

**KAET-TV  
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**



[CLAconnect.com](http://CLAconnect.com)

**WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING**

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**TABLE OF CONTENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>15</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>16</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>17</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>19</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF FUNCTIONAL EXPENSES</b>	<b>29</b>



## INDEPENDENT AUDITORS' REPORT

Ms. Joanne Wamsley  
Vice President for Finance and Deputy Treasurer  
KAET-TV (A Department of Arizona State University)  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KAET-TV (A Department of Arizona State University) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements which comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Ms. Joanne Wamsley  
Vice President for Finance and Deputy Treasurer  
KAET-TV (A Department of Arizona State University)

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of KAET-TV as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of KAET-TV are intended to present the financial position, and changes in financial position of only that portion of Arizona State University, that is attributable to KAET-TV. They do not purport to, and do not, present fairly the financial position of Arizona State University, as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of KAET-TV. The accompanying schedule of functional expense is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Ms. Joanne Wamsley  
Vice President for Finance and Deputy Treasurer  
KAET-TV (A Department of Arizona State University)

The schedule of functional expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 11, 2020

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of KAET-TV: Arizona PBS (the Station), a Department of Arizona State University (the "University"), and is designed to assist in the understanding of the accompanying financial statements for the years ended June 30, 2020 and 2019.

This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section.

## **INTRODUCTION**

The Station, based at the Walter Cronkite School of Journalism and Mass Communication, is a donor-supported community of Arizona State University, lies in the heart of Downtown Phoenix. As the largest media organization operated by a journalism school in the world, Arizona PBS serves as a journalistic "teaching hospital." This revolutionary model taps into the talents of advanced students, working under the guidance of top professionals from the University faculty and Station staff to provide new, rich content.

As a member of the Public Broadcasting Service, the Station provides audiences with innovative news, science, arts and children's programming, through four (4) broadcast channels and growing array of digital platforms. In addition, the Station has grown a vast Educational Outreach program that supports educators and students in the classroom with educational content, focusing on various academic standards. Additionally, the Station supports the community through KBAQ, an FM radio station co-licensed to Arizona State University and Maricopa County Community College District, which broadcasts 24 hours of classical music and arts information. The Central Sound division of KBAQ captures classical and acoustic professional music performances of the highest caliber.

## **OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

These financial statements were prepared in accordance with reporting guidelines of the Corporation for Public Broadcasting (CPB) and Governmental Accounting Standards Board (GASB) principles as they apply to public colleges and universities. The financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows. Although the primary focus of this document is on the results of activity for years ended June 30, 2020 (FY2020) and June 30, 2019 (FY2019) comparative data is presented for the previous year ended June 30, 2018 (FY2018).

### **Statement of Net Position**

The Condensed Statement of Net Position highlights the main categories of the Statement of Net Position of KAET-TV at June 30, 2020, 2019 and 2018. It shows the various assets owned or controlled, deferred outflows and inflows of resources, related liabilities and other obligations, and the various categories of net position.

Assets and liabilities are distinguished as to their current and noncurrent natures. Current liabilities are typically those obligations intended for liquidation or payment within the next fiscal year, while current assets are those resources that are available for use in meeting the ongoing operating needs of the Station, including current liabilities. Net position is divided into three categories: net investment in capital assets, restricted and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Statement of Net Position (Continued)**

A condensed comparison of KAET-TV's assets, liabilities, deferred outflows and inflows of resources, and net position at June 30, 2020, 2019 and 2018 follows:

	2020	2019	2018
Assets:			
Current Assets	\$ 4,535,464	\$ 5,554,748	\$ 4,258,517
Noncurrent Assets Other than Capital Assets	1,805,009	1,049,235	730,419
Capital Assets, Net	1,354,970	1,431,044	1,978,266
 Total Assets	 7,695,443	 8,035,027	 6,967,202
Liabilities:			
Current Liabilities	733,962	410,590	144,933
Noncurrent Liabilities	326,688	263,694	272,916
 Total Liabilities	 1,060,650	 674,284	 417,849
 Deferred Inflows of Resources	 290,288	 417,178	 332,640
Net Position:			
Net Investment in Capital Assets	1,354,970	1,431,044	1,978,266
Restricted	1,188,033	368,363	124,863
Unrestricted	3,801,502	5,144,158	4,113,584
 Total Net Position	 <u>\$ 6,344,505</u>	 <u>\$ 6,943,565</u>	 <u>\$ 6,216,713</u>

The Station's net position decreased \$0.59 million (8.6%) for FY2020. Operating revenues decreased by \$2.4 million due to a loss in grants and contracts because of a sponsored project not carried over to FY2020, and underperformance in program underwriting. Operating expenses decreased by \$1.8 million, largely due to a decrease in local programming/production and management and general, which are slightly offset by increases in Broadcasting, Program Information and Fundraising. The Station's net position increased \$0.7 million (11.7%) for FY2019, due mainly to an increase in other gifts and non-operating revenues during the year. Amongst various other contributors, the 2020 loss can be attributed to a decrease in general appropriations, grant funding and indirect administrative support.

For FY2020, the majority of the Station's decrease in current assets of \$1.0 million (18.3%) was due in part to the decrease in receivables of \$1.9 million, but was offset, by an increase in cash and cash equivalents of \$0.9 million. For FY2019, the majority of the Station's increase in current assets of \$1.2 million (30.4%) was reflected in cash and cash equivalents.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Statement of Net Position (Continued)**

In FY2020, noncurrent assets increased by \$0.8 million, due to an increase in investments of \$0.7 million through the Arizona State University Foundation and a decrease of \$0.1 million in split-interest agreements (charitable gift annuities). During FY2019, noncurrent assets increased \$0.3 million due to additional charitable gift annuities that were donated throughout the year.

In FY2020, capital assets decreased by only \$0.1 million. The \$0.2 million depreciation recorded was offset by the purchase of \$0.1 million of equipment. In FY2019, capital assets remained consistent with the prior year, because the \$0.8 million depreciation recorded for the year was offset by the \$0.3 million purchase of equipment.

FY2020 showed an increase in Station's current liabilities of \$0.3 million due to an increase in unearned revenue (deferred support). During FY2019, the Station's current liabilities increased by \$0.2 million primarily due to the Station timing of payments at year end.

During FY2020, non-current liabilities increased by \$0.1 million, due to an increase in estimated payments due to charitable gift annuity donors. Throughout FY2019, non-current liabilities remained consistent with prior years, solely consisting of estimated payments due to charitable gift annuity donors.

**Statement of Revenues, Expenses, and Changes in Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position reflect the results of operations and other changes for the years ended June 30, 2020, 2019 and 2018. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount – which is shown on the Statement of Net Position, described above.

Activities are reported as either operating or nonoperating. Operating revenues generally represent educational service grants and program underwriting funding. Operating expenses are incurred in the normal operations of the Station. A provision for depreciation on property and equipment has been included in operating expenses. The difference between the two generally results in an operating loss. Most University licensee's, including KAET-TV, will normally have an operating loss since significant recurring revenues, such as University support, and donor gifts are required by the CPB and accounting principles generally accepted in the United States of America, to be shown as nonoperating revenues.



**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

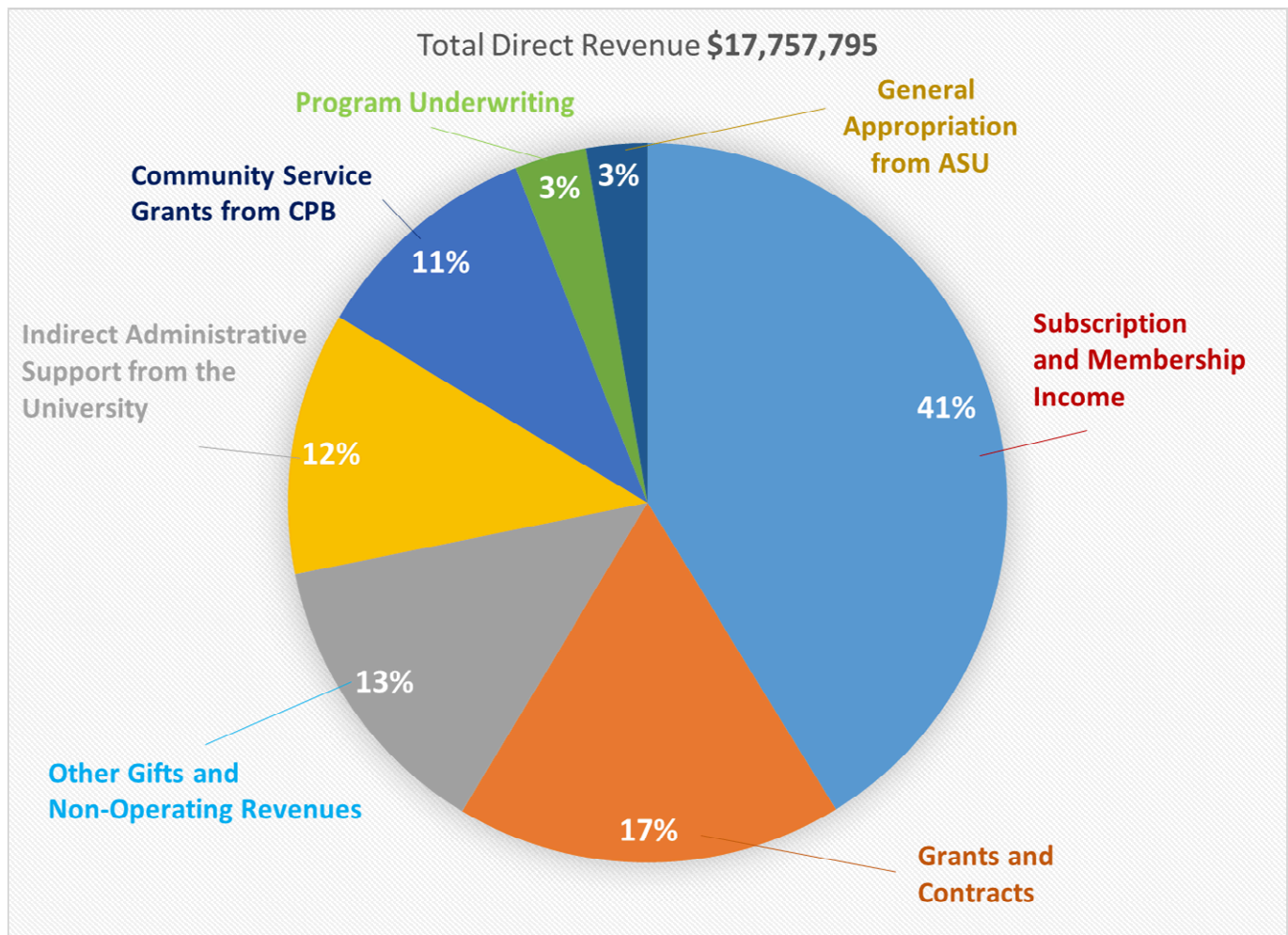
The Statement of Revenues, Expenses, and Changes in Net Position presents the Station's results of operations. A summarized comparison of the Station's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019, and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Grant and Contracts	\$ 3,088,815	\$ 4,522,853	\$ 6,131,487
Program Underwriting	572,905	1,526,029	1,231,998
Total Operating Revenues	<u>3,661,720</u>	<u>6,048,882</u>	<u>7,363,485</u>
Operating Expenses:			
Program Services:			
Local Programming and Production	10,023,371	12,133,302	10,766,325
Broadcasting	1,469,728	1,346,619	1,375,195
Program Information and Promotion	1,158,211	597,556	667,206
Supporting Services:			
Management and General	3,309,328	4,089,739	4,622,247
Fundraising and Membership Development	2,396,217	1,964,655	2,830,670
Total Operating Expenses	<u>18,356,855</u>	<u>20,131,871</u>	<u>20,261,643</u>
Operating Loss	(14,695,135)	(14,082,989)	(12,898,158)
Nonoperating Revenue (Expenses):			
Subscription and Membership Income	7,320,731	7,296,726	7,103,020
Community Service Grants from the Corporation for Public Broadcasting	1,848,992	1,845,795	2,049,483
Indirect Administrative Support from the University	2,095,987	2,428,100	2,377,422
Indirect Support from Other Agencies	357,994	333,398	343,423
General Appropriation from ASU	488,652	1,057,329	1,652,142
Other Gifts and Nonoperating Revenues	1,993,512	1,829,104	1,076,062
Investment Income	(9,793)	3,852	5,349
Unrealized Investment Gain (Loss)	-	15,537	1,856
Total Nonoperating Revenues	<u>14,096,075</u>	<u>14,809,841</u>	<u>14,608,757</u>
Changes in Net Position	(599,060)	726,852	1,710,599
Net Position - Beginning of Year	<u>6,943,565</u>	<u>6,216,713</u>	<u>4,506,114</u>
Net Position - End of Year	<u>\$ 6,344,505</u>	<u>\$ 6,943,565</u>	<u>\$ 6,216,713</u>

**KAET-TV  
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

The following graphs illustrate the operating and nonoperating revenues and expenses for the year ended June 30, 2020.

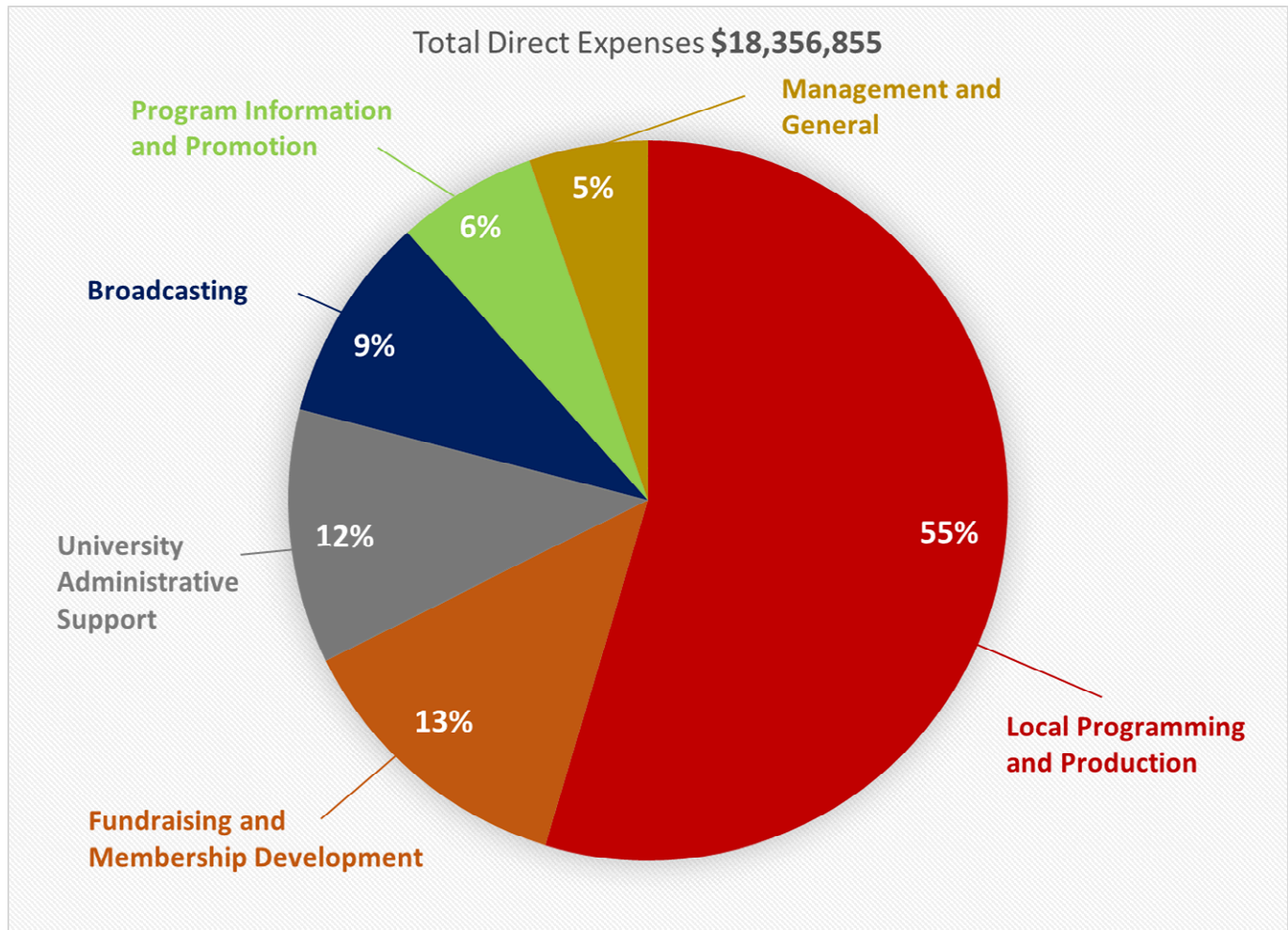
REVENUE	FY20 ACTUAL
Subscription and Membership Income	\$ 7,320,731
Grant and Contracts	3,088,815
Other Gifts and Non-Operating Revenues	2,341,713
Indirect Administrative Support from the University	2,095,987
Community Service Grants CPB	1,848,992
Program Underwriting	572,905
General Appropriation from ASU	488,652
<b>Total Revenue</b>	<b>\$ 17,757,795</b>



**KAET-TV  
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2020, continued.

EXPENSES	FY20 ACTUAL
Local Programming and Production	\$ 10,023,371
Fundraising and Membership Development	2,396,217
University Administrative Support	2,095,987
Broadcasting	1,469,728
Program Information and Promotion	1,158,211
Management and General	1,213,341
<b>Total Expenses</b>	<b>\$ 18,356,855</b>

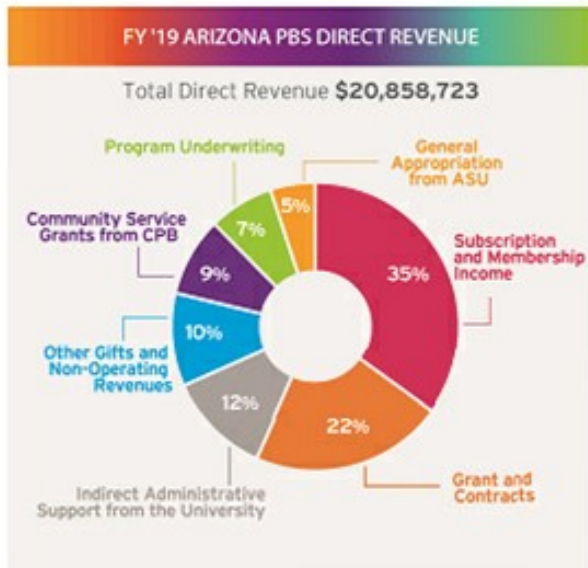


**KAET-TV  
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

The following graphs illustrate the operating and nonoperating revenues and expenses for the year ended June 30, 2019

REVENUE	FY19 ACTUAL
Subscription and Membership Income	\$7,296,726
Grant and Contracts	\$4,522,853
Indirect Administrative Support from the University	\$2,428,100
Other Gifts and Non-Operating Revenues	\$2,181,891
Community Service Grants from CPB	\$1,845,795
Program Underwriting	\$1,526,029
General Appropriation from ASU	\$1,057,329
<b>Total revenue</b>	<b>\$20,858,723</b>

EXPENSES	FY19 ACTUAL
Local Programming and Production	\$12,133,302
University Administrative Support	\$2,428,100
Fundraising and Membership Development	\$1,964,655
Management and General	\$1,661,639
Broadcasting	\$1,346,619
Program Information and Promotion	\$597,556
<b>Total expenses</b>	<b>\$20,131,871</b>



**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Operating Revenues and Expenses**

KAET-TV's operating revenues decreased by \$2.4 million in fiscal year FY2020. The decrease was primarily due to lower grant and contract revenue received through the state of Arizona's First Things First program, as a large revenue grant ended before FY2020. Operating expenses decreased by \$1.8 million, largely due to a decrease in local programming/production (\$2.1 million) and management and general (\$1.0 million), which are slightly offset by increases in broadcasting (\$0.4 million), program information (\$0.6 million) and fundraising (\$0.4 million).

KAET-TV's operating revenues decreased by \$1.6 million (26.2%) in fiscal year 2019. The increase was primarily due to lower grant and contract revenue received through the state of Arizona's First Things First program, as the grant is closing out. KAET-TV's operating revenues increased by \$1.4 million (23.0%) in fiscal year 2018. The increase was primarily due to higher grant and contract revenue received through the state of Arizona's First Things First program.

Operating expenses decreased by \$1.8 million (8.8%) in FY2020, consisting of: decreased programmatic expenditures FY 2019 operating expenses remained consistent with the FY2018, and decreased by \$0.1 million (0.6%) in FY2019.

**Nonoperating Revenues and Expenses**

Nonoperating revenues decreased by \$0.7 million from FY2019 to FY2020. The decrease is primarily due to general appropriations and indirect administrative support from the University reducing by \$0.6 million and \$0.3 million respectively.

Nonoperating revenues for the Station increased by \$0.2 million, or 1.4%, in FY2019 over FY2018. The increase was primarily due to an increase in other gifts and nonoperating revenues.

**Statement of Cash Flows**

The Statement of Cash Flows represents the inflows (sources) and outflows (uses) of cash and cash equivalents for the years ended June 30, 2020, 2019 and 2018. It shows various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the Statement of Net Position, described above. In addition, this statement reconciles cash flows from operating activities to operating income/(loss) on the Statement of Revenues, Expenses, and Changes in Net Position, described above.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Statement of Cash Flows (Continued)**

A summarized comparison of KAET-TV cash flows for the years ended June 30, 2020, 2019, and 2018 follows:

	2020	2019	2018
Cash Used by Operating Activities	\$ (7,801,206)	\$ (8,396,761)	\$ (9,250,350)
Noncapital Financing Activities	9,658,376	10,199,850	10,804,645
Capital Financing Activities	(156,150)	(258,890)	(904,708)
Investing Activities	<u>(829,463)</u>	<u>(226,278)</u>	<u>(7,254)</u>
Net Increase in Cash and Cash Equivalents	871,557	1,317,921	642,333
Cash and Cash Equivalents - Beginning of Year	<u>3,239,561</u>	<u>1,921,640</u>	<u>1,279,307</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,111,118</u>	<u>\$ 3,239,561</u>	<u>\$ 1,921,640</u>

In FY2020, the Station's cash increased by \$0.87 million, primarily due to a decrease in the purchase of capital assets and a decrease in payments to employees and others.

In FY2019, the Station's cash increased by \$1.3 million, primarily due to the increase in the 2019 program underwriting and other nonoperating receipts.

Noncapital financing activities consist of general appropriations from Arizona State University, grants from the Corporation for Public Broadcasting and general gifts from viewers.

**Capital and Debt Analysis**

The decrease of \$0.1 million in 2020 consisted primarily of depreciation of \$0.2 million against the new acquisitions of \$0.1 million.

As of June 30, 2019, KAET-TV had \$1.4 million in capital assets, net of accumulated depreciation. The increase of \$0.5 million or 0.3% in 2019, consisted primarily of depreciation expense

The federally mandated Telecommunications Act of 1996 required all public television stations be able to broadcast on digital television channels by May 2003. The digital conversion of KAET-TV's production facilities and main transmitter on South Mountain was completed in 2008. Six of our seven translators throughout Arizona have been converted from analog to digital operation, with the last analog transmitter in Yuma slated for digital migration. The final phase will include the creation of locally produced content solely on digital formats. Currently, the station broadcasts PBS and locally produced programs on Eight HD - Digital 8.1, broadcasts travel and how-to programs on Eight Life – Digital 8.2, and broadcasts documentary and nonfiction programs on Eight World – Digital 8.3, and PBS Kids educational programming on Digital 8.4. Selected programming includes Descriptive Video Service for the visually impaired on secondary audio channels.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Capital and Debt Analysis (Continued)**

KAET-TV broadcasts an additional service on Digital 8.5, which includes still images of Arizona, KBAQ-FM Classical music, and a Sun Sounds reading service for the visually impaired. As the Station strives to be a leader in technology, it was granted authority to participate in the Phoenix Model Market project by the FCC to simulcast programming on the Advanced Television Systems Committee 3.0 standard (ATSC 3.0). This deployment aims to test ASTC 3.0, which will enable support for newer technologies to broadcast up to 4K resolution. If successful, ASTC 3.0 hopes to become the new broadcasting standard.

**Long-Term Debt**

There was no long-term debt in FY2020 and FY2019.

**Economic Outlook**

KAET-TV management believes the Station is continuing to better position itself to advance its mission to be the standard-bearer for transmedia storytelling in public media, reaching new audiences in the quest to serve lifelong learners across Arizona and beyond.

Serving Arizonans for the last 57 years, KAET-TV-Arizona PBS is in the business of fostering an educated, informed, cultured, and civil society to advance our Democracy. KAET-TV is the public media enterprise of Arizona State University with over 1 million viewers each week and consistently ranks among the most-viewed public television stations per capita in the country. The Station continues to provide quality PBS programming while serving as a national hub for news innovation and reinvention.

Management is well aware of the challenging current economic environment and funding demands and continues to be strategic, nimble, flexible, and forward-looking, to provide quality public media and educational services to the Arizona community. As we continue to lead change through innovation, the Station implemented a new organizational design that centers on a digital future. The new structure focuses on increased revenue, which will produce an expansion of new content, ultimately resulting in an increased audience and viewership. This strategic model will enable the organization to seize new opportunities, utilize multiple different media platforms, and minimize the challenges with an ever-changing audience.

Gift revenue continues to be the major source of funding for the Station, supplemented by grants from the Corporation for Public Broadcasting (CPB) and Arizona Department of Education's First Things First program. CPB grants are expected to remain stable over at least the next two years via advanced federal appropriations, and First Things First grants are expected to grow the next two years as the State of Arizona continues to invest in the program to promote early childhood education. However, because of the unpredictable political climate, governmental funding has become increasingly volatile and although the elimination of funding is extremely improbable, the Station realizes that a reduction over time is a possibility, so it is strategizing to mitigate any effects. There is a focus on diverse fundraising initiatives, increased Planned Giving, and monetizing the multiple digital platforms from program underwriting. The Station has placed an emphasis on member acquisition utilizing increased, targeted marketing to attract additional households. KAET-TV also plans to maximize the utilization of the University resources available, which will enable the Station to deploy more resources towards additional revenue generation.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Economic Outlook (Continued)**

As technology continues to evolve, the Station is making it a priority to proactively replace and obtain new equipment to create high quality, pioneering content to attract viewers.

The Station maintains healthy, continuing to increase its Net Position, generating sufficient cash to address operational working capital requirements for the foreseeable future. While there is no anticipated need, KAET-TV has the ability to access University funds to meet any spending commitments. AZ PBS is putting money towards building working capital reserves and growing its endowment fund, with its operational surplus.

This financial narrative is designed to provide a general overview of the Station's finances and to show accountability for the contributions received by the Station. If there are any questions about this report or a need for additional financial information, contact the Station at:

KAET/Eight, Arizona PBS  
555 North Central Avenue, Suite 500  
Phoenix, Arizona 85004-1252



**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,111,118	\$ 3,239,561
Grants Receivable, Net	39,713	1,559,059
Pledge Receivables	144,176	99,939
Other Receivables	179,433	564,053
Other Assets	61,024	92,136
Total Current Assets	4,535,464	5,554,748
<b>INVESTMENTS</b>	1,188,033	368,363
<b>SPLIT-INTEREST AGREEMENTS</b>	616,976	680,872
<b>CAPITAL ASSETS, Net</b>	1,354,970	1,431,044
Total Assets	\$ 7,695,443	\$ 8,035,027
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 394,049	\$ 373,276
Unearned Revenue	339,913	37,314
Total Current Liabilities	733,962	410,590
<b>PRESENT VALUE OF ANNUITY PAYMENTS</b>	326,688	263,694
Total Liabilities	1,060,650	674,284
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources Related to Split-Interest Agreements	290,288	417,178
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,354,970	1,431,044
Restricted	1,188,033	368,363
Unrestricted	3,801,502	5,144,158
Total Net Position	\$ 6,344,505	\$ 6,943,565

See accompanying Notes to Basic Financial Statements.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUES</b>		
Grants and Contracts	\$ 3,088,815	\$ 4,522,853
Program Underwriting	572,905	1,526,029
Total Operating Revenues	3,661,720	6,048,882
<b>OPERATING EXPENSES</b>		
Programmatic Expenditures	12,651,310	14,077,477
Management and General	3,309,328	4,089,739
Fundraising and Membership Development	2,396,217	1,964,655
Total Operating Expenses	18,356,855	20,131,871
<b>OPERATING LOSS</b>	(14,695,135)	(14,082,989)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Subscription and Membership Income	7,320,731	7,296,726
Community Service Grants from the Corporation for Public Broadcasting	1,848,992	1,845,795
Indirect Administrative Support from the University	2,095,987	2,428,100
Indirect Support from Other Agencies	357,994	333,398
General Appropriations from the University	488,652	1,057,329
Other Gifts and Non-Operating Revenues	1,993,512	1,829,104
Investment Income (Loss)	(9,793)	3,852
Unrealized Investment Gain (Loss)	-	15,537
Total Nonoperating Revenues	14,096,075	14,809,841
<b>CHANGES IN NET POSITION</b>	(599,060)	726,852
Net Position - Beginning of Year	6,943,565	6,216,713
<b>NET POSITION - END OF YEAR</b>	\$ 6,344,505	\$ 6,943,565

See accompanying Notes to Basic Financial Statements.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants and Contract Receipts	\$ 4,783,870	\$ 4,823,493
Program Underwriting Receipts	988,637	1,339,590
Other Nonoperating Receipts	2,076,165	1,764,620
Payments to Employees and Others	<u>(15,649,877)</u>	<u>(16,324,464)</u>
Net Cash Used by Operating Activities	(7,801,205)	(8,396,761)
 <b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Subscription and Membership Income	7,320,731	7,296,726
Corporation for Public Broadcasting Grants	1,848,992	1,845,795
General Appropriations from the University	<u>488,652</u>	<u>1,057,329</u>
Net Cash Provided by Noncapital and Related Financing Activities	9,658,375	10,199,850
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	<u>(156,150)</u>	<u>(258,890)</u>
Net Cash Used by Capital Financing Activities	(156,150)	(258,890)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(819,670)	(230,130)
Investment Income	<u>(9,793)</u>	<u>3,852</u>
Net Cash Used by Investing Activities	<u>(829,463)</u>	<u>(226,278)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	871,557	1,317,921
Cash and Cash Equivalents - Beginning of Year	<u>3,239,561</u>	<u>1,921,640</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 4,111,118</u></u>	<u><u>\$ 3,239,561</u></u>

See accompanying Notes to Basic Financial Statements.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Loss from Operations	\$ (14,695,135)	\$ (14,082,989)
Adjustment to Reconcile Loss from Operations to Net Cash Used by Operating Activities:		
Depreciation	232,224	808,279
Indirect Administrative Support from the University	2,095,987	2,428,100
Indirect Support from Other Agencies	357,994	333,398
Other Nonoperating Receipts (Expenses)	2,076,165	1,764,620
Changes in:		
Grants Receivable	1,519,346	188,075
Other Receivables	384,620	(128,577)
Other Assets	31,112	(57,862)
Accounts Payable	20,773	237,630
Unearned Revenue	302,599	28,027
Deferred Inflows of Resources	(126,890)	84,538
Net Cash Used by Operating Activities	\$ (7,801,205)	\$ (8,396,761)
 <b>SUPPLEMENTAL DISCLOSURES OF NONCASH ITEMS</b>		
Unrealized Investment Gain (Loss)	\$ -	\$ 15,537
Indirect Administrative Support from the University	\$ 2,095,987	\$ 2,428,100
Indirect Support from Other Agencies	\$ 357,994	\$ 333,398
Charitable Gift Annuities Contributed	\$ -	\$ 105,246

See accompanying Notes to Basic Financial Statements.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Station Operations**

KAET-TV (the Station) is a department of and is operated by Arizona State University (the University) under a license granted by the Federal Communication Commission to the Arizona Board of Regents. The University provides facilities and other financial support to the Station. The University also acts as a collection and disbursement agent on behalf of the Station.

The financial statements of the Station include the financial activities of Arizona School Services through Educational Technology (ASSET). ASSET functions as a sub-unit of the Station. The Station and the University serve as fiscal agents for ASSET.

These financial statements present only a selected portion of the telecommunication activities of the University. As such they are not intended to and do not present either the financial position, results of operations, or changes in net position of the University as a whole.

A summary of the Station's more significant accounting policies follows.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and the Financial Reporting Guidelines published by the Corporation for Public Broadcasting (CPB), unless those pronouncements conflict with the Government Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Contributions are recognized as revenue when made.

**Operating Revenues and Expenses**

The Station distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange or exchange-like transactions in connection with the Station's principal ongoing operations. Other revenues such as University appropriations and gifts, are not considered generated from operations and are reported as nonoperating revenues and expenses.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Federal grants, contracts and appropriations, and nongovernmental grants and contracts are accounted for as exchange transactions and are recorded as operating revenue when earned. Advances in excess of costs incurred under grants and contracts are deferred and recognized as revenue when the related expense is incurred. Revenue related to program underwriting is recognized as unrestricted operating revenue in the period the agreement is executed.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Station evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

**Statutory and Board of Regents' Policies**

Arizona Revised Statutes (Statutes) require that deposits of the University not covered by the Federal Deposit Insurance Corporation, be secured through participation in state of Arizona Collateral Pool administered by the State Treasurer's office which holds pledged collateral of at least 102% of uninsured deposits in eligible depositories. Further policy regarding deposits is provided by the Arizona Board of Regents (ABOR).

The Statutes do not specifically address investment policy of the universities, rather ABOR policy governs in this area. ABOR policy requires that each university arrange for the safekeeping of securities by a bank or other financial institutions approved by ABOR. The ABOR and University investment policies applicable to University investments are consistent with the scope of the Arizona State Treasurer's authorizing statutes and investment policy.

ABOR policy addresses requirements for concentration of credit risk and interest rate risk, but neither ABOR policy nor the Statutes include any specific requirements on foreign currency risk for investments of the universities.

The state of Arizona Board of Investment provides oversight for the state of Arizona Treasurer's pools. The fair value of a participant's portion in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The University holds excess cash collected over cash disbursed for the Station on demand and, accordingly, is considered cash and cash equivalents for purposes of reporting cash flows. Cash and cash equivalents on deposit (deficit) with the University totaled \$1,369,524 and \$2,249,398 at June 30, 2020 and 2019, respectively.

The Arizona State University Foundation (the ASU Foundation) collects and holds cash for the Station. These amounts are due on demand and, accordingly, are considered cash and cash equivalents for purposes of reporting cash flows. Cash and cash equivalents held by the ASU Foundation totaled \$2,741,594 and \$990,163 at June 30, 2020 and 2019, respectively.

**Investments**

Investments for the Station are held by the ASU Foundation as endowments in a pooled investment fund (Pool). The Station's investments are maintained separately on the financial system of the ASU Foundation and receive a proportional share of the Pool activity. As such, the ASU Foundation owns the assets of the Pool; the Department has an interest in the Pool, which is considered an external investment pool to the University. The Pool invests in a variety of asset classes, including common stock, fixed-income, foreign investments, private equity and hedge funds. The fair value of the Department's position in the Pool is based on the Department's proportionate share of the Pool, which is marked-to-market monthly. Amounts held by the ASU Foundation recorded at fair value totaled \$1,188,033 and \$368,363 at June 30, 2020 and 2019, respectively, and are a restricted component of net position.

**Unearned Revenue**

Operating funds restricted by the grantor or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Station has incurred expenditures in compliance with the specific restrictions. Unearned revenue also includes amounts received for underwriting of which acknowledgment of the underwriter on air has not been completed. Such amounts received but not yet earned are reported as unearned revenue.

**Subscription and Membership Income**

Subscription and membership income is recognized as income when it is received.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Purchased capital assets are initially recorded at cost and donated capital assets are recorded at acquisition value on the date of donation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Capital assets of furniture, vehicles, and equipment are defined as assets with an initial, individual cost of more than \$5,000 and estimated useful lives ranging from 5 to 15 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**In-Kind Contributions and Indirect Administrative Support**

In-kind contributions and indirect administrative support from the University are recorded at estimated fair values based upon methodology developed by the Corporation for Public Broadcasting as revenue and expense in the accompanying statements of revenues, expenses, and changes in net position. Administrative support from the University consists of allocated institutional and physical plant expense incurred by the University in support of the Station.

**Pledges and Estate Receivables**

Legally enforceable pledges and estates are recorded as receivables, net of an allowance for uncollectible pledges and estates based on past collection experience. Unless designated for use in future periods, unrestricted pledges and estates are recorded as revenue in the statements of revenues, expenses, and changes in net position when made.

**Receivables**

Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible accounts through a charge to operations and an increase to a valuation allowance account based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a decrease to the valuation allowance account and a reduction to the receivables. Management considers receivables at June 30, 2020 and 2019, to be fully collectible and, accordingly, an allowance for doubtful accounts is not deemed necessary.

**Program Rights**

Program rights purchased by the Station are expensed when purchased.

**Deferred Outflows and Inflows of Resources**

The Station recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. The Station recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for irrevocable split-interest agreements.



**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expenses**

When an expense is incurred that can be paid from either restricted or unrestricted resources, KAET-TV's follows the University's policy which is to allow the department incurring the expense to determine the appropriate funding source. Factors used by departments to determine which resources to use include relative priorities of the department in accordance with the University's strategic initiatives, externally imposed matching requirements of certain restricted funds, and any pertinent lapsing provisions of the available restricted or unrestricted funding resources. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

**Income Taxes**

The University has received approval for tax-exempt status from the Internal Revenue Service and is also exempt from state income taxes. As a department of the University, the Station is not subject to corporate income taxes.

**Economic Dependence**

The Station is dependent upon funding from the Corporation for Public Broadcasting, the University, underwriters, and contributors.

**NOTE 2 DEPOSITS AND INVESTMENTS**

At June 30, 2020 and 2019, the Station's deposits totaling \$4,111,118 and \$3,239,561, respectively, were held by both the University and ASU Foundation. At June 30, 2020 and 2019, the Station's investments totaling \$1,188,033 and \$368,363, respectively, were pooled with ASU Foundation investments. The ASU Foundation invests in U.S. Treasury, U.S. Agencies, commercial paper, corporate bonds, and equities. A summary of the University's risk policies for deposits and investments follows:

**Concentrations of Credit Risk**

Other than United States Treasury securities and other federal agency securities, which can represent greater than 5% of total investments, University policy limits investment in a single issuer to 5% or less of the fair value of the total investment portfolio. Cash balances are deposited with the University and ASU Foundation. Some balances are pooled with other ASU Foundation funds and commonly invested. Financial instruments that potentially subject the Station to concentrations of credit risk consist of cash deposits in bank and other financial institutions held by the University and ASU Foundation on behalf of the Station. Deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000 and the Securities Investors Protection Corporation (SIPC) of \$100,000 are exposed to loss in the event of nonperformance by the financial institution.

At June 30, 2020 and 2019, and at times during the years then ended, those cash deposits were in excess of FDIC and SIPC insurance coverage. The University's cash on deposit in excess of insurance coverage is secured through participation in the State of Arizona Collateral Pool.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

ABOR and University policies do not limit the overall maturity of the investments held by the operating fund; however, the operating fund investment policy includes guidelines addressing diversification and liquidity.

**Credit Risk**

With regard to credit risk, ABOR policy requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances and State of Arizona bonds carry a minimum BBB or better rating from Standard and Poor's Rating Service or Baa or better rating from Moody's Investors Service; and that commercial paper be rated by at least two nationally recognized statistical rating organizations (NRSROs) and be of the two highest rating categories for short-term obligations of at least two of the NRSROs.

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of bank failure, the Station's deposits may not be returned to it. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or the Board, the University does not have a policy that specifically addresses custodial credit risk. As of June 30, 2020, \$2,741,594 of the Station's bank balances with the ASU Foundation was exposed to custodial credit risk because the amounts were not insured or collateralized. As of June 30, 2019, \$990,163 of the Station's bank balances with the ASU Foundation was exposed to custodial credit risk because the amounts were not insured or collateralized.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that in the event of failure of the counterparty, the Station will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or ABOR, the University does not have a policy that specifically addresses custodial credit risk. The Station's investments are pooled with the ASU Foundation's investments. As of June 30, 2020 and 2019, \$1,188,033 and \$368,363, respectively, of the Station's investments are exposed to custodial credit risk in that separate pertinent identifying information has not been obtained from the ASU Foundation.

**Foreign Currency Risk**

Operating funds may not be invested in foreign-denominated securities.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 3 CAPITAL ASSETS**

Capital assets consist of the following for the years ended June 30, 2020 and 2019:

	2020			Ending Balance
	Beginning Balance	Additions	Retirements	
Depreciable Assets:				
Transmission Antenna and Tower	\$ 4,179,099	\$ -	\$ -	\$ 4,179,099
Studio and Other Broadcast Equipment and Furniture and Fixtures	7,767,803	156,150	-	7,923,953
Building Improvements	23	-	-	23
Total Depreciable Assets	<u>11,946,925</u>	<u>156,150</u>	<u>-</u>	<u>12,103,075</u>
Accumulated Depreciation:				
Equipment	(10,515,858)	(232,224)	-	(10,748,082)
Building Improvements	(23)	-	-	(23)
Total Accumulated Depreciation	<u>(10,515,881)</u>	<u>(232,224)</u>	<u>-</u>	<u>(10,748,105)</u>
Capital Assets, Net	<u>\$ 1,431,044</u>	<u>\$ (76,074)</u>	<u>\$ -</u>	<u>\$ 1,354,970</u>
	2019			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Transmission Antenna and Tower	\$ 4,179,099	\$ -	\$ -	\$ 4,179,099
Studio and Other Broadcast Equipment and Furniture and Fixtures	12,080,431	261,057	(4,573,685)	7,767,803
Building Improvements	1,012,778	-	(1,012,755)	23
Total Depreciable Assets	<u>17,272,308</u>	<u>261,057</u>	<u>(5,586,440)</u>	<u>11,946,925</u>
Accumulated Depreciation:				
Equipment	(14,281,264)	(808,279)	4,573,685	(10,515,858)
Building Improvements	(1,012,778)	-	1,012,755	(23)
Total Accumulated Depreciation	<u>(15,294,042)</u>	<u>(808,279)</u>	<u>5,586,440</u>	<u>(10,515,881)</u>
Capital Assets, Net	<u>\$ 1,978,266</u>	<u>\$ (547,222)</u>	<u>\$ -</u>	<u>\$ 1,431,044</u>

Depreciation expense was \$232,224 and \$808,279 for the years ended June 30, 2020 and 2019, respectively.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 OPERATING LEASE**

The Station subleases transmission facilities for a monthly rental charge subject to increases by positive percentage increases of the National All Items, All Urban Consumer Price Index calculated by the United States Government Bureau of Labor Statistics. The operating lease was renewed in fiscal 2012 for a term of five years and expired on June 30, 2017. The lease renewal terms are in negotiation. The lease is currently month to month until the agreements are finalized.

Rental expense totaled \$197,097 and \$197,266 for the years ended June 30, 2020 and 2019, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

**NOTE 5 SPLIT-INTEREST AGREEMENTS**

The Station is the beneficiary of 13 charitable remainder trusts directed to the ASU Foundation. The charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Station's use. The portion of the trust attributable to the present value of the future benefits to be received by the Station is recorded as deferred inflows of resources until termination of the agreement at which time the amount will be recorded as a contribution. Investments held in the charitable remainder trusts are reported at fair value. On an annual basis, the Station revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Adjustments to reflect the valuation of the present value of the estimated annuity payments and changes in actuarial assumptions are recognized as adjustments to deferred inflows of resources. The present value of the estimated annuity payments was calculated using a discount rate of 3.4% as of June 30, 2020 and 2019.

**NOTE 6 TRANSACTIONS WITH AFFILIATED ENTITIES**

The Station received indirect support from the University of \$2,095,987 in 2020 and \$2,428,100 in 2019 based upon the methodology developed by the Corporation for Public Broadcasting. The Station also received state appropriations for operating, personal services and employee-related reimbursements from the University of \$488,652 and \$1,057,329 in 2020 and 2019, respectively, all of which are reported as an increase in unrestricted net position. The Station operates out of a building owned by ASU and does not pay rent.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 7 COMMITMENTS**

In 1992, the Station entered into a joint use agreement with Maricopa Community Colleges to operate a classical FM radio station, KBAQ, which commenced operations in 1993. For the years ended June 30, 2020 and 2019, KBAQ recognized \$84,742 and \$77,186, respectively, in revenue, which is recorded as grants and contracts. In addition, the Station contributed \$323,812 in 2020 and \$323,817 in 2019 to fund KBAQ operations for the years then ended. These funds are recorded in programmatic expenditures.

**NOTE 8 RETIREMENT PLAN**

Full-time, permanent employees of the University are, in general, required to be members of an authorized retirement program. The programs are funded through payroll deductions from covered employees' gross earnings and amounts contributed by the University. In general, employees' rights vest after five years of service under all plans. University contributions of, and interest forfeited by, employees who leave employment before five years of service are used to reduce the University's future period contribution requirements.

Benefit eligible employees of the University are covered by the Arizona State Retirement System (ASRS), a defined benefit retirement plan. The ASRS is a multiple-employer, cost-sharing pension plan providing death, and retirement benefits based on a combination of years of service and average monthly earnings, as defined. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information.

The actuarially determined contributions rate as required by statute for both employees and employers was 11.80% of compensation for fiscal year 2020, comprised of 11.64% for retirement and 0.16% for long-term disability. The actuarially determined contributions rate as required by statute for both employees and employers was 11.80% of compensation for fiscal year 2019, comprised of 11.64% for retirement and 0.16% for long-term disability. The Station's retirement plan expense for this plan was \$342,278 in 2020, \$362,620 in 2019, and \$322,435 in 2018.

The University also offers pension benefits for eligible faculty, academic professionals, certain university staff, and administrative staff via a defined contribution plan. The benefits of the defined contribution plan depend solely on amounts contributed to the plan plus investment earnings. State statute requires that both the employee and the University contribute an amount equal to 7% of the employee's base salary. The Station's retirement plan expense for this plan was \$139,450 in 2020, \$122,310 in 2019, and \$95,120 in 2018.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 9 GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 68**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Arizona State University (the University) has implemented the standard for the fiscal year ended June 30, 2015. The AZ PBS – KAET-TV (the Department), as part of the primary government of the Arizona State University, is a contributing employer to a cost sharing multiple employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The University has determined the University's share of the net pension liability to be a liability of the University as a whole, rather than any agency or department of the University and will not be reported in the department or agency level financial statements of the University. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the Arizona State University. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the CAFR and will be available, when issued, from the Office of the Auditor General, 2910 North 44th Street, Suite 410, Phoenix, AZ 85018.

**NOTE 10 CONTINGENCY**

By statute, the Station is not allowed to execute debt agreements with outside third parties. In the event the Station has a shortfall covering its operating expenses, it is anticipated that the University would work with the Station to develop a repayment plan to cover the deficit.

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Fund is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated and is still developing.

**NOTE 11 SUBSEQUENT EVENTS**

Management evaluated subsequent events through December 11, 2020, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to December 11, 2020, that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2020.

**KAET-TV**  
**(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Program Services			Support Services			2020 Total	2019 Total
	Local Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development		
Salaries, Payroll Taxes, and Employee Benefits	\$ 4,945,460	\$ 914,684	\$ 1,008,227	\$ 6,868,371	\$ 872,064	\$ 836,844	\$ 8,577,279	\$ 7,949,209
Administrative Service Charge	120,289	23,550	-	143,839	-	-	143,839	68,515
Conferences and meetings	7,560	-	640	8,200	-	(990)	7,210	6,067
Depreciation	-	-	-	-	232,224	-	232,224	808,279
Indirect Administrative Support	-	-	-	-	2,095,987	-	2,095,987	2,428,100
Indirect Cost	190,998	-	-	190,998	-	-	190,998	168,125
Noncapital Equipment	274,827	148,786	54,278	477,891	18,864	522	497,277	233,998
Educational Outreach - Tuition	921,673	-	-	921,673	-	-	921,673	2,186,926
Other Operations	10,230	42,842	855	53,927	19,745	562,393	636,065	658,088
Postage	61,886	1,546	34,814	98,246	22	82,422	180,690	153,010
Professional Fees and Services	763,678	234,871	56,979	1,055,528	39,642	799,539	1,894,709	1,903,276
Program Licenses and Dues	2,476,642	515	-	2,477,157	12,903	-	2,490,060	2,672,782
Rentals	107,027	82,027	33	189,087	3,856	4,154	197,097	197,266
Supplies	31,683	9,807	2,008	43,498	10,479	(1,127)	52,850	542,061
Telephone	21,932	5,933	-	27,865	325	103,638	131,828	19,224
Travel	89,486	5,167	377	95,030	3,217	8,822	107,069	136,945
<b>Total Functional Expenses</b>	<b>\$ 10,023,371</b>	<b>\$ 1,469,728</b>	<b>\$ 1,158,211</b>	<b>\$ 12,651,310</b>	<b>\$ 3,309,328</b>	<b>\$ 2,396,217</b>	<b>\$ 18,356,855</b>	<b>\$ 20,131,871</b>

