

**KLRE-FM/KUAR-FM  
FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**KLRE-FM/KUAR-FM**  
**JUNE 30, 2019 AND 2018**  
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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 the **KLRE-FM/KUAR-FM** (the Station), which comprise the statements of net position as of June 30, 2019 and 2018, 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 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2019 and 2018, 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.

### ***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 4 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.

#### ***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 Little Rock, Arkansas, as of June 30, 2019 and 2018, 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.

As discussed in Note 8 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. 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 issued our report dated December 13, 2019 on our consideration of the Station's internal control over financial reporting and 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 the 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.

*Landmark PLC*

**LANDMARK PLC  
CERTIFIED PUBLIC ACCOUNTANTS**

Fort Smith, Arkansas  
December 13, 2019

KLRE-FM/KUAR-FM  
(A DEPARTMENT OF THE UNIVERSITY OF ARKANSAS AT LITTLE ROCK)  
Management's Discussion and Analysis  
For the Years Ended June 30, 2019, 2018 Restated, and 2017

## **Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of KLRE-FM/KUAR-FM for the years ended June 30, 2019, 2018 Restated, and 2017. Management of KLRE-FM/KUAR-FM has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KLRE-FM/KUAR-FM is an instrumentality of the State of Arkansas and is governed by the Board of Trustees of the University of Arkansas, whose members are appointed by the Governor of Arkansas.

KLRE-FM/KUAR-FM's primary function is to maintain noncommercial educational telecommunications facilities within Arkansas and to provide transmission of noncommercial educational telecommunications programs throughout the central part of the State.

KLRE-FM and KUAR-FM are licensed to the Board of Trustees of the University of Arkansas. KLRE-FM and KUAR-FM broadcast two separate program streams, both originating from Little Rock, Arkansas. The two stations reach an estimated 78,000 persons each week. Contributing membership consists of approximately 2,800 individuals.

## **Overview of the Financial Statements**

KLRE-FM/KUAR-FM's financial statements present only the combined funds held by the University of Arkansas- Little Rock (UA Little Rock) and the Friends of KLRE/KUAR funds held at the University of Arkansas Foundation (Foundation) for the benefit of KLRE-FM/KUAR-FM. Friends of KLRE/KUAR is a citizen-supported organization, which solicits funds to be used to support program production and broadcasting of public radio.

The financial statements of KLRE-FM/KUAR-FM consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

The Statements of Net Position includes Assets, Liabilities and Net Position of KLRE/KUAR as of June 30, 2019 and 2018 Restated. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Position divided into Invested in Capital Assets, Restricted, and Unrestricted components. The Statements of Revenues, Expenses and Changes in Net Position depict the operating revenues and expenses resulting in Net Operating (Loss), which is then combined with Non-Operating Revenues (Expenses) and Operating Transfers from the University of Arkansas at Little Rock to provide the Change in Net Position. The Statements of Cash Flows shows the sources and uses of cash from operations, cash flows, from non-capital financial activities, cash flows (used for) 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

KLRE/KUAR had an increase in its Net Position of \$336,669 by June 30, 2019. This change followed a decrease of \$16,166 at the end of FY 2018 Restated, and a decrease of \$241,373 at the end of FY 2017, for a total net increase over the 3-year period of \$79,130. The increase for FY 2019 was due to: elimination of the Corporation for Public Broadcasting Regional Journalism Collaboration, which eliminated three full-time positions in September 2019 and the expenses associated with the grant; a vacancy of the Morning Edition Host position for four months; a vacancy of the Content Development Director position after August 2019; addition of the Delta Dental of Arkansas Foundation Grant for Arkansas Public Media; and increased efforts for both underwriting and individual giving. Net position for the year ending June 30, 2019 totaled \$991,322 (FY 2019), \$654,653 for the year ending June 30, 2018 Restated (FY 2018), and \$670,819 for the year ending June 30, 2017 (FY 2017).

Operating Revenues were at \$1,387,704 for FY 2019, compared to \$1,247,378 for FY 2018, and \$916,494 for FY 2017. Program Underwriting was up \$189,898 from FY 2018 bringing the annual amount to \$538,427. In FY 2018 and FY 2017, Program Underwriting was \$348,529 and \$277,802, respectively. The increase in FY 2019 was due to significant increased effort in securing underwriting contracts and looking for potential underwriting prospects that have not been considered in the past. Some of the larger contracts received included CHI St. Vincent for \$22,500; Frank Kelly for \$8,000; Stone Bank for \$16,000; Regional Recycling for \$15,800; Clinton Presidential Center for \$14,000; Arkansas Shakespeare Theatre for \$4,000; Central Arkansas Library System for \$4,000; Delta Dental for \$5,500; Jennifer King for \$4,000; and UA Little Rock Graduate School for \$4,000. Contributions raised by Friends were up in FY 2019 at \$688,149 as compared to \$596,106 in FY 2018, as compared to \$485,286 in FY 2017. The increase in FY 2019 was largely due to receiving a \$10,000 major gift, being awarded a \$50,000 Delta Dental grant, improving member retention, increasing new membership from campaigns, and increasing revenue from the calendar year-end fund drive efforts. We had a Development Director for the entire FY2019, which is evident in the strides made in individual giving efforts. There was an approximately \$60,000 estate gift received in FY2018, so outside of those monies received, there was a \$152,043 increase.

KLRE/ KUAR's Operating Expenses decreased by 14.8% in FY 2019 compared with the previous fiscal year, with totals of \$1,390,706 in FY 2019, \$1,632,549 in FY 2018 Restated, and \$1,489,038 in FY 2017. The Net Operating Loss for FY 2019 was \$3,002, including non-cash depreciation expense of \$56,294, compared with a net loss of \$385,171 in FY 2018 Restated, including \$59,607 in non-cash depreciation, and a \$571,544 loss in FY 2017, including \$51,150 in non-cash depreciation.

Net Non-Operating Revenues were down in FY 2019 \$12,031 from FY 2018. Non-operating Revenues were \$17,847 in FY 2019, compared to \$29,878 in FY 2018, and \$43,987 in FY 2017.

Operating transfers from the University of Arkansas at Little Rock decreased 5.1% in FY 2019. The decrease is attributable to a university-wide reduction in funding for maintenance budgets. Totals for FY 2019 were \$321,824 compared to \$339,127 in FY 2018, and \$287,184 in FY 2017.

KLRE-FM/KUAR-FM's property and equipment, net of accumulated depreciation, totaled \$437,648 at June 30, 2019. The amounts on June 30, 2018 and June 30, 2017 were \$492,193 and \$547,269, respectively. Property and equipment additions totaled \$1,749 in FY 2019; \$4,531 in FY 2018 and \$46,905 in FY 2017.

KLRE-FM/KUAR-FM condensed financial statements represented below for FY 2019, 2018, and 2017.

<b>Summary of Net Position</b>			
<b>June 30,</b>			
	<b>2019</b>	2018 Restated	2017
<b>Assets:</b>			
Current Assets	\$ 383,046	\$ 155,266	\$ 98,634
Non-Current Assets	<b>793,518</b>	844,670	883,862
Total Assets	<b>1,176,564</b>	999,936	982,496
<b>Liabilities:</b>			
Current Liabilities	<b>185,242</b>	345,283	311,677
Long-Term Debt, Less Current Position			
<b>Net Position:</b>			
Invested in Capital Assets	<b>437,648</b>	492,193	547,269
<b>Restricted for:</b>			
Endowment- expendable	<b>105,870</b>	102,477	86,593
Endowment- nonexpendable	<b>250,000</b>	250,000	250,000
Arkansas Public Media Grant	-	-	-
Other	<b>31,949</b>		
Unrestricted	<b>165,855</b>	(190,017)	(213,043)
Total Liabilities and Net Position	<b>\$ 1,176,564</b>	\$ 999,936	\$ 982,496

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

	<b>2019</b>	2018 Restated	2017
Corporation for Public Broadcasting Grants	\$ 161,128	\$ 302,743	\$ 153,406
Other Operating Revenues	<b>1,226,576</b>	944,635	763,088
Other Expenses	<b>1,390,706</b>	1,632,549	1,489,038
Operating Loss	<b>(3,002)</b>	(385,171)	(572,544)
Non-Operating Revenues	<b>17,847</b>	29,878	43,987
Operating Transfers for UA Little Rock	<b>321,824</b>	339,127	287,184
Net Non-Operating Revenues	<b>339,671</b>	369,005	331,171
Increase (Decrease) in Net Position	<b>336,669</b>	(16,166)	(241,373)
Net Position, Beginning of Year	<b>654,653</b>	670,819	912,192
Net Position, End of Year	<b>\$ 991,322</b>	\$ 654,653	\$ 670,819

### Condensed Statements of Cash Flows

	<b>2019</b>	2018 Restated	2017
Net Cash Flows Used by Operating Activity	\$ (159,106)	\$ (212,301)	\$ (441,234)
Net Cash Flows Provided by Noncapital Financing Activities	<b>321,824</b>	339,127	287,184
Net Cash Flows used by Capital and Related Financing Activities	<b>(10,654)</b>	(59,708)	(17,823)
Net Cash Flows from Investing Activities	<b>14,454</b>	13,994	13,926
Net Increase (Decrease) in Cash	<b>166,518</b>	81,112	(157,947)
Cash and Cash Equivalents, Beginning of Year	<b>108,126</b>	27,014	184,961
Cash and Cash Equivalents, End of Year	<b>\$ 274,644</b>	\$ 108,126	\$ 27,014



Current Assets consist primarily of cash and cash equivalents, investments, accounts receivable, and prepaid expenses. Non-Current Assets consist primarily of property and equipment and beneficial interest in endowment fund. Property and equipment are presented net of accumulated depreciation. Current Liabilities consist of accounts payable, accrued expenses, and deferred revenues.

Operating Revenues consist primarily of CPB grant revenues, other grant revenues, program underwriting, and contributed support. Operating expenses consist primarily of broadcasting, programming and production, management and general, fundraising and membership development expenses, and depreciation. Non-Operating Revenues consist primarily of investment income.

University of Arkansas at Little Rock provided financial support in the form of direct and indirect expenses totaling \$321,824, \$339,127, and \$287,184 at June 30, 2019, 2018, and 2017, respectively.

### **Request for Information**

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of the KLRE-FM/KUAR-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:

KLRE-FM/KUAR-FM  
2801 South University  
Little Rock, AR 72204

**KLRE-FM/KUAR-FM  
STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018 RESTATED</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 274,644	\$ 108,126
Accounts receivable, net of allowance of \$7,991 and \$6,971, respectively	97,991	36,569
Grant receivable	-	2,342
Prepaid expenses	10,411	8,229
	<hr/>	<hr/>
Total Current Assets	383,046	155,266
<b>NONCURRENT ASSETS</b>		
Endowment fund	355,870	352,477
Capital assets, net	437,648	492,193
	<hr/>	<hr/>
Total Noncurrent Assets	793,518	844,670
	<hr/>	<hr/>
Total Assets	<u>\$ 1,176,564</u>	<u>\$ 999,936</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 155,302	\$ 218,260
Bank overdraft	-	8,905
Compensated absences payable	22,307	31,504
Deferred revenue	7,633	86,614
	<hr/>	<hr/>
Total Current Liabilities	185,242	345,283
<b>NET POSITION</b>		
Invested in capital assets	437,648	492,193
Restricted net position		
Endowment		
Expendable	105,870	102,477
Nonexpendable	250,000	250,000
Other	31,949	-
Unrestricted net position	165,855	(190,017)
	<hr/>	<hr/>
Total Net Position	991,322	654,653
	<hr/>	<hr/>
Total Liabilities and Net Position	<u>\$ 1,176,564</u>	<u>\$ 999,936</u>

See Independent Auditor's Report and Notes to Financial Statements.

**KLRE-FM/KUAR-FM**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018 RESTATED</b>
<b>OPERATING REVENUE</b>		
Program underwriting	\$ 538,427	348,529
Contributions raised by Friends	688,149	596,106
Corporation for Public Broadcasting Grants:		
Arkansas Public Media grant	48,372	182,670
Community service grant	<u>112,756</u>	<u>120,073</u>
 Total operating revenues	 <u>1,387,704</u>	 <u>1,247,378</u>
<b>OPERATING EXPENSES</b>		
Programming and production	585,544	664,230
General administration	532,304	702,183
Broadcasting	139,200	157,999
Fundraising and membership development	70,353	58,358
Program information and promotion	<u>63,305</u>	<u>49,779</u>
 Total operating expenses	 <u>1,390,706</u>	 <u>1,632,549</u>
 Operating (loss)	 <u>(3,002)</u>	 <u>(385,171)</u>
<b>NONOPERATING REVENUES</b>		
Investment income	<u>17,847</u>	<u>29,878</u>
 Total nonoperating revenues	 <u>17,847</u>	 <u>29,878</u>
 Net income (loss) before operating transfers	 14,845	 (355,293)
 Operating transfers from the University of Arkansas at Little Rock	 <u>321,824</u>	 <u>339,127</u>
 Change in net position	 336,669	 (16,166)
 Net position, beginning of year	 <u>654,653</u>	 <u>670,819</u>
 Net position, end of year	 <u>\$ 991,322</u>	 <u>\$ 654,653</u>

See Independent Auditor's Report and Notes to Financial Statements.

**KLRE-FM/KUAR-FM**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018 RESTATED
<b>OPERATING ACTIVITIES</b>		
Cash received from:		
Program underwriting receipts	\$ 398,024	\$ 424,696
Contributions raised by Friends	688,149	596,106
The Corporation for Public Broadcasting Grants	163,470	336,882
Cash payments for:		
Programming and production	(604,416)	(652,380)
General administration	(562,104)	(705,905)
Broadcasting	(140,754)	(146,506)
Fund-raising and membership development	(74,003)	(58,358)
Program information and promotion	<u>(27,472)</u>	<u>(6,836)</u>
Net cash (used for) operating activities	<u>(159,106)</u>	<u>(212,301)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from the University of Arkansas at Little Rock	<u>321,824</u>	<u>339,127</u>
Net cash from noncapital financing activities	<u>321,824</u>	<u>339,127</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(1,749)	(4,531)
Payments on note payable to University	-	(29,166)
Change in bank overdraft	<u>(8,905)</u>	<u>(26,011)</u>
Net cash (used for) capital and related financing activities	<u>(10,654)</u>	<u>(59,708)</u>
<b>INVESTING ACTIVITIES</b>		
Endowment funds released from nonexpendable	(3,393)	(15,884)
Investment income received	<u>17,847</u>	<u>29,878</u>
Net cash from investing activities	<u>14,454</u>	<u>13,994</u>
Net change in cash and cash equivalents	166,518	81,112
Cash and cash equivalents, beginning of year	<u>108,126</u>	<u>27,014</u>
Cash and cash equivalents, end of year	<u><u>\$ 274,644</u></u>	<u><u>\$ 108,126</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

	<b>2019</b>	<b>2018 RESTATED</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (3,002)	\$ (385,171)
Depreciation	56,294	59,607
Changes in:		
Accounts receivable	(61,422)	(1,430)
Grants receivable	2,342	34,139
Prepaid expenses	(2,182)	(8,229)
Accounts payable	(62,958)	35,923
Compensated absences payable	(9,197)	(24,737)
Deferred revenue	(78,981)	77,597
	<u>                    </u>	<u>                    </u>
Net cash (used for) operating activities	<u>\$ (159,106)</u>	<u>\$ (212,301)</u>

See Independent Auditor's Report and Notes to Financial Statements.

**KLRE-FM/KUAR-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Business***

The Station is a department of the University of Arkansas at Little Rock (UA Little Rock) and is comprised of two licensed public telecommunications radio stations. UA Little Rock is both the licensee and operator of the radio stations. The Station presents national public radio news and classical jazz music and is dedicated to bringing fine arts programming to listeners throughout the central part of Arkansas.

In accordance with UA Little Rock'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 of various units of UA Little Rock and other affiliated entities related to UA Little Rock. Only accounts held at the Foundation and UA Little Rock for the benefit of the Station are included in these financial statements.

***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 Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA 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 Corporation for Public Broadcasting Radio Community ("CPB") and UA Little Rock, 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.

**KLRE-FM/KUAR-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

Operating revenues and expenses are distinguished from other revenues (expenses) 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 nonoperating revenues (expenses), but remain a major component of the overall revenues and expenses of the Station.

***Cash and Cash Equivalents***

For purposes of the Statements 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 Little Rock 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, 2019 and 2018 management had recorded an allowance for doubtful accounts of \$7,991 and \$6,971, respectively.

***Capital Assets***

All property, plant, and equipment is 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 charge to expense as incurred. Depreciation is computed on the straight-line method for financial reporting purposes, based on the estimated useful lived 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 and a useful life over one year.

***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, 2019 and 2018. 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.

***Deferred Revenue***

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

**KLRE-FM/KUAR-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

***Contributions***

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

***Advertising***

The Station follows the policy of charging advertising to expense as incurred. For the years ended June 30, 2019 and 2018, advertising expense was approximately \$24,000 and \$1,300, respectively.

***Functional Allocation of Expenses***

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement 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.

***Donated Facilities and Services***

UA Little Rock provides the use of certain office and studio space to the Station. The value of such use is recorded based upon the estimated fair market value of the facility usage during the period of occupancy. In addition, administrative support is received from UA Little Rock which consists of allocated financial department costs and other expenses incurred on behalf of the Station. All such support from UA Little Rock is recorded as an operating transfer.

***Tax Status***

The Station is considered political subdivision of UA Little Rock 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 estimated and assumptions that affect the reported amounts of asset 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 result could differ from those estimates.

***Net Position Classifications***

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

Invested in capital assets – Consists of capital assets, net of accumulated depreciation

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

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



**KLRE-FM/KUAR-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

***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.

***Subsequent Events***

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditor's Report.

***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.

***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.

**NOTE 2: 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's funds are held by UA Little Rock and the Foundation. UA Little Rock 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.

**NOTE 3: AGREEMENT TO PROVIDE OPERATIONS**

UA Little Rock entered into an agreement to provide for licensing and operation of the Station. Under this agreement, UA Little Rock is to provide general appropriations support and other direct and indirect financial support. A summary of such support and other direct and indirect financial support is as follows:

	<b>2019</b>	<b>2018</b>
General appropriations	\$ 190,120	\$ 198,869
Utilities, in-kind	20,800	21,049
Facilities use and administrative support, in kind	110,904	119,209
	<u>\$ 321,824</u>	<u>\$ 339,127</u>

**KLRE-FM/KUAR-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 was:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>ENDING BALANCE</u>
Equipment rights	\$ 313,252	\$ -	\$ (22,909)	\$ 290,343
Radio tower and antenna	575,756	-	-	575,756
Other broadcast equipment	89,722	-	(7,219)	82,503
Building improvements	210,592	1,749	-	212,341
Office furniture and equipment	28,125	-	(9,593)	18,532
Total assets	1,217,447	1,749	(39,721)	1,179,475
Less accumulated depreciation	(725,254)	(56,294)	39,721	(741,827)
	<u>\$ 492,193</u>	<u>\$ (54,545)</u>	<u>\$ -</u>	<u>\$ 437,648</u>

Capital assets activity for the year ended June 30, 2018 was:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>ENDING BALANCE</u>
Equipment rights	\$ 313,252	\$ -	\$ -	\$ 313,252
Radio tower and antenna	575,756	-	-	575,756
Other broadcast equipment	95,181	-	(5,459)	89,722
Building improvements	206,061	4,531	-	210,592
Office furniture and equipment	28,125	-	-	28,125
Total assets	1,218,375	4,531	(5,459)	1,217,447
Less accumulated depreciation	(671,106)	(59,607)	5,459	(725,254)
	<u>\$ 547,269</u>	<u>\$ (55,076)</u>	<u>\$ -</u>	<u>\$ 492,193</u>

**NOTE 5: RESTRICTED NET POSITION**

***Nonexpendable endowment***

Support of \$250,000 was contributed to a nonexpendable endowment at the Foundation on behalf of the Station during the year ended June 30, 2003. It is the donor's intent that this endowment fund shall be permanent and that only the net appreciation of the fund may be used for general operating support of the Station. The net appreciation on investments available for authorization for expenditure by the governing board as of June 30, 2019 and 2018 was \$105,870 and \$102,477, respectively. These amounts are reported under net position restricted for endowment - expendable.

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*Interpretation of Relevant Law*

The Foundation interprets Arkansas Act 262, cited as the "Uniform Prudent Management of Institutional Funds Act" (UPMIF A), which was approved February 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed in UPMIF A. In accordance with UPMIF A, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policy of the Foundation

*Spending Policy*

The Board-approved spending policy of the Foundation allows transfers of endowments quarterly to appropriate funds based on a spending rate of 5% in 2019 and 2018 to the 36-month average fair value as of the end of each quarter. The funds are invested in an external investment pool at the Foundation. The University issues a separate report for this external investment pool. It can be obtained by contacting the University of Arkansas System, 2404 North University Avenue, Little Rock, AR 72207.

***Restricted net position - other***

During the year ended June 30, 2016, the Station was awarded a \$278,300 grant from the Corporation for Public Broadcasting (CPB) to be used for the purpose of consolidating journalism collaboration between four public radio stations in Arkansas, enabling coordinated statewide news coverage of rural Arkansas with a unified editorial focus on topics important to the state, including education, healthcare, and energy (the "Arkansas Public Media" project). The grant was disbursed in phases during the years ended June 30, 2016 through June 30, 2019, on a reimbursement basis, based on progress reports prepared during the project. As this was a reimbursement grant, there were no temporarily restricted funds related to this grant at June 30, 2019 and 2018. This program was completed and the grant closed during the year ended June 30, 2019.

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During the year ended June 30, 2019, the Station received a grant of \$50,000 to be used for the purpose of creating a public media oral health initiative, reporting statewide on oral health care related issues. At June 30, 2019, \$31,949 is included in “Cash and cash equivalents” and “Restricted net position – other” on the Statements of Net Position.

**NOTE 6: PERSONNEL EXPENSES**

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

**NOTE 7: NOTE PAYABLE**

The Station entered into a note payable agreement in June 2014 with the University. The note was non-interest bearing and expected to be repaid from station underwriting and transfers from the Foundation. The loan was paid in full during the year ended June 30, 2018.

**NOTE 8: RESTATEMENT**

The financial statements as of and for the year ended June 30, 2018 were restated to correct an error in accounts receivable and general administration expenses related to barter transactions.

For the year ended June 30, 2018, the effect of the restatement was as follows:

(Decrease) in accounts receivable	\$ (73,921)
Increase in general administration expense	73,921
(Decrease) in unrestricted net position	(73,921)



**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**  
Little Rock, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the **KLRE-FM/KUAR-FM** (the Station) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated December 13, 2019.

**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 Station's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

*Landmark PLC*

**LANDMARK PLC  
CERTIFIED PUBLIC ACCOUNTANTS**

Fort Smith, Arkansas  
December 13, 2019