



WUKY Radio

UNIVERSITY OF KENTUCKY • 2023 FINANCIAL STATEMENTS

WUKY Radio
A Public Telecommunications Entity
An Organizational Unit of the University of Kentucky
Financial Statements
Years Ended June 30, 2023 and 2022

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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 years ended June 30, 2023 and 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, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Audits 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 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 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

Board of Directors
University of Kentucky
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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 audits 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 6, 2023

WUKY RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
AN ORGANIZATIONAL UNIT OF THE UNIVERSITY OF KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 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 years ended June 30, 2023 and 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 \$509,043 or 33.7%. This was due to an increase in capital and lease assets, net of \$257,448, an increase in cash and cash equivalents of \$243,373 and an increase in endowment investments of \$8,424 offset by a decrease in accounts receivable of \$202.
- Total liabilities decreased \$47,350 or 28.5%. This was due to a decrease in accounts payable and accrued liabilities of \$29,216, a decrease in lease liabilities of \$10,915 and a decrease in unearned revenue of \$7,219.
- Net position increased \$556,393 or 41.4% to \$1,899,458.
- Operating revenues decreased \$465,586 or 59.4% to \$318,755.
- Operating expenses increased \$286,597 or 17.8% to \$1,893,633.

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

| | 2023 | 2022 | 2021 |
|----------------------------------|--------------|--------------|--------------|
| ASSETS | | | |
| Current assets | \$ 614,138 | \$ 418,948 | \$ 372,614 |
| Capital and lease assets, net | 940,842 | 683,394 | 550,188 |
| Other noncurrent assets | 463,079 | 406,674 | 117,596 |
| Total assets | 2,018,059 | 1,509,016 | 1,040,398 |
| LIABILITIES | | | |
| Current liabilities | 107,022 | 143,129 | 32,756 |
| Noncurrent liabilities | 11,579 | 22,822 | — |
| Total liabilities | 118,601 | 165,951 | 32,756 |
| NET POSITION | | | |
| Net investment in capital assets | 917,396 | 570,886 | 550,188 |
| Restricted | | | |
| Nonexpendable | 133,748 | 97,984 | 86,309 |
| Expendable | 242,356 | 133,887 | 195,249 |
| Unrestricted | 605,958 | 540,308 | 175,896 |
| Total net position | \$ 1,899,458 | \$ 1,343,065 | \$ 1,007,642 |

Assets. As of June 30, 2023, WUKY Radio's assets totaled \$2,018,059. Cash and cash equivalents represented WUKY Radio's largest asset totaling \$1,001,324 or 49.6%. Capital and lease assets, net represented the second largest asset totaling \$940,842 or 46.6% of total assets.

Total assets increased \$509,043 during the year ended June 30, 2023. This increase was due to an increase in capital and lease assets, net of \$257,448, an increase of cash and cash equivalents of \$243,373 and an increase in endowment investments of \$8,424 offset by a decrease in accounts receivable of \$202.

Liabilities. As of June 30, 2023, WUKY Radio's liabilities totaled \$118,601. Accounts payable and accrued liabilities represented WUKY Radio's largest liability at \$81,286 or 68.5% of total liabilities. Lease liabilities represented the second largest liability totaling \$22,822 or 19.2% of total liabilities.

Total liabilities decreased \$47,350 during the year ended June 30, 2023. The decrease was due to a decrease in accounts payable and accrued liabilities of \$29,216 primarily due to the completion of a capital project, a decrease in lease liabilities of \$10,915 due to principal payments made and a decrease in unearned revenue of \$7,219 due to fewer advanced payments of underwriting contracts to provide services in fiscal year 2024 compared to prior year.

Net Position. Net position at June 30, 2023 totaled \$1,899,458 or 94.1% of total assets. Net investment in capital assets totaled \$917,396 or 48.3% of total net position, restricted net position totaled \$376,104 or 19.8% of total net position and unrestricted net position totaled \$605,958 or 31.9% of total net position.

Total net position increased \$556,393 during the year ended June 30, 2023. Net investment in capital assets increased \$346,510 due to the purchase of capital assets offset by depreciation expense. Restricted net position increased \$144,233 primarily due to gift and underwriting restricted revenues exceeding expenses. Unrestricted net position increased \$65,650 due to revenues exceeding expenses.

2022 Versus 2021. Total net position increased \$335,423 from June 30, 2021 to 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 due to gift and underwriting expenses exceeding restricted revenues.

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | 2023 | 2022 | 2021 |
|---|--------------|--------------|--------------|
| OPERATING REVENUES | | | |
| Sales related to fundraising activities | \$ 4,284 | \$ 2,765 | \$ 6,259 |
| Underwriting income | 200,202 | 233,807 | 97,099 |
| Community service grants | 108,438 | 113,742 | 117,698 |
| FCC reimbursements | — | 421,078 | 205,304 |
| Nongovernmental grants | 5,831 | 12,949 | — |
| Total operating revenues | 318,755 | 784,341 | 426,360 |
| OPERATING EXPENSES | | | |
| Program services | 1,084,127 | 824,843 | 770,656 |
| Supporting services | 771,422 | 704,334 | 632,662 |
| Depreciation and amortization | 38,084 | 77,859 | 68,775 |
| Total operating expenses | 1,893,633 | 1,607,036 | 1,472,093 |
| NET LOSS FROM OPERATIONS | (1,574,878) | (822,695) | (1,045,733) |
| NONOPERATING REVENUES | | | |
| COVID-19 funding | — | — | 147,413 |
| Gifts and additions to permanent endowments | 322,678 | 326,442 | 328,217 |
| Grants from the University of Kentucky, net | 1,799,313 | 839,991 | 681,955 |
| Other nonoperating revenues (expenses) | 9,280 | (8,315) | 27,042 |
| Total nonoperating revenues | 2,131,271 | 1,158,118 | 1,184,627 |
| INCREASE IN NET POSITION | 556,393 | 335,423 | 138,894 |
| NET POSITION, beginning of year | 1,343,065 | 1,007,642 | 868,748 |
| NET POSITION, end of year | \$ 1,899,458 | \$ 1,343,065 | \$ 1,007,642 |

WUKY Radio's operating revenues of \$318,755 decreased \$465,586 or 59.4% primarily due to a decrease of \$421,078 in reimbursements from the Federal Communications Commission (FCC) for expenses incurred to comply with the Spectrum Act of 2012 and a decrease of \$33,605 in underwriting income due to decreases in business and industry and private college and university underwriting contracts.

Operating expenses totaled \$1,893,633, of which 57.3% was used for program services such as local programming production, broadcasting and program information expenses. The remaining 42.7% was used for supporting services such as management and general, fundraising, underwriting and grant solicitation expenses and depreciation and amortization expenses. Operating expenses increased \$286,597 primarily in local programming production, program information and management and general expenses.

For the year ended June 30, 2023, net nonoperating revenues were \$2,131,271. This was composed of \$1,799,313 in grants from the University, net, \$286,914 in gifts, \$35,764 in additions to permanent endowments and \$9,993 in investment income offset by \$713 in lease interest expense. Grants from the University, net, increased \$959,322 primarily due to an increase in support from the University, additions to permanent endowments increased \$24,089, investment income increased \$17,268 due to realized and unrealized gains as a result of favorable market conditions offset by a decrease in gifts of \$27,853 primarily due to a decrease in one-time donations from existing members and a decrease in lease interest expense of \$327.

2022 Versus 2021. Operating revenues increased \$357,981 when comparing fiscal year 2021 to 2022. This increase was primarily due to an increase in reimbursements from the Federal Communications Commission (FCC) and an increase in underwriting income. Operating expenses increased \$134,943 primarily in broadcasting expenses and underwriting and grant solicitation expenses.

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

| | 2023 | 2022 | 2021 |
|---|---------------------|-------------------|-------------------|
| CASH PROVIDED (USED) BY: | | | |
| Operating activities | \$(1,252,749) | \$ (482,470) | \$ (738,215) |
| Noncapital financing activities | 1,879,859 | 1,320,620 | 1,066,653 |
| Capital and related financing activities | (385,306) | (495,166) | (123,532) |
| Investing activities | 1,569 | 1,543 | 898 |
| Net increase in cash and cash equivalents | 243,373 | 344,527 | 205,804 |
| CASH AND CASH EQUIVALENTS, beginning of year | 757,951 | 413,424 | 207,620 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 1,001,324 | \$ 757,951 | \$ 413,424 |

The two largest cash payments for operating activities were \$893,428 for salaries, wages, and benefits and \$671,059 to vendors and contractors. The major sources of cash included in operating activities were underwriting income of \$193,185 and grants and contracts of \$114,269.

Cash provided by noncapital financing activities increased \$559,239 due to an increase of \$563,003 in grants from the University for noncapital purposes and an increase of \$24,089 in gifts received for endowment purposes offset by a decrease of \$27,853 in gifts received for other purposes.

Cash used by capital and related financing activities decreased \$109,860 primarily due to the completion of a capital project resulting in the reduction of funding to the University for capital purposes offset by an increase in the purchase of capital assets.

2022 Versus 2021. Net cash used by operating activities decreased \$255,745 from June 30, 2021 to June 30, 2022 primarily due to an increase in FCC reimbursements and underwriting income. Net cash provided by noncapital financing activities increased \$253,967 due to an increase in grants from the University for noncapital purposes and gifts received for endowment purposes offset by a decrease in COVID-19 funding and gifts received for other purposes. Net 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 \$917,603 at June 30, 2023, an increase of \$268,602 from fiscal year 2022. Lease assets, net of accumulated amortization totaled \$23,239, a decrease of \$11,154 from fiscal year 2022. Capital assets and lease assets, net for the years ended June 30, 2023, 2022, and 2021 are summarized below:

Capital Assets

| | Balance June 30, 2021 | Net Additions/ (Deductions) | Balance June 30, 2022 | Net Additions/ (Deductions) | Balance June 30, 2023 |
|---------------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| WUKY PBS Antenna | \$ 750,414 | \$ 147,576 | \$ 897,990 | \$ 295,532 | \$ 1,193,522 |
| Equipment | 546,184 | 17,941 | 564,125 | (16,485) | 547,640 |
| | <u>1,296,598</u> | <u>165,517</u> | <u>1,462,115</u> | <u>279,047</u> | <u>1,741,162</u> |
| <u>Accumulated depreciation</u> | | | | | |
| WUKY PBS Antenna | (253,276) | (18,762) | (272,038) | (24,323) | (296,361) |
| Equipment | (493,134) | (47,942) | (541,076) | 13,878 | (527,198) |
| | <u>(746,410)</u> | <u>(66,704)</u> | <u>(813,114)</u> | <u>(10,445)</u> | <u>(823,559)</u> |
| Capital assets, net | <u>\$ 550,188</u> | <u>\$ 98,813</u> | <u>\$ 649,001</u> | <u>\$ 268,602</u> | <u>\$ 917,603</u> |

Lease assets

| | Balance July 1, 2021 | Net Additions/ (Deductions) | Balance June 30, 2022 | Net Additions/ (Deductions) | Balance June 30, 2023 |
|--------------------------|-------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| Leased Equipment | \$ 45,548 | \$ — | \$ 45,548 | \$ — | \$ 45,548 |
| Accumulated amortization | — | (11,155) | (11,155) | (11,154) | (22,309) |
| Lease assets, net | <u>\$ 45,548</u> | <u>\$ (11,155)</u> | <u>\$ 34,393</u> | <u>\$ (11,154)</u> | <u>\$ 23,239</u> |

Debt. At June 30, 2023, lease liabilities totaled \$22,822.

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 and membership revenue decreased 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 University 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
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 595,497 | \$ 400,105 |
| Accounts receivable, net | | |
| Less allowance for doubtful accounts of \$0 in 2023 and \$9,234 in 2022 | 18,641 | 18,843 |
| Total current assets | <u>614,138</u> | <u>418,948</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 405,827 | 357,846 |
| Endowment investments | 57,252 | 48,828 |
| Capital assets, net | 917,603 | 649,001 |
| Lease assets, net | 23,239 | 34,393 |
| Total noncurrent assets | <u>1,403,921</u> | <u>1,090,068</u> |
| Total assets | <u>2,018,059</u> | <u>1,509,016</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 81,286 | 110,502 |
| Unearned revenue | 14,493 | 21,712 |
| Lease liabilities - current portion | 11,243 | 10,915 |
| Total current liabilities | <u>107,022</u> | <u>143,129</u> |
| Noncurrent Liabilities | | |
| Lease liabilities | 11,579 | 22,822 |
| Total noncurrent liabilities | <u>11,579</u> | <u>22,822</u> |
| Total liabilities | <u>118,601</u> | <u>165,951</u> |
| NET POSITION | | |
| Net investment in capital assets | <u>917,396</u> | <u>570,886</u> |
| Restricted | | |
| Nonexpendable | 133,748 | 97,984 |
| Expendable | 242,356 | 133,887 |
| Total restricted | <u>376,104</u> | <u>231,871</u> |
| Unrestricted | <u>605,958</u> | <u>540,308</u> |
| Total net position | <u>\$ 1,899,458</u> | <u>\$ 1,343,065</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, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Sales related to fundraising activities | \$ 4,284 | \$ 2,765 |
| Underwriting income | 200,202 | 233,807 |
| Community service grants from Corporation for Public Broadcasting | 108,438 | 113,742 |
| Federal Communications Commission reimbursements | — | 421,078 |
| Nongovernmental grants | 5,831 | 12,949 |
| Total operating revenues | <u>318,755</u> | <u>784,341</u> |
| OPERATING EXPENSES | | |
| Program services | | |
| Local programming production | 733,872 | 594,389 |
| Broadcasting | 238,136 | 185,830 |
| Program information | 112,119 | 44,624 |
| Total program services | <u>1,084,127</u> | <u>824,843</u> |
| Supporting services | | |
| Management and general | 474,421 | 402,330 |
| Fundraising | 138,564 | 144,050 |
| Underwriting and grant solicitation | 158,437 | 157,954 |
| Total supporting services | <u>771,422</u> | <u>704,334</u> |
| Depreciation and amortization | 38,084 | 77,859 |
| Total operating expenses | <u>1,893,633</u> | <u>1,607,036</u> |
| Net loss from operations | <u>(1,574,878)</u> | <u>(822,695)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Gifts | 286,914 | 314,767 |
| Investment income (loss) | 9,993 | (7,275) |
| Interest on lease asset-related debt | (713) | (1,040) |
| Grants from the University of Kentucky for noncapital purposes | 1,799,313 | 1,235,562 |
| Net nonoperating revenues | <u>2,095,507</u> | <u>1,542,014</u> |
| Net income before other revenues, expenses, gains or losses | <u>520,629</u> | <u>719,319</u> |
| Grants to the University of Kentucky for capital purposes | — | (395,571) |
| Additions to permanent endowments | 35,764 | 11,675 |
| Total other revenues (expenses) | <u>35,764</u> | <u>(383,896)</u> |
| INCREASE IN NET POSITION | 556,393 | 335,423 |
| NET POSITION, beginning of year | <u>1,343,065</u> | <u>1,007,642</u> |
| NET POSITION, end of year | <u>\$ 1,899,458</u> | <u>\$ 1,343,065</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, 2023 AND 2022

| | 2023 | 2022 |
|---|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Sales related to fundraising activities | \$ 4,284 | \$ 384 |
| Underwriting income | 193,185 | 249,265 |
| Up-link syndication income | — | 2,381 |
| FCC reimbursements | — | 421,078 |
| Grants and contracts | 114,269 | 126,691 |
| Payments to vendors and contractors | (671,059) | (433,802) |
| Salaries, wages and benefits | (893,428) | (848,467) |
| Net cash used by operating activities | (1,252,749) | (482,470) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Gifts received for endowment purposes | 35,764 | 11,675 |
| Gifts received for other purposes | 286,914 | 314,767 |
| Grants from the University of Kentucky for non-capital purposes | 1,557,181 | 994,178 |
| Net cash provided by noncapital financing activities | 1,879,859 | 1,320,620 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Grants to the University of Kentucky for capital purposes | — | (395,571) |
| Purchases of capital assets | (373,380) | (87,668) |
| Principal paid on leases payable | (10,915) | (11,811) |
| Interest paid on leases payable | (1,011) | (116) |
| Net cash used by capital and related financing activities | (385,306) | (495,166) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 18,560 | 21,464 |
| Interest and dividends on investments | 1,569 | 1,543 |
| Purchases of investments | (18,560) | (21,464) |
| Net cash provided by investing activities | 1,569 | 1,543 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 243,373 | 344,527 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 757,951 | 413,424 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,001,324 | \$ 757,951 |
| Reconciliation of net loss from operations to net cash used by operating activities: | | |
| Net loss from operations | \$ (1,574,878) | \$ (822,695) |
| Adjustments to reconcile net loss from operations to net cash used by operating activities: | | |
| Depreciation and amortization expense | 38,084 | 77,859 |
| Donated facilities and administrative support from the University of Kentucky | 242,132 | 241,384 |
| Change in accounts receivable | 202 | 296 |
| Change in accounts payable and accrued liabilities | 48,930 | 5,524 |
| Change in unearned revenue | (7,219) | 15,162 |
| Net cash used by operating activities | \$ (1,252,749) | \$ (482,470) |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Investment unrealized income (losses) | \$ 8,459 | \$ (12,373) |
| Capital asset change in accounts payable | \$ (77,848) | \$ 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, 2023 AND 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 2,564 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, 2023 and 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 \$4,579 and \$3,566 for the years ended June 30, 2023 and 2022, 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.

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 depreciation 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 years ended June 30, 2023 and 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.

2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--|--------------|------------|
| Cash and cash equivalents on deposit with the University of Kentucky | \$ 1,001,324 | \$ 757,951 |
| Investment in the University of Kentucky pooled endowment fund | 57,252 | 48,828 |
| Total | \$ 1,058,576 | \$ 806,779 |
| Statement of Net Position classification | | |
| Cash and cash equivalents | \$ 595,497 | \$ 400,105 |
| Restricted cash and cash equivalents | 405,827 | 357,846 |
| Total cash and cash equivalents | 1,001,324 | 757,951 |
| Endowment investments | 57,252 | 48,828 |
| Total | \$ 1,058,576 | \$ 806,779 |

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, 2023.

The composition of the University's pooled endowment fund based upon fair value at June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---------|---------|
| Cash and cash equivalents | 0.3 % | 0.2 % |
| Diversifying strategies | 12.8 % | 14.9 % |
| Global equity - international | 16.6 % | 15.2 % |
| Global equity - private | 20.6 % | 21.6 % |
| Global equity - U.S. | 23.9 % | 20.3 % |
| Global fixed income - public fixed income | 7.9 % | 9.0 % |
| Global fixed income - private credit | 3.8 % | 3.3 % |
| Real assets - private | 12.4 % | 13.3 % |
| Real assets - public | 1.7 % | 2.2 % |
| 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 within guidelines established by the University's Operating Fund Investment Policy, as approved by the Investment Committee of the University's Board of Trustees and maintained by the Operating Fund Investment Committee.

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 changes 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 the 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 and money market funds which are held in the University's name by various financial institutions. 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 core-plus fixed income manager is 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, 2023, 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, the University's actively managed core-plus fixed income portfolio manager is limited to a duration that is within two years of the duration of the Barclays U.S. Aggregate Bond Index. 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, 2023 and 2022 are as follows:

| | 2023 | | | |
|---------------------------------|-------------------|-------------------|---------------|-------------------|
| | June 30, 2022 | Additions | Deletions | June 30, 2023 |
| WUKY PBS Antenna | \$ 897,990 | \$ 295,532 | \$ — | \$ 1,193,522 |
| Equipment | 564,125 | — | 16,485 | 547,640 |
| | <u>1,462,115</u> | <u>295,532</u> | <u>16,485</u> | <u>1,741,162</u> |
| <u>Accumulated Depreciation</u> | | | | |
| WUKY PBS Antenna | 272,038 | 24,323 | — | 296,361 |
| Equipment | 541,076 | 2,607 | 16,485 | 527,198 |
| | <u>813,114</u> | <u>26,930</u> | <u>16,485</u> | <u>823,559</u> |
| Capital assets, net | <u>\$ 649,001</u> | <u>\$ 268,602</u> | <u>\$ —</u> | <u>\$ 917,603</u> |
| | | | | |
| | 2022 | | | |
| | June 30, 2022 | 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, 2023 and 2022 are as follows:

| | 2023 | | | |
|--------------------------|------------------|--------------------|-------------|------------------|
| | June 30, 2022 | Additions | Deletions | June 30, 2023 |
| Leased Equipment | \$ 45,548 | \$ — | \$ — | \$ 45,548 |
| Accumulated amortization | 11,155 | 11,154 | — | 22,309 |
| Lease assets, net | <u>\$ 34,393</u> | <u>\$ (11,154)</u> | <u>\$ —</u> | <u>\$ 23,239</u> |
| | | | | |
| | 2022 | | | |
| | July 1, 2021 | Additions | Deletions | 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>\$ —</u> | <u>\$ 34,393</u> |

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|------------------------------------|------------------|-------------------|
| Payable to vendors and contractors | \$ 69,759 | \$ 98,220 |
| Accrued expenses | 11,527 | 12,282 |
| Total | <u>\$ 81,286</u> | <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, 2023 and 2022 and long-term liability activity for the years ended June 30, 2023 and 2022 are summarized below:

| | 2023 | | | | | |
|-------------------|------------------|-------------|------------------|------------------|--------------------|-----------------------|
| | June 30, 2022 | Additions | Reductions | June 30, 2023 | Current Portion | Noncurrent Portion |
| Lease liabilities | \$ 33,737 | \$ — | \$ 10,915 | \$ 22,822 | \$ 11,243 | \$ 11,579 |
| Total | <u>\$ 33,737</u> | <u>\$ —</u> | <u>\$ 10,915</u> | <u>\$ 22,822</u> | <u>\$ 11,243</u> | <u>\$ 11,579</u> |

| | 2022 | | | | | |
|-------------------|------------------|-------------|------------------|------------------|--------------------|-----------------------|
| | 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 two fiscal years as of June 30, 2023 are as follows:

| | Principal | Interest | Total |
|-------|------------------|-----------------|------------------|
| 2024 | \$ 11,243 | \$ 684 | \$ 11,927 |
| 2025 | 11,579 | 348 | 11,927 |
| Total | <u>\$ 22,822</u> | <u>\$ 1,032</u> | <u>\$ 23,854</u> |

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

In-kind contributions and donated facilities and administrative support for the years ended June 30, 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Facilities and administrative support from the University consists of: | | |
| Allocation of Vice President for University Relations and | | |
| University Financial Services office costs | \$ 43,517 | \$ 37,771 |
| Maintenance, physical plant, operations and utilities | 131,457 | 136,455 |
| Use charge in accordance with CPB Regulations, for use | | |
| of 2640 Spurr Road Radio Tower and Transmitter Building | 67,158 | 67,158 |
| Total | <u>\$ 242,132</u> | <u>\$ 241,384</u> |

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

7. 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. The insurance coverage limit was reduced from \$1.50 billion in 2022 to \$1.00 billion in 2023. Settlements have not exceeded insurance coverage during the past three years.

8. 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 during fiscal year 2022 but did not receive any reimbursements during fiscal year 2023.



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