



# **WUKY Radio**

**UNIVERSITY OF KENTUCKY • 2022 FINANCIAL STATEMENTS**

**WUKY Radio**  
**A Public Telecommunications Entity**  
**An Organizational Unit of the University of Kentucky**  
**Financial Statements**  
**Year Ended June 30, 2022**

CONTENTS	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12

## Independent Auditor's Report

Board of Directors  
University of Kentucky  
WUKY Radio  
Lexington, Kentucky

### ***Opinion***

We have audited the 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 year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise WUKY Radio's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of WUKY Radio, as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of WUKY Radio and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements of WUKY Radio are intended to present the financial position, 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, 2022, the changes in its financial position or its cash flows for the year 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.

As discussed in Note 1 to the financial statements, in 2022, WUKY Radio adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WUKY Radio's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WUKY Radio's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WUKY Radio's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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 is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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.

**FORVIS,LLP**

Louisville, Kentucky  
October 7, 2022

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2022**

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 year ended June 30, 2022. 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 \$468,618 or 45.0%. This was due to an increase in cash and cash equivalents of \$344,527, an increase in capital and lease assets, net of \$133,206 offset by a decrease in endowment investments of \$8,819 and a decrease in accounts receivable of \$296.
- Total liabilities increased \$133,195 or 406.6%. This was due to an increase in lease liabilities of \$33,737, an increase in accounts payable and accrued liabilities of \$84,296 and an increase in unearned revenue of \$15,162.
- Net position increased \$335,423 or 33.3% to \$1,343,065.
- Operating revenues increased \$357,981 or 84.0% to \$784,341.
- Operating expenses increased \$134,943 or 9.2% to \$1,607,036.

**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.

WUKY Radio implemented GASB Statement No. 87, *Leases* in fiscal year 2022. The financial statements for fiscal year 2021 were not restated for this implementation.

### 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

	2022	2021
<b>ASSETS</b>		
Current assets	\$ 418,948	\$ 372,614
Capital and lease assets, net	683,394	550,188
Other noncurrent assets	406,674	117,596
Total assets	1,509,016	1,040,398
<b>LIABILITIES</b>		
Current liabilities	143,129	32,756
Noncurrent liabilities	22,822	—
Total liabilities	165,951	32,756
<b>NET POSITION</b>		
Net investment in capital assets	570,886	550,188
Restricted		
Nonexpendable	97,984	86,309
Expendable	133,887	195,249
Unrestricted	540,308	175,896
Total net position	\$ 1,343,065	\$ 1,007,642

**Assets.** As of June 30, 2022, WUKY Radio's assets totaled \$1,509,016. Cash represented WUKY Radio's largest asset totaling \$757,951 or 50.2% of total assets. Capital and lease assets, net represented the second largest assets, totaling \$683,394 or 45.3% of total assets.

Total assets increased \$468,618 during the year ended June 30, 2022. This increase was due to an increase in cash and cash equivalents of \$344,527, an increase in capital and lease assets, net of \$133,206 offset by a decrease in endowment investments of \$8,819 and a decrease in accounts receivable of \$296.

**Liabilities.** As of June 30, 2022, WUKY Radio's liabilities totaled \$165,951. Accounts payable and accrued liabilities totaling \$110,502 represented WUKY Radio's largest liability at 66.6% of total liabilities. Lease liabilities represented the second largest liability totaling \$33,737 or 20.3% of total liabilities.

Total liabilities increased \$133,195 during the year ended June 30, 2022. The increase was due to an increase in lease liabilities of \$33,737 due to the implementation of GASB Statement No. 87, an increase in accounts payable and accrued liabilities of \$84,296 primarily due to accounts payable related to a capital project, and an increase in unearned revenue of \$15,162 due to the advanced payment of underwriting contracts to provide services in fiscal year 2023.

**Net Position.** Net position at June 30, 2022 totaled \$1,343,065 or 89.0% of total assets. Net investment in capital assets totaled \$570,886 or 42.5% of total net position, restricted net position totaled \$231,871 or 17.3% of total net position and unrestricted net position totaled \$540,308 or 40.2% of total net position.

Total net position increased \$335,423 during the year ended June 30, 2022. Unrestricted net position increased \$364,412 due to revenues exceeding expenses. Net investment in capital assets increased \$20,698 due to the purchase of capital assets offset by depreciation expense. Restricted net position decreased \$49,687 primarily due to gift and underwriting expenses exceeding restricted revenues.

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

	2022	2021
<b>OPERATING REVENUES</b>		
Sales related to fundraising activities	\$ 2,765	\$ 6,259
Underwriting income	233,807	97,099
Community service grants	113,742	117,698
FCC reimbursements	421,078	205,304
Nongovernmental grants	12,949	—
Total operating revenues	784,341	426,360
<b>OPERATING EXPENSES</b>		
Program services	824,843	770,656
Supporting services	704,334	632,662
Depreciation and amortization	77,859	68,775
Total operating expenses	1,607,036	1,472,093
<b>NET LOSS FROM OPERATIONS</b>	(822,695)	(1,045,733)
<b>NONOPERATING REVENUES</b>		
COVID-19 funding	—	147,413
Gifts and additions to permanent endowments	326,442	328,217
Grants from the University of Kentucky, net	839,991	681,955
Other nonoperating revenues (expenses)	(8,315)	27,042
Total nonoperating revenues	1,158,118	1,184,627
<b>INCREASE IN NET POSITION</b>	335,423	138,894
<b>NET POSITION, beginning of year</b>	1,007,642	868,748
<b>NET POSITION, end of year</b>	\$ 1,343,065	\$ 1,007,642

WUKY Radio's operating revenues of \$784,341 increased \$357,981 or 84.0% primarily due to an increase of \$215,774 in reimbursements from the Federal Communications Commission (FCC) for expenses incurred to comply with the Spectrum Act of 2012 and an increase of \$136,708 in underwriting income due to underwriters renewing their contracts and the return to normal operations after the pandemic.

Operating expenses totaled \$1,607,036, of which 51.3% was used for program services such as local programming production, broadcasting, and program information expenses. The remaining 48.7% was used for supporting services such as management and general, fundraising, underwriting and grant solicitation expenses and depreciation and amortization expense. Operating expenses increased \$134,943 primarily in broadcasting expenses and underwriting and grant solicitation expenses.



For the year ended June 30, 2022, net nonoperating revenues were \$1,158,118. This was composed of \$839,991 in grants from the University, net, \$314,767 in gifts, and \$11,675 in additions to permanent endowments offset by \$7,275 in investment losses and \$1,040 in lease interest expense. Grants from the University, net, increased \$158,036 primarily due to an increase in support from the University, and increase of \$5,590 in additions to permanent endowments offset by decreases of \$7,365 in gifts primarily due to a decrease in one-time donations from existing members, and investment income decreased \$34,317 due to realized and unrealized losses as a result of unfavorable market conditions.

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**

	2022	2021
<b>CASH PROVIDED (USED) BY:</b>		
Operating activities	\$ (482,470)	\$ (738,215)
Noncapital financing activities	1,320,620	1,066,653
Capital and related financing activities	(495,166)	(123,532)
Investing activities	1,543	898
Net increase (decrease) in cash and cash equivalents	344,527	205,804
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	413,424	207,620
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 757,951	\$ 413,424

The two largest cash payments for operating activities were \$848,467 for salaries, wages and benefits and \$433,802 to vendors and contractors. The major sources of cash included in operating activities were FCC reimbursements of \$421,078, underwriting income of \$249,265, and grants of \$126,691.

Cash provided by noncapital financing activities increased \$253,967 due to an increase of \$403,155 in grants from the University for noncapital purposes, an increase of \$5,590 in gifts received for endowment purposes offset by decreases in COVID-19 funding of \$147,413 and in gifts received for other purposes of \$7,365 .

Cash used by capital and related financing activities increased \$371,634 primarily due to the return of funding to the University for capital projects that were partially reimbursed by the FCC.

## Capital and Lease Assets and Debt Administration

**Capital and Lease Assets.** Capital assets, net of accumulated depreciation, totaled \$649,001 at June 30, 2022, an increase of \$98,813 from fiscal year 2021. Lease assets, net of accumulated amortization totaled \$34,393. Capital assets and lease assets, net for the year ended June 30, 2022 are summarized below:

### Capital Assets

	Balance July 1, 2021	Net Additions/ (Deductions)	Balance June 30, 2022
WUKY PBS Antenna	\$ 750,414	\$ 147,576	\$ 897,990
Equipment	546,184	17,941	564,125
	<u>1,296,598</u>	<u>165,517</u>	<u>1,462,115</u>
<u>Accumulated depreciation</u>			
WUKY PBS Antenna	(253,276)	(18,762)	(272,038)
Equipment	(493,134)	(47,942)	(541,076)
	<u>(746,410)</u>	<u>(66,704)</u>	<u>(813,114)</u>
Capital assets, net	<u>\$ 550,188</u>	<u>\$ 98,813</u>	<u>\$ 649,001</u>

### Lease assets

	Balance July 1, 2021	Net Additions/ (Deductions)	Balance June 30, 2022
Leased Equipment	\$ 45,548	\$ —	\$ 45,548
Accumulated amortization	—	(11,155)	(11,155)
Lease assets, net	<u>\$ 45,548</u>	<u>\$ (11,155)</u>	<u>\$ 34,393</u>

WUKY Radio adopted GASB Statement No.87 during fiscal year 2022 resulting in recognition of lease assets of \$45,548 for lessee contracts as of July, 1 2021.

**Debt.** At June 30, 2022, lease liabilities are \$33,737.

### 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. While WUKY Radio's underwriting revenue increased this year, membership revenue was stagnate this year. WUKY is committed to membership growth. In an effort to revitalize growth, WUKY Radio has engaged in certain community events to increase nonprofit community awareness. In addition, WUKY Radio has also partnered with multiple community organizations to raise awareness of the station in additional demographics. WUKY Radio is also working to increase membership and revenue with audience growth, membership management training, utilizing the best practices of other stations, and developing a partnership with National Public Radio to obtain major gifts.

The economic impact on WUKY Radio's revenue and revenue growth continues to be of concern. WUKY Radio has taken steps to remedy this by targeting the community's demographics better during peak listening hours, strengthening a developing partnership with National Public Radio and continuing to work with UK Philanthropy on gift resources. WUKY Radio will continue to actively review potential standalone events that have higher revenue potential with minimal risk.

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 400,105
Accounts receivable, net (less allowance for doubtful accounts of \$9,234)	18,843
Total current assets	<u>418,948</u>

**Noncurrent Assets**

Restricted cash and cash equivalents	357,846
Endowment investments	48,828
Capital assets, net	649,001
Lease assets, net	34,393
Total noncurrent assets	<u>1,090,068</u>
Total assets	<u>1,509,016</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities	110,502
Unearned revenue	21,712
Lease liabilities - current portion	10,915
Total current liabilities	<u>143,129</u>

**Noncurrent Liabilities**

Lease liabilities	22,822
Total noncurrent liabilities	<u>22,822</u>
Total liabilities	<u>165,951</u>

**NET POSITION**

**Net investment in capital assets**

**Restricted**

Nonexpendable	97,984
Expendable	133,887
Total restricted	<u>231,871</u>

**Unrestricted**

	<u>540,308</u>
<b>Total net position</b>	<u>\$ 1,343,065</u>

See notes to financial statements

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**OPERATING REVENUES**

Sales related to fundraising activities	\$ 2,765
Underwriting income	233,807
Community service grants from Corporation for Public Broadcasting	113,742
Federal Communications Commission reimbursements	421,078
Nongovernmental grants	12,949
Total operating revenues	<u>784,341</u>

**OPERATING EXPENSES**

Program services	
Local programming production	594,389
Broadcasting	185,830
Program information	44,624
Total program services	<u>824,843</u>
Supporting services	
Management and general	402,330
Fundraising	144,050
Underwriting and grant solicitation	157,954
Total supporting services	<u>704,334</u>
Depreciation and amortization	77,859
Total operating expenses	<u>1,607,036</u>
Net loss from operations	<u>(822,695)</u>

**NONOPERATING REVENUES (EXPENSES)**

Gifts	314,767
Investment loss	(7,275)
Interest on lease asset-related debt	(1,040)
Grants from the University of Kentucky for noncapital purposes	1,235,562
Net nonoperating revenues	<u>1,542,014</u>
Net income before other revenues, expenses, gains or losses	<u>719,319</u>
Grants to the University of Kentucky for capital purposes	(395,571)
Additions to permanent endowments	11,675
Total other expenses	<u>(383,896)</u>

**INCREASE IN NET POSITION**

<b>NET POSITION, beginning of year</b>	<u>1,007,642</u>
<b>NET POSITION, end of year</b>	<u>\$ 1,343,065</u>

See notes to financial statements

**WUKY RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Sales related to fundraising activities	\$ 384
Underwriting income	249,265
Up-link syndication income	2,381
FCC reimbursements	421,078
Grants and contracts	126,691
Payments to vendors and contractors	(433,802)
Salaries, wages and benefits	(848,467)
Net cash used by operating activities	<u>(482,470)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Gifts received for endowment purposes	11,675
Gifts received for other purposes	314,767
Grants from the University of Kentucky for non-capital purposes	994,178
Net cash provided by noncapital financing activities	<u>1,320,620</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Grants to the University of Kentucky for capital purposes	(395,571)
Purchases of capital assets	(87,668)
Principal paid on leases payable	(11,811)
Interest paid on leases payable	(116)
Net cash used by capital and related financing activities	<u>(495,166)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	21,464
Interest and dividends on investments	1,543
Purchases of investments	(21,464)
Net cash provided by investing activities	<u>1,543</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

344,527

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

413,424

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 757,951

**Reconciliation of net loss from operations**

**to net cash used by operating activities:**

Net loss from operations	\$ (822,695)
Adjustments to reconcile net loss from operations to net cash used by operating activities:	
Depreciation and amortization expense	77,859
Donated facilities and administrative support from the University of Kentucky	241,384
Change in accounts receivable	296
Change in accounts payable and accrued liabilities	5,524
Change in unearned revenue	15,162

**Net cash used by operating activities**

\$ (482,470)

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

Investment unrealized losses	\$ (12,373)
Capital asset change in accounts payable	\$ 77,848

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, 2022**

**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 and lease assets, net of accumulated depreciation and amortization and outstanding lease liabilities 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. Accounts receivable is recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,500 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, 2022.

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 \$3,566 for the year ended June 30, 2022.

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.

Lease Assets. Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payment made at or before the commencement of the lease term, less any lease incentives received from the lessor at/or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment. WUKY Radio evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease assets has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciate or accumulated amortization will be accelerated. The amount of the impairment loss will be recorded as the net book value divided proportionately over its remaining years of useful life. No capital or lease asset impairment was recognized during the year ended June 30, 2022.

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 Statement 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 Statement 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.

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.

Adoption of GASB statement No.87. In June 2017, GASB issued Statement No. 87, *Leases*, which provided guidance regarding lease accounting. It establishes a single model for lease accounting based on the foundational principle that a lease is financing of the right to use an underlying asset. It requires WUKY to



recognize lease liabilities and the intangible right-to-use lease assets as lessee, and lease receivables and deferred inflow of resources as lessor. The provisions of the statement were effective for fiscal years beginning after December 15, 2019 (fiscal year 2021). Due to the COVID-19 pandemic, GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, extending the provisions of this statement by 18 months to fiscal year 2022.

GASB Statement No. 87 was adopted during fiscal year 2022 resulting in the recognition of lease assets of \$45,548 and lease liabilities of \$45,548 at July 1, 2021, which are reported at present value using the University's incremental borrowing rate.

## 2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2022 is as follows:

Cash and cash equivalents on deposit with the University of Kentucky	\$ 757,951
Investment in the University of Kentucky pooled endowment fund	48,828
Total	<u>\$ 806,779</u>
Statement of Net Position classification	
Cash and cash equivalents	\$ 400,105
Restricted cash and cash equivalents	357,846
Total cash and cash equivalents	<u>757,951</u>
Endowment investments	48,828
Total	<u>\$ 806,779</u>

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, 2022.

The composition of the University's pooled endowment fund based upon fair value at June 30, 2022 is as follows:

Cash and cash equivalents	0.2 %
Diversifying strategies	14.9 %
Global equity - international	15.2 %
Global equity - private	21.6 %
Global equity - U.S.	20.3 %
Global fixed income - public fixed income	9.0 %
Global fixed income - private credit	3.3 %
Real assets - private	13.3 %
Real assets - public	2.2 %
Total	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 Statement 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, 2022, 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 AND LEASE ASSETS, NET

Capital assets as of June 30, 2022 are as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
WUKY PBS Antenna	\$ 750,414	\$ 147,576	\$ —	\$ 897,990
Equipment	546,184	17,941	—	564,125
	<u>1,296,598</u>	<u>165,517</u>	<u>—</u>	<u>1,462,115</u>
<u>Accumulated Depreciation</u>				
WUKY PBS Antenna	253,276	18,762	—	272,038
Equipment	493,134	47,942	—	541,076
	<u>746,410</u>	<u>66,704</u>	<u>—</u>	<u>813,114</u>
Capital assets, net	<u>\$ 550,188</u>	<u>\$ 98,813</u>	<u>\$ —</u>	<u>\$ 649,001</u>

Lease assets as of June 30, 2022 are as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
Leased Equipment	\$ 45,548	\$ —	\$ —	\$ 45,548
Accumulated amortization	—	11,155	—	11,155
Lease assets, net	<u>\$ —</u>	<u>\$ (11,155)</u>	<u>\$ —</u>	<u>\$ 34,393</u>

WUKY adopted GASB Statement No. 87 and recorded lease assets and lease liabilities of \$45,548 as of July 1, 2021.

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2022 are as follows:

Payable to vendors and contractors	\$ 98,220
Accrued expenses	12,282
Total	<u>\$ 110,502</u>

### 5. LONG-TERM LIABILITIES

WUKY leases space on Kentucky Educational Television's (KET) tower at Clay's Ferry for its broadcasting transmitter. The lease began August 1, 2020 with annual payments of \$11,927 due on July 1 for five years with the option to extend the lease an additional five years. The lease is recorded at the present value using the University's incremental borrowing rate.

Long-term liabilities as of June 30, 2022 and long-term liability activity for the year ended June 30, 2022 is summarized below:

	July 1, 2021	Additions	Reductions	June 30, 2022	Current Portion	Noncurrent Portion
Lease liabilities	\$ 45,548	\$ —	\$ 11,811	\$ 33,737	\$ 10,915	\$ 22,822
Total	<u>\$ 45,548</u>	<u>\$ —</u>	<u>\$ 11,811</u>	<u>\$ 33,737</u>	<u>\$ 10,915</u>	<u>\$ 22,822</u>

Principal and interest on operating leases for the next three fiscal years as of June 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,915	\$ 1,012	\$ 11,927
2024	11,243	684	11,927
2025	<u>11,579</u>	<u>348</u>	<u>11,927</u>
Total	<u>\$ 33,737</u>	<u>\$ 2,044</u>	<u>\$ 35,781</u>

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

In-kind contributions and donated facilities and administrative support for the year ended June 30, 2022 are as follows:

Facilities and administrative support from the University consists of:

Allocation of Vice President for University Relations and University Financial Services office costs	\$ 37,771
Maintenance, physical plant, operations and utilities	136,455
Use charge in accordance with CPB Regulations, for use of 2640 Spurr Road Radio Tower and Transmitter Building	<u>67,158</u>
Total	<u>\$ 241,384</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 2021 to 2022. 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 \$421,078 in reimbursements during the current fiscal year.



## UNIVERSITY FINANCIAL SERVICES

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