 2020
(See independent auditor's report.)

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Program underwriting	\$ 345,756	338,995
Contributions raised by Friends	759,414	668,999
Corporation for Public Broadcasting Grants:		
CARES Act	-	75,000
Community service grant	-	121,928
Other grants	50,000	-
Total Operating Revenues	<u>1,155,170</u>	<u>1,204,922</u>
Operating Expenses:		
Programming and production	369,439	615,631
General administration	411,422	497,583
Broadcasting	177,109	127,598
Fundraising and membership development	28,224	72,555
Program information and promotion	114,436	76,465
Total Operating Expenses	<u>1,100,630</u>	<u>1,389,832</u>
Operating Income (Loss)	<u>54,540</u>	<u>(184,910)</u>
Nonoperating Revenues		
Investment income	130,953	3,577
Total Nonoperating Revenues	<u>130,953</u>	<u>3,577</u>
Net Income (Loss) Before Operating Transfers	185,493	(181,333)
Operating transfers from the University of Arkansas at Little Rock	<u>287,131</u>	<u>326,437</u>
Change in Net Position	472,624	145,104
Net Assets - Beginning of Year	<u>1,136,426</u>	<u>991,322</u>
Net Assets - End of Year	<u>\$ 1,609,050</u>	<u>1,136,426</u>

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

KLRE-FM/KUAR-FM
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(See independent auditor's report.)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from:		
Program underwriting receipts	\$ 361,852	382,919
Contributions raised by Friends	759,414	700,659
Corporation for Public Broadcasting Grants	-	121,928
Corporation for Public Broadcasting CARES Act	-	75,000
Other grants	50,000	-
Cash payments for:		
Programming and production	(351,099)	(596,720)
General administration	(395,276)	(491,697)
Broadcasting	(170,701)	(120,723)
Fund-raising and membership development	(28,224)	(71,547)
Program information and promotion	(70,424)	(40,324)
Net Cash Provided (Required) by Operating Activities	<u>155,542</u>	<u>(40,505)</u>
Noncapital Financing Activities		
Transfer from the University of Arkansas at Little Rock	287,131	326,437
Net Cash Provided by Noncapital Financing Activities	<u>287,131</u>	<u>326,437</u>
Capital and Related Financing Activities		
Purchase of capital assets	-	(33,892)
Net Cash Provided (Required) by Related Financing Activities	<u>-</u>	<u>(33,892)</u>
Cash Flows from Investing Activities:		
Investment income received	15,127	15,169
Net Cash Provided (Required) by Investing Activities	<u>15,127</u>	<u>15,169</u>
Increase (Decrease) in Cash and Restricted Cash	457,800	267,209
Cash and restricted cash - beginning of year	<u>541,853</u>	<u>274,644</u>
Cash and Restricted Cash - End of Year	<u><u>\$ 999,653</u></u>	<u><u>541,853</u></u>
Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	\$ 949,653	491,853
Restricted cash and cash equivalents	50,000	50,000
Total Cash and Cash Equivalents	<u><u>\$ 999,653</u></u>	<u><u>541,853</u></u>

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

KLRE-FM/KUAR-FM
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020
(See independent auditor's report.)

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Loss to		
Net Cash (Used In) Operating Activities:		
Operating income (loss)	\$ 54,540	(184,910)
Depreciation	50,420	50,543
Unrealized (gains) losses on endowment	(117,888)	-
Changes in:		
Accounts receivable	16,096	45,354
Grants receivable	18,340	(18,340)
Prepaid expenses	11,435	(1,024)
Accounts payable	105,414	24,863
Compensated absences payable	913	(5,561)
Deferred revenue	16,272	(1,430)
Refundable advance	-	50,000
Net Cash (Used In) Operating Activities:	<u><u>\$ 155,542</u></u>	<u><u>(40,505)</u></u>

KLRE-FM/KUAR-FM
Notes to Financial Statements
June 30, 2021 and 2020

1. Nature of Business

KLRE-FM/KUAR-FM (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. Accounts held at the Foundation for the benefit of the Station are included in these financial statements.

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 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, 2021 and 2020

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Station considers all highly liquid cash investments with a maturity of three months or less to be cash equivalents. For financial statement purposes, funds are held by UA Little Rock and the Foundation on behalf of the Station.

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, 2021 and 2020 management had recorded an allowance for doubtful accounts of \$867 and \$6,780, respectively. The Station did not have any bad debt expense in 2021 and 2020.

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, 2021 and 2020. 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. KLRE/KUAR 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

KLRE-FM/KUAR-FM
Notes to Financial Statements
June 30, 2021 and 2020

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.

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, 2021 and 2020, advertising expense was approximately \$2,000 and \$22,000, 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 program and supporting services on the basis of benefits received and based upon management's best estimate.

KLRE-FM/KUAR-FM
Notes to Financial Statements
June 30, 2021 and 2020

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.

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.

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.

4. Capital Assets

Capital assets activity for the year ended June 30, 2021 was:

	Beginning Balance	Additions	Deductions	Ending Balance
Equipment rights	\$ 286,703	-	-	286,703
Radio tower and antenna	609,636	-	-	609,636
Other broadcast equipment	91,090	-	-	91,090
Building improvements	211,746	-	-	211,746
Office furniture and equipment	20,091	-	-	20,091
	1,219,266	-	-	1,219,266
Accumulated depreciation	(765,012)	(50,420)	-	(815,432)
	<u>\$ 454,254</u>	<u>(50,420)</u>	<u>-</u>	<u>403,834</u>

KLRE-FM/KUAR-FM
Notes to Financial Statements
June 30, 2021 and 2020

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

	Beginning Balance	Additions	Deductions	Ending Balance
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
	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>

5. Noncash Investing and Financing Activities

During the years ended June 30, 2021 and 2020, the Station capitalized the following property and equipment:

	2021	2020
Capital expenditures	\$ -	67,149
Purchased included in accounts payable	-	(33,257)
Cash paid for capital expenditures	<u>\$ -</u>	<u>33,892</u>

6. Refundable Advance

During the year ended June 30, 2021, the Station was awarded a grant of \$150,000 to be received in \$50,000 payments and will receive the award again in 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 each fiscal year that they use the grant funds to pay for the "Politics and Government Reporter" position. During the year ended June 30, 2021, the Station used its first \$50,000 on expenses related to the position and \$50,000 was also included in "Other grants" on the Statements of Revenues, Expenses, and Changes in Net Position. As of June 30, 2021, the Station has received the second \$50,000 payment, which is included in "Cash" and "Refundable advance" on the Statements of Net Position.

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

KLRE-FM/KUAR-FM
Notes to Financial Statements
June 30, 2021 and 2020

the Station. The net appreciation on investments available for authorization for expenditure by the governing board as of June 30, 2021 and 2020 was \$210,104 and \$94,278, 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 for 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 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 2021 and 2020 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, Little Rock, AR 72207.

Restricted Net Position-Other

Prior to 2020, 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. 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. At June 30, 2020, \$10,000 was included in “Cash” and “Restricted net position – other” on the Statements of Net Position. This program was completed and the grant closed during the year ended June 30, 2021.

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June 30, 2021 and 2020

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 was restricted for production, program and content, acquisition, distribution, and promotion expenditures. At June 30, 2020, \$32,519 was included in “Cash” and “Restricted net position – other” on the Statements of Net Position. This program was completed and the grant closed during the year ended June 30, 2021.

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. This program was completed and the grant closed during the year ended June 30, 2021.

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>2021</u>	<u>2020</u>
General appropriations	\$ 165,447	201,842
Utilities, in-kind	27,448	25,794
Facilities use and administrative support, in-kind	94,236	98,801
	<u>\$ 287,131</u>	<u>326,437</u>

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.

10. Subsequent Events

Management has evaluated subsequent events through February 11, 2022, 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 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 KLRE-FM/KUAR-FM (the "Station"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2022.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. See finding 2021-1.

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 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 entity'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.



February 11, 2022

Certified Public Accountants & Consultants
Bryant, AR

KLRE-FM/KUAR-FM
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Summary of Auditor's Results

The auditor's report expresses an unqualified opinion on the financial statements of KLRE-FM/KUAR-FM.

A material weakness in internal control was disclosed by the audit of the financial statements and is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and on Other Matters.

Findings and Questioned Costs2021-1

During our audit, significant adjustments were necessary to prepare the Station's financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Criteria:	Management is responsible for ensuring that the financial statements are prepared in accordance with GAAP.
Context:	The Station primarily relied on Quickbooks for producing financial statements. During the course of the audit, we noted that the Station's financial statements were noted accurately maintained.
Effect:	Multiple financial statement accounts were misstated in the Station's internal financial statements.
Cause:	Several accounts were not adjusted, reconciled and agreed to underlying support on a timely basis. Specifically, some of the required adjustments included the following accounts: cash, accounts receivable, accounts payable, deferred revenue, grants revenue, various expense accounts, and various net asset accounts.
Recommendation:	We recommend that management begin reviewing and reconciling total revenue, accounts receivable with visual traffic sub ledger, and other appropriate accounts on a regular basis.
Management's response:	We will work with university administration, and financial and grants staff to update procedures, to review and reconcile total revenue, accounts receivable with visual traffic sub ledger, and other appropriate accounts on a regular basis.

Prior Year Findings

The financial statements of the Station as of June 30, 2020, were audited by other auditors whose report dated October 26, 2020, disclosed no findings that are required to be reported herein under *Government Auditing Standards*.