

KUT RADIO

of

THE UNIVERSITY OF TEXAS AT AUSTIN

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED AUGUST 31, 2021 AND 2020

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Required Supplementary Information).....	3-6
FINANCIAL SECTION	
Statements of Net Position.....	7
Statement of Activities Year Ended August 31, 2021	8
Statement of Activities Year Ended August 31, 2020.....	9
Statements of Revenues, Expenses and Change in Net Position.	10
Statements of Cash Flows	11
Notes to Financial Statements.....	12-17
OTHER SUPPLEMENTAL INFORMATION SECTION	
Statement of Functional Expenses Year Ended August 31, 2021.....	18
Statement of Functional Expenses Year Ended August 31, 2020	19

INDEPENDENT AUDITOR'S REPORT

To the Management of KUT Radio and to
The University of Texas at Austin
Austin, Texas

We have audited the accompanying financial statements of the business-type activities of KUT Radio of the University of Texas at Austin as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of KUT Radio of the University of Texas at Austin, as of August 31, 2021 and 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the KUT Radio and do not purport to, and do not, present fairly the financial position of the University of Texas at Austin, as of August 31, 2021 and 2020, 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 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 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KUT Radio of the University of Texas at Austin's basic financial statements. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of functional expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully submitted,

Dindler, Chappell, Morrison & Co., P.C.

Austin, Texas

March 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

KUT Public Media operates within the Moody College of Communication at the University of Texas at Austin. KUT Public Media operates and these financial statements reflect KUT 90.5FM, KUTX 98.9FM, KXBT 88.1FM, and the Cactus Cafe. These financial statements are submitted the Corporation for Public Broadcasting on behalf of grantee KUT FM which will be referenced entity for the remainder of this document.

This section of KUT FM's annual financial report presents our discussion and analysis of KUT FM's financial performance during the fiscal year ending August 31, 2021.

FINANCIAL HIGHLIGHTS

- KUT FM's total combined net assets were \$19,365,844 at August 31, 2021.
- During the year, KUT FM's expenses were \$1,271,154 less than the \$14,092,699 generated in revenues from activities, direct and in-kind support from the University of Texas at Austin.
- The total cost of KUT FM's programming and operations decreased by \$310,665.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and supplementary information. These statements are presented as proprietary fund statements and offer both short- and long-term financial information about the activities of KUT FM.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The financial statements report information about KUT FM as a whole using accounting methods similar to those used by independent non-profit organizations. The statement of net assets includes all of KUT FM's assets and liabilities. The statement of activities presents information showing how KUT FM's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and change in net assets regardless of when cash is received or paid.

These three statements report KUT FM's net assets and how they have changed. Net assets – the difference between KUT FM's assets and liabilities – is one way to measure KUT FM's financial health or position.

- Over time, increases or decreases in KUT FM's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of KUT FM, one needs to consider additional non-financial factors such as stability and growth of radio and related services.

The supplementary information section includes KUT FM's statement of functional expenses. KUT FM's programming and services are included here. Revenues from grants, sales and services as well as memberships and contributions finance most of these activities.

FINANCIAL ANALYSIS OF KUT FM AS A WHOLE

Net Assets

KUT FM's combined net assets were \$19,365,844 at August 31, 2021.

(see table A-1 next page)

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENTS OF NET POSITION

August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,554,299	\$ 5,646,382
Accounts receivable		
Trade receivable, net allowance	217,052	757,090
Pledges receivable	1,547,889	1,614,285
Total current assets	<u>9,319,240</u>	<u>8,017,757</u>
Capital assets		
Furniture and equipment, net	946,572	995,758
Leasehold improvements, net	5,242,446	5,584,536
Total capital assets, net of accumulated depreciation/amortization	6,189,018	6,580,294
Digital licenses	<u>5,733,857</u>	<u>5,733,857</u>
Total capital assets	<u>11,922,875</u>	<u>12,314,151</u>
Total assets	<u>\$ 21,242,115</u>	<u>\$ 20,331,908</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 275,381	\$ 284,259
Advances from underwriters	668,553	568,856
Current portion of interfund note payable	456,207	438,516
Total current liabilities	<u>1,400,141</u>	<u>1,291,631</u>
Noncurrent portion of interfund note payable	<u>476,130</u>	<u>945,587</u>
Total liabilities	<u>1,876,271</u>	<u>2,237,218</u>
NET POSITION		
Invested in capital assets net of related debt	10,990,538	10,930,048
Restricted - nonexpendable	25,000	25,000
Restricted - radio services community	183,494	159,754
Unrestricted net position	<u>8,166,812</u>	<u>6,979,888</u>
Total net position	<u>\$ 19,365,844</u>	<u>\$ 18,094,690</u>

Changes in Net Assets

KUT FM's total revenues were \$14,092,699. A significant portion, approximately 91%, of KUT FM's revenue comes from individual membership contributions and underwriting (sponsorships) of programming. KUT FM receives approximately 1% of its total revenues in the form of non-operating support from The University of Texas at Austin and other entities in the form of direct financial support and indirect and in-kind support of activities. KUT FM receives approximately 8% of its total revenue from private foundation and federal grant sources.

Major Sources of Revenues		
	2021	2020
Sales/Service and		
Memberships/Contributions	\$ 11,138,838	\$ 11,561,097
Grants	2,068,661	1,033,005
Non Operating Support	835,542	828,152
In-Kind Support	27,237	86,961
	<u>\$ 14,070,278</u>	<u>\$ 13,509,215</u>

The total costs of all programming, services and operations was \$12,821,545.

- 73% of total costs were directly related to content and service delivery
- 22% of total costs were directly related to resource development and listener services
- 5% of total costs were directly related to administration, strategy and outreach

CAPITAL ASSETS AND DEBT ADMINISTRATION

At August 31, 2021, KUT FM had \$10,027,345 invested in capital assets of which \$8,225,566 was held in leasehold improvements and \$1,801,779 held in equipment.

Since fiscal year 2003-2004, KUT FM has accounted for annual depreciation in its operating budget and statement of expenses. Equipment depreciation for fiscal year 2021 was \$67,626 and was accounted for in operating expenses. Leasehold improvement amortization was recorded and accounted for in operating expenses in the amount of \$329,023.

KUT FM has budgeted for fiscal year 2021 and 2020 capital investments of approximately \$115,000 in new fixed assets and/or replacement of fully depreciated assets.

LONG TERM DEBT

KUT FM has a long term note payable to The University of Texas at Austin in the remaining amount of \$932,337 of which \$456,207 is considered due in short term. This note is for the purchase of the broadcast signal 98.9 FM that KUT FM operates under the FCC call sign KUTX FM. It is a 10-year note beginning 9/1/2013 and ending 9/1/2022 at an annual interest percentage rate of 4%.

BUDGETARY HIGHLIGHTS

KUT FM, a wholly owned licensee of the University of Texas at Austin, is bound by University rules regarding expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

KUT FM adopts annual operating budgets for each fiscal year. KUT FM's operating costs for fiscal year 2022 are projected to be \$13,365,824. Targeted revenue for the fiscal year ending August 31, 2022 is \$12,824,770. KUT FM believes these goals to be realistic and achievable. The KUT FM annual operating budget does not reflect approximately \$835,542 in non-cash indirect support provided to KUT by the University of Texas at Austin. This support is reported as both income and expense balancing entries in the annual financial statements.

FY 2022 will reflect no direct operating support from the Moody College of Communication at the University of Texas. Significant, non-cash indirect support will continue to appear in the audited financial statements.

CONTACTING KUT FM's FINANCIAL MANAGEMENT

This financial report is designed to provide its users with a general overview of KUT FM's finances and to demonstrate KUT FM's accountability for the money it receives. Questions about this report may be directed to the accounting department of KUT FM at the below information.

KUT FM
ATTN: Accounting
300 West Dean Keeton Stop A0704
Austin Texas 78712

FINANCIAL STATEMENTS

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF NET POSITION

August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,554,299	\$ 5,646,382
Accounts receivable		
Trade receivable, net allowance	217,052	757,090
Pledges receivable	1,547,889	1,614,285
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Total capital assets, net of accumulated depreciation/amortization	6,189,018	6,580,294
Digital licenses	5,733,857	5,733,857
Total capital assets	<u>11,922,875</u>	<u>12,314,151</u>
Total assets	<u>\$ 21,242,115</u>	<u>\$ 20,331,908</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 275,381	\$ 284,259
Advances from underwriters	668,553	568,856
Current portion of interfund note payable	456,207	438,516
Total current liabilities	<u>1,400,141</u>	<u>1,291,631</u>
Noncurrent portion of interfund note payable	476,130	945,587
Total liabilities	<u>1,876,271</u>	<u>2,237,218</u>
NET POSITION		
Invested in capital assets net of related debt	10,990,538	10,930,048
Restricted - nonexpendable	25,000	25,000
Restricted - radio services community	183,494	159,754
Unrestricted net position	8,166,812	6,979,888
Total net position	<u>\$ 19,365,844</u>	<u>\$ 18,094,690</u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF ACTIVITIES

Year Ended August 31, 2021

					Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business-Type Activities</u>
Business-type activities:					
KUT Radio	\$ 12,821,545	\$ 4,688,091	\$ 9,382,187	\$ -	\$ 1,248,733
General revenues:					
Gain (loss) on disposal of asset					22,421
Change in net position					1,271,154
Net position - beginning					18,094,690
Net position - ending					<u>\$ 19,365,844</u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF ACTIVITIES - continued

Year Ended August 31, 2020

					Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business-Type Activities</u>
Business-type activities					
KUT Radio	\$ 13,846,322	\$ 5,593,870	\$ 7,915,345	\$ -	\$ (337,107)
General revenues:					
Change in net position					<u>(337,107)</u>
Net position - beginning					<u>18,431,797</u>
Net position - ending					<u><u>\$ 18,094,690</u></u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENTS OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION

Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales and services	\$ 4,688,091	\$ 5,593,870
Memberships and contributions	6,501,025	5,967,227
Grants	2,068,661	1,033,005
General support	785,264	828,152
Gain on disposal of asset	22,421	-
In-kind support	<u>27,237</u>	<u>86,961</u>
Total operating revenues	<u>14,092,699</u>	<u>13,509,215</u>
OPERATING EXPENSES		
Program services:		
Programming and production	7,750,082	8,060,747
Broadcasting	1,524,128	1,722,182
Program information and promotion		
Cactus Café	142,338	425,192
Support services:		
Management and general	595,126	766,874
Fundraising and development	1,347,197	1,350,749
Underwriting and grant solicitation	<u>1,462,674</u>	<u>1,520,578</u>
Total operating expenses	<u>12,821,545</u>	<u>13,846,322</u>
Operating Income	<u>1,271,154</u>	<u>(337,107)</u>
Change in net position	<u>1,248,733</u>	<u>(337,107)</u>
Beginning of year	<u>18,094,690</u>	<u>18,431,797</u>
End of year	<u><u>\$ 19,343,423</u></u>	<u><u>\$ 18,094,690</u></u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF CASH FLOWS

Years Ended August 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	\$ 5,327,826	\$ 6,103,988
Cash received from membership contributions	6,567,421	5,861,635
Cash received from grants	2,068,661	1,033,005
Cash payments to employees	(6,682,616)	(7,068,601)
Cash payments to other suppliers for goods and services	(4,938,657)	(5,458,065)
Net cash provided by operating activities	<u>2,342,635</u>	<u>471,962</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(18,440)	(140,458)
Proceeds from disposal of assets	35,488	-
Principal payments on note payable	(451,766)	(461,794)
Net cash provided (used) by capital and related financing activities	<u>(434,718)</u>	<u>(602,252)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	1,907,917	(130,290)
CASH AND CASH EQUIVALENTS		
Beginning of year	5,646,382	5,776,672
End of year	<u><u>\$ 7,554,299</u></u>	<u><u>\$ 5,646,382</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,271,154	\$ (337,107)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,626	81,650
Amortization	329,023	329,839
Gain on disposal of assets	(22,421)	-
Changes in assets and liabilities:		
Trade receivable	540,038	108,267
Pledges receivable	66,396	(105,592)
Accounts payable	(8,878)	(6,946)
Advances from underwriters	99,697	401,851
Net cash provided by operating activities	<u><u>\$ 2,342,635</u></u>	<u><u>\$ 471,962</u></u>

See accompanying Notes to Financial Statements.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of KUT Radio (the Organization) of the University of Texas at Austin (the University) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to Public Colleges and Universities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Description of the Organization

KUT Radio is licensed to The University of Texas at Austin and is governed by the University of Texas Board of Regents. It provides a high quality mix of local and national informational and cultural public radio programs to Central Texas. It operates as a part of the Communication Department of the University and is included in the University’s general ledger accounting system. All accounting transactions of the Organization are processed by the University’s administrative offices and are included in the University’s financial report.

These financial statements present only KUT Radio and do not purport to, and do not, present fairly the financial position of the University of Texas at Austin, as of August 31, 2021 and 2020, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Complete financial statements of the University of Texas at Austin can be obtained at its administrative offices.

Basis of presentation, Basis of accounting

KUT Radio uses the reporting model for business-type activities (Enterprise Fund Model) as described in GASB Statement No. 35. Enterprise fund operating revenues, such as charges for services and contributions, result from transactions associated with the principal activity of the fund. Operating expenses include salaries and wages and related costs, materials and supplies, depreciation. All revenues and expenses not meeting the definition of operating revenues or expenses are reported as non-operating revenues and expenses. KUT had no non-operating expenses in 2021 or 2020.

Measurement focus, Basis of accounting

Enterprise fund financial statements are reported using the economic resources measurement focus. They use the accrual basis of accounting. Using this basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Organization receives value without directly giving equal value in exchange, include state appropriations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

When the Organization incurs an expense for which both restricted and unrestricted resources may be used, it is the Organization’s policy to use restricted resources first, then unrestricted resources.

Pursuant to GASB Statement No. 20, “Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,” issued by the Financial Accounting Standards Board (“FASB”), the Organization has chosen to apply future FASB standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2021 and 2020 - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Accounts receivable/payables

Accounts receivable includes amounts pledged but not received, as well as amounts earned, but not billed at year end. All pledges receivable not expected to be received within one year are classified as noncurrent. The Organization uses the direct write-off method of providing for uncollectible accounts receivable. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

The Organization believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Capital assets

Capital assets are recorded at cost if purchased and fair value if donated. KUT capitalizes equipment that has a useful life of 3 years or more and an acquisition cost of \$2,500 or greater.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 20 years.

Net position

GASB Statement No. 34, as amended by GASB 63 and 65, requires resources be classified for accounting and reporting purposes into the following net position categories:

Invested in Capital Assets, Net of Related Debt

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Organization had \$6,189,018 and \$6,580,294 in capital assets and \$932,337 and \$1,384,103 in related debt at August 31, 2021 and 2020, respectively.

Restricted

Nonexpendable

Net position subject to externally imposed stipulations that they be maintained permanently by the Organization. The Organization had \$25,000 and \$25,000 in Restricted-Nonexpendable net position at August 31, 2021 and 2020, respectively.

Expendable

Net position whose use by the Organization is subject to externally imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire with the passage of time. The Organization had \$183,494 and \$159,754 in Restricted-Expendable net position at August 31, 2021 and 2020, respectively. These were restricted for program specific use and capital additions.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2021 and 2020 - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Unrestricted

Net position that is not subject to externally imposed stipulations. The Organization had \$8,166,812 and \$6,979,888 in unrestricted net position at August 31, 2021 and 2020, respectively.

It is the Organization's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Donated materials and services

The Organization reports donated materials as general support. Donated materials are recorded at an estimated fair value based on the experience of the Organization. The Organization uses contributed services in its operations and reports the services as in-kind support. The contributed services are reported as support if, a) the services create or enhance non-financial assets or b) the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated materials and services are offset with a charge to the appropriate expense account.

Allocation of common costs

The Organization allocates common costs between program services and supporting services based on the activities of the Organization. The resulting allocations are reviewed annually, and the allocations revised, if necessary, to reflect changes in the activities of the Organization.

Compensated absences

The University of Texas at Austin's policy is as follows:

Full-time state employees earn annual leave from eight to twenty-one hours per month depending upon the respective employees' years of state employment. Accrued leave may be carried forward from one fiscal year to another fiscal year, with a maximum number of hours up to 532 for those employees with 35 or more years of state service. Employees with at least six months of state service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of death. The maximum sick leave that may be paid to an employee's estate is one-half of the accumulated entitlement or 336 hours, whichever is less. The cost of sick leave is recognized when paid and the liability is not shown in the financial statements and is considered to be immaterial.

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses. While, the disruption is currently expected to be temporary, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the Organization's clients, funders, employees and vendors, which are uncertain and cannot be predicted.

Subsequent events

Management has evaluated subsequent events through the date of the *Independent Auditor's Report*, which is the date the financial statements were available to be issued.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2021 and 2020 - continued

NOTE 2: DEPOSITS

At year end, the Organization's carrying amount of deposits was \$7,554,299 and \$5,646,382 at August 31, 2021 and 2020, respectively. KUT Radio's cash is kept in pooled cash accounts maintained by the University of Texas at Austin. All cash balances of the University of Texas at Austin are covered by FDIC insurance or by collateral held by the University's agent in the University's name or the pledging financial institution's trust department or agent in the University's name.

During 2021, the Organization received pandemic relief funding in the amount of \$1,000,000 from the University of Texas.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture/equipment	\$ 1,828,769	\$ (26,990)	\$ -	\$ 1,801,779
Accumulated depreciation	(833,011)	(67,626)	45,430	(855,207)
Leashold improvements	8,245,983	-	(20,417)	8,225,566
Accumulated amortization	(2,661,447)	(329,023)	7,350	(2,983,120)
Digital license	5,733,857	-	-	5,733,857
Total capital assets (net)	<u>\$ 12,314,151</u>	<u>\$ (423,639)</u>	<u>\$ 32,363</u>	<u>\$ 11,922,875</u>

Capital asset activity for the period ended August 31, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture/equipment	\$ 1,688,311	\$ 140,458	\$ -	\$ 1,828,769
Accumulated depreciation	(751,361)	(81,650)	-	(833,011)
Leashold improvements	8,245,983	-	-	8,245,983
Accumulated amortization	(2,331,608)	(329,840)	-	(2,661,447)
Digital license	5,733,857	-	-	5,733,857
Total capital assets (net)	<u>\$ 12,585,182</u>	<u>\$ (271,032)</u>	<u>\$ -</u>	<u>\$ 12,314,151</u>

Depreciation is charged to Program Services. Amortization of leasehold improvements is allocated across program and supporting services based on management's estimate of the use of the improvements by service.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The Organization participates in funding that is subject to audit by funding agencies. These grantors have program compliance requirements and should funding source auditors find areas of non-compliance, the Organization may be required to refund unallowable costs. Management believes that such unallowable costs, if any, are not significant.

NOTE 5: OTHER ASSETS

Other assets represent monies KUT transferred to the University of Texas at Austin in 2013 in connection with the purchase of a second radio station. The transfer was made in anticipation of KUT being able to purchase the radio station in 2013.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2021 and 2020 - continued

NOTE 6: DEBT

In November 2012, KUT acquired a second radio station (KUTX). As part of the purchase of KUTX, the University of Texas loaned KUT \$4,000,000, payable over a 10-year period, with an interest rate of 4%. KUTX is pledged as security for the loan. Interest expense is considered a direct expense of Programming & Production and is included in Other Expense on the Statement of Activities. Interest expense was \$37,293 and \$56,889 for 2021 and 2020, respectively. Accrued interest payable at year-end is \$37,293.

The future maturities of long-term debt are as follows:

Year	Amount
2022	\$ 456,207
2023	476,130
Total debt	932,337
Current portion	476,130
Non-current portion	\$ 456,207

NOTE 7: EMPLOYEES' RETIREMENT PLANS

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the University participated is a cost-sharing multi-employer public employee retirement system administered by the Teacher Retirement System of Texas. TRS is primarily funded through state and employee contributions. Depending upon the source of funding for a participant's salary, the University may be required to make contributions in lieu of the state. KUT Radio's share of the employer matching (6% of annual salary) for covered employees is included in the costs reported in the financial statements.

NOTE 8: HEALTH CARE COVERAGE

The U.T. System Employee Group Insurance program provides health, dental, vision, life insurance, long term disability, long term care and flexible spending account coverage to all benefits-eligible employees. These insurance benefits are provided through both self-funded and fully insured arrangements. A portion of an individual's group health insurance premium is paid by the state as specified in the General Appropriations Act. The System's Office of Employee Group Insurance (EGI) is responsible for the overall administration of the insurance plans. EGI was established by Chapter 1601 (formerly Article 3.50-3) of the *Texas Insurance Code* and complies with state laws and statutes pertinent to employee benefits for the System.

NOTE 9: PERMANENTLY RESTRICTED NET POSITION

The Endowment Fund of KUT-Radio consists of one gift from an individual donor. The endowment includes donor-restricted endowment funds only and related earnings. The endowment funds are maintained in an account with the University of Texas. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the UT System Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System's policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. Endowment Funds are subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. This endowment's holdings are invested in the Long Term Fund, which is managed by the University of Texas Investment Management Company (UTIMCO). For the years ended August 31, 2021 and 2020, there was no activity relating to the endowment.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2021 and 2020 - continued

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,554,299	\$ 5,646,382
Pledges receivable, no purpose restrictions	1,547,889	1,614,285
Receivables, production and underwriting	<u>217,052</u>	<u>757,090</u>
	<u>\$ 9,319,240</u>	<u>\$ 8,017,757</u>

As part of SFC's liquidity management plan, it has a policy to structure financial assets to be available as general expenditure, liabilities, and other obligations come due. KUT donor designated a non-expendable endowment \$25,000 and \$25,000, respectively, as August 31, 2021 and 2020.

OTHER SUPPLEMENTARY INFORMATION

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2021

	Program Services			Supporting Services			
	<u>Production & Programming</u>	<u>Broadcasting</u>	<u>Cactus Café</u>	<u>Management & General</u>	<u>Fundraising & Development</u>	<u>Underwriting</u>	<u>Total</u>
EXPENSES							
Salaries and employee benefits	\$ 4,953,066	\$ 484,395	\$ 104,085	\$ 420,805	\$ 720,265	\$ -	\$ 6,682,616
Professional services	271,023	140,342	7,340	14,800	86,210	1,236,959	1,756,674
Office supplies	378	2,668	-	1,005	60	28	4,139
Telephone	266	56,992	-	-	-	-	57,258
Postage and shipping	-	69	-	-	150,696	-	150,765
Advertising	27,228	-	30	-	-	-	27,258
Rental and maintenance of equipment	-	95,572	-	12,840	-	-	108,412
Depreciation	-	67,626	-	-	-	-	67,626
Leasehold amortization expense	167,802	42,773	16,451	19,741	36,193	46,063	329,023
Printing, publications, graphics	2,929	-	-	-	129,241	-	132,170
Travel	4,194	-	-	3,419	1,350	-	8,963
Conferences, conventions, meetings	5,230	-	-	15,546	262	-	21,038
Programming	1,251,181	327,956	-	-	-	-	1,579,137
Indirect administration support	573,040	111,955	-	43,485	-	107,062	835,542
Other	493,745	193,780	14,432	63,485	222,920	72,562	1,060,924
Total expenses	<u>\$ 7,750,082</u>	<u>\$ 1,524,128</u>	<u>\$ 142,338</u>	<u>\$ 595,126</u>	<u>\$ 1,347,197</u>	<u>\$ 1,462,674</u>	<u>\$ 12,821,545</u>

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2020

	Program Services			Supporting Services			
	<u>Production & Programming</u>	<u>Broadcasting</u>	<u>Cactus Café</u>	<u>Management & General</u>	<u>Fundraising & Development</u>	<u>Underwriting</u>	<u>Total</u>
EXPENSES							
Salaries and employee benefits	\$ 5,006,557	\$ 584,229	\$ 153,914	\$ 580,082	\$ 743,819	\$ -	\$ 7,068,601
Professional services	267,741	169,479	223,103	49,397	110,824	1,304,950	2,125,494
Office supplies	960	2,218	-	4,927	547	-	8,652
Telephone	77	48,496	-	-	-	-	48,573
Postage and shipping	142	1,406	46	-	113,003	-	114,597
Advertising	100,874	-	10,204	-	1,882	-	112,960
Rental and maintenance of equipment	14,711	161,222	-	18,542	1,050	-	195,525
Depreciation	-	81,650	-	-	-	-	81,650
Leasehold amortization expense	190,221	41,019	10,773	18,097	34,224	35,505	329,839
Printing, publications, graphics	5,349	-	73	-	116,385	219	122,026
Travel	34,707	-	2,241	3,104	2,361	-	42,413
Conferences, conventions, meetings	10,957	20	4,195	10	12,213	-	27,395
Programming	1,306,986	327,244	-	-	-	-	1,634,230
Indirect administration support	553,051	103,227	-	52,615	-	119,259	828,152
Other	568,414	201,972	20,643	40,100	214,441	60,645	1,106,215
Total expenses	<u>\$ 8,060,747</u>	<u>\$ 1,722,182</u>	<u>\$ 425,192</u>	<u>\$ 766,874</u>	<u>\$ 1,350,749</u>	<u>\$ 1,520,578</u>	<u>\$ 13,846,322</u>