



WUKY Radio

UNIVERSITY OF KENTUCKY • 2021 FINANCIAL STATEMENTS



WUKY Radio
A Public Telecommunications Entity
An Organizational Unit of the University of Kentucky
Financial Statements
Years Ended June 30, 2021 and 2020

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 Directors
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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise WUKY Radio's basic financial statement 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, 2021 and 2020, 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, 2021 and 2020, 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, 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.

BKD, LLP

Louisville, Kentucky
October 8, 2021

WUKY RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020. 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 increased \$140,104 or 15.6%. This was due to an increase in cash and cash equivalents of \$205,804 and endowment investments of \$26,144 offset by a decrease in capital assets, net of \$68,775 and accounts receivable of \$23,069.
- Total liabilities increased \$1,210 or 3.8%. This was due to an increase in unearned revenue of \$3,550 offset by a decrease in accounts payable and accrued liabilities of \$2,340.
- Net position increased \$138,894 or 16.0% to \$1,007,642.
- Operating revenues increased \$116,834 or 37.7% to \$426,360.
- Operating expenses increased \$9,506 or 0.6% to \$1,472,093.

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

	2021	2020	2019
ASSETS			
Current assets	\$ 372,614	\$ 194,956	\$ 258,411
Capital assets, net	550,188	618,963	688,242
Other noncurrent assets	117,596	86,375	38,165
Total assets	1,040,398	900,294	984,818
LIABILITIES			
Current liabilities	32,756	31,546	28,359
Total liabilities	32,756	31,546	28,359
NET POSITION			
Net investment in capital assets	550,188	618,963	688,242
Restricted			
Nonexpendable	86,309	80,224	30,224
Expendable	195,249	132,004	133,686
Unrestricted	175,896	37,557	104,307
Total net position	\$ 1,007,642	\$ 868,748	\$ 956,459

Assets. As of June 30, 2021, WUKY Radio's assets totaled \$1,040,398. Capital assets, net represented WUKY Radio's largest asset, totaling \$550,188 or 52.9% of total assets. Cash represented the second largest asset totaling \$413,424 or 39.7% of total assets.

Total assets increased \$140,104 during the year ended June 30, 2021. This increase was due to an increase in cash and cash equivalents of \$205,804 and an increase in endowment investments of \$26,144 offset by a decrease in capital assets, net of \$68,775 and a decrease in accounts receivable of \$23,069.

Liabilities. As of June 30, 2021, WUKY Radio's liabilities totaled \$32,756. Accounts payable and accrued liabilities totaling \$26,206 represented WUKY Radio's largest liability at 80.0% of total liabilities.

Total liabilities increased \$1,210 during the year ended June 30, 2021. The increase was due to an increase in unearned revenue of \$3,550 due to the advanced payment of underwriting contracts to provide services in fiscal year 2022 offset by a decrease in accounts payable and accrued liabilities of \$2,340 primarily due to timing differences in payments to vendors.

Net Position. Net position at June 30, 2021 totaled \$1,007,642 or 96.9% of total assets. Net investment in capital assets totaled \$550,188 or 54.6% of total net position, restricted net position totaled \$281,558 or 27.9% of total net position and unrestricted net position totaled \$175,896 or 17.5% of total net position.

Total net position increased \$138,894 during the year ended June 30, 2021. Unrestricted net position increased \$138,339 due to current year revenues exceeding expenses. Restricted net position increased

\$69,330 primarily due to gift and underwriting revenues exceeding restricted expenses. Net investment in capital assets decreased \$68,775 due to depreciation expense.

2020 Versus 2019. Total net position decreased \$87,711 from June 30, 2019 to June 30, 2020. Net investment in capital assets decreased \$69,279 due to depreciation expense. Unrestricted net position decreased \$66,750 due to expenses exceeding revenues. Restricted net position increased \$48,318 due to gift and underwriting revenues exceeding restricted expenditures.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES			
Sales related to fundraising activities	\$ 6,259	\$ 3,412	\$ 5,759
Underwriting income	97,099	185,212	254,394
Up-link syndication income	—	200	550
Community service grants	117,698	120,702	117,193
FCC reimbursements	205,304	—	—
Total operating revenues	<u>426,360</u>	<u>309,526</u>	<u>377,896</u>
OPERATING EXPENSES			
Program services	770,656	732,722	783,780
Supporting services	632,662	660,586	582,001
Depreciation	68,775	69,279	60,601
Total operating expenses	<u>1,472,093</u>	<u>1,462,587</u>	<u>1,426,382</u>
NET LOSS FROM OPERATIONS	<u>(1,045,733)</u>	<u>(1,153,061)</u>	<u>(1,048,486)</u>
NONOPERATING REVENUES			
COVID-19 funding	147,413	75,000	—
Gifts	322,132	280,548	306,862
Grants from the University of Kentucky, net	681,955	658,159	679,563
Other nonoperating revenues (expenses)	33,127	51,643	2,122
Total nonoperating revenues	<u>1,184,627</u>	<u>1,065,350</u>	<u>988,547</u>
INCREASE (DECREASE) IN NET POSITION	138,894	(87,711)	(59,939)
NET POSITION, beginning of year	<u>868,748</u>	<u>956,459</u>	<u>1,016,398</u>
NET POSITION, end of year	<u>\$ 1,007,642</u>	<u>\$ 868,748</u>	<u>\$ 956,459</u>

2021. WUKY Radio's operating revenues of \$426,360 increased \$116,834 or 37.7% primarily due to an increase of \$205,304 in reimbursements from the Federal Communications Commission (FCC) for expenses incurred to comply with the Spectrum Act of 2012 offset by a decrease of \$88,113 in underwriting income due to underwriters not renewing their contracts.

Operating expenses totaled \$1,472,093, of which 52.4% was used for program services such as local programming production, broadcasting, and program information expenses. The remaining 47.6% was used for supporting services such as management and general, fundraising, underwriting and grant solicitation expenses and depreciation expense. Operating expenses increased \$9,506 primarily in local programming production expenses, offset by a decrease in management and general expenses.

For the year ended June 30, 2021, net nonoperating revenues were \$1,184,627. This was composed of \$681,955 in grants from the University, net, \$322,132 in gifts, \$147,413 in COVID-19 funding, \$27,042 in investment income, and \$6,085 in additions to permanent endowments. COVID-19 funding increased \$72,413 due to additional federal stimulus funds, gifts increased \$41,584 primarily due an increase in one-time donations from existing members, grants from the University, net increased \$23,796 primarily due to an increase in support from the University, and investment income increased \$25,399 due to realized and unrealized gains as a result of favorable market conditions.

2020 Versus 2019. Operating revenues decreased \$68,370 when comparing fiscal year 2020 to 2019. This decrease was primarily due to a decrease in underwriting revenue. Operating expenses increased \$36,205 primarily in management and general expenses as well as strategic planning consultation fees. Net nonoperating revenues increased \$76,803 primarily due to COVID-19 funding and additions to permanent endowments offset by a decrease in grants from the University, net.

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

	2021	2020	2019
CASH PROVIDED (USED) BY:			
Operating activities	\$ (738,215)	\$ (839,333)	\$ (765,667)
Noncapital financing activities	1,066,653	819,503	790,874
Capital and related financing activities	(123,532)	—	(20,192)
Investing activities	898	2,512	893
Net increase (decrease) in cash and cash equivalents	205,804	(17,318)	5,908
CASH AND CASH EQUIVALENTS, beginning of year	207,620	224,938	219,030
CASH AND CASH EQUIVALENTS, end of year	\$ 413,424	\$ 207,620	\$ 224,938

2021. The two largest cash payments for operating activities were \$790,724 for salaries, wages and benefits and \$400,470 to vendors and contractors. The major sources of cash included in operating activities were FCC reimbursements of \$205,304, underwriting income of \$123,718, and grants of \$117,698.

Cash provided by noncapital financing activities increased \$247,150 due to an increase of \$177,068 in grants from the University for noncapital purposes, an increase of \$72,413 in COVID-19 funding, and an increase of \$41,584 in gifts received for other purposes offset by a decrease of \$43,915 in gifts received for endowment purposes.

Cash used by capital and related financing activities increased \$123,532 due to the return of funding to the University for capital projects that were partially reimbursed by the FCC.

2020 Versus 2019. Net cash used by operating activities increased \$73,666 from June 30, 2019 to June 30, 2020 primarily due to a decrease in underwriting income. Net cash provided by noncapital financing activities increased \$28,629 due to increases in COVID-19 funding and additions to permanent endowments offset by decreases in gifts and grants from the University of Kentucky for non-capital purposes. Net cash used by

capital and related financing activities decreased \$20,192 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 \$550,188 at June 30, 2021, a decrease of \$68,775 from fiscal year 2020. Capital assets as of June 30, 2021, 2020, and 2019, and changes in capital assets during the years ended June 30, 2020 and 2021 are as follows:

	Balance June 30, 2019	Net Additions/ (Deductions)	Balance June 30, 2020	Net Additions/ (Deductions)	Balance June 30, 2021
WUKY PBS Antenna	\$ 750,414	\$ —	\$ 750,414	\$ —	\$ 750,414
Equipment	546,184	—	546,184	—	546,184
	<u>1,296,598</u>	<u>—</u>	<u>1,296,598</u>	<u>—</u>	<u>1,296,598</u>
<u>Accumulated depreciation</u>					
WUKY PBS Antenna	(215,755)	(18,760)	(234,515)	(18,761)	(253,276)
Equipment	(392,601)	(50,519)	(443,120)	(50,014)	(493,134)
	<u>(608,356)</u>	<u>(69,279)</u>	<u>(677,635)</u>	<u>(68,775)</u>	<u>(746,410)</u>
Total	<u>\$ 688,242</u>	<u>\$ 69,279</u>	<u>\$ 618,963</u>	<u>\$ (68,775)</u>	<u>\$ 550,188</u>

Debt. WUKY Radio had no debt at or during the year ended June 30, 2021, or 2020.

Factors Impacting Future Periods

WUKY Radio has two sources of funding that are impacted by the ongoing economic situation; memberships and underwriting. Membership and underwriting revenue comprise over 24.3% of WUKY Radio's annual funding. WUKY Radio's membership revenue increased 13.6% 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 47.6% after a decrease in fiscal year 2019-2020. 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 has completed its strategic plan for years 2022 through 2024. Fundraising growth and development is a major component of the plan. It includes memberships, underwriting, major gifts, additions to permanent endowments, planned gifts, events, grant opportunities and other identified sources of revenue. The strategic plan addresses the activities required of WUKY to achieve and support these goals: to partner with and engage the community, to grow and diversify audiences across platforms, and to create extraordinary content.

While the COVID-19 pandemic continues to impact the economy, the duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

WUKY RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 353,475	\$ 152,748
Accounts receivable	19,139	42,208
Total current assets	<u>372,614</u>	<u>194,956</u>
Noncurrent Assets		
Restricted cash and cash equivalents	59,949	54,872
Endowment investments	57,647	31,503
Capital assets, net	550,188	618,963
Total noncurrent assets	<u>667,784</u>	<u>705,338</u>
Total assets	<u>1,040,398</u>	<u>900,294</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	26,206	28,546
Unearned revenue	6,550	3,000
Total current liabilities	<u>32,756</u>	<u>31,546</u>
Total liabilities	<u>32,756</u>	<u>31,546</u>
NET POSITION		
Net investment in capital assets	<u>550,188</u>	<u>618,963</u>
Restricted		
Nonexpendable	86,309	80,224
Expendable	195,249	132,004
Total restricted	<u>281,558</u>	<u>212,228</u>
Unrestricted	<u>175,896</u>	<u>37,557</u>
Total net position	<u>\$ 1,007,642</u>	<u>\$ 868,748</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, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Sales related to fundraising activities	\$ 6,259	\$ 3,412
Underwriting income	97,099	185,212
Up-link syndication income	—	200
Community service grants from Corporation for Public Broadcasting	117,698	120,702
Federal Communications Commission reimbursements	205,304	—
Total operating revenues	<u>426,360</u>	<u>309,526</u>
OPERATING EXPENSES		
Program services		
Local programming production	584,551	529,008
Broadcasting	145,978	159,557
Program information	40,127	44,157
Total program services	<u>770,656</u>	<u>732,722</u>
Supporting services		
Management and general	383,036	408,744
Fundraising	132,484	125,309
Underwriting and grant solicitation	117,142	126,533
Total supporting services	<u>632,662</u>	<u>660,586</u>
Depreciation	68,775	69,279
Total operating expenses	<u>1,472,093</u>	<u>1,462,587</u>
Net loss from operations	<u>(1,045,733)</u>	<u>(1,153,061)</u>
NONOPERATING REVENUES (EXPENSES)		
COVID-19 funding	147,413	75,000
Gifts	322,132	280,548
Investment income	27,042	1,643
Grants from the University of Kentucky for noncapital purposes	805,487	658,159
Net nonoperating revenues	<u>1,302,074</u>	<u>1,015,350</u>
Net income (loss) before other revenues, expenses, gains or losses	<u>256,341</u>	<u>(137,711)</u>
Grants to the University of Kentucky for capital purposes	(123,532)	—
Additions to permanent endowments	6,085	50,000
Total other revenues (expenses)	<u>(117,447)</u>	<u>50,000</u>
INCREASE (DECREASE) IN NET POSITION	138,894	(87,711)
NET POSITION, beginning of year	<u>868,748</u>	<u>956,459</u>
NET POSITION, end of year	<u>\$ 1,007,642</u>	<u>\$ 868,748</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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales related to fundraising activities	\$ 6,259	\$ 3,412
Underwriting income	123,718	184,094
Up-link syndication income	—	200
FCC reimbursements	205,304	—
Grants	117,698	121,278
Payments to vendors and contractors	(400,470)	(330,219)
Salaries, wages and benefits	(790,724)	(818,098)
Net cash used by operating activities	(738,215)	(839,333)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
COVID-19 funding	147,413	75,000
Gifts received for endowment purposes	6,085	50,000
Gifts received for other purposes	322,132	280,548
Grants from the University of Kentucky for non-capital purposes	591,023	413,955
Net cash provided by noncapital financing activities	1,066,653	819,503
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants to the University of Kentucky for capital purposes	(123,532)	—
Net cash used by capital and related financing activities	(123,532)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	12,514	13,077
Interest and dividends on investments	898	2,512
Purchases of investments	(12,514)	(13,077)
Net cash provided by investing activities	898	2,512
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	205,804	(17,318)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	207,620	224,938
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 413,424	\$ 207,620
Reconciliation of net loss from operations to net cash used by operating activities:		
Net loss from operations	\$ (1,045,733)	\$ (1,153,061)
Adjustments to reconcile net loss from operations to net cash used by operating activities:		
Depreciation expense	68,775	69,279
Donated facilities and administrative support from the University of Kentucky	214,464	244,204
Change in accounts receivable	23,069	(2,942)
Change in accounts payable and accrued liabilities	(2,340)	787
Change in unearned revenue	3,550	2,400
Net cash used by operating activities	\$ (738,215)	\$ (839,333)
NONCASH INVESTING ACTIVITIES		
Investment unrealized gains (losses)	\$ 24,634	\$ (1,697)

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, 2021 AND 2020

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 2,400 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. The University’s annual endowment management fee was 0.90% for the years ended June 30, 2021 and 2020.

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 \$3,161 and \$2,512 for the years ended June 30, 2021 and 2020, 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 (CPB), 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 CPB.

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.

COVID-19 Funding. 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 \$147,413 and \$75,000 in COVID-19 funding awarded to the CPB for the years ended June 30, 2021 and 2020, respectively. These funds are 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, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents on deposit with the University of Kentucky	\$ 413,424	\$ 207,620
Investment in the University of Kentucky pooled endowment fund	57,647	31,503
Total	\$ 471,071	\$ 239,123
Statement of Net Position classification		
Cash and cash equivalents	\$ 353,475	\$ 152,748
Restricted cash and cash equivalents	59,949	54,872
Total cash and cash equivalents	413,424	207,620
Endowment investments	57,647	31,503
Total	\$ 471,071	\$ 239,123

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, 2021.

The composition of the University's pooled endowment fund based upon fair value at June 30, 2021 and 2020 is as follows:

	2021	2020
Cash and cash equivalents	1.3 %	0.3 %
Diversifying strategies	16.3 %	14.0 %
Global equity - hedged	—	5.9 %
Global equity - international	16.9 %	14.8 %
Global equity - private	21.6 %	19.9 %
Global equity - U.S.	17.6 %	15.2 %
Global fixed income - high quality/rate sensitive	5.7 %	6.0 %
Global fixed income - private credit	2.5 %	2.8 %
Global fixed income - public credit	3.9 %	5.0 %
Real assets - private	9.2 %	10.5 %
Real assets - public	5.0 %	5.6 %
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, 2021, 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 actively managed intermediate-term 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, 2021 and 2020 are as follows:

	2021			
	Beginning 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	234,515	18,761	—	253,276
Equipment	443,120	50,014	—	493,134
	<u>677,635</u>	<u>68,775</u>	<u>—</u>	<u>746,410</u>
Capital assets, net	<u>\$ 618,963</u>	<u>\$ (68,775)</u>	<u>\$ —</u>	<u>\$ 550,188</u>

	2020			
	Beginning 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>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2021 and 2020 are as follows:

	2021	2020
Payable to vendors and contractors	\$ 15,326	\$ 18,742
Accrued payroll	10,880	9,804
Total	<u>\$ 26,206</u>	<u>\$ 28,546</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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Facilities and administrative support from the University consists of:		
Allocation of Vice President for University Relations and		
University Financial Services office costs	\$ 32,685	\$ 32,546
Maintenance, physical plant, operations and utilities	114,621	144,500
Use charge in accordance with CPB Regulations, for use		
of 2640 Spurr Road Radio Tower and Transmitter Building	67,158	67,158
Total	<u>\$ 214,464</u>	<u>\$ 244,204</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 2020 to 2021. Settlements have not exceeded insurance coverage during the past three years.

7. FEDERAL COMMUNICATIONS COMMISSION (FCC) REIMBURSEMENTS

The Reimbursement Expansion Act (REA) of 2018 provides funding to cover the costs incurred to comply with the Spectrum Act of 2012. WUKY was impacted by the changes of REA because its transmitting equipment is mounted to Kentucky Educational Television's tower. WUKY submitted claims to the FCC under the REA and received \$205,304 in reimbursements during the current fiscal year.

8. CURRENT ECONOMIC UNCERTAINTIES

While the COVID-19 pandemic continues to impact the economy, the duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.



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