

KUT RADIO

of

THE UNIVERSITY OF TEXAS AT AUSTIN

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED AUGUST 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018 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, 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.

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 12, 2020

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, 2019.

FINANCIAL HIGHLIGHTS

- KUT FM's total combined net assets were \$18,434,297 at August 31, 2019.
- During the year, KUT FM's expenses were \$550,352 less than the \$14,297,878 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 increased by \$1,013,465.

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 \$18,431,797 at August 31, 2019.

(see table A-1 next page)

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

August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,776,672	\$ 6,179,998
Accounts receivable		
Trade receivable, net allowance	865,357	762,578
Pledges receivable	1,508,693	1,439,514
Total current assets	<u>8,150,722</u>	<u>8,382,090</u>
Capital assets		
Furniture and equipment, net	936,950	272,302
Leasehold improvements, net	5,914,375	6,244,214
Total capital assets, net of accumulated depreciation/amortization	6,851,325	6,516,516
Digital licenses	5,733,857	5,733,857
Total capital assets	<u>12,585,182</u>	<u>12,250,373</u>
Total assets	<u><u>\$ 20,735,904</u></u>	<u><u>\$ 20,632,463</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 291,205	\$ 420,560
Advances from underwriters	167,005	164,419
Current portion of interfund note payable	421,794	405,571
Total current liabilities	<u>880,004</u>	<u>990,550</u>
Noncurrent portion of interfund note payable	1,424,103	1,757,968
Total liabilities	<u>2,304,107</u>	<u>2,748,518</u>
NET POSITION		
Invested in capital assets net of related debt	10,739,285	10,086,834
Restricted - nonexpendable	25,000	25,000
Restricted - radio services community	159,754	159,754
Unrestricted net position	7,507,758	7,612,357
Total net position	<u><u>\$ 18,431,797</u></u>	<u><u>\$ 17,883,945</u></u>

Changes in Net Assets

KUT FM's total revenues were \$14,295,378. A significant portion, approximately 84%, of KUT FM's revenue comes from individual membership contributions and underwriting (sponsorships) of programming. KUT FM receives approximately 10% 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 6% of its total revenue from private foundation and federal grant sources.

Major Sources of Revenues		
	2019	2018
Sales/Service and		
Memberships/Contributions	\$ 12,018,475	\$ 11,809,767
Grants	851,420	609,050
Non Operating Support	1,190,606	921,415
In-Kind Support	234,877	315,894
	<u>\$ 14,295,378</u>	<u>\$ 13,656,126</u>

The total costs of all programming, services and operations was \$13,747,526.

- 69% of total costs were directly related to content and service delivery
- 24% of total costs were directly related to resource development and listener services
- 7% of total costs were directly related to administration, strategy and outreach

CAPITAL ASSETS AND DEBT ADMINISTRATION

At August 31, 2019, KUT FM had \$9,934,294 invested in capital assets of which \$8,245,983 was held in leasehold improvements and \$1,688,311 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 2019 was \$22,241 and was accounted for in operating expenses. Leasehold improvement amortization was recorded and accounted for in operating expenses in the amount of \$329,839.

KUT FM has budgeted for fiscal year 2019 and 2018 capital investments of approximately \$136,500 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 \$1,845,897 of which \$421,794 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 2020 are projected to be \$11,111,146. Targeted revenue for the fiscal year ending August 31, 2020 is \$11,357,645. KUT FM believes these goals to be realistic and achievable. The KUT FM annual operating budget does not reflect approximately \$1,190,606 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 2020 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,776,672	\$ 6,179,998
Accounts receivable		
Trade receivable, net allowance	865,357	762,578
Pledges receivable	1,508,693	1,439,514
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Total assets	<u><u>\$ 20,735,904</u></u>	<u><u>\$ 20,632,463</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 291,205	\$ 420,560
Advances from underwriters	167,005	164,419
Current portion of interfund note payable	421,794	405,571
Total current liabilities	<u>880,004</u>	<u>990,550</u>
Noncurrent portion of interfund note payable	1,424,103	1,757,968
Total liabilities	<u>2,304,107</u>	<u>2,748,518</u>
NET POSITION		
Invested in capital assets net of related debt	10,739,285	10,086,834
Restricted - nonexpendable	25,000	25,000
Restricted - radio services community	159,754	159,754
Unrestricted net position	7,507,758	7,612,357
Total net position	<u><u>\$ 18,431,797</u></u>	<u><u>\$ 17,883,945</u></u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF ACTIVITIES

Year Ended August 31, 2019

					Net (Expense) Revenue and Changes in Net Position
Business-type activities:	<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>
KUT Radio	\$ 13,747,526	\$ 6,522,179	\$ 7,773,199	\$ -	\$ 547,852
					<u>547,852</u>
Change in net position					17,883,945
Net position - beginning					<u>\$ 18,431,797</u>
Net position - ending					<u><u>\$ 18,431,797</u></u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF ACTIVITIES - continued

Year Ended August 31, 2018

					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	\$ 12,521,492	\$ 6,377,907	\$ 7,278,219	\$ -	\$ 1,134,634
					<u>1,134,634</u>
Change in net position					16,749,311
Net position - beginning					<u>16,749,311</u>
Net position - ending					<u><u>\$ 17,883,945</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Sales and services	\$ 6,522,179	\$ 6,377,907
Memberships and contributions	5,496,296	5,431,860
General support	1,190,606	921,415
In-kind support	234,877	315,894
Grants	<u>851,420</u>	<u>609,050</u>
 Total operating revenues	 <u>14,295,378</u>	 <u>13,656,126</u>
OPERATING EXPENSES		
Program services:		
Programming and production	7,136,367	6,412,498
Broadcasting	1,749,006	1,503,453
Program information and promotion		
Cactus Café	530,141	478,023
Support services:		
Management and general	988,314	883,098
Fundraising and development	1,400,652	1,489,033
Underwriting and grant solicitation	<u>1,943,046</u>	<u>1,755,387</u>
 Total operating expenses	 <u>13,747,526</u>	 <u>12,521,492</u>
 Operating Income	 <u>547,852</u>	 <u>1,134,634</u>
 Change in net position	 <u>547,852</u>	 <u>1,134,634</u>
 Beginning of year	 <u>17,883,945</u>	 <u>16,749,311</u>
 End of year	 <u><u>\$ 18,431,797</u></u>	 <u><u>\$ 17,883,945</u></u>

See accompanying Notes to Financial Statements.

KUT RADIO
THE UNIVERSITY OF TEXAS AT AUSTIN

STATEMENTS OF CASH FLOWS

Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	\$ 6,421,986	\$ 6,306,551
Cash received from membership contributions	5,427,117	5,285,835
Cash received from grants	851,420	609,050
Cash payments to employees	(6,369,388)	(6,106,805)
Cash payments to other suppliers for goods and services	(5,729,930)	(4,583,570)
Net cash provided by operating activities	<u>601,205</u>	<u>1,511,060</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(686,889)	(226,447)
Principal payments on note payable	(317,642)	(508,401)
Net cash provided (used) by capital and related financing activities	<u>(1,004,531)</u>	<u>(734,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	(403,326)	776,212
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>6,179,998</u>	<u>5,403,786</u>
End of year	<u><u>\$ 5,776,672</u></u>	<u><u>\$ 6,179,998</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 547,852	\$ 1,134,634
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,241	41,504
Amortization	329,839	329,839
Changes in assets and liabilities:		
Trade receivable	(102,779)	(78,600)
Pledges receivable	(69,179)	(168,605)
Accounts payable	(129,355)	222,468
Advances from underwriters	2,586	29,820
Net cash provided by operating activities	<u><u>\$ 601,205</u></u>	<u><u>\$ 1,511,060</u></u>

See accompanying Notes to Financial Statements.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2019 and 2018

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, 2019 and 2018, 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 2019 or 2018.

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, 2019 and 2018 - 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 \$6,851,325 and \$6,516,516 in capital assets and \$1,845,897 and \$2,163,539 in related debt at August 31, 2019 and 2018, 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, 2019 and 2018, 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 \$159,754 and \$159,754 in Restricted-Expendable net position at August 31, 2019 and 2018, respectively. These were restricted for program specific use and capital additions.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2019 and 2018 - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Unrestricted

Net position that is not subject to externally imposed stipulations. The Organization had \$7,612,357 and \$6,830,989 in unrestricted net position at August 31, 2019 and 2018, 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.

Subsequent events

Subsequent events were evaluated events through the date of the *Independent Auditor's Report*.

NOTE 2: DEPOSITS

At year end, the Organization's carrying amount of deposits was \$5,776,672 and \$6,179,998 at August 31, 2019 and 2018, 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.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2019 and 2018 - continued

NOTE 3: CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture/equipment	\$ 1,001,422	\$ 686,889	\$ -	\$ 1,688,311
Accumulated depreciation	(729,120)	(22,241)	-	(751,361)
Leashold improvements	8,245,983	-	-	8,245,983
Accumulated amortization	(2,001,769)	(329,839)	-	(2,331,608)
Digital license	5,733,857	-	-	5,733,857
Total capital assets (net)	<u>\$ 12,250,373</u>	<u>\$ 334,809</u>	<u>\$ -</u>	<u>\$ 12,585,182</u>

Capital asset activity for the period ended August 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture/equipment	\$ 781,763	\$ 54,826	\$ 164,833	\$ 1,001,422
Accumulated depreciation	(694,404)	(41,504)	6,788	(729,120)
Leashold improvements	8,245,983	-	-	8,245,983
Accumulated amortization	(1,671,930)	(329,840)	-	(2,001,769)
Digital license	11,467,714	-	-	5,733,857
Total capital assets (net)	<u>\$ 18,129,126</u>	<u>\$ (316,518)</u>	<u>\$ 171,621</u>	<u>\$ 12,250,373</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.

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 \$103,528 and \$118,839 for 2019 and 2018, respectively. Accrued interest payable at year-end is \$71,706.

KUT - RADIO
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2019 and 2018 - continued

NOTE 6: DEBT – continued

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

Year	Amount
2019	\$ 421,794
2020	436,294
2021	453,902
2022	444,287
Total debt	1,845,897
Current portion	421,794
Non-current portion	\$ 1,424,103

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, 2019 and 2018, there was no activity relating to the endowment.

OTHER SUPPLEMENTARY INFORMATION

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

Year Ended August 31, 2019

	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	\$ 4,092,839	\$ 593,238	\$ 150,646	\$ 775,113	\$ 757,552	\$ -	\$ 6,369,388
Professional services	215,887	242,201	305,007	9,517	89,145	1,568,850	2,430,607
Office supplies	709	819	535	5,809	868	-	8,740
Telephone	-	53,978	-	-	-	-	53,978
Postage and shipping	109	1,331	-	21	127,105	15	128,581
Advertising	87,418	-	28,440	-	-	-	115,858
Rental and maintenance of equipment	8,089	126,652	373	23,582	1,758	-	160,454
Depreciation	-	22,241	-	-	-	-	22,241
Leasehold amortization expense	168,567	41,311	13,925	23,345	36,792	45,899	329,839
Printing, publications, graphics	4,577	-	-	211	109,580	-	114,368
Travel	79,556	-	2,403	9,065	14,256	-	105,280
Conferences, conventions, meetings	8,506	150	3,104	5,246	67,992	61,498	146,496
Programming	1,318,429	310,941	-	-	-	-	1,629,370
Indirect administration support	719,030	176,313	-	99,579	-	195,684	1,190,606
Other	432,651	179,831	25,708	36,826	195,604	71,100	941,720
Total expenses	<u><u>\$ 7,136,367</u></u>	<u><u>\$ 1,749,006</u></u>	<u><u>\$ 530,141</u></u>	<u><u>\$ 988,314</u></u>	<u><u>\$ 1,400,652</u></u>	<u><u>\$ 1,943,046</u></u>	<u><u>\$ 13,747,526</u></u>

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

Year Ended August 31, 2018

	Program Services			Supporting Services			
	Production & Programming	Broadcasting	Cactus Café	Management & General	Fundraising & Development	Underwriting	Total
EXPENSES							
Salaries and employee benefits	\$ 4,048,941	\$ 567,951	\$ 148,917	\$ 634,821	\$ 706,176	\$ -	\$ 6,106,806
Professional services	183,639	214,682	268,047	108,661	70,396	1,435,697	2,281,122
Office supplies	1,166	1,113	1,455	4,898	1,222	20,736	30,590
Telephone	-	48,703	-	-	-	-	48,703
Postage and shipping	171	2,047	122	351	144,157	5,256	152,104
Advertising	124,890	-	21,314	250	3,460	-	149,914
Rental and maintenance of equipment	149	105,669	-	18,738	2,497	-	127,053
Depreciation	-	41,504	-	-	-	-	41,504
Leasehold amortization expense	167,918	39,604	13,592	23,262	42,339	43,124	329,839
Printing, publications, graphics	3,261	-	146	73	107,363	-	110,843
Travel	66,453	1,746	3,935	13,763	18,244	-	104,141
Conferences, conventions, meetings	1,420	10	2,215	28	43,260	-	46,933
Programming	1,112,080	234,967	-	-	-	-	1,347,047
Indirect administration support	507,051	110,634	-	64,984	-	238,746	921,415
Other	195,359	134,823	18,280	13,269	349,919	11,828	723,478
Total expenses	<u>\$ 6,412,498</u>	<u>\$ 1,503,453</u>	<u>\$ 478,023</u>	<u>\$ 883,098</u>	<u>\$ 1,489,033</u>	<u>\$ 1,755,387</u>	<u>\$ 12,521,492</u>