

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	14
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	15
STATEMENTS OF CASH FLOWS	16
NOTES TO BASIC FINANCIAL STATEMENTS	18
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENSES	28



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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management 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 21, 2021

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

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, 2021 and 2020.

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, 2021 (FY2021) and June 30, 2020 (FY2020) comparative data is presented for the previous year ended June 30, 2019 (FY2019).

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, 2021, 2020 and 2019. 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, 2021 AND 2020

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, 2021, 2020 and 2019 follows:

	2021	2020	2019
Assets:			
Current Assets	\$ 6,065,379	\$ 4,535,464	\$ 5,554,748
Noncurrent Assets Other than Capital Assets	3,181,365	1,805,009	1,049,235
Capital Assets, Net	1,227,497	1,354,970	1,431,044
 Total Assets	 10,474,241	 7,695,443	 8,035,027
Liabilities:			
Current Liabilities	1,310,438	733,962	410,590
Noncurrent Liabilities	341,640	326,688	263,694
 Total Liabilities	 1,652,078	 1,060,650	 674,284
 Deferred Inflows of Resources	 564,354	 290,288	 417,178
Net Position:			
Net Investment in Capital Assets	1,227,497	1,354,970	1,431,044
Restricted	2,275,371	1,188,033	368,363
Unrestricted	4,754,941	3,801,502	5,144,158
 Total Net Position	 <u>\$ 8,257,809</u>	 <u>\$ 6,344,505</u>	 <u>\$ 6,943,565</u>

The Station's net position increased \$1.9 million (30.21%) for FY2021. Operating revenues increased by \$222,976 (6.09%), while Grants and Contracts saw a slight decrease, Program Underwriting increased by \$411,023. Operating expenses decreased significantly in FY2021 by \$1.3 million. The largest decrease is with Local Programming and Production which saw a \$1.75 million decrease in FY2021. The Station's net position decreased \$0.59 million (8.63%) 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/General, which are slightly offset by increases in Broadcasting, Program Information and Fundraising.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

Statement of Net Position (Continued)

In FY2021, the increase in the Station's current assets of \$1.53 million is due to an increase in cash and cash equivalents (\$1.54 million) while receivables stayed relatively the same. In FY2020, the decrease in the Station's current assets of \$1.02 million is due in part to the decrease in receivables of \$1.86 million, but is offset, by an increase in Cash and Cash Equivalents of \$0.9 million.

In FY2021, noncurrent assets increased by \$1.38 million, primarily due to an increase in investments of \$1.09 million through the Arizona State University Foundation. In FY2020, noncurrent assets increased by \$0.75 million, due to an increase in investments of \$0.8 million through the Arizona State University Foundation and a decrease of \$0.064 million in split-interest agreements (charitable gift annuities).

In FY2021, capital assets decreased by \$127,473. \$118,456 in new capital assets for FY2021 is offset by \$243,459 in accumulated depreciation. In FY2020, capital assets decreased by only \$0.076 million. The \$0.23 million depreciation recorded was offset by the purchase of \$0.16 million of equipment.

FY2021 showed an increase in Station's current liabilities of \$576,476 due to an increase in accounts payable (\$29,459) and unearned revenue (\$547,017). FY2020 showed an increase in Station's current liabilities of \$0.32 million due to an increase in unearned revenue (deferred support).

Noncurrent liabilities slightly increased in FY2021 by \$14,952. Payments due to charitable gift annuity donors largely stayed the same from FY2020 and FY2021. During FY2020, noncurrent liabilities increased by \$0.06 million, due to an increase in 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, 2021, 2020, and 2019. 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, 2021 AND 2020

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, 2021, 2020, and 2019 is as follows:

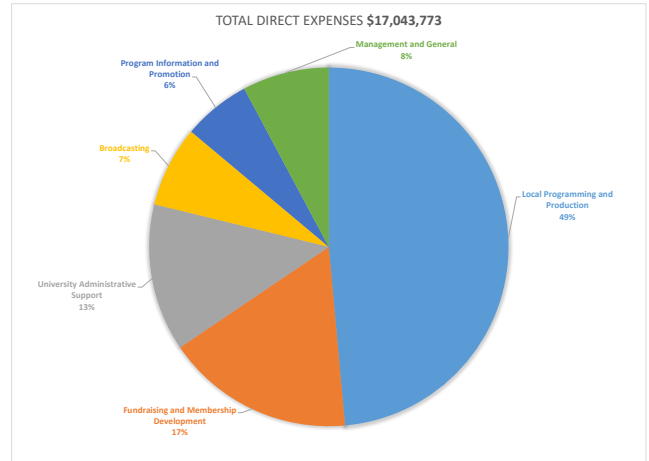
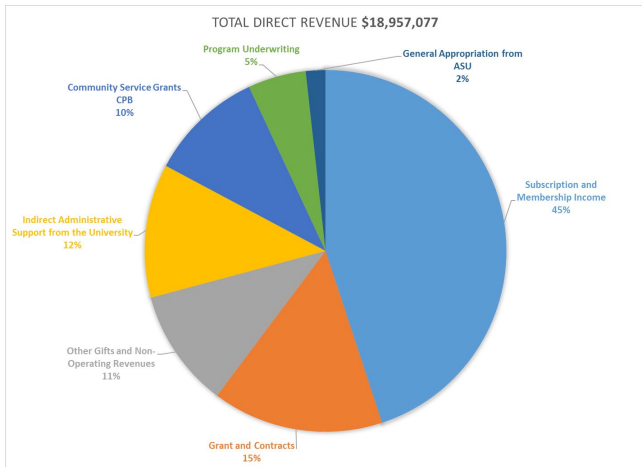
	2021	2020	2019
Operating Revenues:			
Grant and Contracts	\$ 2,900,768	\$ 3,088,815	\$ 4,522,853
Program Underwriting	983,928	572,905	1,526,029
Total Operating Revenues	3,884,696	3,661,720	6,048,882
Operating Expenses:			
Program Services:			
Local Programming and Production	8,276,470	10,023,371	12,133,302
Broadcasting	1,242,985	1,469,728	1,346,619
Program Information and Promotion	1,037,411	1,158,211	597,556
Supporting Services:			
Management and General	3,595,654	3,309,328	4,089,739
Fundraising and Membership Development	2,891,253	2,396,217	1,964,655
Total Operating Expenses	17,043,773	18,356,855	20,131,871
Operating Loss	(13,159,077)	(14,695,135)	(14,082,989)
Nonoperating Revenue (Expenses):			
Subscription and Membership Income	8,518,789	7,320,731	7,296,726
Community Service Grants from the Corporation for Public Broadcasting	1,946,556	1,848,992	1,845,795
Indirect Administrative Support from the University	2,265,611	2,095,987	2,428,100
Indirect Support from Other Agencies	421,490	357,994	333,398
General Appropriation from ASU	332,994	488,652	1,057,329
Other Gifts and Nonoperating Revenues	1,586,411	1,993,512	1,829,104
Investment Income	530	(9,793)	3,852
Unrealized Investment Gain (Loss)	-	-	15,537
Total Nonoperating Revenues	15,072,381	14,096,075	14,809,841
Changes in Net Position	1,913,304	(599,060)	726,852
Net Position - Beginning of Year	6,344,505	6,943,565	6,216,713
Net Position - End of Year	\$ 8,257,809	\$ 6,344,505	\$ 6,943,565

**KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

The following graphs illustrate the operating and nonoperating revenues and expenses for the year ended June 30, 2021.

REVENUE	FY21 ACTUAL
Subscription and Membership Income	\$ 8,518,789
Grant and Contracts	\$ 2,900,768
Other Gifts and Nonoperating Revenues	\$ 2,008,431
Indirect Administrative Support from the University	\$ 2,265,611
Community Service Grants CPB	\$ 1,946,556
Program Underwriting	\$ 983,928
General Appropriation from ASU	\$ 332,994
Total Revenue	\$ 18,957,077

EXPENSES	FY21 ACTUAL
Local Programming and Production	\$ 8,276,470
Fundraising and Membership Development	\$ 2,891,253
University Administrative Support	\$ 2,265,611
Broadcasting	\$ 1,242,985
Program Information and Promotion	\$ 1,037,411
Management and General	\$ 1,330,043
Total Expenses	\$ 17,043,773

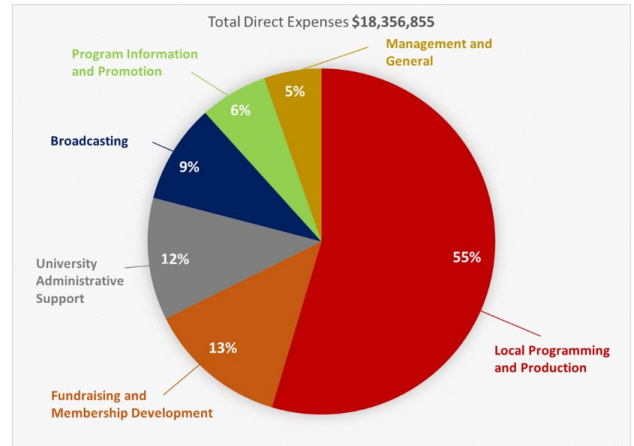
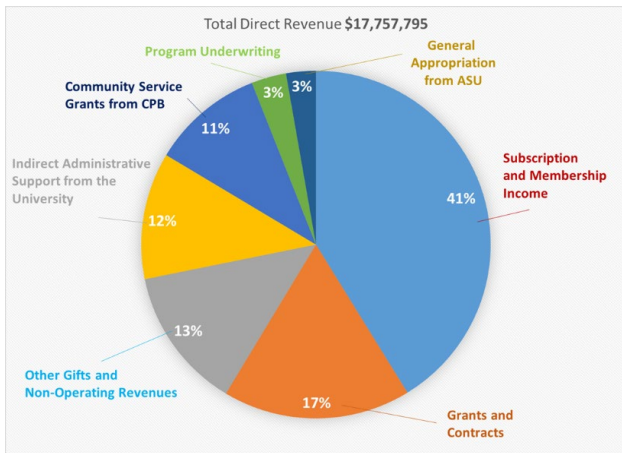


**KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

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

REVENUE	FY20 ACTUAL
Subscription and Membership Income	\$ 7,320,731
Grant and Contracts	\$ 3,088,815
Other Gifts and Nonoperating 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
Total Revenue	\$ 17,757,795

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	\$ 1,213,342
Total Expenses	\$ 18,356,855



KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

Operating Revenues and Expenses

KAET-TV's operating revenues increased by \$222,976 in FY2021. The increase can be associated with a \$411,023 increase in program underwriting, which is offset by a slight decrease in grants and contracts of \$188,047. Operating expenses decreased by \$1.3 million primarily due to a decrease of \$1.75 million in local programming and production. This decrease is offset by increases in operating expenses within management and general, and fundraising.

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 in FY2020, largely due to a decrease in local programming and production (\$2.1 million) and management and general (\$0.8 million), which are slightly offset by increases in broadcasting (\$0.1 million), program information and promotion (\$0.6 million) and fundraising and membership development (\$0.4 million).

Nonoperating Revenues and Expenses

Nonoperating revenues increased by \$913,303 from FY2020 to FY2021. The increase can be associated with subscription and membership income which increased by \$1.2 million. This increase is offset by the decrease of other gifts and nonoperating revenues, which resulted in a \$470,104 decrease.

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 \$0.57 million and \$0.3 million respectively.

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, 2021, 2020 and 2019. 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, 2021 AND 2020

Statement of Cash Flows (Continued)

A summarized comparison of KAET-TV cash flows for the years ended June 30, 2021, 2020, and 2019 follows:

	2021	2020	2019
Cash Used by Operating Activities	\$ (8,057,728)	\$ (7,801,206)	\$ (8,396,761)
Noncapital Financing Activities	10,798,339	9,658,376	10,199,850
Capital Financing Activities	(115,986)	(156,150)	(258,890)
Investing Activities	<u>(1,086,808)</u>	<u>(829,463)</u>	<u>(226,278)</u>
Net Increase in Cash and Cash Equivalents	1,537,817	871,557	1,317,921
Cash and Cash Equivalents - Beginning of Year	<u>4,111,118</u>	<u>3,239,561</u>	<u>1,921,640</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 5,648,935</u></u>	<u><u>\$ 4,111,118</u></u>	<u><u>\$ 3,239,561</u></u>

In FY2021, the Station's cash increased by \$1.5 million, primarily due to a decrease in the purchase of capital assets and a decrease in payments to employees and others.

In FY2020, the Station's cash increased by \$0.9 million, primarily due to a decrease in the purchase of capital assets and a decrease in payments to employees and others.

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

As of June 30, 2021, KAET-TV had \$1.23 million in capital assets, net of accumulated depreciation. The decrease of \$127,473 in 2021 consisted primarily of depreciation of \$243,459 against the new acquisitions of \$118,456.

As of June 30, 2020, KAET-TV had \$1.36 million in capital assets, net of accumulated depreciation. The decrease of \$0.1 million in 2020 consisted primarily of depreciation of \$0.2 million against the new acquisitions of \$0.2 million.

The federally mandated Telecommunications Act of 1996 required all public television stations be able to broadcast on digital television channels by May 2003. KAET started simulcasting our VHF analog signal in digital on UHF channel 29 in June 2001 and KAET's main VHF transmitter on South Mountain was converted to digital in 2008; almost a year before the federally mandated date that full power analog TV transmitters must be shut off. Additionally, all seven of KAET owned translators serving rural viewers throughout Arizona have been converted from analog to digital operation. Finally, the digital conversion of production facilities was completed in 2008 and the station creates all locally produced content on digital formats.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

Capital and Debt Analysis (Continued)

KAET broadcasts PBS and locally produced programs on Eight HD - Digital 8.1, travel and how-to programs on Eight Life – Digital 8.2, documentary and nonfiction programs on Eight World – Digital 8.3, PBS Kids educational programming on Digital 8.4 as well as an additional low bitrate service on Digital 8.5. 8.5's programming includes still images of Arizona and 2 different audio programs; KBAQ- FM Classical music on the main audio channel, and Sun Sounds reading service for the visually impaired on the secondary audio channel.

KAET uses secondary audio channels on all channels except 8.3, which does not have the ability to carry secondary audio, to serve visually impaired viewers by passing on Descriptive Video Service (DVS) for all programs that the program providers include DVS audio. Hearing impaired viewers are served by closed captioning all full-length programs on 8.1. Even though 8.2, 8.3 and 8.4 are not required to be closed captioned, KAET strives to closed caption the vast majority of programs on those channels too.

As the station strives to be a leader in technology, KAET participated in the Phoenix Model Market to simulcast KAET's PBS Kids (8.4) programming on the Advanced Television Systems Committee 3.0 standard (ATSC 3.0 or "NextGen TV"). This deployment aimed to test ATSC 3.0, which will enable support for newer IP based technologies to broadcast up to 4K resolution among other features. After the ATSC-3 testing concluded, the Phoenix TV market rolled out ATSC-3 and KAET's main HD programming (8.1) is being carried on-air in NextGen TV (ATSC-3).

Long-Term Debt

There was no long-term debt in FY2021 and FY2020.

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.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

Economic Outlook (Continued)

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 and the Covid-19 pandemic, 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 fund raising 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.

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, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,648,935	\$ 4,111,118
Grants Receivable, Net	37,412	39,713
Pledge Receivables	158,027	144,176
Other Receivables	209,339	179,433
Other Assets	11,666	61,024
Total Current Assets	6,065,379	4,535,464
INVESTMENTS	2,275,371	1,188,033
SPLIT-INTEREST AGREEMENTS	905,994	616,976
CAPITAL ASSETS, Net	1,227,497	1,354,970
Total Assets	\$ 10,474,241	\$ 7,695,443
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 423,508	\$ 394,049
Unearned Revenue	886,930	339,913
Total Current Liabilities	1,310,438	733,962
PRESENT VALUE OF ANNUITY PAYMENTS	341,640	326,688
Total Liabilities	1,652,078	1,060,650
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Split-Interest Agreements	564,354	290,288
NET POSITION		
Net Investment in Capital Assets	1,227,497	1,354,970
Restricted	2,275,371	1,188,033
Unrestricted	4,754,941	3,801,502
Total Net Position	\$ 8,257,809	\$ 6,344,505

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Grants and Contracts	\$ 2,900,768	\$ 3,088,815
Program Underwriting	<u>983,928</u>	<u>572,905</u>
Total Operating Revenues	3,884,696	3,661,720
OPERATING EXPENSES		
Programmatic Expenditures	10,556,866	12,651,310
Management and General	3,595,654	3,309,328
Fundraising and Membership Development	<u>2,891,253</u>	<u>2,396,217</u>
Total Operating Expenses	<u>17,043,773</u>	<u>18,356,855</u>
OPERATING LOSS	(13,159,077)	(14,695,135)
NONOPERATING REVENUES (EXPENSES)		
Subscription and Membership Income	8,518,789	7,320,731
Community Service Grants from the Corporation for Public Broadcasting	1,946,556	1,848,992
Indirect Administrative Support from the University	2,265,611	2,095,987
Indirect Support from Other Agencies	421,490	357,994
General Appropriations from the University	332,994	488,652
Other Gifts and Nonoperating Revenues	1,586,411	1,993,512
Investment Income (Loss)	<u>530</u>	<u>(9,793)</u>
Total Nonoperating Revenues	<u>15,072,381</u>	<u>14,096,075</u>
CHANGES IN NET POSITION	1,913,304	(599,060)
Net Position - Beginning of Year	<u>6,344,505</u>	<u>6,943,565</u>
NET POSITION - END OF YEAR	<u>\$ 8,257,809</u>	<u>\$ 6,344,505</u>

See accompanying Notes to Basic Financial Statements.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and Contract Receipts	\$ 3,724,152	\$ 4,783,870
Program Underwriting Receipts	1,003,380	988,637
Other Nonoperating Receipts	1,298,494	2,076,165
Payments to Employees and Others	<u>(14,083,754)</u>	<u>(15,649,877)</u>
Net Cash Used by Operating Activities	(8,057,728)	(7,801,205)
 CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Subscription and Membership Income	8,518,789	7,320,731
Corporation for Public Broadcasting Grants	1,946,556	1,848,992
General Appropriations from the University	<u>332,994</u>	<u>488,652</u>
Net Cash Provided by Noncapital and Related Financing Activities	10,798,339	9,658,375
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(118,456)	(156,150)
Sale of Capital Assets	<u>2,470</u>	<u>-</u>
Net Cash Used by Capital Financing Activities	(115,986)	(156,150)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,087,338)	(819,670)
Investment Income	<u>530</u>	<u>(9,793)</u>
Net Cash Used by Investing Activities	<u>(1,086,808)</u>	<u>(829,463)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	1,537,817	871,557
Cash and Cash Equivalents - Beginning of Year	<u>4,111,118</u>	<u>3,239,561</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,648,935</u></u>	<u><u>\$ 4,111,118</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Loss from Operations	\$ (13,159,077)	\$ (14,695,135)
Adjustment to Reconcile Loss from Operations to Net Cash Used by Operating Activities:		
Depreciation	243,459	232,224
Indirect Administrative Support from the University	2,265,611	2,095,987
Indirect Support from Other Agencies	421,490	357,994
Other Nonoperating Receipts (Expenses)	1,298,494	2,076,165
Changes in:		
Grants Receivable	2,301	1,519,346
Other Receivables	(29,906)	384,620
Other Assets	49,358	31,112
Accounts Payable	29,459	20,773
Unearned Revenue	547,017	302,599
Deferred Inflows of Resources	274,066	(126,890)
	<u>\$ (8,057,728)</u>	<u>\$ (7,801,205)</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ITEMS		
Unrealized Investment Gain (Loss)	<u>\$ -</u>	<u>\$ 15,537</u>
Indirect Administrative Support from the University	<u>\$ 2,265,611</u>	<u>\$ 2,095,987</u>
Indirect Support from Other Agencies	<u>\$ 421,490</u>	<u>\$ 357,994</u>
Charitable Gift Annuities Contributed	<u>\$ -</u>	<u>\$ 105,246</u>

See accompanying Notes to Basic Financial Statements.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 accounting principles generally accepted in the United States of America (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, 2021 AND 2020

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, 2021 AND 2020

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 \$1,907,394 and \$1,669,723 at June 30, 2021 and 2020, 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 \$3,741,541 and \$2,441,395 at June 30, 2021 and 2020, 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 \$2,275,371 and \$1,188,033 at June 30, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020, the Station's deposits totaling \$5,648,935 and \$4,111,118, respectively, were held by both the University and ASU Foundation. At June 30, 2021 and 2020, the Station's investments totaling \$2,275,371 and \$1,188,033, 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, 2021 and 2020, 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, 2021 AND 2020

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, 2021, \$3,741,541 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, 2020, \$2,441,395 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, 2021 and 2020, \$2,275,371 and \$1,188,033, 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, 2021 AND 2020

NOTE 3 CAPITAL ASSETS

Capital assets consist of the following for the years ended June 30, 2021 and 2020:

	2021			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	7,923,953	118,456	(2,746)	8,039,663
Building Improvements	23	-	-	23
Total Depreciable Assets	<u>12,103,075</u>	<u>118,456</u>	<u>(2,746)</u>	<u>12,218,785</u>
Accumulated Depreciation:				
Equipment	(10,748,082)	(243,459)	276	(10,991,265)
Building Improvements	(23)	-	-	(23)
Total Accumulated Depreciation	<u>(10,748,105)</u>	<u>(243,459)</u>	<u>276</u>	<u>(10,991,288)</u>
Capital Assets, Net	<u>\$ 1,354,970</u>	<u>\$ (125,003)</u>	<u>\$ (2,470)</u>	<u>\$ 1,227,497</u>
	2020			
	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	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>

Depreciation expense was \$243,459 and \$232,224 for the years ended June 30, 2021 and 2020, respectively.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020.

NOTE 6 TRANSACTIONS WITH AFFILIATED ENTITIES

The Station received indirect support from the University of \$2,265,611 in 2021 and \$2,428,100 in 2020 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 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020, 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 2021 and \$323,817 in 2020 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 multiemployer, 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 2021, 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 2021, \$362,620 in 2020, and \$322,435 in 2019.

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 2021, \$122,310 in 2020, and \$95,120 in 2019.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 multiemployer 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 21, 2021, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to December 21, 2021, that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, 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, 2021.

KAET-TV
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services			Support Services			2021 Total	2020 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	\$ 3,374,384	\$ 861,057	\$ 1,119,580	\$ 5,355,021	\$ 871,950	\$ 1,035,861	\$ 7,262,832	\$ 8,577,279
Administrative Service Charge	42,564	2,235	-	44,799	26	-	44,825	143,839
Conferences and meetings	199	-	-	199	-	195	394	7,210
Depreciation	-	-	-	-	243,459	-	243,459	232,224
Indirect Administrative Support	-	-	-	-	2,265,611	-	2,265,611	2,095,987
Indirect Cost	165,486	-	-	165,486	-	-	165,486	190,998
Noncapital Equipment	307,779	(29,952)	(54,261)	223,566	10,276	18	233,860	497,277
Educational Outreach - Tuition	845,960	-	-	845,960	-	-	845,960	921,673
Other Operations	33,751	44,162	14	77,927	2,958	629,589	710,474	636,065
Postage	12,318	1,759	(32,814)	(18,737)	(4)	184,652	165,911	180,690
Professional Fees and Services	812,950	270,490	3,097	1,086,537	158,133	944,011	2,188,681	1,894,709
Program Licenses and Dues	2,525,797	175	313	2,526,285	30,118	-	2,556,403	2,490,060
Rentals	67,781	68,941	1,037	137,759	9,468	-	147,227	197,097
Supplies	58,556	6,063	445	65,064	903	5,700	71,667	52,850
Telephone	22,980	15,598	-	38,578	-	91,227	129,805	131,828
Travel	5,965	2,457	-	8,422	2,756	-	11,178	107,069
Total Functional Expenses	\$ 8,276,470	\$ 1,242,985	\$ 1,037,411	\$ 10,556,866	\$ 3,595,654	\$ 2,891,253	\$ 17,043,773	\$ 18,356,855

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