

**KUAF-FM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
**(With independent auditor's report thereon)**

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of KUAF-FM (“the Station”) which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUAF as of June 30, 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of KUAF-FM as of June 30, 2020, were audited by other auditors whose report dated December 28, 2020, expressed an unmodified opinion on those statements.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Emphasis of Matter – Financial Reporting**

As discussed in Note 1, the financial statements present only the funds of the Station and do not purport to, and do not, present fairly the financial position of the University of Arkansas at Fayetteville, Arkansas, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.



February 11, 2022

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, 2021 and 2020**

**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, 2021 and 2020. 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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement 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, 2021 and 2020. 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, 2021 remains strong, thanks to funds from the American Rescue Act distributed by the Corporation for Public Broadcasting and increases in individual giving. Net Position totaled \$2,450,232 for the year ended June 30, 2021 compared to \$2,234,652 for the year ended June 30, 2020. KUAF's Net Assets increased by \$217,127 in FY 2021 over FY 2020.

KUAF's Operating Revenues were up substantially in FY 2021 compared to last year. Operating Revenues totaled \$1,422,391 in FY 2021 compared to \$1,201,122 in FY 2020, an increase of \$221,269. Operating Expenses decreased for FY 2021 with \$1,506,111 compared to FY 2020 expenses which were \$1,534,737. Operating transfers in FY 2021 from the U of A, in support of KUAF's contribution to the educational mission of the University, totaled \$287,511.

Fundraising for the fiscal year was up compared to FY 2020. Local business support was down by \$18,234 while listener support increased by \$138,318. The total increase in local fundraising of \$120,084 continues a eight-year trend of increases. While we expect to see lower revenue from local business support due to the effects of the pandemic, we expect individual fundraising will continue to result in more funding through improved fundraising techniques. KUAF did receive a one-time grant of \$105,031 from CPB through the American Rescue Act to help relieve losses to public media outlets during the pandemic.

KUAF's property and equipment, net of accumulated depreciation, totaled \$2,103,272 for FY 21 compared to \$2,259,117 for FY 2020. 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.

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 \$66,000 a year for 30 years. In FY 2016, an advanced refunding reduced the outstanding balance owed by KUAF as discussed in Note 7 to the Financial Statements.

In FY 2019, construction began on a new tower for the station. The project was not completed by the end of the fiscal year, but the transfer of funds for the project can be seen in the change in current assets of \$1,382,818 in FY 2017 to \$702,568 in FY 2018, a decrease of \$680,250. However, noncurrent assets for the station increased by \$753,291 in FY 2019 with the construction project. KUAF began transmitting from the new tower site in September of 2019. With net deduction of the old tower totaling \$49,659, FY 21's depreciation expense of \$155,845 the ending balance of Capital Assets for FY 2020 was \$2,103,272 – a decrease of \$155,845 compared to FY 2020.

## Financial Analysis of the Statements

KUAF-FM condensed financial statements represented below for FY 2021 and 2020.

### Condensed Statements of Net Position

Assets:	<b><u>2021</u></b>	<b><u>2020</u></b>
Current Assets	\$1,243,222	\$ 867,698
Noncurrent	<u>2,103,272</u>	<u>2,259,117</u>
Deferred Outflows of Resources	<u>45,245</u>	<u>46,797</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$3,390,739</u></b>	<b><u>\$3,173,612</u></b>
Liabilities:		
Current Liabilities	130,024	96,694
Noncurrent Liabilities	<u>810,483</u>	<u>842,266</u>
<b>Total Liabilities</b>	<b><u>\$ 940,507</u></b>	<b><u>\$ 938,960</u></b>
Net Position		
Invested in capital assets	1,307,804	1,438,130
Restricted	74,380	63,978
Unrestricted	<u>1,068,048</u>	<u>732,544</u>
<b>Total Net Position</b>	<b><u>\$2,450,232</u></b>	<b><u>\$2, 234,652</u></b>

### Condensed Statements of Revenues, Expenses and Changes in Net Position

	<b><u>2021</u></b>	<b><u>2020</u></b>
Corporation for Public Broadcasting	\$ 274,230	\$ 125,171
CPB CARES Act Grant	-----	75,000
CPB American Rescue Grant	150,031	-----
Other Operating Revenues	1,148,161	1,000,951
Operating Expenses	<u>(1,506,111)</u>	<u>(1,543,737)</u>
Operating loss	(83,720)	(333,615)
Non-Operating support and revenues	<u>287,511</u>	<u>343,412</u>
Change in Net Position	215,580	9,797
Net assets—beginning of year	<b><u>\$2,234,652</u></b>	<b><u>\$2,224,855</u></b>
Net assets—end of year	<b><u>\$2,450,232</u></b>	<b><u>\$2,234,652</u></b>

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, 2021 and 2020**  
(See independent auditor's report.)

	<b>2021</b>	<b>2020</b>
<b><u>Assets and Deferred Outflows of Resources</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$1,121,253	804,681
Restricted cash	33,497	-
Investments - restricted	40,883	30,594
Accounts receivable	47,589	32,423
<b>Total Current Assets</b>	<b>1,243,222</b>	<b>867,698</b>
<b>Noncurrent assets</b>		
Capital assets, net	2,103,272	2,259,117
<b>Total Noncurrent Assets</b>	<b>2,103,272</b>	<b>2,259,117</b>
<b>Deferred Outflows of Resources</b>		
Deferred bond refunding costs	44,245	46,797
<b>Total Deferred Outflows of Resources</b>	<b>44,245</b>	<b>46,797</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$3,390,739</b>	<b>3,173,612</b>
<b><u>Liabilities and Net Position</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 38,797	9,615
Compensated absences payable	54,776	51,805
Deferred revenue	3,483	3,373
Accrued interest	6,171	6,381
Current portion of bonds payable	26,797	25,520
<b>Total Current Liabilities</b>	<b>130,024</b>	<b>96,694</b>
<b>Long-Term Liabilities</b>		
Bonds payable, net of unamortized premium	810,483	842,266
<b>Total Long-Term Liabilities</b>	<b>810,483</b>	<b>842,266</b>
<b>Total Liabilities</b>	<b>940,507</b>	<b>938,960</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	1,307,804	1,438,130
Restricted net position		
Building and scholarship funds	40,883	30,594
Other	33,497	33,384
Unrestricted net position	1,068,048	732,544
<b>Total Net Position</b>	<b>2,450,232</b>	<b>2,234,652</b>
<b>Total Liabilities and Net Position</b>	<b>\$3,390,739</b>	<b>3,173,612</b>

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, 2021 and 2020**  
(See independent auditor's report.)

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Program underwriting	\$ 272,960	291,203
Membership contributions	760,416	622,098
Corporation for Public Broadcasting Grants:		
CARES Act	-	75,000
ARA grant	150,031	-
Community service grant	124,199	125,171
Contributed support	83,000	51,800
Podcast production	28,200	35,850
Other income	3,585	-
<b>Total Operating Revenues</b>	<u>1,422,391</u>	<u>1,201,122</u>
<b>Operating Expenses</b>		
Programming and production	765,898	760,411
Management and general	340,415	385,126
Broadcasting	203,990	196,222
Grant expense	97,525	97,703
Fundraising and membership development	82,577	79,113
Program information	15,706	16,162
<b>Total Operating Expenses</b>	<u>1,506,111</u>	<u>1,534,737</u>
<b>Operating Income (Loss)</b>	<u>(83,720)</u>	<u>(333,615)</u>
<b>Nonoperating Revenues</b>		
Investment income, net	11,789	4,461
<b>Total Nonoperating Revenues</b>	<u>11,789</u>	<u>4,461</u>
<b>Income (Loss) Before Operating Transfers</b>	(71,931)	(329,154)
<b>Operating Transfers from the University of Arkansas at Fayetteville</b>	<u>287,511</u>	<u>338,951</u>
<b>Change in Net Position</b>	215,580	9,797
<b>Net Position - Beginning of Year</b>	<u>2,234,652</u>	<u>2,224,855</u>
<b>Net Position - End of Year</b>	<u>\$ 2,450,232</u>	<u>2,234,652</u>

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

**KUAF-FM**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**  
(See independent auditor's report.)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from:		
Program underwriting receipts	\$ 257,794	307,471
Membership contributions	760,416	622,098
Corporation for Public Broadcasting CARES Act	124,199	125,171
Corporation for Public Broadcasting Community		
service grant	-	75,000
American Recovery and Reinvestment Act grant	150,031	-
Contributed support	83,000	51,800
Podcast production	28,200	35,850
Other income	3,585	-
Cash payments for:		
Programming and production	(718,815)	(692,805)
Management and general	(294,081)	(334,984)
Broadcasting	(117,549)	(123,582)
Grant expense	(97,525)	(97,703)
Fundraising and membership development	(76,971)	(73,507)
Program information	(15,706)	(16,162)
<b>Net Cash Provided (Required) by Operating Activities:</b>	<u>86,578</u>	<u>(121,353)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Transfer from the University of Arkansas at Fayetteville	287,511	338,951
<b>Net Cash Provided by Noncapital Financing Activities:</b>	<u>287,511</u>	<u>338,951</u>
<b>Cash Flows form Capital and Related Financing Activities:</b>		
Principal payments on revenue bonds	(25,520)	(24,216)
Purchase of capital assets	-	(10,664)
<b>Net Cash (Used In) Capital and Related Financing Activities:</b>	<u>(25,520)</u>	<u>(34,880)</u>
<b>Cash Flows from Investing Activities:</b>		
Net change in investments	(10,289)	1,030
Net investment income received	11,789	4,461
<b>Net Cash Provided (Required) by Operating Activities:</b>	<u>1,500</u>	<u>5,491</u>
<b>Net Change in Cash</b>	350,069	188,209
Cash and restricted cash - beginning of year	804,681	616,472
<b>Cash and Restricted Cash - End of Year</b>	<u>\$ 1,154,750</u>	<u>804,681</u>
<b>Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 1,121,253	804,681
Restricted cash and cash equivalents	33,497	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 1,154,750</u>	<u>804,681</u>

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

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

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Loss to</b>		
<b>Net Cash (Used In) Operating Activities:</b>		
Operating income (loss)	\$ (83,720)	(333,615)
Depreciation	155,845	142,044
Amortization included in interest expense	(2,434)	(2,434)
Loss on disposal of assets	-	49,659
Changes in:		
Accounts receivable	(15,166)	22,003
Prepaid expenses	-	46
Accounts payable	29,182	(2,601)
Compensated absences payable	2,971	8,163
Deferred revenue	110	(5,735)
Accrued interest	(210)	1,117
<b>Net Cash (Used In) Operating Activities:</b>	<u>\$ 86,578</u>	<u>(121,353)</u>

**KUAF-FM**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**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, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020. Any concentration of credit risk from investments is expected to be insignificant.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments, 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. 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 expense was \$155,845 and \$142,044 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020**

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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 for each of the years ended June 30, 2021 and 2020.

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

**KUAF-FM**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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restricted net position. When the donor stipulated time restriction ends, the contributions are reclassified to unrestricted net position.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Station's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

**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 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 \$47,589 and \$32,423 for the years ended June 30, 2021 and 2020, respectively, and are reported as accounts receivable on the Statements of Net Position.

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**5. Capital Assets**

Capital assets activity for the year ended June 30, 2021 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
	<u>3,484,001</u>	<u>-</u>	<u>-</u>	<u>3,484,001</u>
Accumulated depreciation	<u>(1,224,884)</u>	<u>(155,845)</u>	<u>-</u>	<u>(1,380,729)</u>
	<u>\$ 2,259,117</u>	<u>(155,845)</u>	<u>-</u>	<u>2,103,272</u>

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

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 389,157	-	-	389,157
Equipment	303,910	244,249	(18,014)	530,145
Building	2,044,993	-	-	2,044,993
Radio tower	246,947	519,706	(246,947)	519,706
Construction in progress	753,291	-	(753,291)	-
	<u>3,738,298</u>	<u>763,955</u>	<u>(1,018,252)</u>	<u>3,484,001</u>
Accumulated depreciation	<u>(1,298,142)</u>	<u>(142,044)</u>	<u>215,302</u>	<u>(1,224,884)</u>
	<u>\$ 2,440,156</u>	<u>621,911</u>	<u>(802,950)</u>	<u>2,259,117</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amortization on bond premium	\$ 4,986	4,986
Amortization on bond refunding deferral	(2,552)	(2,552)
Bond interest expense	(2,434)	(2,434)
	<u>\$ -</u>	<u>-</u>

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**7. Bonds Payable**

On April 5, 2016, the University issued various Facility Revenue Bonds, Series 2016A and 201GB, 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.

The deferred bond refunding costs and the unamortized premium are both amortized on a straightline basis over the remaining life of the bonds. For each of the years ended June 30, 2021 and 2020, the net effect of the amortization resulted in decreases to interest expense of \$2,552. As of June 30, 2021 and 2020, deferred bond refunding costs were \$44,245 and \$46,797, respectively, and the unamortized premium on bonds payable was \$86,433 and \$91,419, respectively.

The total amount of interest expense paid during the years ended June 30, 2021 and 2020, was \$35,017 and \$36,620, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 26,797	60,865	87,662
2023	28,125	60,821	88,946
2024	29,607	60,859	90,466
2025	31,088	60,823	91,911
2026	32,698	60,838	93,536
2027-2031	190,413	304,186	494,599
2032-2036	240,431	304,097	544,528
2037-2038	171,688	182,415	354,103
	<u>\$ 750,847</u>	<u>1,094,904</u>	<u>1,845,751</u>

The outstanding principal amount in the above table does not include the unamortized bond premium of \$86,433. The premium is amortized over the life of the bonds on the straight-line method and is treated

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**Notes to Financial Statements**  
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as a component of interest expense. Amortization of bond premium amounted to \$4,986 for each of the years ended June 30, 2021 and 2020.

**8. Restricted Net Position - Other**

During the year ended June 30, 2020, the Station was awarded community service grant funds from the CPB of \$125,171 of which \$33,384 was restricted for production, program and content, acquisition, distribution, and promotion expenditures and was released from restriction and used during the year ending June 30, 2021.

During the year ended June 30, 2021, the Station was awarded community service grant funds from the CPB of \$124,199, of which \$33,497 was restricted for production, program and content, acquisition, distribution, and promotion expenditures to be incurred during the year ending June 30, 2021. At June 30, 2021, \$33,497 was included in “Restricted cash” and “Restricted net position – other” on the Statements of Net Position.

**9. 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.

**10. Operating Leases**

The Station has a non-cancelable copier lease that will expire August 2021.

During the year ended June 30, 2020, the Station began paying lease agreements on a non-cancelable lease 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.

Future minimum payments under these leases for the next five years are as follows:

	<u>Copier</u>	<u>Tower land</u>	<u>Total</u>
Years ending June 30, 2022	\$ 596	9,000	9,596
2023	-	9,000	9,000
2024	-	10,800	10,800
2025	-	10,800	10,800
2026	-	-	-
Total minimum lease payments	<u>\$ 596</u>	<u>39,600</u>	<u>40,196</u>

Total rental expense incurred during the years ended June 30, 2021 and 2020 was \$10,560 and \$23,645, respectively.

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**11. Significant Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87 (GASB 87), Leases. GASB 87 improves consistency in accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 is effective for periods beginning after December 15, 2020. The Station is currently in the process of evaluating the impact of adoption of this GASB on the financial statements.

**12. Subsequent Events**

Management has evaluated subsequent events through February 11, 2022, the date the financial statements were available to be issued.

**Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Audit and Fiscal Responsibility Committee  
University of Arkansas System  
Fayetteville, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KUAF-FM (the “Station”), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2022.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 11, 2022



Certified Public Accountants & Consultants  
Bryant, AR