

KUAF-FM
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024
(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 Audit of the Financial Statements

Opinion

We have audited the financial statements of KUAF-FM (“the Station”), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Station’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Station, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Emphasis of Matter – Financial Reporting

As discussed in Note 1, the financial statements present only the funds of the Station and do not purport to, and do not, present fairly the financial position of the University of Arkansas at Fayetteville, Arkansas, as of June 30, 2025 and 2024, 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 May 5, 2026 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



May 5, 2026

Certified Public Accountants & Consultants
Bryant, Arkansas

KUAF PUBLIC RADIO
Licensed to the Board of Trustees, University of Arkansas
Management’s Discussion and Analysis
For the Years Ended June 30, 2025, 2024, and 2023

Introduction and Reporting Entity

The following discussion and analysis is an overview of the financial position and activities of KUAF Public Radio for the years ended June 30, 2025, 2024, and 2023. Management of KUAF has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

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

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

Overview of the Financial Statements

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

Statement 34 requires the classification of net assets into three categories—invested in capital assets, net of related debt; restricted; and unrestricted. The Statement of Position includes Assets, Liabilities and Net Assets of KUAF as of June 30, 2025, and 2024. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Assets classified in the categories as noted above. The Statement of Revenues, Expenses and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Income (Loss), which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Assets. The Statement of Cash Flows shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Highlights

The financial position of KUAF at June 30, 2025 remains strong, thanks to continued increases in individual giving. Net Position totaled \$2,081,124 for the year ended June 30, 2025 compared to \$2,399,361 for the year ended June 30, 2024. KUAF's Net Assets decreased by \$318,237 in FY 2025 over FY 2024.

KUAF's Operating Revenues decreased slightly in FY 2025 compared to last year. Operating Revenues totaled \$1,310,138 in FY 2025 compared to \$1,344,688 in FY 2024, a decrease of \$34,550. Operating Expenses increased for FY 2025 with \$1,869,751 compared to FY 2024 expenses which were \$1,694,146 an increase of \$175,605. Operating transfers in FY 2025 from the U of A, in support of KUAF's contribution to the educational mission of the University, totaled \$227,078.

Fundraising for the fiscal year was down compared to FY 2024. Program support from local business was down by \$47,756 and listener support derived from member contributions increased by \$124,943. The total increase in local fundraising of \$77,187 is the first year of increases in two years. We expect local fundraising will result in more funding through improved fundraising techniques in the future.

KUAF's property and equipment, net of accumulated depreciation and amortization, totaled \$1,655,305 for FY 2025 compared to \$1,803,411 for FY 2024. Construction of a new broadcast facility for KUAF resulted in additions in FY 2010 of \$981,721 and in FY 2009 of \$988,303. The increases in FY 2010 and 2009 were primarily the cost of building a new facility to house KUAF. The building is located in downtown Fayetteville next to the Fayetteville public library. A \$1.5 million capital campaign was undertaken by KUAF staff in FY 2008 to pay for the renovation of the building and an addition on the building that has resulted in a modern facility of over 7,000 square feet. This has resulted in a major improvement over the station's campus home of nearly 20 years, which was an old apartment building where the station operated out of 2,500 square feet. In addition, construction began on a new tower for the station in 2019 and has since been completed. FY 2025's depreciation and amortization expense was \$148,106. The ending balance of Capital Assets for FY 2025 was \$1,655,305, a decrease of \$148,106 compared to FY 2024.

Since starting in FY 2008, over \$1.1 million had been pledged to the KUAF capital campaign by June 30, 2010 with most pledges scheduled for payment by FY 2013. Construction of the new building was completed in January, 2010. In order to pay for the building KUAF was awarded bond proceeds of \$1,008,000 from a much larger bond secured by the University of Arkansas for campus construction projects. KUAF has a repayment schedule of approximately \$60,000 a year through 2039. In FY 2016, an advanced refunding reduced the outstanding balance owed by KUAF as discussed in Note 7 to the Financial Statements.

Financial Analysis of the Statements

KUAF-FM condensed financial statements are represented below for FY 2025, 2024, and 2023.

Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets:			
Current assets	\$ 1,322,747	\$ 1,592,559	\$ 1,613,133
Noncurrent	1,655,305	1,803,411	1,951,517
Deferred outflows of resources	<u>34,037</u>	<u>36,589</u>	<u>39,141</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,012,089</u>	<u>\$ 3,432,559</u>	<u>\$ 3,603,791</u>
Liabilities:			
Current liabilities	\$ 119,618	\$ 181,163	\$ 216,650
Noncurrent liabilities	811,347	852,035	901,569
Total liabilities	<u>930,965</u>	<u>1,033,198</u>	<u>1,118,219</u>
Net position			
Invested in capital assets	842,293	954,016	1,056,758
Restricted	41,765	39,455	36,666
Unrestricted	<u>1,197,066</u>	<u>1,405,890</u>	<u>1,392,148</u>
Total net position	<u>2,081,124</u>	<u>2,399,361</u>	<u>2,485,572</u>
Total Liabilities and Net Position	<u>\$ 3,012,089</u>	<u>\$ 3,432,559</u>	<u>\$ 3,603,791</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Corporation for Public Broadcasting	\$ 144,262	\$ 210,337	\$ 137,468
Other operating revenues	1,165,876	1,134,351	1,112,137
Operating expenses	<u>(1,869,751)</u>	<u>(1,694,146)</u>	<u>(1,532,725)</u>
Operating loss	(559,613)	(349,458)	(283,120)
Non-operating support and revenues	<u>241,376</u>	<u>263,247</u>	<u>193,714</u>
Change in net position	(318,237)	(86,211)	(89,406)
Net assets-beginning of year	<u>2,399,361</u>	<u>2,485,572</u>	<u>2,574,978</u>
Net assets-end of year	<u>\$ 2,081,124</u>	<u>\$ 2,399,361</u>	<u>\$ 2,485,572</u>

Current Assets consist primarily of restricted and unrestricted cash and cash equivalents, contributions receivable, restricted investments, and prepaid expenses. Non-Current Assets consist primarily of property

and equipment. Deferred Outflows of Resources consists primarily of deferred bond refunding costs. Property and equipment are presented net of accumulated depreciation. Current Liabilities consist of compensated absences, accounts payable, accrued interest and current portion of bond payable.

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

Request for Information

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

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

KUAF-FM
Statements of Net Position
June 30, 2025 and 2024
(See independent auditor's report.)

	2025	2024
<u>Assets and Deferred Outflows of Resources</u>		
Current Assets		
Cash and cash equivalents	\$ 1,175,166	1,460,661
Investments - restricted	41,765	39,455
Accounts receivable	105,816	92,443
Total Current Assets	1,322,747	1,592,559
Noncurrent assets		
Capital assets, net	1,655,305	1,803,411
Total Noncurrent Assets	1,655,305	1,803,411
Deferred Outflows of Resources		
Deferred bond refunding costs	34,037	36,589
Total Deferred Outflows of Resources	34,037	36,589
Total Assets and Deferred Outflows of Resources	\$ 3,012,089	3,432,559
<u>Liabilities and Net Position</u>		
Current Liabilities		
Accounts payable	\$ 1,996	77,866
Grants payable	-	6,635
Compensated absences payable	65,743	53,389
Deferred revenue	10,457	3,604
Accrued interest	5,720	5,720
Current portion of bonds payable	32,698	31,088
Current portion of lease liability	3,004	2,861
Total Current Liabilities	119,618	181,163
Long-Term Liabilities		
Bonds payable, net of unamortized premium	658,423	696,107
Lease liability	152,924	155,928
Total Long-Term Liabilities	811,347	852,035
Total Liabilities	930,965	1,033,198
Net Position		
Invested in capital assets, net of related debt	842,293	954,016
Restricted net position		
Building and scholarship funds	41,765	39,455
Unrestricted net position	1,197,066	1,405,890
Total Net Position	2,081,124	2,399,361
Total Liabilities and Net Position	\$ 3,012,089	3,432,559

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

KUAF-FM
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025 and 2024
(See independent auditor's report.)

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Program underwriting	\$ 214,745	262,501
Membership contributions	886,194	761,251
Corporation for Public Broadcasting Grants:		
Community service grant	144,262	210,337
Contributed support	64,937	100,000
Other income	-	10,599
Total Operating Revenues	<u>1,310,138</u>	<u>1,344,688</u>
Operating Expenses		
Programming and production	1,097,254	1,045,232
Management and general	432,959	343,382
Broadcasting	133,166	125,380
Grant expense	85,372	85,831
Fundraising and membership development	120,555	87,050
Program information	445	7,271
Total Operating Expenses	<u>1,869,751</u>	<u>1,694,146</u>
Operating Income (Loss)	<u>(559,613)</u>	<u>(349,458)</u>
Nonoperating Revenues		
Investment income, net	14,298	8,835
Total Nonoperating Revenues	<u>14,298</u>	<u>8,835</u>
Income (Loss) Before Operating Transfers	(545,315)	(340,623)
Operating Transfers from the University of Arkansas at Fayetteville	<u>227,078</u>	<u>254,412</u>
Change in Net Position	(318,237)	(86,211)
Net Position - Beginning of Year	<u>2,399,361</u>	<u>2,485,572</u>
Net Position - End of Year	<u>\$ 2,081,124</u>	<u>2,399,361</u>

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

KUAF-FM
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024
(See independent auditor's report.)

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Cash received from:		
Program underwriting receipts	\$ 194,737	248,093
Membership contributions	886,194	761,251
Corporation for Public Broadcasting Community		
service grant	144,262	210,337
Contributed support	64,937	100,000
Cash payments for:		
Programming and production	(1,155,223)	(1,050,477)
Management and general	(372,841)	(316,430)
Broadcasting	(54,464)	(46,678)
Grant expense	(85,372)	(85,831)
Fundraising and membership development	(114,949)	(81,444)
Program information	(445)	(7,271)
Net Cash Provided (Required) by Operating Activities:	<u>(493,164)</u>	<u>(268,450)</u>
Cash Flows from Noncapital Financing Activities:		
Transfer from the University of Arkansas at Fayetteville	<u>227,078</u>	<u>254,412</u>
Net Cash Provided by Noncapital Financing Activities:	<u>227,078</u>	<u>254,412</u>
Cash Flows form Capital and Related Financing Activities:		
Principal payments on revenue bonds	(28,536)	(27,055)
Principal payments on lease	(2,861)	(2,724)
Net Cash (Used In) Capital and Related Financing Activities:	<u>(31,397)</u>	<u>(29,779)</u>
Cash Flows from Investing Activities:		
Net change in investments	(2,310)	(2,789)
Net investment income received	14,298	8,835
Net Cash Provided (Required) by Operating Activities:	<u>11,988</u>	<u>6,046</u>
Net Change in Cash	(285,495)	(37,771)
Cash and restricted cash - beginning of year	<u>1,460,661</u>	<u>1,498,432</u>
Cash and Restricted Cash - End of Year	<u>\$ 1,175,166</u>	<u>1,460,661</u>

KUAF-FM
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2025 and 2024
(See independent auditor's report.)

	2025	2024
Reconciliation of Operating Loss to		
Net Cash (Used In) Operating Activities:		
Operating income (loss)	\$ (559,613)	(349,458)
Depreciation and amortization	148,106	148,106
Bond amortization included in interest expense	(4,986)	(4,986)
Gain on bond refunding	-	(10,599)
Changes in:		
Accounts receivable	(13,373)	(14,408)
Accounts payable	(75,870)	(29,781)
Grants payable	(6,635)	6,635
Compensated absences payable	12,354	(11,365)
Deferred revenue	6,853	(2,594)
Net Cash (Used In) Operating Activities:	\$ (493,164)	(268,450)

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

KUAF-FM
Notes to Financial Statements
June 30, 2025 and 2024

1. Nature of Business

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

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

KUAF-FM
Notes to Financial Statements
June 30, 2025 and 2024

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 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, 2025 and 2024, management determined that an allowance for doubtful accounts was not necessary.

Investments and Investment Income

Investments consist of marketable securities at the Foundation and are presented on the Statements of Net Position at fair market value based on quoted market prices as of June 30, 2025 and 2024. 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, and investment fees.

Capital Assets

All capital assets are valued at cost, except for donated equipment which is capitalized at the fair market value at the date of donation and right-to-use assets which are measured at the present value of payments expected to be made during the lease term (less any lease incentives) plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are recognized when the expected present value of the lease exceeds \$25,000 and depreciated using the shorter of the lease term or useful life. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed on the straight-line method for financial reporting purposes, based on the estimated useful lives of the assets which range from 3 to 30 years. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. The Station capitalizes all purchases over \$2,500, with a useful life over one year. Depreciation and amortization expenses were \$148,106 and \$148,106 for the years ended June 30, 2025 and 2024, respectively.

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.

KUAF-FM
Notes to Financial Statements
June 30, 2025 and 2024

Deferred Outflows of Resources

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

Refunding Deferral

Refunding deferrals result from a difference in the reacquisition price and the net carrying amount of old debt on bond refundings. This difference is reported in the accompanying financial statements as a deferred outflow of resources. The Series 2016A and 2016B refunding deferral (discussed further in Note 7) is amortized over the life of the bonds on the straight-line method and is treated as a component of interest expense. Amortization of refunding deferral amounted to \$2,552 and \$2,552 for the years ended June 30, 2025 and 2024, respectively.

Compensated Absences

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

Deferred Revenue

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

Net Position Classifications

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

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

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

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

Contributions

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

KUAF-FM
Notes to Financial Statements
June 30, 2025 and 2024

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.

Donated Facilities and Services

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

Functional Allocation of Expenses

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

Tax Status

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

Use of Estimates

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

Recently Adopted Accounting Standards

The Station has adopted GASB Statement No. 102, "Certain Risk Disclosures". This statement defines concentrations and constraints and requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The Station did not identify any concentrations or constraints that would require disclosure at June 30, 2025.

3. Deposits

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

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Foundation accounts are also insured or collateralized. Any concentrations of credit risk are expected to be insignificant.

4. Accounts Receivable

Unconditional promises to give amounted to \$105,816 and \$92,443 for the years ended June 30, 2025 and 2024, respectively, and are reported as accounts receivable on the Statements of Net Position.

5. Capital Assets

Capital assets activity for the year ended June 30, 2025 was:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 389,157	-	-	389,157
Equipment	530,145	-	-	530,145
Building	2,044,993	-	-	2,044,993
Radio tower	519,706	-	-	519,706
Right-to Use asset	173,790	-	-	173,790
	<u>3,657,791</u>	<u>-</u>	<u>-</u>	<u>3,657,791</u>
Accumulated depreciation and amortization	<u>(1,854,380)</u>	<u>(148,106)</u>	<u>-</u>	<u>(2,002,486)</u>
	<u>\$ 1,803,411</u>	<u>(148,106)</u>	<u>-</u>	<u>1,655,305</u>

Capital assets activity for the year ended June 30, 2024 was:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 389,157	-	-	389,157
Equipment	530,145	-	-	530,145
Building	2,044,993	-	-	2,044,993
Radio tower	519,706	-	-	519,706
Right-to-Use asset	173,790	-	-	173,790
	<u>3,657,791</u>	<u>-</u>	<u>-</u>	<u>3,657,791</u>
Accumulated depreciation and amortization	<u>(1,706,274)</u>	<u>(148,106)</u>	<u>-</u>	<u>(1,854,380)</u>
	<u>\$ 1,951,517</u>	<u>(148,106)</u>	<u>-</u>	<u>1,803,411</u>

6. Noncash Capital and Related Financing Activities

The Station had noncash capital and related financing activities as follows during the years ended June 30, 2025 and 2024:

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Notes to Financial Statements
June 30, 2025 and 2024

	2025	2024
Amortization on bond premium	\$ 4,986	4,986
Amortization on bond refunding deferral	(2,552)	(2,552)
Gain on bond refunding	-	(10,599)
Bond interest expense	37,778	37,048
	<u>\$ 40,212</u>	<u>28,883</u>

7. Bonds Payable

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

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

During the year ended June 30, 2024, the University repurchased a portion of the Series 2016A bonds totaling \$188,206 and reissued the bonds as Series 2023B in a total amount of \$177,607. This resulted in a gain on the refunding for the Station of \$10,599.

The deferred bond refunding costs and the unamortized premium are both amortized on a straightline basis over the remaining life of the bonds. For the years ended June 30, 2025 and 2024, the net effect of the amortization resulted in decreases to interest expense of \$2,552. As of June 30, 2025 and 2024, deferred bond refunding costs were \$34,037 and \$36,589, respectively, and the unamortized premium on bonds payable was \$66,490 and \$71,476, respectively.

The total amount of interest expense paid during the years ended June 30, 2025 and 2024, was \$32,910 and \$31,949, respectively, which is included in management and general expense on the Statements of Revenues, Expenses, and Changes in Net Position.

Future maturities of these bonds are as follows:

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Notes to Financial Statements
June 30, 2025 and 2024

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 32,698	27,610	60,308
2027	34,307	25,935	60,242
2028	36,172	24,173	60,345
2029	36,809	22,349	59,158
2030	38,875	20,456	59,331
2031-2035	224,812	72,605	297,417
2036-2039	220,958	18,865	239,823
	<u>\$ 624,631</u>	<u>211,993</u>	<u>836,624</u>

The outstanding principal amount in the above table does not include the unamortized bond premium of \$66,490. The premium is amortized over the life of the bonds on the straight-line method and is treated as a component of interest expense. Amortization of bond premium amounted to \$4,986 for each of the years ended June 30, 2025 and 2024.

8. Personnel Expenses

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

9. Leases

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. During the year ended June 30, 2020, the Station entered into a non-cancelable lease agreement for land under the tower. The lease term is five years with four automatic renewals resulting in a total lease period of twenty-five years. Amortization expense related to this lease as of June 30, 2025 and 2024 was \$6,952 and \$6,952, with total accumulated amortization of \$55,616 and \$48,664, respectively.

The station had no significant lease expenses related to variable payments as of June 30, 2025 and 2024. The Station did not incur any lease expenses related to residual value guarantees, lease termination penalties, or losses due to impairment. The Station did not have any commitments for any leases prior to the start of the lease term.

Related obligations are presented in the amounts equal to the present value of lease payments expected to be made during the lease term. Future amounts required to pay principal and interest as of June 30, 2025, are as follows:

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Notes to Financial Statements
June 30, 2025 and 2024

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ 3,004	7,796	10,800
2027	3,154	7,646	10,800
2028	3,312	7,488	10,800
2029	5,277	7,323	12,600
2030	5,541	7,059	12,600
2031-2035	35,838	30,762	66,600
2036-2040	55,686	19,914	75,600
2041-2043	44,116	4,483	48,599
Total	<u>\$ 155,928</u>	<u>92,471</u>	<u>248,399</u>

10. Rescission Act of 2025

On July 17, 2025, the U.S. Senate voted to pass the Rescission Act of 2025 (H.R. 4) which rescinded federal funding for the Corporation for Public Broadcasting (“CPB”) for fiscal years 2026 and 2027. For the years ending June 30, 2025 and 2024, the Station received Community Service Grants through the CPB. These grants made up approximately 11% and 16% of total operating revenues for the years ending June 30, 2025 and 2024, respectively. In an attempt to overcome the loss of this revenue stream, management is actively responding by exploring new revenue streams as well as additional community fundraising and a fundraising partnership with the University.

11. Subsequent Events

Management has evaluated subsequent events through May 5, 2026, 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
Fayetteville, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KUAF-FM (“the Station”) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Station’s basic financial statements, and have issued our report thereon dated May 5, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EGP, PLLC

May 5, 2026

Certified Public Accountants & Consultants
Bryant, Arkansas

KUAF-FM
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Summary of Auditor's Results

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

Findings and Questioned Costs

No findings in current year.

KUAF-FM
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

Findings and Questioned Costs

None reported.