

**University of Alabama WUAL-FM
(A Nonprofit Organization)
Tuscaloosa, Alabama**

Financial Statements

September 30, 2020 and 2019

University of Alabama WUAL-FM
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September 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
University of Alabama WUAL-FM
Tuscaloosa, Alabama

We have audited the accompanying financial statements of University of Alabama WUAL-FM (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 University of Alabama WUAL-FM as of September 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KASSOUF & CO., P.C.

A handwritten signature in dark ink that reads "Kassouf & Co." in a cursive, flowing script.

Certified Public Accountants

February 24, 2021

University of Alabama WUAL-FM
Statements of Financial Position
September 30, 2020 and 2019

	Assets	
	2020	2019
Current Assets		
Cash and cash equivalents	\$ 240,049	\$ 159,641
Accounts receivable	3,000	1,100
Prepaid expenses	10,388	14,285
Total Current Assets	<u>253,437</u>	<u>175,026</u>
Long-Term Assets		
Property and equipment, net	128,307	144,634
Purchased broadcast rights	<u>1,056,450</u>	<u>1,056,450</u>
Total Long-Term Assets	<u>1,184,757</u>	<u>1,201,084</u>
Total Assets	<u><u>1,438,194</u></u>	<u><u>1,376,110</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	9,655	16,536
Related party note payable - current portion	<u>41,790</u>	<u>39,414</u>
Total Current Liabilities	<u>51,445</u>	<u>55,950</u>
Long-Term Liabilities		
Related party note payable	<u>852,825</u>	<u>894,615</u>
Total Liabilities	<u>904,270</u>	<u>950,565</u>
Net Assets		
Without donor restrictions	<u>533,924</u>	<u>425,545</u>
Total Net Assets	<u>533,924</u>	<u>425,545</u>
Total Liabilities and Net Assets	<u><u>\$ 1,438,194</u></u>	<u><u>\$ 1,376,110</u></u>

See accompanying notes.

University of Alabama WUAL-FM
Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2020 and 2019

	2020	2019
Revenues and Other Additions		
General appropriation from University of Alabama	\$ 1,469,968	\$ 1,447,551
Donated facilities and administrative support	551,258	387,437
Underwriting	330,482	292,559
Membership	485,222	502,606
Grants from Corporation for Public Broadcasting	222,528	155,953
Other grants	6,000	2,200
Other income	4,883	10,788
Total Revenue and Other Additions	<u>3,070,341</u>	<u>2,799,094</u>
Expenses		
Program Services		
Programming and production	1,056,029	1,050,955
Broadcasting	491,688	437,026
Program information	772	2,162
Support Services		
Management and general	697,091	659,240
Membership	327,154	312,001
Underwriting	389,228	246,321
Total Expenses	<u>2,961,962</u>	<u>2,707,705</u>
Increase in Net Assets	108,379	91,389
Net assets at beginning of year	<u>425,545</u>	<u>334,156</u>
Net assets at end of year	<u><u>\$ 533,924</u></u>	<u><u>\$ 425,545</u></u>

See accompanying notes.

University of Alabama WUAL-FM
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program Services			Supporting Services			
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Underwriting	Grand Total
Depreciation	\$ -	\$ -	\$ -	\$ 8,052	\$ 3,779	\$ 4,496	\$ 16,327
Equipment rentals	329	46,536	-	1,263	-	-	48,128
Facility rentals	-	-	-	271,867	127,591	151,800	551,258
Interest	-	50,998	-	1,337	628	747	53,710
Other	-	-	-	2,207	8,996	-	11,203
Printing, freight, and shipping	-	-	-	2,104	21,354	281	23,739
Professional services	366,461	55,012	-	10,459	37,922	24,209	494,063
Registration and dues	8,960	171	772	7,699	2,973	1,500	22,075
Repairs and maintenance	518	48,830	-	6,625	22,108	4,326	82,407
Salaries, wages, employee benefits	678,451	221,998	-	359,089	87,022	200,279	1,546,839
Supplies	34	4,343	-	2,032	2,429	28	8,866
Travel and meetings	1,276	208	-	4,371	2,810	1,562	10,227
Utilities	-	63,592	-	19,986	9,542	-	93,120
	<u>\$ 1,056,029</u>	<u>\$ 491,688</u>	<u>\$ 772</u>	<u>\$ 697,091</u>	<u>\$ 327,154</u>	<u>\$ 389,228</u>	<u>\$ 2,961,962</u>

See accompanying notes.

University of Alabama WUAL-FM
Statement of Functional Expenses
For the Year Ended September 30, 2019

	Program Services			Supporting Services			Grand Total
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Underwriting	
Depreciation	\$ -	\$ -	\$ -	\$ 9,033	\$ 4,275	\$ 3,375	\$ 16,683
Equipment rentals	2,615	42,384	-	1,176	614	-	46,789
Facility rentals	-	-	-	209,775	99,281	78,381	387,437
Interest	-	53,247	-	1,468	695	549	55,959
Other	(818)	-	50	1,260	8,466	-	8,958
Printing, freight, and shipping	-	64	-	4,125	26,575	144	30,908
Professional services	349,781	48,023	-	15,532	27,995	18,288	459,619
Registration and dues	9,030	175	49	10,447	4,670	3,114	27,485
Repairs and maintenance	530	27,536	-	8,036	22,708	5,353	64,163
Salaries, wages, employee benefits	653,965	214,586	1,133	352,923	84,476	128,192	1,435,275
Signal operations	31,452	14,075	64	13,086	6,167	4,859	69,703
Supplies	696	4,782	866	3,544	6,598	107	16,593
Travel and meetings	3,704	723	-	7,451	8,873	3,959	24,710
Utilities	-	31,431	-	21,384	10,608	-	63,423
	<u>\$ 1,050,955</u>	<u>\$ 437,026</u>	<u>\$ 2,162</u>	<u>\$ 659,240</u>	<u>\$ 312,001</u>	<u>\$ 246,321</u>	<u>\$ 2,707,705</u>

See accompanying notes.

University of Alabama WUAL-FM
Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ 108,379	\$ 91,389
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	16,327	16,683
Amortization expense	2,712	2,712
(Increase) decrease in:		
Accounts receivable	(1,900)	1,150
Prepaid expense	3,897	(3,347)
Increase (decrease) in:		
Accounts payable	(6,881)	5,267
Net Cash Provided By Operating Activities	<u>122,534</u>	<u>113,854</u>
Cash Flows from Financing Activities		
Repayment of related party note payable	<u>(42,126)</u>	<u>(39,876)</u>
Net Cash Used In Financial Activities	<u>(42,126)</u>	<u>(39,876)</u>
Net increase in cash and cash equivalents	80,408	73,978
Cash and cash equivalents - beginning of year	<u>159,641</u>	<u>85,663</u>
Cash and cash equivalents - end of year	<u><u>\$ 240,049</u></u>	<u><u>\$ 159,641</u></u>
Supplemental Cash Flows Information:		
Cash paid for interest	<u><u>\$ 50,998</u></u>	<u><u>\$ 53,247</u></u>

See accompanying notes.

University of Alabama WUAL-FM
Notes to Financial Statements
September 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Nature of Activities

University of Alabama WUAL-FM (the Station) is a nonprofit, noncommercial radio station operated by the University of Alabama located in Tuscaloosa, Alabama. The broadcast signal is transmitted to several geographic markets in Alabama.

Basis of Accounting

The Station's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Station considers all highly liquid investments with a maturity period of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of amounts due from grantor agencies. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Station provides for losses on accounts receivable using the allowance method. The Station determines the allowance based on historical write-off experience and grantor specific information. It is the Station's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2020 and 2019, all accounts were deemed collectible by the Station; therefore, no allowance was necessary.

Pledges

The Station engages in an annual membership campaign manifested by offering some special on-air and mail membership appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the public broadcaster for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. However, uncollected pledges are not enforceable against contributors and are not shown as assets on the balance sheets. Contributions and collected pledges are components of the without restriction operating fund as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies - Continued

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method. The estimated useful lives of Station assets range from 5 to 40 years. Donated items are stated at the estimated fair market value at the date of receipt. Property and equipment purchased or contributed with a cost or value in excess of \$5,000 are capitalized. Maintenance, repairs, and minor renovations are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the related costs are removed from the respective accounts and any gain or loss on the disposition is recorded.

Purchased Broadcast Rights

Purchased broadcast rights were acquired through the purchase of WHIL-FM in Mobile, Alabama. The broadcast rights are considered an intangible asset with an indeterminable life. Management annually evaluates the broadcast rights for impairment. In management's opinion, there has been no impairment to the values of the purchased broadcast rights. See Note 4 for additional information.

Classification of Net Assets

The Station accounts for net assets according to two classes: without donor restrictions and with donor restrictions. The net assets without donor restrictions include assets available for unrestricted use including any assets that may be designated by the Station for a particular use. Net assets with donor restrictions consist of assets with donor stipulations that limit the use of the assets. When the restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also consists of assets that donors have stipulated the original principal be invested in perpetuity. At September 30, 2020 and 2019, the Station did not have any net assets with donor restrictions.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies – Continued

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes existing revenue recognition guidance under accounting principles generally accepted in the United States of America. Topic 606 outlines a new single comprehensive model for entities to use in accounting for revenue. In doing so, it is possible more judgement and estimates may be required by management than currently required under accounting principles generally accepted in the United States of America. Topic 606 is effective for annual reporting periods beginning after December 15, 2019 using one of two methods: retrospective for each reporting period presented in the combined financial statements; or retrospectively with the cumulative effect recognized at the date of initial application. The application of Topic 606 may result in material differences from current accounting principles generally accepted in the United States of America. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves the guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative effect adjustment to opening net assets without donor restrictions or opening net assets with donor restricted as of October 1, 2019.

Restricted Support

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies - Continued

Gifts of Long-Lived Assets

The Station reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Contributions

Donated facilities from the University of Alabama consist of office and studio space together with related occupancy costs and are recorded in revenue and expense at estimated fair rental values. Administrative support from the University of Alabama consists of allocated financial and student department costs and other expenses incurred by the University of Alabama on behalf of the Station. The total value provided for the years ending September 30, 2020 and 2019 was \$551,258 and \$387,437, respectively.

Note 2. Property and Equipment

At September 30, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Land	\$ 15,603	\$ 15,603
Leasehold improvements	135,000	135,000
Furniture, fixtures, and equipment	617,907	623,680
Transmission building	111,396	111,396
Total property and equipment	<u>879,906</u>	<u>885,679</u>
Less accumulated depreciation	751,599	741,045
Net property and equipment	<u>\$ 128,307</u>	<u>\$ 144,634</u>

Depreciation expense was \$16,327 and \$16,683 for the years ended September 30, 2020 and 2019, respectively.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 3. Grants

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby 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, 47 United States Code Annotated Section 396 (k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

CARES Grant

In April 2020, the CPB Board of Directors approved a plan to distribute emergency stabilization funds for public media included in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Congress directed the funds for public media be used to maintain programming and services and preserve the ability of small and rural public media stations to continue to provide essential information, educational content and services to the American people.

The amounts awarded under these grants for the years ended September 30, 2020 and 2019 were as follows:

	2020	2019
CPB Community Service Grant	\$ 147,528	\$ 155,953
CPB CARES Grant	75,000	-
Grants from Corporation for Public Broadcasting	<u>\$ 222,528</u>	<u>\$ 155,953</u>

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 3. Grants – Continued

Other Grants

The Station is awarded grants from various organizations related to multiple operational purposes.

The amounts awarded under these grants for the years ended September 30, 2020 and 2019 were as follows:

	2020	2019
Alabama State Council of the Arts	\$ 6,000	\$ 2,200

Note 4. Purchase of Station and Related Long-Term Debt

In July 2011, the Station purchased WHIL-FM in Mobile, Alabama, an NPR programming station. As a result, WUAL, through the acquired broadcast rights, serves as the NPR provider for programming for the Mobile, Alabama region. The purchase price for WHIL-FM was \$1,100,000, of which \$1,056,450 was allocated to broadcast rights, an intangible asset with an indeterminable life. \$43,550 was related to equipment.

The Station incurred \$35,250 in fees related to obtaining the financing. The Station adopted authoritative GAAP guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of debt. The loan issuance fees are being amortized over the term of the related debt using the straight line method and reported as interest expense in the statement of activities and change in net assets. Amortization costs charged to expenses for the years ended September 30, 2020 and 2019 were \$2,712.

Financing for the transaction was provided by The University of Alabama and consisted of a \$1,135,250 note payable. During the first three years, interest only monthly payments of \$5,203 were due. Monthly principal and interest payments of \$12,320 began on August 2014. The stated interest rate was 5.50%.

Effective September 2014, the Station agreed to new loan terms, with The University of Alabama, amortizing \$1,128,133 over twenty years. Monthly payments are \$7,760 and the note bears interest at 5.50%. The balance outstanding for the years ended September 30, 2020 and 2019 was \$904,221 and \$946,347, respectively. Interest costs of \$50,998 and \$53,247 were incurred for the years ending September 30, 2020 and 2019, respectively.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 4. Purchase of Station and Related Long-Term Debt – Continued

At September 30, 2020 and 2019, the Station's long-term debt consisted of:

	2020	2019
Principal amount	\$ 904,221	\$ 946,347
Less unamortized debt issuance costs	9,606	12,318
Long-term debt less unamortized issuance costs	<u>894,615</u>	<u>934,029</u>
Less current portion of debt	41,790	39,414
Long-term portion of debt	<u><u>\$ 852,825</u></u>	<u><u>\$ 894,615</u></u>

Future maturities of the long-term debt are as follows:

Fiscal Year	Principal Amount
2021	\$ 44,502
2022	47,012
2023	49,664
2024	52,465
2025	55,425
Thereafter	655,153
Total	<u>904,221</u>
Less debt issuance costs	9,606
Total	<u>894,615</u>
Less current maturities	41,790
Long-term debt	<u><u>\$ 852,825</u></u>

Note 5. Related Party Transactions

The Station operates under the University of Alabama system. The Station receives donated facilities and administrative support from the University of Alabama. See Note 1 for more information regarding in-kind contributions. The Station also receives a portion of the University's appropriation from the State of Alabama. For the years ended September 30, 2020 and 2019, appropriations received from the University of Alabama were \$1,469,968 and \$1,447,551, respectively.

Additionally, the Station has a note payable with The University of Alabama related to the financing of the WHIL-FM purchase. See Note 4 for more information regarding this purchase and the related debt.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 5. Related Party Transactions – Continued

The UA-ASU-TSU Educational Corporation was created to allow the University of Alabama, Alabama State University and Troy University to share the WAPR broadcast area. The Board of Directors of the UA-ASU-TSU Educational Corporation includes representatives from each university, including management from WUAL. The Station receives revenue from the UA-ASU-TSU Educational Radio Corporation as compensation for operational support provided by the Station to the UA-ASU-TSU Educational Radio Corporation. For the year ended September 30, 2020, there were no fees earned. For the year ended September 30, 2019, fees earned were \$9,256. These fees are included in other income on the statement of activities and change in net assets.

Note 6. Income Taxes

The Station is a not-for-profit organization covered under the Alabama Nonprofit Corporation Act. Additionally, the Station, as part of the University of Alabama System, has been granted tax-exempt status by the Internal Revenue Service for income tax purposes. The Station is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations. The Station follows the FASB codification ASC 740-10 in accounting for income taxes. The Station has evaluated its tax positions and interpretations, and believes its positions are appropriate based on current facts and circumstances.

Note 7. Compensated Absences

Employees of the Station are entitled to paid vacation, paid sick days, and personal days offs, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Station's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 8. Employee Benefit Plan

The Station participates in the State of Alabama's Teachers' Retirement System (TRS). The Station made an employer contribution to the TRS in the amount of \$138,260 and \$127,707 for the years ended September 30, 2020 and 2019, respectively.

Note 9. Concentration of Credit Risk

Credit risk for accounts receivable is considered concentrated as 100% of the balance at September 30, 2020 and 2019 was due from one grantor agency.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2020 and 2019

Note 10. Concentration of Revenue Sources

As of September 30, 2020 and 2019, approximately 73% and 71%, respectively, of the Station's revenue is derived from appropriations and in-kind rent from the University of Alabama and a grant from the Corporation for Public Broadcasting. A loss in either of these funding sources could impact the operations of the Station.

Note 11. Financial Assets and Liquidity

The Station has \$243,049 of financial assets available within 1 year of the statement of financial position date, September 30, 2020, to meet cash needs for general expenditures consisting of cash and cash equivalents of \$240,049 and accounts receivable of \$3,000. The Station has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 12. Methods Used for the Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Station. Salaries, wages, and employee benefit expenses are allocated based on estimates of time and effort. Other expenses are allocated based on their usage for the specific programs or supporting functions.

Note 13. Subsequent Events

The Station has evaluated subsequent events through February 24, 2021, the date which the financial statements were available to be issued.