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**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2020*

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## **Report of Independent Auditors**

Board of Regents  
Murray State University  
WKMS-FM Radio  
Murray, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of WKMS-FM Radio (the Station), a public telecommunications division of Murray State University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Station'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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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

## **Other Matter**

### *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 8 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.

*Dean Dotson Allen Ford, PLLC*

November 11, 2020  
Louisville, Kentucky

# **MURRAY STATE UNIVERSITY**

## **WKMS-FM RADIO**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **June 30, 2020 and 2019**

#### **Introduction**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of WKMS-FM Radio Station (the Station) for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Station is located on the campus of Murray State University (the University). WKMS broadcasts National Public Radio and local programs that inform, enrich and entertain in concert with the mission of the University. The Station's skilled staff, students and volunteers serve listeners with comprehensive music and information programs that reflect current affairs, history and cultures.

#### **Using the Financial Statements**

The financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

#### **Statement of Net Position**

The Statement of Net Position presents a financial picture of the Station's financial condition at the end of the 2020 and 2019 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets less liabilities).

##### **Assets**

Total assets at the end of the fiscal year 2020 were \$1,529,380, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$1,245,179 or 81% of total assets. For fiscal year 2020, total assets increased by \$262,328, primarily due to an increase in cash from subscription and membership revenue, private grant – nonoperating revenue, and federal stabilization funds.

Total assets at the end of the fiscal year 2019 were \$1,267,052, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$1,034,685 or 82% of total assets. For fiscal year 2019, total assets increased by \$80,426, primarily due to a change in cash from private grant – non operating revenue of \$29,781 and donor gift of \$20,000.

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Management's Discussion and Analysis (*Continued*)

**Liabilities**

Total liabilities at the end of the fiscal year 2020 were \$110,265. Amounts payable to vendors and for payroll related obligations totaled \$70,821 or 64% of total liabilities. For fiscal year 2020, total liabilities decreased by (\$11,318) due primarily to a decrease in unearned revenue of (\$16,962) offset by an increase in accounts payable to vendors of \$5,644.

Total liabilities at the end of the fiscal year 2019 were \$121,583. Amounts payable to vendors and for payroll related obligations totaled \$65,177 or 54% of total liabilities. For fiscal year 2019, total liabilities decreased by (\$1,330) due primarily to a change in accounts payable to vendors of (\$2,467) offset by an increase in deferred revenue of \$1,137.

**Net Position**

Net position was \$1,419,115 at the end of fiscal year 2020 and was divided into three major categories, defined as follows:

- Net investment in capital assets - This category represents the Station's equity in equipment.
- Restricted - This category represents those assets restricted by an individual or entity external to the Station. Restricted expendable net assets represent the assets that may be expended by the Station, but must be spent for purposes as defined by the donor or external entity. Nonexpendable restricted net asset amounts represent amounts in which that the principal is to be maintained in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.
- Unrestricted - This category represents the net assets held by the Station that have no formal restrictions placed upon them.

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Management's Discussion and Analysis (*Continued*)

**Condensed Statement of Net Position**

	<b>June 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>			
Current assets	\$ 759,175	\$ 615,209	\$ 690,757
Noncurrent assets	695,512	567,990	402,256
Capital assets	74,693	83,853	93,613
<b>Total Assets</b>	<b>1,529,380</b>	<b>1,267,052</b>	<b>1,186,626</b>
<b>Current Liabilities</b>	<b>110,265</b>	<b>121,583</b>	<b>122,913</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt and depreciation	74,693	83,853	93,613
Restricted for:			
Nonexpendable	87,248	61,955	10,000
Expendable:			
Operations and other	569,639	475,211	387,268
Unrestricted	687,535	524,450	572,832
<b>Total Net Position</b>	<b>\$ 1,419,115</b>	<b>\$ 1,145,469</b>	<b>\$ 1,063,713</b>

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position.

**Revenues**

Total operating revenues, which exclude University appropriations, for the fiscal year 2020 were \$272,416. The primary source of operating revenues was from business and industry underwriting of \$203,056.

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Management's Discussion and Analysis (*Continued*)

Non-operating revenues for the fiscal year 2020, which included grants and contracts and University appropriations, totaled \$1,352,535. Grant and contract revenues related to non-exchange type agreements are classified as non-operating revenues, unless the funds were used in capital projects. In this case, grants and contract revenues used to fund capital projects are classified as capital grants. In a non-exchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total non-operating revenues increased by \$325,908 during the year, which was primarily due to federal stabilization funds received from the Corporation for Public Broadcasting of \$112,136 and an increase in subscription and membership revenue of \$102,046.

The Station received \$275,765 of the University's appropriations and \$314,720 of administrative support for the fiscal year 2020, which are classified as non-operating revenues. These funds were used to support station operating activities.

The Station received \$275,611 of the University's appropriations and \$253,959 of administrative support for the fiscal year 2019, which are classified as non-operating revenues. These funds were used to support station operating activities.

**Expenses**

Total operating expenses for the fiscal year 2020 were \$1,351,305. Total program services and supporting services expenses were \$802,327 and \$539,818, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$9,160 or 1% of total operating expenses.

Total operating expenses for the fiscal year 2019 were \$1,227,373. Total program services and supporting services expenses were \$786,165 and \$431,448, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$9,760 or 1% of total operating expenses.



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Management's Discussion and Analysis (*Continued*)

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>	\$ 272,416	\$ 282,502	\$ 300,739
<b>Operating Expenses</b>	1,351,305	1,227,373	1,433,487
<b>Operating Loss</b>	(1,078,889)	(944,871)	(1,132,748)
<b>Nonoperating Revenues</b>	1,352,535	1,026,627	1,228,900
<b>Change In Net Position</b>	273,646	81,756	96,152
<b>Net Position - Beginning Of Year</b>	1,145,469	1,063,713	967,561
<b>Net Position - End Of Year</b>	\$ 1,419,115	\$ 1,145,469	\$ 1,063,713

**Statement of Cash Flows**

The Statement of Cash Flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the Statement of Cash Flows are to provide information about the Station's cash receipts and payments during the years and to help assess the Station's ability to generate future net cash flows and meet obligations as they become due.

For 2020, the major source of cash from operating activities was business and industry underwriting of \$189,639. The most significant use of cash for operating activities were payments for salaries, wages and benefits of \$679,336.

The cash flows from noncapital financing activities include \$372,644 received from subscriptions and memberships, which is the largest source of cash for the fiscal year.

The cash flows from investing activities represent the cash activities of investments related to restricted investments which increased cash by \$657 in fiscal year 2020.

For 2019, the major source of cash from operating activities was business and industry underwriting of \$201,155. The most significant use of cash for operating activities were payments for salaries, wages and benefits of \$621,502.

The cash flows from noncapital financing activities include \$302,659 received from subscriptions and memberships, which is the largest source of cash for the fiscal year.

The cash flows from investing activities represent the cash activities of investments related to restricted investments which decreased cash by \$31,506 in fiscal year 2019.

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Management's Discussion and Analysis (*Continued*)

**Capital Assets and Debt Administration**

The Station did not have a change in capital assets and did not acquire any debt during fiscal year 2020 and 2019.

**Economic Factors Affecting Future Periods**

- Appropriations decisions by the United States Congress may impact grants from the Corporation for Public Broadcasting, which in turn, may impact the Station's budget for programming expenses.
- Changing economic conditions in the region will continue to have an impact upon the underwriting and fundraising efforts of the Station.
- The COVID-19 pandemic caused a financial strain on the University. The uncertainties surrounding the long-term impact and duration may affect the Station's support from the University.

**Contacting The Station's Financial Management**

This financial report is designed to provide a general overview of the Station's finances and to show the Station's accountability for the money it receives. Additional details can be requested by mail at the following address:

WKMS Radio Station  
Chad Lampe, Station Manager  
Murray State University  
2018 University Station  
Murray, Kentucky 42071

**MURRAY STATE UNIVERSITY  
WKMS-FM RADIO**

**STATEMENT OF NET POSITION**

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 594,838	\$ 510,340
Accounts receivable, net of allowance of \$43,013 in 2020 and \$19,911 in 2019	159,827	97,097
Prepaid expenses	4,510	7,772
<b>Total Current Assets</b>	<b>759,175</b>	<b>615,209</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	650,341	524,345
Restricted investments	45,171	43,645
Capital assets	917,956	917,956
Accumulated depreciation	(843,263)	(834,103)
<b>Total Noncurrent Assets</b>	<b>770,205</b>	<b>651,843</b>
<b>Total Assets</b>	<b>1,529,380</b>	<b>1,267,052</b>
<b>Current Liabilities</b>		
Accounts payable, accrued payroll and benefits	70,821	65,177
Unearned revenue	39,444	56,406
<b>Total Current Liabilities</b>	<b>110,265</b>	<b>121,583</b>
<b>Net Position</b>		
Net investment in capital assets	74,693	83,853
Restricted for:		
Nonexpendable	87,248	61,955
Expendable:		
Operations and other	569,639	475,211
Unrestricted	687,535	524,450
<b>Total Net Position</b>	<b>\$ 1,419,115</b>	<b>\$ 1,145,469</b>

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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	For The Years Ended June 30,	
	2020	2019
<b>Operating Revenues</b>		
Business and industry underwriting	\$ 203,056	\$ 189,184
In-kind contributions	45,392	63,745
Other	23,968	29,573
<b>Total Operating Revenues</b>	<b>272,416</b>	<b>282,502</b>
<b>Operating Expenses</b>		
Program Services:		
Programming and production	401,402	485,627
Broadcasting	243,476	167,142
Program information	157,449	133,396
<b>Total Program Services</b>	<b>802,327</b>	<b>786,165</b>
Supporting Services:		
Management and general	470,438	364,346
Fund-raising	34,690	33,551
Underwriting and grant support	34,690	33,551
<b>Total Supporting Services</b>	<b>539,818</b>	<b>431,448</b>
Depreciation	9,160	9,760
<b>Total Operating Expenses</b>	<b>1,351,305</b>	<b>1,227,373</b>
<b>Operating Loss</b>	<b>(1,078,889)</b>	<b>(944,871)</b>
<b>Nonoperating Revenues</b>		
General appropriation from Murray State University	275,765	275,611
Direct administrative support from Murray State University	8,814	15,352
Indirect administrative support from Murray State University	305,906	238,607
Community service grants from Corporation for Public Broadcasting	176,900	192,052
Stabilization funds	112,136	-
Local and private grants and contracts	88,050	3,786
Subscriptions and memberships	382,781	280,735
Gifts	-	20,000
Investment income	2,183	484
<b>Total Nonoperating Revenues</b>	<b>1,352,535</b>	<b>1,026,627</b>
<b>Increase In Net Position</b>	<b>273,646</b>	<b>81,756</b>
<b>Net Position - Beginning Of Year</b>	<b>1,145,469</b>	<b>1,063,713</b>
<b>Net Position - End Of Year</b>	<b>\$ 1,419,115</b>	<b>\$ 1,145,469</b>

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**STATEMENT OF CASH FLOWS**

	<b>For The Years Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Business and industry	\$ 189,639	\$ 201,155
Payments to employees	(679,336)	(621,502)
Payments to suppliers	(293,793)	(280,548)
Other operating revenues	23,968	29,573
<b>Net Cash Used In Operating Activities</b>	<b>(759,522)</b>	<b>(671,322)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
General appropriation from Murray State University	275,765	275,611
Grants and contracts	320,950	189,315
Subscriptions/memberships	372,644	302,659
Gifts	—	20,000
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>969,359</b>	<b>787,585</b>
<b>Cash Flows Provided By Investing Activities</b>		
Purchase of investments	(1,259)	(31,955)
Investment income	1,916	449
<b>Net Increase In Cash And Cash Equivalents</b>	<b>210,494</b>	<b>84,757</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>1,034,685</b>	<b>949,928</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>1,245,179</b>	<b>1,034,685</b>
<b>Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:</b>		
Operating loss	(1,078,889)	(944,871)
Donated facilities and administration expense	314,720	253,959
Depreciation	9,160	9,760
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	3,543	10,834
(Increase)/Decrease in prepaid expenses	3,262	326
Increase/(Decrease) in accounts payable and accrued expenses	637	(1,425)
Increase/(Decrease) in accrued compensation	5,007	(1,042)
Increase/(Decrease) in unearned revenue	(16,962)	1,137
<b>Net Cash Used In Operating Activities</b>	<b>\$ (759,522)</b>	<b>\$ (671,322)</b>
<b>Supplemental Cash Flow Information</b>		
Donated facilities and administrative support from Murray State University	\$ 314,720	\$ 253,959
In-kind contributions	45,392	63,745
Unrealized (gain) loss on investments	1,466	13

# **MURRAY STATE UNIVERSITY**

## **WKMS-FM RADIO**

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### **NOTES TO FINANCIAL STATEMENTS**

#### **June 30, 2020 and 2019**

#### **1. Summary of Significant Accounting Policies**

##### Nature of Organization

WKMS-FM Radio (the Station) is operated by and receives support from Murray State University (the University). The Station is included in the financial statements of the University.

Murray State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation is a fundraising organization which administers certain funds on behalf of the University. The Foundation coordinates the receipt of contributions and disbursements of those receipts for the Station.

##### Basis of Accounting and Financial Statement Presentation

The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

##### Restricted Cash, Cash Equivalents and Investments

Cash and investments that are held by both the Station and the Foundation that are externally restricted are classified as restricted assets. These assets are used to purchase capital or other noncurrent assets, or for other restricted purposes. Restricted investments held by the Foundation on behalf of the Station are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

## MURRAY STATE UNIVERSITY

### WKMS-FM RADIO

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#### Notes to Financial Statements (*Continued*)

##### Accounts Receivable

Accounts receivable consist of grants and amounts to be received from business, industry, contribution, subscription and membership activities. Accounts receivable are recorded net of discounts and uncollectible amounts.

##### Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The following estimated useful lives are being used by the Station:

<u>Asset</u>	<u>Estimated Life</u>
Buildings	40 years
Nonbuilding improvements	8-20 years
Equipment	5-15 years

##### Unearned Revenue

Unearned revenues include amounts received from grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

##### Net Position

The Station's net position is classified as follows:

*Net investment in capital assets:* This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. There is no debt issued at June 30, 2020 or 2019. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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Notes to Financial Statements (*Continued*)

*Restricted net position - nonexpendable:* Nonexpendable restricted net position amounts represent amounts in which donors or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.

*Restricted net position - expendable:* Restricted expendable net position include resources in which the Station is legally or contractually obligated to spend in accordance with time or purpose restrictions imposed by external third parties.

*Unrestricted net position:* Unrestricted net position represent resources derived from underwriting sales and other sources. These resources are used for transactions relating to general operations of the Station, and may be used at the discretion of the governing board to meet current expenses or for any purpose.

Classification of Revenues

The Station has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) business and industry underwriting, (2) in-kind contribution revenues, and (3) tower equipment rentals and other.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of non-exchange transactions. In a non-exchange transaction, the Station receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as appropriations, donated facilities, and administrative support from the University as well as investment income are recorded as non-operating revenues, in accordance with GASB No. 35.



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#### Notes to Financial Statements (*Continued*)

##### Pledges and Contributions

The Station engages in periodic fundraising campaigns evidenced by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial donations are frequently made by pledges received from responding listeners. Subscription and membership pledge receipts are recognized as revenue in the period received. Contribution receipts are recognized as revenue in the period in which the donor agreement is signed. An allowance for uncollectible contributions receivable is provided based upon the Station's judgment including such factors as prior collection history and general economic factors. Contributions and collected pledges are components of non-operating revenues.

##### Facilities and Administrative Support

The portion of the University's facilities and administration support attributable to the Station's operations and the value of space provided to the Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting. Total donated facilities and administrative support from the University including in-kind contributions were \$314,720 and \$253,959 for the years ended June 30, 2020 and 2019, respectively.

##### Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits are expected to be realized as paid time off or used to purchase service credits upon retirement. These are recognized as expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits employees have earned but not yet realized.

##### Use of Estimates

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount 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 these estimates.

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Notes to Financial Statements *(Continued)*

**2. Accounts Receivable**

Accounts receivable consist of:

	<u>2020</u>	<u>2019</u>
Business and industry underwriting	\$ 56,942	\$ 58,392
Contributions	134,932	50,000
Other	10,966	8,616
Allowance for doubtful accounts	(6,747)	(2,500)
Unamortized discount	(36,266)	(17,411)
	<u>\$ 159,827</u>	<u>\$ 97,097</u>

**3. Deposits and Investments**

**Deposits**

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Foundation. Details of accounting transactions affecting cash are maintained by each entity. At June 30, 2020 and June 30, 2019, the carrying amounts of the Station's deposits were \$1,245,179 and \$1,034,685, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in interest-bearing accounts at FDIC-insured institutions. All accounts are insured up to \$250,000. The deposits in these interest-bearing accounts are covered by an irrevocable, unconditional, and nontransferable letter of credit issued by Federal Home Loan Bank of Cincinnati.

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Notes to Financial Statements (*Continued*)

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into two distinct classifications or "pools." The Short-Term Pool consists primarily of General Fund cash balances. The Intermediate-Term Pool and the Limited Term Pool represent Agency fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. Shares of each pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk other than compliance with the provisions of state law.

Cash and cash equivalents as presented in the statements of net position captions include:

	<u>2020</u>	<u>2019</u>
Current cash and cash equivalents	\$ 594,838	\$ 510,340
Restricted cash and cash equivalents	650,341	524,345
	<u>\$1,245,179</u>	<u>\$ 1,034,685</u>

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Notes to Financial Statements *(Continued)*

**4. Capital Assets**

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

		Balance 2019	Additions	Transfers	Deletions/ Retirements	Balance 2020
Nonbuilding improvements	\$	294,361	\$ —	\$ —	\$ —	\$ 294,361
Equipment		623,595	—	—	—	623,595
Less: Accumulated depreciation		834,103	9,160	—	—	843,263
Capital assets, net	\$	83,853	\$ (9,160)	\$ —	\$ —	\$ 74,693

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

		Balance 2018	Additions	Transfers	Deletions/ Retirements	Balance 2019
Nonbuilding improvements	\$	294,361	\$ —	\$ —	\$ —	\$ 294,361
Equipment		623,595	—	—	—	623,595
Less: Accumulated depreciation		824,343	9,760	—	—	834,103
Capital assets, net	\$	93,613	\$ (9,760)	\$ —	\$ —	\$ 83,853

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Notes to Financial Statements (*Continued*)

**5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Accounts payable - vendors	\$ 23,711	\$ 23,074
Accrued payroll and benefits	47,110	42,103
	<u>\$ 70,821</u>	<u>\$ 65,177</u>

**6. Nonfederal Financial Support (NFFS)**

The Corporation for Public Broadcasting (CPB) 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 as either a contribution or a payment and meeting all of the respective criteria of each.

A “contribution” is cash, property, or services 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 includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational public broadcast television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

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Notes to Financial Statements (*Continued*)

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station were \$1,199,484 and \$1,073,219 for the years ended June 30, 2020 and 2019, respectively.

**7. Community Service Grants (CSGs)**

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The CSG’s awarded and expended during the recent three fiscal years were as follows:

	<b>Grant</b>	<b>Expended As Of June 30,</b>			<b>Uncommitted</b>
	<b>Awards</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Balance</b>
2017-2019	179,611	5,271	97,306	77,034	—
2018-2020	179,370	112,336	44,076	—	22,958
2019-2021	176,900	80,008	—	—	96,892

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Notes to Financial Statements (*Continued*)

**8. Natural Expense Classifications**

The Station's operating expenses by natural classification for the years ended June 30, 2020 and 2019 were as follows:

	<b>Program Services</b>	<b>Management And General</b>	<b>Fundraising And Membership</b>	<b>Total</b>	
				<b>2020</b>	<b>2019</b>
Compensation and benefits	\$ 518,922	\$ 96,042	\$ 69,380	\$ 684,344	\$ 620,460
Operating expenses	283,405	374,396	—	657,801	597,153
	802,327	470,438	69,380	1,342,145	1,217,613
Depreciation	9,160	—	—	9,160	9,760
	\$ 811,487	\$ 470,438	\$ 69,380	\$ 1,351,305	\$ 1,227,373

**9. Pension and Other Postemployment Benefit Liabilities**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the University must recognize a proportional share of the net pension liability for the Kentucky Employees Retirement System (KERS) and the Teachers' Retirement System (TRS) of Kentucky the cost sharing state pension plans in which the University participates. This reporting requirement became effective for fiscal years ending June 30, 2015.

In accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, the University must recognize a proportional share of the net pension liability for the KERS and the TRS the cost sharing state pension plans in which the University participates. This reporting requirement became effective for fiscal years ending June 30, 2018.

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Notes to Financial Statements (*Continued*)

The University reported a liability of \$198,799,817 and \$217,674,295 for the years ended June 30, 2020 and 2019, respectively, for its proportionate shares of the net pension and OPEB liabilities in the plans. The net pension/OPEB liability for TRS and KERS plans were measured as of June 30, 2019 and June 30, 2018 and the total pension/OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans.

The University's proportions of the net pension/OPEB liabilities were based on projections of the University's long-term share of contributions to the pension/OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the University's proportional share of pensions was 0.341570% for TRS, 0.830936% for KERS-nh, and 0.399507% for KERS-h and proportional share of OPEB was 0.402899% for TRS-medical, 0.904351% for TRS-life, 0.8390936% for KERS-nh, and 0.399241% for KERS-h. At June 30, 2018, the University's proportional share of pensions was 0.42899966% for TRS, 0.889474% for KERS-nh, and 0.411530% for KERS-h, and proportional share of OPEB was 0.417902% for TRS-medical, 0.948638% for TRS-life, 0.888860% for KERS-nh, and 0.411632% for KERS-h.

The Station is a department of the University; therefore, no balances were allocated to the Station. Please refer to the University's financial statements for a complete and comprehensive disclosure of the University's pension plans.

**10. Current Economic Conditions**

The current economic environment presents the Station with unprecedented challenges and may cause a decline in contributions, governmental support, and grant revenue. This is heightened by the COVID-19 pandemic and the uncertainties surrounding the long-term impact and duration. The financial strain on the University may impact the support provided to the Station. The financial statements have been prepared using values and information currently available to the Station.



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Notes to Financial Statements (*Continued*)

**11. Coronavirus Aid, Relief, and Economic Security (CARES) Act**

In March 2020, the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* was passed by Congress to assist businesses as a result of the economic impact caused by COVID-19. The CARES Act included emergency stabilization funds for public media. The Corporation of Public Broadcasting (CPB) Board of Directors approved a distribution plan of these funds to radio and television grantees. The Station received \$112,136 in emergency stabilization funds and are reported in nonoperating revenues in the statement of revenues, expenses and changes in net position. Stabilization funds are unrestricted and do not have an expenditure period. As of June 30, 2020, the Station has not spent these funds.