



UNIVERSITY OF KENTUCKY • 2020 FINANCIAL STATEMENTS

WUKY Radio

**WUKY Radio**  
**A Public Telecommunications Entity**  
**An Organizational Unit of the University of Kentucky**  
**Financial Statements**  
**Years Ended June 30, 2020 and 2019**

| CONTENTS   | PAGE |
|--|------|
| Independent Auditor's Report                                 | 1    |
| Management's Discussion and Analysis                         | 3    |
| Financial Statements   |      |
| Statements of Net Position                                   | 8    |
| Statements of Revenues, Expenses and Changes in Net Position | 9    |
| Statements of Cash Flows                                     | 10   |
| Notes to Financial Statements                                | 11   |

## Independent Auditor's Report

Board of Trustees  
University of Kentucky  
WUKY Radio  
Lexington, Kentucky

We have audited the accompanying financial statements of the University of Kentucky WUKY Radio (WUKY Radio), an organizational unit of the University of Kentucky (University), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the WUKY Radio's basic 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WUKY Radio as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years 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 of WUKY Radio are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities that is attributable to the transactions of WUKY Radio. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2020 and 2019, the changes in its financial position or its cash flows for the years then ended, in conformity 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 as listed in the table of contents 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, which 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.

**BKD, LLP**

Louisville, Kentucky  
October 2, 2020

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

WUKY Radio's Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of WUKY Radio for the years ended June 30, 2020 and 2019. Management has prepared this discussion, which provides summary financial information. MD&A should be read in conjunction with the accompanying financial statements and related footnotes.

**Financial Highlights**

- Total assets decreased \$84,524 or 8.6%. This change was primarily due to a decrease in capital assets, net of \$69,279 and cash and cash equivalents of \$17,318.
- Total liabilities increased \$3,187 or 11.2%. This change was due to an increase in unearned revenue of \$2,400 and accounts payable and accrued liabilities of \$787.
- Net position decreased \$87,711 or 9.2% to \$868,748.
- Operating revenues decreased \$68,370 or 18.1% to \$309,526.
- Operating expenses increased \$36,205 or 2.5% to \$1,462,587.

**Using the Financial Statements**

This financial report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

One of the most important questions asked about its finances is whether WUKY Radio is better off as a result of the year's activities. One key to answering this question is the financial statements of WUKY Radio. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows present financial information on WUKY Radio in a format similar to that used by corporations, and present a long-term view of WUKY Radio's finances. WUKY Radio's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) is one sign of its financial health. Over time, increases or decreases in net position indicate the improvement or erosion of WUKY Radio's financial health.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. It is prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating.

Another important factor to consider when evaluating financial viability is WUKY Radio's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities.

## Reporting Entity

WUKY Radio is an organizational unit of the University of Kentucky (the University), which is a component unit of the Commonwealth of Kentucky (the Commonwealth) and is included in the basic financial statements of the Commonwealth. WUKY Radio is owned and operated by the University. Funds for operations are received from the University.

### Condensed Statements of Net Position

|                                  | 2020       | 2019       | 2018         |
|----------------------------------|------------|------------|--------------|
| <b>ASSETS</b>                    |            |            |              |
| Current assets                   | \$ 194,956 | \$ 258,411 | \$ 251,508   |
| Capital assets, net              | 618,963    | 688,242    | 740,711      |
| Other noncurrent assets          | 86,375     | 38,165     | 43,203       |
| Total assets                     | 900,294    | 984,818    | 1,035,422    |
| <b>LIABILITIES</b>               |            |            |              |
| Current liabilities              | 31,546     | 28,359     | 19,024       |
| Total liabilities                | 31,546     | 28,359     | 19,024       |
| <b>NET POSITION</b>              |            |            |              |
| Net investment in capital assets | 618,963    | 688,242    | 740,711      |
| Restricted                       |            |            |              |
| Nonexpendable                    | 80,224     | 30,224     | 22,537       |
| Expendable                       | 132,004    | 133,686    | 140,072      |
| Unrestricted                     | 37,557     | 104,307    | 113,078      |
| Total net position               | \$ 868,748 | \$ 956,459 | \$ 1,016,398 |

**Assets.** As of June 30, 2020, WUKY Radio's assets totaled \$900,294. Capital assets, net represented WUKY Radio's largest asset, totaling \$618,963 or 68.8% of total assets.

Total assets decreased \$84,524 during the year ended June 30, 2020. This decrease was primarily due to a decrease in capital assets, net of \$69,279 and cash and cash equivalents of \$17,318.

**Liabilities.** At June 30, 2020, WUKY Radio's liabilities totaled \$31,546. Accounts payable and accrued liabilities totaling \$28,546 represented WUKY Radio's largest liability at 90.5% of total liabilities. Accounts payable and accrued liabilities increased \$787 primarily due to timing differences in payments to vendors.

**Net Position.** Net position at June 30, 2020 totaled \$868,748 or 96.5% of total assets. Net investment in capital assets totaling \$618,963 comprise 71.2% of total net position.

Total net position decreased \$87,711 during the year ended June 30, 2020. Net investment in capital assets decreased \$69,279 due to depreciation expense. Unrestricted net position decreased \$66,750 due to current year expenses exceeding revenues. Restricted net position increased \$48,318 primarily due to gift and underwriting revenues exceeding restricted expenditures.

**2019 Versus 2018.** Total net position decreased \$59,939 from June 30, 2018 to June 30, 2019. Net investment in capital assets decreased by \$52,469 primarily due to depreciation expense. Unrestricted net position decreased \$8,771 due to expenses exceeding revenues. Restricted net position increased \$1,301 due to gift and underwriting revenues exceeding restricted expenditures.

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

|   | <u>2020</u>        | <u>2019</u>        | <u>2018</u>         |
|---|--------------------|--------------------|---------------------|
| <b>OPERATING REVENUES</b>                   |                    |                    |                     |
| Sales related to fundraising activities     | \$ 3,412           | \$ 5,759           | \$ 18,664           |
| Underwriting income                         | 185,212            | 254,394            | 333,770             |
| Up-link syndication income                  | 200                | 550                | 270                 |
| Community service grants                    | 120,702            | 117,193            | 120,812             |
| Total operating revenues                    | <u>309,526</u>     | <u>377,896</u>     | <u>473,516</u>      |
| <b>OPERATING EXPENSES</b>                   |                    |                    |                     |
| Program services                            | 732,722            | 783,780            | 798,636             |
| Supporting services                         | 660,586            | 582,001            | 503,024             |
| Depreciation                                | 69,279             | 60,601             | 80,716              |
| Total operating expenses                    | <u>1,462,587</u>   | <u>1,426,382</u>   | <u>1,382,376</u>    |
| <b>NET LOSS FROM OPERATIONS</b>             | <u>(1,153,061)</u> | <u>(1,048,486)</u> | <u>(908,860)</u>    |
| <b>NONOPERATING REVENUES</b>                |                    |                    |                     |
| CARES Act                                   | 75,000             | —                  | —                   |
| Gifts                                       | 280,548            | 306,862            | 318,662             |
| Grants from the University of Kentucky, net | 658,159            | 679,563            | 602,497             |
| Other nonoperating revenues (expenses)      | 51,643             | 2,122              | 2,073               |
| Total nonoperating revenues                 | <u>1,065,350</u>   | <u>988,547</u>     | <u>923,232</u>      |
| <b>INCREASE (DECREASE) IN NET POSITION</b>  | <u>(87,711)</u>    | <u>(59,939)</u>    | <u>14,372</u>       |
| <b>NET POSITION, beginning of year</b>      | <u>956,459</u>     | <u>1,016,398</u>   | <u>1,002,026</u>    |
| <b>NET POSITION, end of year</b>            | <u>\$ 868,748</u>  | <u>\$ 956,459</u>  | <u>\$ 1,016,398</u> |

**2020.** WUKY Radio's operating revenues of \$309,526 decreased \$68,370 or 18.1% primarily due to a \$69,182 decrease in underwriting income due to eight underwriters not renewing their contracts.

Operating expenses totaled \$1,462,587, of which 50.1% was used for program services such as local programming production, broadcasting, and program information expenses. The remaining 49.9% was used for supporting services such as management and general, fundraising, underwriting and grant solicitation expenses and depreciation. Operating expenses increased \$36,205 primarily in management and general expenses related to increases in salaries as well as strategic planning consultation fees, offset by a decrease in local programming production expense due to a renegotiated programming fees.

For the year ended June 30, 2020, net nonoperating revenues were \$1,065,350. This was primarily composed of \$658,159 in grants from the University for noncapital purposes for facilities and administrative support, \$280,548 in gifts as well as \$75,000 in CARES Act funding due to COVID-19. Gifts decreased \$26,314 primarily due to cancelled fund drive events due to COVID-19 restrictions. Grants from the University, net decreased \$21,404 primarily due to a decrease in support from the University offset by a decrease in grants for capital purposes last year with no similar activity this year.

**2019 Versus 2018.** Operating revenues decreased \$95,620 when comparing fiscal year 2019 to 2018. This decrease was primarily due to a decrease in underwriting revenue as well as a decrease in fundraising activity revenue. Operating expenses increased \$44,006 primarily due to an increase in management and general expenses. Net nonoperating revenues increased \$65,315 primarily due to an increase in grants from the University.

Another way to assess the financial health of an organization is to look at the Statement of Cash Flows. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by WUKY Radio during the period. The Statement of Cash Flows also helps financial statement readers assess WUKY Radio's:

- ability to generate future net cash flows,
- ability to meet obligations as they become due, and
- need for external financing.

**Condensed Statements of Cash Flows**

|  | 2020         | 2019         | 2018         |
|--|--------------|--------------|--------------|
| <b>CASH PROVIDED (USED) BY:</b>                      |              |              |              |
| Operating activities                                 | \$ (839,333) | \$ (765,667) | \$ (750,706) |
| Noncapital financing activities                      | 819,503      | 790,874      | 774,916      |
| Capital and related financing activities             | —            | (20,192)     | (133,401)    |
| Investing activities                                 | 2,512        | 893          | 917          |
| Net increase (decrease) in cash and cash equivalents | (17,318)     | 5,908        | (108,274)    |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | 224,938      | 219,030      | 327,304      |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>        | \$ 207,620   | \$ 224,938   | \$ 219,030   |

**2020.** The largest cash payments for operating activities were \$818,098 for salaries, wages and benefits and \$330,219 to vendors and contractors. The major sources of cash included in operating activities were grants of \$121,278 and underwriting income of \$184,094.

Cash provided by noncapital financing activities increased \$28,629 due to a net increase of \$23,686 in gifts and \$75,000 in CARES Act funding offset by a decrease of \$70,057 in grants from the University for noncapital purposes.

**2019 Versus 2018.** Net cash used by operating activities increased \$14,961 from June 30, 2018 to June 30, 2019 primarily due to an increase in salaries, wages and benefits. Net cash provided by noncapital financing activities increased \$15,958 due to increases in grants from the University for noncapital purposes. Net cash used by capital and related financing activities decreased \$113,209 primarily due to a decrease in capital assets purchases and grants to the University for capital purposes.



## Capital Asset and Debt Administration

**Capital Assets.** Capital assets, net of accumulated depreciation, totaled \$618,963 at June 30, 2020, a decrease of \$69,279 from fiscal year 2019. Capital assets as of June 30, 2020, 2019, and 2018, and changes in capital assets during the years ended June 30, 2019 and 2020 are as follows:

|                                 | Balance<br>June 30, 2018 | Net Additions/<br>(Deductions) | Balance<br>June 30, 2019 | Net Additions/<br>(Deductions) | Balance<br>June 30, 2020 |
|---------------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| WUKY PBS Antenna                | \$ 750,414               | \$ —                           | \$ 750,414               | \$ —                           | \$ 750,414               |
| Equipment                       | 603,292                  | (57,108)                       | 546,184                  | —                              | 546,184                  |
|                                 | <u>1,353,706</u>         | <u>(57,108)</u>                | <u>1,296,598</u>         | <u>—</u>                       | <u>1,296,598</u>         |
| <u>Accumulated depreciation</u> |                          |                                |                          |                                |                          |
| WUKY PBS Antenna                | (196,995)                | (18,760)                       | (215,755)                | (18,760)                       | (234,515)                |
| Equipment                       | (416,000)                | 23,399                         | (392,601)                | (50,519)                       | (443,120)                |
|                                 | <u>(612,995)</u>         | <u>4,639</u>                   | <u>(608,356)</u>         | <u>(69,279)</u>                | <u>(677,635)</u>         |
| Total                           | <u>\$ 740,711</u>        | <u>\$ (52,469)</u>             | <u>\$ 688,242</u>        | <u>\$ (69,279)</u>             | <u>\$ 618,963</u>        |

**Debt.** WUKY Radio had no debt at or during the year ended June 30, 2020, or 2019.

### Factors Impacting Future Periods

WUKY Radio has two sources of funding that are impacted by the ongoing economic situation; membership and underwriting. Membership and underwriting revenue comprise over 50% of WUKY Radio's annual funding. WUKY Radio's membership revenue declined 6% this year. WUKY is committed to membership growth. Our efforts to revitalize growth by engaging in certain community events to increase nonprofit community awareness has halted due to the COVID-19 pandemic restrictions affecting gatherings and social distancing. WUKY Radio continues to partner with multiple community organizations to raise awareness of the station using all outreach methods available except in-person events. WUKY Radio is also working to increase membership and revenue with audience growth, membership management training, and utilizing the best practices of other stations.

Underwriting sales have experienced a decrease this year of 27% after a decrease in fiscal year 2018-2019. WUKY Radio is concerned that underwriting sales will continue to decline due to COVID-19 pandemic business closures and production declines with businesses in our community. WUKY Radio continues implementing a promotional plan demonstrating WUKY Radio's business value to new underwriters. WUKY Radio continues to engage the small business community and educate them with WUKY Radio's significance in their marketing programs.

The economic impact on WUKY Radio's revenue and revenue growth continues to be of concern. WUKY is currently engaged in developing a strategic plan. Fundraising will be a major component of our forthcoming plan. It will include membership, underwriting, major gifts, endowments, planned gifts, events, grant opportunities and other identified sources of revenue. Serious attention will be given to all aspects of revenue generation.

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| <b>ASSETS</b>                            |                   |                   |
| <b>Current Assets</b>                    |                   |                   |
| Cash and cash equivalents                | \$ 152,748        | \$ 219,145        |
| Accounts receivable                      | 42,208            | 39,266            |
| Total current assets                     | <u>194,956</u>    | <u>258,411</u>    |
| <b>Noncurrent Assets</b>                 |                   |                   |
| Restricted cash and cash equivalents     | 54,872            | 5,793             |
| Endowment investments                    | 31,503            | 32,372            |
| Capital assets, net                      | 618,963           | 688,242           |
| Total noncurrent assets                  | <u>705,338</u>    | <u>726,407</u>    |
| Total assets                             | <u>900,294</u>    | <u>984,818</u>    |
| <b>LIABILITIES</b>                       |                   |                   |
| <b>Current Liabilities</b>               |                   |                   |
| Accounts payable and accrued liabilities | 28,546            | 27,759            |
| Unearned revenue                         | 3,000             | 600               |
| Total current liabilities                | <u>31,546</u>     | <u>28,359</u>     |
| Total liabilities                        | <u>31,546</u>     | <u>28,359</u>     |
| <b>NET POSITION</b>                      |                   |                   |
| <b>Net investment in capital assets</b>  | <u>618,963</u>    | <u>688,242</u>    |
| <b>Restricted</b>                        |                   |                   |
| Nonexpendable                            | 80,224            | 30,224            |
| Expendable                               | 132,004           | 133,686           |
| Total restricted                         | <u>212,228</u>    | <u>163,910</u>    |
| <b>Unrestricted</b>                      | <u>37,557</u>     | <u>104,307</u>    |
| <b>Total net position</b>                | <u>\$ 868,748</u> | <u>\$ 956,459</u> |

See notes to financial statements

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

|   | <u>2020</u>        | <u>2019</u>        |
|---|--------------------|--------------------|
| <b>OPERATING REVENUES</b>   |                    |                    |
| Sales related to fundraising activities                           | \$ 3,412           | \$ 5,759           |
| Underwriting income   | 185,212            | 254,394            |
| Up-link syndication income  | 200                | 550                |
| Community service grants from Corporation for Public Broadcasting | 120,702            | 117,193            |
| Total operating revenues  | <u>309,526</u>     | <u>377,896</u>     |
| <b>OPERATING EXPENSES</b>   |                    |                    |
| Program services  |                    |                    |
| Local programming production                                      | 529,008            | 573,468            |
| Broadcasting  | 159,557            | 158,042            |
| Program information   | 44,157             | 52,270             |
| Total program services  | <u>732,722</u>     | <u>783,780</u>     |
| Supporting services   |                    |                    |
| Management and general  | 408,744            | 328,964            |
| Fundraising   | 125,309            | 121,802            |
| Underwriting and grant solicitation                               | 126,533            | 131,235            |
| Total supporting services   | <u>660,586</u>     | <u>582,001</u>     |
| Depreciation  | 69,279             | 60,601             |
| Total operating expenses  | <u>1,462,587</u>   | <u>1,426,382</u>   |
| Net loss from operations  | <u>(1,153,061)</u> | <u>(1,048,486)</u> |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                           |                    |                    |
| CARES Act   | 75,000             | —                  |
| Gifts   | 280,548            | 306,862            |
| Investment income   | 1,643              | 2,122              |
| Grants from the University of Kentucky for noncapital purposes    | 658,159            | 691,623            |
| Net nonoperating revenues   | <u>1,015,350</u>   | <u>1,000,607</u>   |
| Net loss before other revenues, expenses, gains or losses         | <u>(137,711)</u>   | <u>(47,879)</u>    |
| Grants to the University of Kentucky for capital purposes         | —                  | (12,060)           |
| Additions to permanent endowments                                 | 50,000             | —                  |
| Total other revenues (expenses)                                   | <u>50,000</u>      | <u>(12,060)</u>    |
| <b>DECREASE IN NET POSITION</b>                                   | <u>(87,711)</u>    | <u>(59,939)</u>    |
| <b>NET POSITION, beginning of year</b>                            | <u>956,459</u>     | <u>1,016,398</u>   |
| <b>NET POSITION, end of year</b>                                  | <u>\$ 868,748</u>  | <u>\$ 956,459</u>  |

See notes to financial statements

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

|   | 2020           | 2019           |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |
| Sales related to fundraising activities   | \$ 3,412       | \$ 5,759       |
| Underwriting income   | 184,094        | 258,069        |
| Up-link syndication income  | 200            | 550            |
| Grants  | 121,278        | 116,617        |
| Payments to vendors and contractors   | (330,219)      | (338,326)      |
| Salaries, wages and benefits  | (818,098)      | (808,336)      |
| Net cash used by operating activities   | (839,333)      | (765,667)      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                      |                |                |
| CARES Act   | 75,000         | —              |
| Gifts received for endowment purposes   | 50,000         | —              |
| Gifts received for other purposes   | 280,548        | 306,862        |
| Grants from the University of Kentucky for non-capital purposes                             | 413,955        | 484,012        |
| Net cash provided by noncapital financing activities  | 819,503        | 790,874        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                             |                |                |
| Grants to the University of Kentucky for capital purposes                                   | —              | (12,060)       |
| Purchases of capital assets   | —              | (8,132)        |
| Net cash used by capital and related financing activities                                   | —              | (20,192)       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |
| Proceeds from sales and maturities of investments   | 13,077         | 11,426         |
| Interest and dividends on investments   | 2,512          | 893            |
| Purchases of investments  | (13,077)       | (11,426)       |
| Net cash provided by investing activities   | 2,512          | 893            |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | (17,318)       | 5,908          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | 224,938        | 219,030        |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | \$ 207,620     | \$ 224,938     |
| <b>Reconciliation of net loss from operations to net cash used by operating activities:</b> |                |                |
| Net loss from operations  | \$ (1,153,061) | \$ (1,048,486) |
| Adjustments to reconcile net loss from operations to net cash used by operating activities: |                |                |
| Depreciation expense  | 69,279         | 60,601         |
| Donated facilities and administrative support from the University of Kentucky               | 244,204        | 207,611        |
| Change in accounts receivable   | (2,942)        | 5,272          |
| Change in accounts payable and accrued liabilities  | 787            | 11,508         |
| Change in unearned revenue  | 2,400          | (2,173)        |
| <b>Net cash used by operating activities</b>  | \$ (839,333)   | \$ (765,667)   |
| <b>NONCASH INVESTING ACTIVITIES</b>   |                |                |
| Investment unrealized gains (losses)  | (1,697)        | 1,151          |

See notes to financial statements

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

WUKY Radio is an organizational unit of the University of Kentucky (the University), which is a component unit of the Commonwealth of Kentucky (the Commonwealth) and is included in the basic financial statements of the Commonwealth. WUKY Radio is owned and operated by the University. Funds for operations are received by the University.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
  - Nonexpendable* – Net position subject to externally imposed stipulations that they be maintained permanently by WUKY Radio. Such assets include WUKY Radio's permanent endowment funds.
  - Expendable* – Net position whose use by WUKY Radio is subject to externally imposed stipulations that can be fulfilled by actions of WUKY Radio pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Net position whose use by WUKY Radio is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation is intended to provide a comprehensive, entity-wide perspective of WUKY Radio's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

**Summary of Significant Accounting Policies**

Accrual Basis. The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents. WUKY Radio considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncurrent cash and cash equivalents includes plant funds allocated for capital projects and endowment fund cash pending transfer to the custodian for investment. Cash and cash equivalents held by WUKY Radio's endowment fund are included in endowment investments.

Accounts Receivable. Accounts receivable consist of amounts due from underwriting contracts. No allowance has been recorded, as the amounts are deemed to fully collectible.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,300 named funds. All contributing endowments participate in the income and appreciation of the pool on a per unit basis commensurate with their contribution to the pool. New endowments purchase units in the pool at the current unit value, which is calculated each month based on the fair value of the pool investments divided by the number of pool units outstanding. The market value method of accounting for pooled endowment funds is employed to ensure proper distribution of market price changes, realized gains (losses) on sales, accrued income earned, and distribution of investment earnings for expenditure by participating funds.

In accordance with the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth in July 2010, the University employs a total return method for establishing investment objectives and spending policies designed to achieve financial equilibrium for endowment funds over the long term. The University makes expenditure decisions in accordance with UPMIFA and donor gift agreements. UPMIFA prescribes guidelines for expenditure of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations) and focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. In accordance with the standard of prudence prescribed by UPMIFA and consistent with industry standards, the University has adopted a spending policy with the long-term objective to maintain the purchasing power of each endowment and provide a predictable and sustainable level of income to support current operations.

The adopted spending policy is a “hybrid” policy, which includes both the market value of the endowment and the current level of inflation in determining spending each year. Annual spending is calculated by taking a weighted average comprising 60% of the prior year’s spending, adjusted for inflation, and 40% of the amount that results when the target annual spending rate of four percent is applied to the average market value of the endowment over the preceding 36 months. The spending amount determined by the formula is constrained so that the calculated rate is at least 3.5 percent, and not more than 5 percent, of the current endowment market value.

The University also utilizes an endowment management fee to support internal management and fundraising costs related to the endowment. For the years ended June 30, 2020 and 2019, the University’s annual endowment management fee was 0.90% and 0.82%, respectively.

To protect endowment funds from permanent impairment of value, spending and management fee withdrawals are suspended on endowments with a market value less than the contributed value by more than 20%. Additionally, endowments with a market value less than the contributed value by more than 10% undergo a formal review to determine the appropriate level of spending in accordance with various factors set forth in UPMIFA. All donor restrictions and stipulations prevail in decisions regarding preservation and spending of endowment funds.

The amount of gross spending policy distribution in accordance with the University’s endowment spending policy was \$2,512 and \$1,319 for the years ended June 30, 2020 and 2019, respectively.

Investments. Investments in marketable securities are carried at fair value. See footnote 2 for more information on the fair value determination. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position.

Capital Assets. Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift.

Equipment with a unit cost of \$5,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation of capital assets is computed

on a straight-line basis over the estimated useful lives of the respective assets, generally 40 years for buildings, 10–25 years for land and building improvements and infrastructure and 5–20 years for equipment.

Unearned Revenue. Unearned revenue consists of amounts received from underwriting contracts that have not yet been earned under the terms of the agreement.

Restricted Asset Spending Policy. WUKY Radio's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities. WUKY Radio defines operating activities, as reported on the Statements of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. WUKY Radio's operating revenues, other than community service grants from the Corporation for Public Broadcasting, are from exchange transactions. Certain significant revenues, such as gift revenue and grants from the University, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

Donated Services. Donated personal services of professional volunteers are recorded as revenue and expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position at estimated fair value based upon standard valuation rates and job level classifications developed by the Corporation for Public Broadcasting.

Use of Estimates. Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CARES Act. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Donald Trump on March 27th, 2020. This over \$2 trillion economic relief package delivers on the federal government's commitment to protecting the American people from the public health and economic impacts of COVID-19. WUKY received \$75,000 in relief funds awarded to the Corporation for Public Broadcasting and it is recognized in the Statement of Revenues, Expenses and Changes in Net Position.

Income Taxes. The University, of which WUKY Radio is an organizational unit, is an agency and instrumentality of the Commonwealth, pursuant to Kentucky Revised Statutes sections 164.100 through 164.280. Accordingly, the University is excluded from federal income taxes as an organization described in section 115 of the Internal Revenue Code of 1986 as amended.

## 2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2020 and 2019 are as follows:

|  | 2020       | 2019       |
|--|------------|------------|
| Cash and cash equivalents on deposit with the University of Kentucky | \$ 207,620 | \$ 224,938 |
| Investment in the University of Kentucky pooled endowment fund       | 31,503     | 32,372     |
| Total  | \$ 239,123 | \$ 257,310 |
| Statement of Net Position classification                             |            |            |
| Cash and cash equivalents  | \$ 152,748 | \$ 219,145 |
| Restricted cash and cash equivalents                                 | 54,872     | 5,793      |
| Total cash and cash equivalents                                      | 207,620    | 224,938    |
| Endowment investments  | 31,503     | 32,372     |
| Total  | \$ 239,123 | \$ 257,310 |

Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The framework for measuring fair value established by generally accepted accounting principles provides a fair value hierarchy as follows:

- Level 1            Quoted prices in active markets for identical assets or liabilities.
- Level 2            Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3            Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Cash and cash equivalents on deposit with the University are based on the historical cost and therefore are not classified in the fair value hierarchy. The investment in the University pooled endowment fund is derived based on the per unit calculation as described in footnote 1, thus is deemed to be a level 3 investment. For more information regarding the fair value measurements, refer to the University's financial statements, footnote 2. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.



The composition of the University's pooled endowment fund based upon fair value at June 30, 2020 and 2019 is as follows:

|   | 2020    | 2019    |
|---|---------|---------|
| Cash and cash equivalents                         | 0.3 %   | 0.2 %   |
| Diversifying strategies                           | 14.0 %  | 14.9 %  |
| Global equity - hedged                            | 5.9 %   | 6.0 %   |
| Global equity - international                     | 14.8 %  | 17.6 %  |
| Global equity - private                           | 19.9 %  | 16.1 %  |
| Global equity - U.S.                              | 15.2 %  | 12.4 %  |
| Global fixed income - high quality/rate sensitive | 6.0 %   | 6.9 %   |
| Global fixed income - private credit              | 2.8 %   | 3.1 %   |
| Global fixed income - public credit               | 5.0 %   | 5.8 %   |
| Real assets - private                             | 10.5 %  | 10.0 %  |
| Real assets - public                              | 5.6 %   | 7.0 %   |
| Total   | 100.0 % | 100.0 % |

Deposit and Investment Policies. WUKY Radio follows the deposit and investment policies established by the University's Board of Trustees. Such policies are developed to establish and maintain sound financial management practices for the investment and management of WUKY Radio's funds.

For purposes of investment management, WUKY Radio's deposits and investments can be grouped into two significant categories:

- Cash and cash equivalents on deposit with the University, which the University invests in deposits with banks and the Commonwealth. The University also invests cash on deposit in money market funds and the University's pooled endowment fund.
- Endowment investments in the University's pooled endowment fund.

Cash and cash equivalents on deposit with the University are managed based on the University's Operating Fund Investment Policy established by the Treasurer of the University.

Endowment investments are managed within guidelines established by the University's Endowment Investment Policy, as approved by the Investment Committee of the University's Board of Trustees, which governs the University's pooled endowment fund.

Deposit and Investment Risks. WUKY Radio's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk, as discussed in more detail below. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could affect the investment amounts in the Statements of Net Position.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing WUKY Radio to experience a loss of principal. As a means of limiting its exposure to losses arising from credit risk, the University's investment policies limit the exposure of its various investment types, as follows:

- Cash and cash equivalents on deposit with the University are governed by policy that minimizes risk in several ways. The University's deposits in Federal Deposit Insurance Corporation (FDIC) insured financial institutions are covered up to \$250,000 at each FDIC insured institution. State law requires that deposits in excess of this coverage be fully collateralized, therefore depository institutions issue a

pledge of specific U.S. Treasury or agency securities, held in the name of the University by the Federal Reserve Bank, to cover all amounts over the \$250,000 coverage.

- Deposits with the Commonwealth consist of securities eligible for short-term investments under state law. The University invests a portion of its operating cash in a diversified pool of money market funds. Fund investments include U.S. Treasury and agency securities, certificates of deposit, commercial paper, repurchase agreements and other short-term fixed income securities.
- Endowment managers are permitted to use derivative instruments to limit credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, WUKY Radio will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure of its various investment types, as follows:

- Cash and cash equivalents on deposit with the University are invested in deposits which are held in the University's name. Deposits with the Commonwealth are held in the Commonwealth's name. The University maintains records evidencing WUKY Radio's ownership interest in such balances.
- Endowment investments are held in the University's name by the University's custodian. The University maintains records of WUKY Radio's ownership interest (units) in the University's pooled endowment fund.

Concentrations of Credit Risk. WUKY Radio's investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. As a means of limiting its exposure to concentrations of credit risk, the University's investment policies limit concentrations in various investment types, as follows:

- Cash and cash equivalents on deposit with the University are not limited as to the maximum amount that may be invested in one issuer. However, the University's cash deposits in excess of federal deposit insurance are required to be fully collateralized by U.S. Treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240.
- The University's endowment fixed income managers are limited to a maximum investment in any one issuer of no more than five percent of total investments excluding sovereign debt of governments belonging to the Organization for Economic Cooperation and Development and U.S. agencies.

At June 30, 2020, WUKY Radio had no underlying investments in any one issuer which represented more than five percent of total investments, other than U.S. Treasury and agency obligations.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the University's investment policies limit the maturity of its various investment types, as follows:

- Cash and cash equivalents on deposit with the University have limited exposure to interest rate risk due to the short-term nature of the investment. The University requires that all deposits and money market funds be available for use on the next business day.
- Endowment managers are permitted to use derivative instruments to limit interest rate risk. Additionally, endowment investments held by the University's core-plus fixed income manager is limited to a duration that is within two years of the duration of the Barclays U.S. Aggregate Bond Index and unconstrained fixed income strategies have been implemented to further mitigate interest rate risk.

Foreign Currency Risk. Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit.

WUKY Radio's exposure to foreign currency risk derives from certain endowment investments of the University's pooled endowment fund. The University's investment policy allows fixed income managers to invest a portion of their portfolios in non-U.S. securities. Additionally, the investment policy allows various pooled fund managers to invest in accordance with the guidelines established in each individual fund's

prospectus, which allows for investment in non-U.S. securities. Endowment managers are permitted to use derivative instruments to limit foreign currency risk.

### 3. CAPITAL ASSETS, NET

Capital assets as of June 30, 2020 and 2019 are as follows:

|                                 | 2020                 |                    |             |                   |
|---------------------------------|----------------------|--------------------|-------------|-------------------|
|                                 | Beginning<br>Balance | Additions          | Deletions   | Ending Balance    |
| WUKY PBS Antenna                | \$ 750,414           | \$ —               | \$ —        | \$ 750,414        |
| Equipment                       | 546,184              | —                  | —           | 546,184           |
|                                 | <u>1,296,598</u>     | <u>—</u>           | <u>—</u>    | <u>1,296,598</u>  |
| <u>Accumulated Depreciation</u> |                      |                    |             |                   |
| WUKY PBS Antenna                | 215,755              | 18,760             | —           | 234,515           |
| Equipment                       | 392,601              | 50,519             | —           | 443,120           |
|                                 | <u>608,356</u>       | <u>69,279</u>      | <u>—</u>    | <u>677,635</u>    |
| Capital assets, net             | <u>\$ 688,242</u>    | <u>\$ (69,279)</u> | <u>\$ —</u> | <u>\$ 618,963</u> |

|                                 | 2019                 |                    |               |                   |
|---------------------------------|----------------------|--------------------|---------------|-------------------|
|                                 | Beginning<br>Balance | Additions          | Deletions     | Ending Balance    |
| WUKY PBS Antenna                | \$ 750,414           | \$ —               | \$ —          | \$ 750,414        |
| Equipment                       | 603,292              | 8,132              | 65,240        | 546,184           |
|                                 | <u>1,353,706</u>     | <u>8,132</u>       | <u>65,240</u> | <u>1,296,598</u>  |
| <u>Accumulated Depreciation</u> |                      |                    |               |                   |
| WUKY PBS Antenna                | 196,995              | 18,760             | —             | 215,755           |
| Equipment                       | 416,000              | 41,841             | 65,240        | 392,601           |
|                                 | <u>612,995</u>       | <u>60,601</u>      | <u>65,240</u> | <u>608,356</u>    |
| Capital assets, net             | <u>\$ 740,711</u>    | <u>\$ (52,469)</u> | <u>\$ —</u>   | <u>\$ 688,242</u> |

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2020 and 2019 are as follows:

|                                    | 2020             | 2019             |
|------------------------------------|------------------|------------------|
| Payable to vendors and contractors | \$ 18,742        | \$ 20,874        |
| Accrued payroll                    | 9,804            | 6,885            |
| Total                              | <u>\$ 28,546</u> | <u>\$ 27,759</u> |

## 5. IN-KIND CONTRIBUTIONS AND DONATED FACILITIES AND ADMINISTRATIVE SUPPORT

In-kind contributions and donated facilities and administrative support for the years ended June 30, 2020 and 2019 are as follows:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Facilities and administrative support from the University consists of: |                   |                   |
| Allocation of Vice President for University Relations and              |                   |                   |
| University Financial Services office costs                             | \$ 32,546         | \$ 34,343         |
| Maintenance, physical plant, operations and utilities                  | 144,500           | 106,110           |
| Use charge in accordance with CPB Regulations, for use                 |                   |                   |
| of 2640 Spurr Road Radio Tower and Transmitter Building                | 67,158            | 67,158            |
| Total  | <u>\$ 244,204</u> | <u>\$ 207,611</u> |

In-kind contributions and donated facilities and administrative support are recorded in revenues and expenses when received.

## 6. RISK MANAGEMENT

The University, of which WUKY Radio is an organizational unit, is exposed to various risks of loss related to torts and errors and omissions. These risks are covered by extension of coverage by the University's participation in an insurance risk retention group and self-insurance. Claims against directors and officers for wrongful acts (errors and omissions) are insured through a risk retention group. There have been no significant reductions in insurance coverage from 2019 to 2020. Settlements have not exceeded insurance coverage during the past three years.

## 7. CURRENT ECONOMIC UNCERTAINTIES

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of WUKY. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.



UNIVERSITY FINANCIAL SERVICES  
301 Peterson Service Building • Lexington, KY 40506-0005  
[www.uky.edu/ufs/financial-statements-and-investor-information](http://www.uky.edu/ufs/financial-statements-and-investor-information)

