

**KUNR 88.7-FM RADIO
A PUBLIC BROADCASTING ENTITY LICENSED TO
THE NEVADA SYSTEM OF HIGHER EDUCATION**

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

KUNR 88.7-FM RADIO
A PUBLIC BROADCASTING ENTITY LICENSED TO
THE NEVADA SYSTEM OF HIGHER EDUCATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Regents,
Nevada System of Higher Education:

Report on the Financial Statements

We have audited the accompanying financial statements of KUNR 88.7-FM Radio ("KUNR"), a public broadcasting entity licensed to the Nevada System of Higher Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise KUNR's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

KUNR's 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements of KUNR are intended to present the financial position, and the changes in financial position and cash flows, of only KUNR-related accounts of the Nevada System of Higher Education that are attributable to the transactions of KUNR. They do not purport to, and do not, present fairly the financial position of the Nevada System of Higher Education as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

2020 Financial Statements

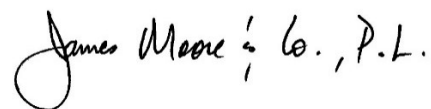
As discussed in Note 9 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

The financial statements of KUNR for the year ended June 30, 2020, before the restatement described in Note 9, were audited by another auditor whose report dated January 12, 2021, expressed an unmodified opinion on those statements.

As part of our audit of the June 30, 2021 financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been appropriately applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.



Gainesville, Florida
January 14, 2022

**KUNR 88.7-FM RADIO
A PUBLIC BROADCASTING ENTITY LICENSED TO
THE NEVADA SYSTEM OF HIGHER EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

The following discussion and analysis of the financial statements of KUNR 88.7-FM Radio (“KUNR”) provides an overview of KUNR activities for the fiscal year ended June 30, 2021, with selected comparative information for the year ended June 30, 2020. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting changes, and known facts. The financial statements, footnotes, and this discussion are the responsibility of management.

THE REPORTING ENTITY

KUNR was established in 1963 as a non-commercial, listener-supported public radio station providing northern Nevada and northeastern California with a diverse mix of music, news, public affairs and cultural programming. KUNR, licensed to the Board of Regents of the Nevada System of Higher Education (“NSHE”), is under the umbrella of the University of Nevada, Reno (“UNR”), located on the UNR campus, and supported by UNR staff.

OVERVIEW OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with guidance found in the statements issued by the Governmental Accounting Standards Board (“GASB”), including, in particular, GASB Statement No. 35 “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities”.

As required by accounting principles, the annual report consists of three basic financial statements that provide information on KUNR as a whole: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The financial statements are prepared on the accrual basis of accounting.

STATEMENTS OF NET POSITION

The Statement of Net Position is a "point in time" financial statement presenting the financial position of KUNR. Net position is one way to measure the financial health of KUNR.

The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and components of net position. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are usually those that will be paid or relieved within one year of the date of the Statement of Net Position.

From the data presented, readers of the Statement of Net Position will be able to determine the assets available to continue the operations of KUNR and determine how much KUNR owes its vendors, employees, and underwriters. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by KUNR.

KUNR 88.7-FM RADIO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

The following table presents condensed financial information from KUNR's Statements of Net Position as of June 30, 2021 and 2020:

CONDENSED STATEMENTS OF NET POSITION
(For the Fiscal Years at June 30)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets	\$ 1,747,547	\$ 1,345,457
Noncurrent assets	130,626	119,068
Total assets	<u>1,878,173</u>	<u>1,464,525</u>
LIABILITIES		
Current liabilities	214,372	216,206
Total liabilities	<u>214,372</u>	<u>216,206</u>
NET POSITION		
Net investment in capital assets	103,759	119,068
Restricted – expendable	435,738	210,660
Unrestricted	1,124,304	918,591
Total net position	<u>\$ 1,663,801</u>	<u>\$ 1,248,319</u>

Current assets consist primarily of unrestricted cash and cash equivalents and underwriting receivables. The increase in current assets at June 30, 2021 is largely due to funding from the American Rescue Plan Act received in fiscal year 21. Current assets also increased at June 30, 2020 compared to June 30, 2019, largely due to the increase in unrestricted cash and cash equivalents from the fiscal year 2020 operations.

Current liabilities consist primarily of accrued salaries and benefits.

Net position is divided into three major categories:

- Invested in capital assets, net of related debt represents KUNR's total investment in capital assets, net of outstanding debt obligations.
- Restricted - expendable represents the portion of net position that is available for expenditure by KUNR but must be spent for restricted purposes or in a time frame specified by donors and/or external entities.
- Unrestricted represents the portion of net position that is available for expenditure by KUNR for any lawful purpose.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of KUNR, as well as the non-operating revenues and expenses.

Operating revenues includes underwriting, grants, contributions and membership revenues generated to support KUNR's operational purpose of providing commercial-free public radio. Operating expenses are expenses incurred to acquire or produce the goods and services needed to carry out the mission of KUNR.

The following table presents condensed financial information from KUNR's Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020:

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**
(For the Fiscal Years ended June 30)

	<u>2021</u>	<u>2020</u>
REVENUES		
Appropriations from the University	\$ 144,663	\$ 149,441
Other operating revenues	<u>2,319,966</u>	<u>2,123,102</u>
Total operating revenues	<u>2,464,629</u>	<u>2,272,543</u>
EXPENSES		
Program services		
Programming and production	884,327	815,010
Broadcasting	<u>271,849</u>	<u>310,047</u>
Total program services	<u>1,156,176</u>	<u>1,125,057</u>
Supporting services		
Management and general	771,288	822,507
Fundraising	182,532	229,653
Underwriting	<u>170,856</u>	<u>207,551</u>
Total supporting services	<u>1,124,676</u>	<u>1,259,711</u>
Total operating expenses	2,280,852	2,384,768
Total non-operating revenues	231,705	112,136
Change in net position	<u>415,482</u>	<u>(89)</u>
Net position, beginning of year	<u>1,248,319</u>	<u>1,248,408</u>
Net position, end of year	<u><u>\$ 1,663,801</u></u>	<u><u>\$ 1,248,319</u></u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

Operating revenue for the year ended June 30, 2021 increased by \$192,086 compared to the previous year. This increase is largely due to a significant increase in membership revenue as well as additional grants received during the fiscal year. KUNR has continued moving donors towards a sustaining donation model where donors are set up to give a monthly donation via credit card. This has led to more consistent collection of donations. Operating revenue for the year ended June 30, 2020 increased by \$300,623 compared to the previous year. A significant portion of the increase in operating revenue from fiscal year 2019 to 2020 is due to the change in the calculation of indirect administrative support adopted by the CPB. This change led to an increase of \$193,465 from 2019 to 2020. Additionally, KUNR received CPB Cares Act funding in the amount of \$112,136 in 2020 and American Rescue Plan (ARP) Act funding in the amount of \$231,705 in 2021 included in non-operating revenues.

Certain amounts in the prior period presentation have been reclassified to conform to the current period financial statement presentation. The reclassifications had no effect on previously reported changes in net position. Additionally, there was a restatement of prior period related to the removal of pension and other post-employment benefits ("OPEB") liabilities, deferred inflows and outflows of resources, and related expenses, that have been determined to be the responsibility of NSHE. See Note 9 for additional information.

STATEMENTS OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activities of KUNR during the year. The statement helps users assess KUNR's ability to generate net cash flows, its ability to meet obligations as they come due, and its use of external financing.

KUNR uses the direct method presentation, showing cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities.

The following table presents condensed financial information from KUNR's Statements of Cash Flows for the years ended June 30, 2021 and 2020:

TABLE 3
CONDENSED STATEMENTS OF CASH FLOWS

	2021	2020
Net cash provided by (used in) operating activities	\$ 73,460	\$ (26,680)
Net cash from non-capital financing activities	-	112,136
Net change in cash and cash equivalents	<u>73,460</u>	<u>85,456</u>
Cash and cash equivalents, beginning of year	1,283,669	1,198,213
Cash and cash equivalents, end of year	<u>\$ 1,357,129</u>	<u>\$ 1,283,669</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

ECONOMIC OUTLOOK

Fiscal year 2021 proved to be challenging in many ways. However, thanks to the strong support of our community as well as funding from the American Rescue Plan Act, total operating revenue increased by \$192,086. The decrease in underwriting support of \$87,685 due to event cancellations and decreased advertising budgets related to the COVID-19 pandemic was more than offset by the increase in membership revenue of \$163,220.

The team at KUNR is committed to providing accurate, engaging, and in-depth local and regional news coverage. KUNR's locally produced programming alongside nationally produced news and information from trusted sources like National Public Radio, American Public Radio and BBC World Service, is a combination that we believe can lead to continued growth in membership support in fiscal year 2022.

As arts and music events have resumed in our community, we have seen many past underwriting clients return. In fiscal year 2022 underwriting support looks like it will return to pre-pandemic levels.

Overall, the economic outlook remains positive for KUNR. Careful stewardship, listener service and donor relations are paramount station-wide. KUNR continues to operate soundly to provide a distinct, relied-upon, increasingly engaging product at a time when the region is experiencing new growth, making for a promising future for KUNR.

REQUEST FOR INFORMATION

This financial report is designed to provide donors, members, foundations and taxpayers with a general overview of KUNR's finances and to account for the funding it receives. Additional details can be requested by mail at the following address:

KUNR 88.7-FM Radio
University of Nevada, Reno
Mail Stop 294
Reno, Nevada 89557-0294

KUNR 88.7-FM RADIO
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STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,153,096	\$ 1,073,009
Restricted cash	204,033	210,660
Grant receivables	24,519	-
Underwriting receivables, net	43,802	48,002
Pledge receivables, net	11,957	-
Due from the University of Nevada, Reno	231,705	-
Prepaid expenses	78,435	13,786
Total current assets	<u>1,747,547</u>	<u>1,345,457</u>
Noncurrent assets		
Capital assets, net	103,759	119,068
Pledge receivables, less current portion	26,867	-
Total other assets	<u>130,626</u>	<u>119,068</u>
Total Assets	<u>1,878,173</u>	<u>1,464,525</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	25,902	4,982
Due to the University of Nevada, Reno	34,547	-
Accrued salaries and benefits	134,246	178,054
Unearned underwriting revenue	19,677	33,170
Total current liabilities	<u>214,372</u>	<u>216,206</u>
Total Liabilities	<u>214,372</u>	<u>216,206</u>
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	103,759	119,068
Restricted - expendable	435,738	210,660
Unrestricted	1,124,304	918,591
Total Net Position	<u>\$ 1,663,801</u>	<u>\$ 1,248,319</u>

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

KUNR 88.7-FM RADIO
A PUBLIC BROADCASTING ENTITY LICENSED TO
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STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Membership	\$ 933,242	\$ 770,022
Underwriting	367,470	455,155
Other grants	338,703	179,976
CPB Community Service Grants	204,033	205,660
General appropriation from the University of Nevada, Reno	144,663	149,441
Indirect administrative support	373,775	397,199
In-kind contributions and donations	102,743	115,090
Total operating revenues	<u>2,464,629</u>	<u>2,272,543</u>
Operating expenses		
Program services		
Programming and production	884,327	815,010
Broadcasting	271,849	310,047
Total program services	<u>1,156,176</u>	<u>1,125,057</u>
Supporting services		
Management and general	771,288	822,507
Fundraising	182,532	229,653
Underwriting	170,856	207,551
Total supporting services	<u>1,124,676</u>	<u>1,259,711</u>
Total operating expenses	<u>2,280,852</u>	<u>2,384,768</u>
Operating income (loss)	<u>183,777</u>	<u>(112,225)</u>
Non-operating revenues		
ARP Act stabilization funds	231,705	-
CARES Act stabilization funds	-	112,136
Total non-operating revenues	<u>231,705</u>	<u>112,136</u>
Change in net position	<u>415,482</u>	<u>(89)</u>
Net position, beginning of year, as restated (Note 9)	1,248,319	1,248,408
Net position, end of year	<u>\$ 1,663,801</u>	<u>\$ 1,248,319</u>

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

KUNR 88.7-FM RADIO
A PUBLIC BROADCASTING ENTITY LICENSED TO
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Membership contributions	\$ 894,418	\$ 770,022
CPB Community Service Grants	204,033	205,660
Program underwriting	358,177	481,291
Grant revenues	314,184	179,976
Payments to vendors	(709,372)	(719,619)
Payments to employees	(987,980)	(944,010)
Net cash provided by (used in) operating activities	<u>73,460</u>	<u>(26,680)</u>
Cash flows from non-capital financing activities		
Proceeds from CARES Act stabilization funds	-	112,136
Net change in cash and cash equivalents	<u>73,460</u>	<u>85,456</u>
Cash and cash equivalents, beginning of year	1,283,669	1,198,213
Cash and cash equivalents, end of year	<u><u>\$ 1,357,129</u></u>	<u><u>\$ 1,283,669</u></u>
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 1,153,096	\$ 1,073,009
Restricted cash	204,033	210,660
	<u><u>\$ 1,357,129</u></u>	<u><u>\$ 1,283,669</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	<u>\$ 183,777</u>	<u>\$ (112,225)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	15,309	19,094
Change in operating assets and liabilities		
Prepaid expenses	(64,649)	9,022
Grant receivables	(24,519)	-
Underwriting receivables	4,200	10,236
Pledge receivables	(38,824)	-
Accounts payable	20,920	(715)
Due to the University of Nevada, Reno	34,547	-
Accrued salaries and benefits	(43,808)	32,007
Unearned underwriting revenue	(13,493)	15,901
Total adjustments	<u>(110,317)</u>	<u>85,545</u>
Net cash provided by (used in) operating activities	<u><u>\$ 73,460</u></u>	<u><u>\$ (26,680)</u></u>

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

KUNR 88.7-FM RADIO
A PUBLIC BROADCASTING ENTITY LICENSED TO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of KUNR 88.7-FM Radio (“KUNR”), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—KUNR is a non-commercial public radio station licensed to the Board of Regents of the Nevada System of Higher Education (“NSHE”) and is an outreach service of the University of Nevada, Reno (“UNR”). KUNR broadcasts over northern Nevada and parts of eastern California through several translators in those regions. KNCJ 89.5-FM (“KNCJ”), a non-commercial public radio station also licensed to NSHE and serving Reno and Sparks, Nevada is operated by KUNR staff and specializes in classical & jazz music. KNCJ began broadcasting in the Fall of 2016. As a financial reporting entity, KUNR encompasses KUNR 88.7-FM and KNCJ 89.5-FM. KNCC 91.5-FM (“KNCC”), a non-commercial public radio station also licensed to NSHE, rebroadcasts KUNR programs in Elko, Nevada.

(b) **Basis of presentation**—The financial statements of KUNR have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”), including Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis and Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities.

For financial reporting purposes, KUNR is considered a special-purpose unit of UNR, engaged only in business-type activities. Accordingly, KUNR’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recorded as earned and expenses are recorded as incurred.

These financial statements reflect the operations of KUNR and KUNR’s sister station, KNCJ. Both are licensed to the Board of Regents of the Nevada System of Higher Education and operated in the same facility by the same staff and management. These financial statements include the KUNR’s state accounts and the KUNR-related accounts of the University of Nevada, Reno Foundation (the “Foundation”). These statements do not purport to present the financial position or results of operations of the Foundation, UNR or NSHE as a whole.

(c) **Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) **Cash and cash equivalents**—For purposes of the statements of cash flows, KUNR considers all highly liquid short-term interest bearing investments purchased with an original maturity of three months or less and money markets to be cash equivalents.

(e) **Restricted cash**—Restricted cash represents cash that has been received that has to be spent based on grantor or donor restrictions.

(f) **Capital assets**—Capital assets purchased are recorded at cost. Assets donated are recorded at fair market value on the date of the gift. KUNR capitalizes assets purchased for greater than \$5,000 and with a useful life or more than one year. Assets are depreciated using the straight-line method based on useful lives of five to twenty years.

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NOTES TO FINANCIAL STATEMENTS
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(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Compensated absences**—KUNR accrues annual leave for employees at rates based upon length of service and job classification. Such accruals are included in accrued salaries and benefits on the Statements of Net Position.

(h) **Pensions and other postemployment benefits**—As KUNR is staffed by employees of the NSHE, NSHE classified employees are covered by the Public Employees' Retirement System of Nevada (PERS), a cost-sharing multiple- employer public employee retirement system, and professional employees are covered under PERS or the NSHE Retirement Plan Alternative, a defined contribution retirement plan qualified under Internal Revenue Code Section 401(a). Employees of KUNR are provided with other postemployment benefits ("OPEB") through the Nevada Public Employees' Benefits Program (PEBP) — a cost sharing multiple-employer defined benefit OPEB plan. Any pension and other postemployment benefits liabilities are reported by NSHE. NSHE's audited financial statements may be obtained at <https://nshe.nevada.edu/data-reports/financial-reports>.

(i) **Net position**—KUNR's net position is classified in the Statements of Net Position as follows:

Net investment in capital assets: This represents KUNR's total investment in capital assets. KUNR had no outstanding debt obligations related to its capital assets at June 30, 2021 and 2020.

Restricted – expendable: The component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation, reduced by any liabilities to be paid from these assets. These are resources in which KUNR is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Restricted-expendable net position was comprised of unspent grant funds and grant funds due from UNR and June 30, 2021 and unspent grant funds at June 30, 2020.

Unrestricted: The difference between the assets and liabilities that is not reported in *Net investment in capital assets* and *Restricted net position*.

It is KUNR's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

(j) **Operating revenue and expense**—KUNR recognizes the following operating revenue and expense:

Support: Contributions and grants are recognized as operating revenues when all eligibility requirements are met, provided that the resources are measurable and the collection is probable.

Underwriting: KUNR enters into underwriting agreements with various patrons. These agreements involve cash contributions for sponsorship of programs and often overlap fiscal periods. Revenue is recognized over the period of the underwriting agreement as the underwriting spots are aired. Unearned underwriting revenue is recorded for the amount of cash received in advance of underwriting spots being aired. In-kind underwriting contributions are

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JUNE 30, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

classified within in-kind contributions and donations in the accompanying Statements of Revenues, Expenses and Changes in Net Position and amounted to \$84,807 and \$97,118 for the years ended June 30, 2021 and 2020, respectively.

In-kind contributions and donations: In-kind contributions and donations such as in-kind underwriting, promotional items and compact disks are recorded as in-kind contributions and donations and fundraising expense in the accompanying Statements of Revenues, Expenses and Changes in Net Position at their estimated fair values at the date of donation.

Donated services: Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by KUNR. Volunteers also provide assistance in program and supporting services throughout the year; however, such services are not recognized as contributions in the financial statements since the recognition criteria have not been met.

Operating expenses: Functional classification and allocation of expenses are determined by management based on the functional definitions provided by Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities, published by the Corporation for Public Broadcasting.

Non-operating revenues: Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues. Stabilization funds are also recorded as non-operating revenues.

(k) **Underwriting receivables**—Underwriting receivables are stated at the amount management expects to collect from outstanding balances. Receivables are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus, accounts receivable do not bear interest.

(l) **Income taxes**—KUNR is an outreach service of the University of Nevada, Reno within the Nevada System of Higher Education, which is exempt from federal taxes in accordance with the Internal Revenue Service's Revenue Procedure 95-48. Consequently, KUNR is not subject to federal income taxes.

(m) **Advertising costs**—Promotional advertising costs are expensed in the period in which they are incurred. Advertising expense for the fiscal years ended June 30, 2021 and 2020, was \$38,737 and \$1,573, respectively.

(n) **Indirect administrative support**—Indirect support from NSHE consists of allocated institutional support and physical plant costs incurred by NSHE for which KUNR receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as indirect administrative support and is allocated as an expense to each of the functional expense categories.

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(1) **Summary of Significant Accounting Policies:** (Continued)

Indirect administrative support is calculated using the Corporation for Public Broadcasting's Standard Method. For purposes of this calculation, expenses for non-broadcasting activities and unrelated business income taxes are removed from KUNR's total operating expenses, along with depreciation, amortization, in-kind contributions, and donated property and equipment to determine KUNR's net direct expenses. For the years ended June 30, 2021 and 2020, KUNR had no non-broadcasting activities and unrelated business income taxes. Additionally, in accordance with the CPB Standard Method, fees paid to the University of \$8,716 and \$8,677 were removed in the calculation of indirect administrative support for the year ended June 30, 2020.

(o) **Corporation for Public Broadcasting Community Service Grants**—The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any remaining CSG funds and other restricted CPB grant funds at fiscal year-end are reported as restricted cash and restricted-expendable net position on the Statements of Net Position.

(p) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2020 balances have been reclassified to conform to the current year reporting format. These reclassifications had no impact on ending net position.

(q) **Recent accounting pronouncements**—In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements 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 provisions of the contract. The requirements of this Statement are effective for KUNR's fiscal year ending June 30, 2022. KUNR is currently evaluating the effect that implementation of the new Statement will have on its financial statements.

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(2) Underwriting and Pledge Receivables:

Underwriting receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts for underwriting is KUNR's best estimate of the amount of probable credit losses in KUNR's existing receivables. KUNR determines the allowance based on historical write-off experience. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is remote. The allowance for doubtful accounts for underwriting was \$1,355 and \$1,485 at June 30, 2021 and 2020, respectively.

Pledge receivables represent amounts promised by donors for the benefit of KUNR. The balance is presented net of an allowance for uncollectible contributions. Pledges deemed uncollectible are charged against the allowance for uncollectible contributions in the period in which the determination is made. The allowance for uncollectible contributions was \$2,043 at June 30, 2021. There were no pledge receivables and no allowance for uncollectible contributions at June 30, 2020.

(3) Capital Assets:

Capital asset activity for the years ended June 30, 2021 and 2020 was as follows:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021
Capital assets, being depreciated:				
Transmission equipment	\$ 227,501	\$ -	\$ -	\$ 227,501
Studio and broadcast equipment	250,757	-	-	250,757
Furniture and fixtures	8,579	-	-	8,579
Software	15,850	-	-	15,850
Automobiles	33,977	-	-	33,977
Total capital assets, being depreciated	<u>536,664</u>	<u>-</u>	<u>-</u>	<u>536,664</u>
Less: Accumulated depreciation	<u>(457,596)</u>	<u>-</u>	<u>-</u>	<u>(472,905)</u>
Total capital assets, being depreciated, net	<u>79,068</u>	<u>(15,309)</u>	<u>-</u>	<u>63,759</u>
Capital assets, not being depreciated:				
License	40,000	-	-	40,000
Total capital assets, net	<u>\$ 119,068</u>	<u>\$ (15,309)</u>	<u>\$ -</u>	<u>\$ 103,759</u>

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(3) **Capital Assets:** (Continued)

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets, being depreciated:				
Transmission equipment	\$ 227,501	\$ -	\$ -	\$ 227,501
Studio and broadcast equipment	250,757	-	-	250,757
Furniture and fixtures	8,579	-	-	8,579
Software	15,850	-	-	15,850
Automobiles	33,977	-	-	33,977
Total capital assets, being depreciated	536,664	-	-	536,664
Less: Accumulated depreciation	(438,502)	(19,094)	-	(457,596)
Total capital assets, being depreciated, net	98,162	(19,094)	-	79,068
Capital assets, not being depreciated:				
License	40,000	-	-	40,000
Total capital assets, net	<u>\$ 138,162</u>	<u>\$ (19,094)</u>	<u>\$ -</u>	<u>\$ 119,068</u>

Depreciation expense totaled \$15,309 and \$19,094 for the years ended June 30, 2021 and 2020, respectively.

(4) **Significant Concentrations:**

Information related to significant concentrations of revenues and credit risk for financial instruments owned KUNR, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents**—Most of KUNR's cash funds are pooled with those of other UNR departments at the Foundation. The pooled funds are invested in certificates of deposit and US treasuries. The Foundation guarantees the balance of KUNR's accounts. Management does not believe it is exposed to any significant credit risk related to cash and cash equivalents.

(b) **Revenues**—KUNR received significant revenue from two sources in fiscal year 2021 and 2020. The CPB provided approximately 16% and 13% in revenues and NSHE provided approximately 21% and 25% in support during the years ended June 30, 2021 and 2020, respectively.

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(5) Community Service Grants:

KUNR receives CSGs from the CPB annually. The CSGs received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 2021
		2018 – 2019	2019 – 2020	2020 – 2021	
2018-20	\$ 195,933	\$ -	\$ 195,993	\$ -	\$ -
2019-21	\$ 205,660	\$ -	\$ -	\$ 205,660	\$ -
2020-22	\$ 204,033	\$ -	\$ -	\$ -	\$ 204,033

(6) Obligation Under License and Sublease Agreements:

Since July 1998, KUNR has held a license agreement for the rental of the transmitter site on McClellan Peak. The most recent agreement, renewed on July 1, 2018 and expiring on June 30, 2023, requires a rental payment of approximately \$1,800 per month, increasing 3% each year on the annual anniversary of the commencement date.

Effective October 1, 2016, KUNR entered into a 58-month license agreement, with the option of three renewal terms of five years each, for the use of communication tower facility in Sun Valley, Nevada. The agreement stipulated a payment of \$650 per month, increasing 3% each year on the annual anniversary of the commencement date.

Effective October 1, 2016, KUNR entered into a 58-month sublease agreement, with the option of three renewal terms of five years each, for the shared use right of an antenna at the Sun Valley site. The agreement stipulated a payment of \$200 per month, increasing 3% each year on the annual anniversary of the commencement date.

The following table represents the future required rental payments for the years ending June 30:

Year Ending June 30,	Amount
2022	\$ 34,540
2023	35,577
2024	12,454
2025	12,827
2026	13,212
Total Rental Payments	<u>\$ 108,610</u>

Rental expense for the years ended June 30, 2021 and 2020, was \$33,534 and \$32,558, respectively.

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(7) Related Party Transactions:

KUNR received a general appropriation from UNR of \$144,663 and \$149,441 for the years ended June 30, 2021 and 2020, respectively. Total indirect administrative support from NSHE and UNR was \$373,775 and \$397,199 for the years ended June 30, 2021 and 2020, respectively.

Revenue recognized from various UNR departments, related auxiliaries, and other campuses within NSHE for underwriting for the years ended June 30, 2021 and 2020 was \$42,180 and \$43,929, respectively. Included in underwriting receivables as of June 30, 2021 are small amounts due from various UNR departments, related auxiliaries, and other campuses within NSHE for program underwriting.

KUNR paid approximately \$15,000 and \$14,000 to UNR for its telephone service and parking spaces on the UNR campus for the years ended June 30, 2021 and 2020, respectively. Those expenses are included in supporting service expenses.

At June 30, 2021, KUNR had a receivable due from UNR in the amount of \$231,705 related to grant funds collected by UNR on behalf of KUNR but not yet disbursed to KUNR. Additionally, at June 30, 2021, KUNR had a payable to UNR in the amount of \$28,999 related to funds UNR had advanced to KUNR.

(8) Nonfederal Financial Support:

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on nonfederal financial support ("NFFS"). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcasting station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for KUNR was \$2,120,525 and \$1,956,637 for the years ended June 30, 2021 and 2020, respectively.

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(9) Prior Period Adjustment:

The financial statements for fiscal year 2020 have been restated to remove pension and OPEB related liabilities, deferred inflows and outflows of resources, and related expenses, which have been determined to be the responsibility of NSHE. While KUNR pays into the pension and OPEB funds on behalf of employees that work within KUNR as part of regular payroll, future pension and OPEB benefits are paid by NSHE and those obligations are reflected in NSHE's financial statements. This correction resulted in the following previously stated items having a zero balance for the fiscal year ended June 30, 2020:

	<u>As Previously Stated</u>
Deferred outflows of resources	
Pension related	\$ 180,206
OPEB related	<u>81,002</u>
Total deferred outflows of resources	261,208
Noncurrent liabilities	
Net pension liability	550,331
Net OPEB liability	<u>516,283</u>
Total noncurrent liabilities	1,066,614
Deferred inflows of resources	
Pension related	47,760
OPEB related	<u>31,364</u>
Total deferred inflows of resources	79,124
Net position was restated, as shown below:	
2020 net position, beginning of year as previously stated	408,890
Add net reclassification of pension liabilities, deferred inflows and outflows of resources, and 2020 pension expense	
2020 net position, beginning of year as restated	<u>839,518</u>
	<u><u>\$ 1,248,408</u></u>

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(9) **Prior Period Adjustment:** (Continued)

Expenses for the fiscal year ended June 30, 2020 were restated by \$45,019, as shown below:

	<u>As Restated</u>	<u>As Previously Stated</u>
Program services		
Programming and production	\$ 815,010	\$ 824,619
Broadcasting	310,047	317,099
Total program services	<u>1,125,057</u>	<u>1,141,718</u>
Supporting services		
Management and general	822,507	838,443
Fundraising	229,653	232,886
Underwriting	207,551	216,740
Total supporting services	<u>1,259,711</u>	<u>1,288,069</u>
Total operating expense	<u>\$ 2,384,768</u>	<u>\$ 2,429,787</u>