

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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	29



INDEPENDENT AUDITORS' REPORT

Ms. Marilyn Mulhollan
Interim Vice President for Finance and Deputy Treasurer
Arizona PBS (A Department of Arizona State University)
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Arizona PBS (A Department of Arizona State University) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements which comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Arizona PBS as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of Arizona PBS are intended to present the financial position, and changes in financial position of only that portion of Arizona State University, that is attributable to Arizona PBS. They do not purport to, and do not, present fairly the financial position of Arizona State University, as of June 30, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

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

Ms. Marilyn Mulhollan
Interim Vice President for Finance and Deputy Treasurer
Arizona PBS (A Department of Arizona State University)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arizona PBS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona PBS' ability to continue as a going concern for a reasonable period of time.

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

Ms. Marilyn Mulhollan
Interim Vice President for Finance and Deputy Treasurer
Arizona PBS (A Department of Arizona State University)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Arizona PBS. The accompanying schedule of functional expense is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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
January 12, 2023

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Arizona PBS (the Entity), 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, 2022 and 2021.

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 Entity, 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 Entity staff to provide new, rich content.

Arizona PBS serves the community through KAET-TV, Educational Outreach, and KBAQ-FM. The Entity operates KAET-TV, a member of the Public Broadcasting Service, which 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 Entity has grown a vast Educational Outreach program that supports educators and students in the classroom with educational content, focusing on various academic standards throughout the State. Additionally, the Entity 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, 2022 (FY2022) and June 30, 2021 (FY2021) comparative data is presented for the previous year ended June 30, 2020 (FY2020).

Statement of Net Position

The condensed statement of net position highlights the main categories of the statement of net position of Arizona PBS at June 30, 2022, 2021 and 2020. 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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Statement of Net Position (Continued)

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 Entity, 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 Entity is improving or deteriorating.

A condensed comparison of Arizona PBS' assets, liabilities, deferred outflows and inflows of resources, and net position at June 30, 2022, 2021 and 2020 follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current Assets	\$ 8,530,347	\$ 6,065,379	\$ 4,535,464
Noncurrent Assets Other	3,188,368	3,181,365	1,805,009
Right to Use Assets, Net	314,213	-	-
Capital Assets, Net	<u>1,013,263</u>	<u>1,227,497</u>	<u>1,354,970</u>
Total Assets	13,046,191	10,474,241	7,695,443
Liabilities:			
Current Liabilities	2,792,789	1,310,438	733,962
Noncurrent Liabilities	<u>575,153</u>	<u>341,640</u>	<u>326,688</u>
Total Liabilities	3,367,942	1,652,078	1,060,650
Deferred Inflows of Resources	351,221	564,354	290,288
Net Position:			
Net Investment in Capital Assets	1,013,263	1,227,497	1,354,970
Restricted	2,581,721	2,275,371	1,188,033
Unrestricted	<u>5,732,044</u>	<u>4,754,941</u>	<u>3,801,502</u>
Total Net Position	<u>\$ 9,327,028</u>	<u>\$ 8,257,809</u>	<u>\$ 6,344,505</u>

In FY2022, the Entity's net position increased \$1.07 million (12.95%), operating revenues increased by \$216,227 (5.57%), and operating expenses increased in FY2022 by \$720,237 (4.23%). In FY2021, the Entity's net position increased \$1.91 million (30.16%), operating revenues increased by \$222,976 (6.09%) while operating expenses decreased by \$1.31 million (7.15%).

In FY2022, the increase in the Entity's current assets of \$2.46 million is due to an increase in cash and cash equivalents of \$1.87 million and an increase in pledge receivables of \$551 thousand. In FY2021, the increase in the Entity's current assets of \$1.53 million is due to an increase in cash and cash equivalents of \$1.54 million while receivables stayed relatively the same.

In FY2022, noncurrent assets stayed relatively the same. 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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Statement of Net Position (Continued)

In FY2022, capital assets decreased by \$214,234 (\$31,002 in new capital assets for FY2022 is offset by \$245,236 in depreciation expense). In FY2021, capital assets decreased by \$127,473 (\$118,456 in new capital assets for FY2021 is offset by \$243,459 in depreciation expense).

In FY2022, right to use assets increased by \$314,213 (\$354,025 in new right to use assets for FY2022 is offset by \$34,298 in amortization expense) as a result of the implementation of GASB Statement No. 87, *Leases*.

FY2022 showed an increase in the Entity's current liabilities of \$1.48 million due to an increase in unearned revenue (\$1.75 million). FY2021 showed an increase in the Entity's current liabilities of \$576,476 due to an increase in accounts payable (\$29,459) and unearned revenue (\$547,017).

Noncurrent liabilities increased in FY2022 by \$233,513 due to lease liabilities from the implementation of GASB Statement No. 87, *Leases*. Payments to charitable gift annuity donors decreased by \$8,199 from FY2021 to FY2022. In FY2021, noncurrent liabilities slightly increased by \$14,952. Payments due to charitable gift annuity donors largely stayed the same from FY2020 and FY2021.

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, 2022, 2021, and 2020. 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 Entity. 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.

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021

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

The statement of revenues, expenses, and changes in net position presents the Entity's results of operations. A summarized comparison of the Entity's revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020 is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Grant and Contracts	\$ 3,037,523	\$ 2,900,768	\$ 3,088,815
Program Underwriting	1,063,400	983,928	572,905
Total Operating Revenues	<u>4,100,923</u>	<u>3,884,696</u>	<u>3,661,720</u>
Operating Expenses:			
Program Services:			
Local Programming and Production	8,174,760	8,276,470	10,023,371
Broadcasting	1,516,828	1,242,985	1,469,728
Program Information and Promotion	1,171,876	1,037,411	1,158,211
Supporting Services:			
Management and General	4,227,783	3,595,654	3,309,328
Fundraising and Membership Development	2,672,763	2,891,253	2,396,217
Total Operating Expenses	<u>17,764,010</u>	<u>17,043,773</u>	<u>18,356,855</u>
Operating Loss	(13,663,087)	(13,159,077)	(14,695,135)
Nonoperating Revenue (Expenses):			
Subscription and Membership Income	8,953,415	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	2,623,492	2,265,611	2,095,987
Indirect Support from Other Agencies	479,670	421,490	357,994
General Appropriation from ASU	333,752	332,994	488,652
Other Gifts and Nonoperating Revenues	2,341,774	1,586,411	1,993,512
Investment Income	203	530	(9,793)
Total Nonoperating Revenues	<u>14,732,306</u>	<u>15,072,381</u>	<u>14,096,075</u>
Changes in Net Position	1,069,219	1,913,304	(599,060)
Net Position - Beginning of Year	<u>8,257,809</u>	<u>6,344,505</u>	<u>6,943,565</u>
Net Position - End of Year	<u>\$ 9,327,028</u>	<u>\$ 8,257,809</u>	<u>\$ 6,344,505</u>

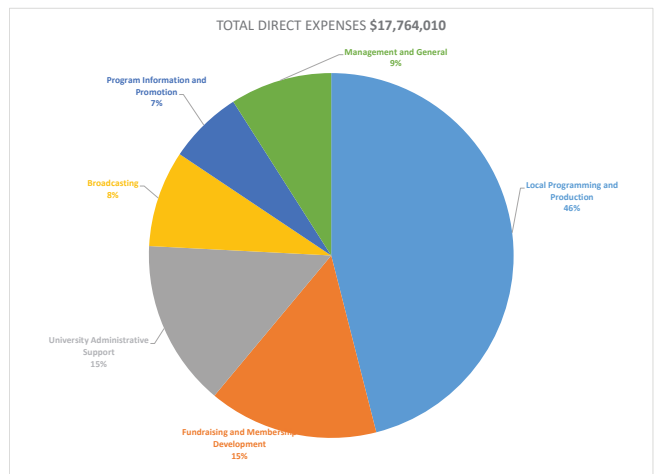
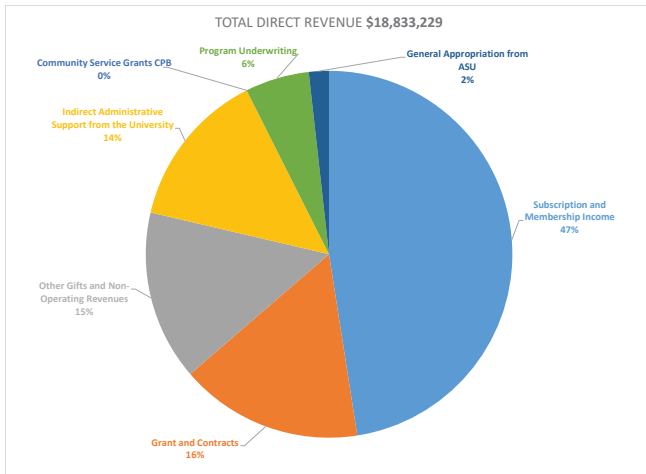
**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

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

The following graphs illustrate the operating and nonoperating revenues and expenses for the year ended June 30, 2022.

REVENUE	FY22 ACTUAL
Subscription and Membership Income	\$ 8,953,415
Grant and Contracts	\$ 3,037,523
Other Gifts and Nonoperating Revenues	\$ 2,821,647
Indirect Administrative Support from the University	\$ 2,623,492
Community Service Grants CPB	\$ -0-
Program Underwriting	\$ 1,063,400
General Appropriation from ASU	\$ 333,752
Total Revenue	\$ 18,833,229

EXPENSES	FY22 ACTUAL
Local Programming and Production	\$ 8,174,760
Fundraising and Membership Development	\$ 2,672,763
University Administrative Support	\$ 2,623,492
Broadcasting	\$ 1,516,828
Program Information and Promotion	\$ 1,171,876
Management and General	\$ 1,604,291
Total Expenses	\$ 17,764,010



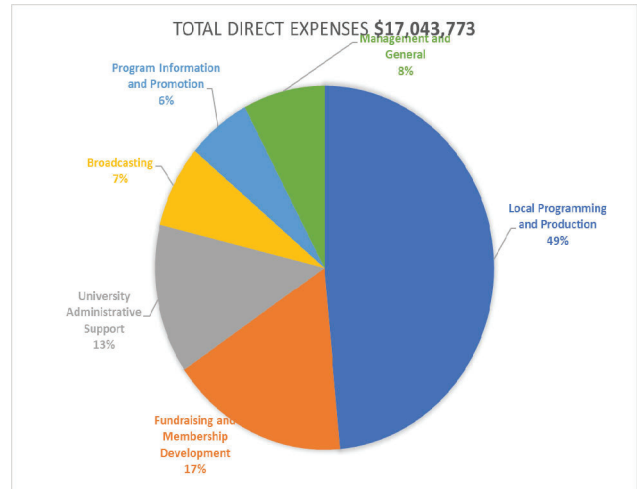
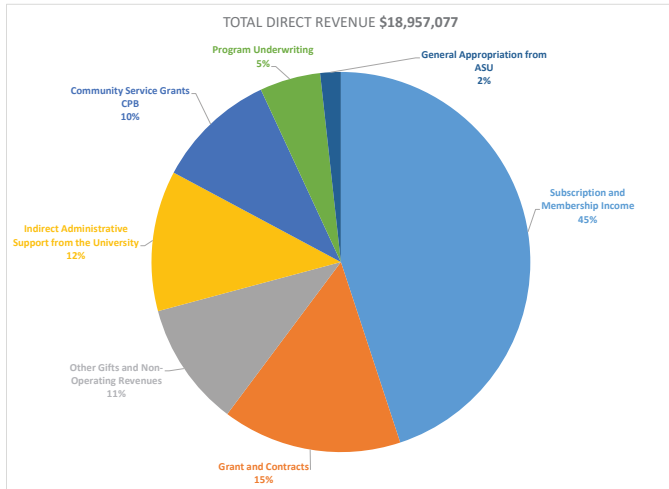
**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

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

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

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



ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021

Operating Revenues and Expenses

Arizona PBS' operating revenues increased by \$216,227 in FY2022. The increase can be associated with a \$136,755 increase in grants and contracts and an increase of \$79,472 in program underwriting. Operating expenses increased by \$720,237 primarily due to an increase in management and general (632,129). Additional increases in broadcasting (\$273,843) and program information and promotion (\$134,465) were offset by decreases in local programming and production (\$101,710) and fundraising and membership development (\$218,490).

Arizona PBS' 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.

Nonoperating Revenues and Expenses

Nonoperating revenues decreased by \$340,075 from FY2021 to FY2022. The decrease in community services grants, resulting from management's decision to recognize the grant in FY2023, is largely offset by increases in all other nonoperating revenues.

Nonoperating revenues increased by \$976,306 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 \$407,101 decrease.

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, 2022, 2021 and 2020. 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.

A summarized comparison of Arizona PBS cash flows for the years ended June 30, 2022, 2021, and 2020 follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash Used by Operating Activities	\$ (7,042,260)	\$ (8,057,728)	\$ (7,801,206)
Noncapital Financing Activities	9,287,167	10,798,339	9,658,376
Capital Financing Activities	(65,300)	(115,986)	(156,150)
Investing Activities	<u>(306,147)</u>	<u>(1,086,808)</u>	<u>(829,463)</u>
Net Increase in Cash and Cash Equivalents	1,873,460	1,537,817	871,557
Cash and Cash Equivalents - Beginning of Year	<u>5,648,935</u>	<u>4,111,118</u>	<u>3,239,561</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,522,395</u>	<u>\$ 5,648,935</u>	<u>\$ 4,111,118</u>

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Statement of Cash Flows (Continued)

In FY2022, the Entity's cash increased by \$1.87 million, primarily due to a decrease in cash used by other operating activities and an increase of \$1.75 million in grants and contracts unearned for the current year.

In FY2021, the Entity's cash increased by \$1.54 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, 2022, Arizona PBS had \$1.01 million in capital assets, net of accumulated depreciation. The decrease of \$214,235 in FY2022, consisted primarily of depreciation of \$245,236 against the new acquisitions of \$31,002.

In FY2022, right to use assets increased by \$314,213 (\$354,025 in new right to use assets for FY2022 is offset by \$34,298 in amortization expense) as a result of the implementation of GASB Statement No. 87, *Leases*.

As of June 30, 2021, Arizona PBS had \$1.23 million in capital assets, net of accumulated depreciation. The decrease of \$127,473 in FY2021 consisted primarily of depreciation of \$243,459 against the new acquisitions of \$118,456.

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 Entity creates all locally produced content on digital formats.

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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Capital and Debt Analysis (Continued)

As Arizona PBS strives to be a leader in technology, Arizona PBS participated in the Phoenix Model Market to simulcast Arizona PBS'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

In FY2022, the Entity implemented GASB Statement No. 87, *Leases*. The following schedule shows the long-term obligations of the Entity as of June 30, 2022 and 2021:

	Business-Type Activities	
	2022	2021
Lease Liabilities:		
Tower Lease	\$ 292,697	\$ -
Copier Leases	27,030	-
Total Lease Liabilities	\$ 319,727	\$ -

Economic Outlook

Arizona PBS management believes the Entity 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 60 years, Arizona PBS is in the business of fostering an educated, informed, cultured, and civil society to advance our Democracy. Arizona PBS is the public media enterprise of Arizona State University, with over 1 million viewers each week, it consistently ranks among the most-viewed public television stations per capita in the country. The Entity 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 Entity 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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Economic Outlook (Continued)

Gift revenue continues to be the major source of funding for the Entity, 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 and economic climates, governmental funding has become increasingly volatile and although the elimination of funding is extremely improbable, the Entity 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. Arizona PBS has placed an emphasis on member acquisition utilizing increased, targeted marketing to attract additional households. Arizona PBS also plans to maximize the utilization of the University resources available, which will enable the Entity to deploy more resources towards additional revenue generation.

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

Arizona PBS maintains healthy financials by continuing to increase its net position, and generating sufficient cash to address operational working capital requirements for the foreseeable future. Arizona 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 Entity's finances and to show accountability for the contributions received by the Entity. If there are any questions about this report or a need for additional financial information, contact the Entity at:

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

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,522,395	\$ 5,648,935
Grants Receivable, Net	38,870	37,412
Pledge Receivables	709,302	158,027
Other Receivables	259,780	209,339
Other Assets	-	11,666
Total Current Assets	<u>8,530,347</u>	<u>6,065,379</u>
INVESTMENTS	2,581,721	2,275,371
SPLIT-INTEREST AGREEMENTS	606,647	905,994
RIGHT TO USE ASSETS, Net	314,213	-
CAPITAL ASSETS, Net	<u>1,013,263</u>	<u>1,227,497</u>
Total Assets	<u><u>\$ 13,046,191</u></u>	<u><u>\$ 10,474,241</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 156,407	\$ 423,508
Unearned Revenue	<u>2,636,382</u>	<u>886,930</u>
Total Current Liabilities	<u>2,792,789</u>	<u>1,310,438</u>
NONCURRENT LIABILITIES		
Lease Liability Due Within One Year	35,667	-
Lease Liability Due in More than One Year	284,060	-
Present Value of Annuity Payments	<u>255,426</u>	<u>341,640</u>
Total Liabilities	3,367,942	1,652,078
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Split-Interest Agreements	351,221	564,354
NET POSITION		
Net Investment in Capital Assets	1,013,263	1,227,497
Restricted	2,581,721	2,275,371
Unrestricted	<u>5,732,044</u>	<u>4,754,941</u>
Total Net Position	<u><u>\$ 9,327,028</u></u>	<u><u>\$ 8,257,809</u></u>

See accompanying Notes to Basic Financial Statements.

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Grants and Contracts	\$ 3,037,523	\$ 2,900,768
Program Underwriting	1,063,400	983,928
Total Operating Revenues	<u>4,100,923</u>	<u>3,884,696</u>
OPERATING EXPENSES		
Programmatic Expenditures	10,863,464	10,556,866
Management and General	4,227,783	3,595,654
Fundraising and Membership Development	2,672,763	2,891,253
Total Operating Expenses	<u>17,764,010</u>	<u>17,043,773</u>
OPERATING LOSS	(13,663,087)	(13,159,077)
NONOPERATING REVENUES (EXPENSES)		
Subscription and Membership Income	8,953,415	8,518,789
Community Service Grants from the Corporation for Public Broadcasting	-	1,946,556
Indirect Administrative Support from the University	2,623,492	2,265,611
Indirect Support from Other Agencies	479,670	421,490
General Appropriations from the University (KBAQ-FM)	333,752	332,994
Other Gifts and Nonoperating Revenues	2,341,774	1,586,411
Investment Income (Loss)	203	530
Total Nonoperating Revenues	<u>14,732,306</u>	<u>15,072,381</u>
CHANGES IN NET POSITION	1,069,219	1,913,304
Net Position - Beginning of Year	<u>8,257,809</u>	<u>6,344,505</u>
NET POSITION - END OF YEAR	<u>\$ 9,327,028</u>	<u>\$ 8,257,809</u>

See accompanying Notes to Basic Financial Statements.

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and Contract Receipts	\$ 4,572,384	\$ 3,724,152
Program Underwriting Receipts	1,024,625	1,003,380
Other Nonoperating Receipts	2,003,632	1,298,494
Payments to Employees and Others	(14,642,901)	(14,083,754)
Net Cash Used by Operating Activities	(7,042,260)	(8,057,728)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Subscription and Membership Income	8,953,415	8,518,789
Corporation for Public Broadcasting Grants	-	1,946,556
General Appropriations from the University	333,752	332,994
Net Cash Provided by Noncapital and Related Financing Activities	9,287,167	10,798,339
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments on Lease Liabilities	(34,298)	-
Purchases of Capital Assets	(31,002)	(118,456)
Sale of Capital Assets	-	2,470
Net Cash Used by Capital Financing Activities	(65,300)	(115,986)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(306,350)	(1,087,338)
Investment Income	203	530
Net Cash Used by Investing Activities	(306,147)	(1,086,808)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,873,460	1,537,817
Cash and Cash Equivalents - Beginning of Year	5,648,935	4,111,118
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,522,395	\$ 5,648,935

See accompanying Notes to Basic Financial Statements.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Loss from Operations	\$ (13,663,087)	\$ (13,159,077)
Adjustment to Reconcile Loss from Operations to Net Cash Used by Operating Activities:		
Depreciation	285,048	243,459
Indirect Administrative Support from the University	2,623,492	2,265,611
Indirect Support from Other Agencies	479,670	421,490
Other Nonoperating Receipts (Expenses)	2,003,632	1,298,494
Changes in:		
Grants Receivable	(1,458)	2,301
Other Receivables	(50,441)	(29,906)
Other Assets	11,666	49,358
Accounts Payable	(267,101)	29,459
Unearned Revenue	1,749,452	547,017
Deferred Inflows of Resources	(213,133)	274,066
	<u>\$ (7,042,260)</u>	<u>\$ (8,057,728)</u>
Net Cash Used by Operating Activities		
	<u>\$ (7,042,260)</u>	<u>\$ (8,057,728)</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ITEMS		
Indirect Administrative Support from the University	<u>\$ 2,623,492</u>	<u>\$ 2,265,611</u>
Indirect Support from Other Agencies	<u>\$ 479,670</u>	<u>\$ 421,490</u>
Leased Right of Use Assets	<u>\$ 354,025</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity Operations

Arizona PBS (the Entity) is a department of and is operated by Arizona State University (the University). It includes KAET-TV, under a license granted by the Federal Communication Commission to the Arizona Board of Regents, and KBAQ-FM, a radio station co- licensed to Arizona State University and Maricopa County Community College District. The University provides facilities and other financial support to the Entity. The University also acts as a collection and disbursement agent on behalf of the Entity.

The financial statements of the Entity include the financial activities of Arizona School Services through Educational Technology (ASSET). ASSET functions as a sub-unit of the Entity. The Entity 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 Entity'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.

Cash and Cash Equivalents

The Entity 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 Entity 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 \$968,980 and \$1,907,394 at June 30, 2022 and 2021, respectively.

The Arizona State University Foundation (the ASU Foundation) collects and holds cash for the Entity. 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 \$6,553,415 and \$3,741,541 at June 30, 2022 and 2021, respectively.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.

Investments

Investments for the Entity are held by the ASU Foundation as endowments in a pooled investment fund (Pool). The Entity'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 \$2,581,721 and \$2,275,371 at June 30, 2022 and 2021, respectively, and are a restricted component of net position.

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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

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, 2022 and 2021, to be fully collectible and, accordingly, an allowance for doubtful accounts is not deemed necessary.

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.

Right to Use Assets

Associated with a radio tower and copier leases, the Entity records right to use assets and lease liabilities plus initial direct costs, and prepayments less any lease incentives. The right to use assets are amortized over the lesser of the useful life of the underlying asset, or the term of the lease.

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 Entity 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.

Deferred Outflows and Inflows of Resources

The Entity recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. The Entity 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.

Operating Revenues and Expenses

The Entity distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange or exchange-like transactions in connection with the Entity'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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Entity.

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.

Subscription and Membership Income

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

Expenses

When an expense is incurred that can be paid from either restricted or unrestricted resources, Arizona PBS 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.

Program Rights

Program rights purchased by the Entity are expensed when purchased.

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 Entity 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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Entity is not subject to corporate income taxes.

Economic Dependence

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

Adoption of New Accounting Standard

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Entity adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. As of July 1, 2021 the Entity recorded right to use assets and lease liabilities of \$354,025 (See Note 4).

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2022 and 2021, the Entity's deposits totaling \$7,522,395 and \$5,648,935, respectively, were held by both the University and ASU Foundation. At June 30, 2022 and 2021, the Entity's investments totaling \$2,581,721 and \$2,275,371, 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 Entity 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 Entity. 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.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentrations of Credit Risk (Continued)

At June 30, 2022 and 2021, 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.

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 Entity'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, 2022, \$6,553,415 of the Entity'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, 2021, \$3,741,541 of the Entity'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 Entity 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 Entity's investments are pooled with the ASU Foundation's investments. As of June 30, 2022 and 2021, \$2,581,721 and \$2,275,371, respectively, of the Entity'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.

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 CAPITAL ASSETS AND RIGHT TO USE ASSETS

Capital assets and right to use assets consist of the following for the years ended June 30, 2022 and 2021:

	2022			
	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	8,039,663	31,002	-	8,070,665
Building Improvements	23	-	-	23
Total Depreciable Assets	<u>12,218,785</u>	<u>31,002</u>	<u>-</u>	<u>12,249,787</u>
Accumulated Depreciation:				
Equipment	(10,991,265)	(245,236)	-	(11,236,501)
Building Improvements	(23)	-	-	(23)
Total Accumulated Depreciation	<u>(10,991,288)</u>	<u>(245,236)</u>	<u>-</u>	<u>(11,236,524)</u>
Capital Assets, Net	<u>\$ 1,227,497</u>	<u>\$ (214,234)</u>	<u>\$ -</u>	<u>\$ 1,013,263</u>
Right to Use Assets:				
Tower	\$ -	\$ 320,250	\$ -	\$ 320,250
Copiers	-	33,775	-	33,775
Total Right to Use Assets	<u>-</u>	<u>354,025</u>	<u>-</u>	<u>354,025</u>
Accumulated Amortization:				
Tower	-	(32,025)	-	(32,025)
Copiers	-	(7,787)	-	(7,787)
Total Accumulated Amortization	<u>-</u>	<u>(39,812)</u>	<u>-</u>	<u>(39,812)</u>
Right to Use Assets, Net	<u>\$ -</u>	<u>\$ 314,213</u>	<u>\$ -</u>	<u>\$ 314,213</u>
2021				
	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	7,923,953	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>

Depreciation expense was \$245,236 and \$243,459 for the years ended June 30, 2022 and 2021, respectively.

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 LEASES

The Entity subleases transmission facilities (Tower lease) from an unrelated party (KPNX) 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 were in negotiation. The lease was month to month until the agreements are finalized.

The Tower lease agreement was finalized in fiscal 2022 under a long-term, noncancelable lease agreement for a term of five years and expires on June 30, 2026. ASU will have the option to renew the sublease for one additional five-year term by providing written notice to KPNX of its intent to renew no later than three months before the expiration of this option term ending June 30, 2026. As it is reasonably certain that Arizona PBC will exercise the extension, the expected maturity of the lease is June 30, 2031.

In addition, the Entity leases two copiers under long-term noncancelable lease agreements expiring in July 2025 and 2026.

The Entity has determined the present value of the lease liabilities using a 3.25% discount rate. The future minimum lease payments under the agreements are as follows:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 35,667	\$ 9,614	\$ 45,281
2024	36,840	8,441	45,281
2025	38,052	7,229	45,281
2026	35,845	6,086	41,931
2027	32,642	5,044	37,686
2028-2031	140,681	9,129	149,810
Total Minimum Payments Required	<u>\$ 319,727</u>	<u>\$ 45,543</u>	<u>\$ 365,270</u>

Changes in long-term obligations for the year ended June 30, 2022 are as follows:

	<u>Balances</u>			<u>Balances</u>	<u>Due Within</u>
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>		
Lease Liabilities:					
Tower Lease	\$ -	\$ 320,250	\$ (27,553)	\$ 292,697	\$ 28,462
Copier Leases	-	33,775	(6,745)	27,030	7,205
Total Lease Liabilities	<u>\$ -</u>	<u>\$ 354,025</u>	<u>\$ (34,298)</u>	<u>\$ 319,727</u>	<u>\$ 35,667</u>

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 LEASES (CONTINUED)

Right to use assets acquired through the outstanding leases are shown below.

	Business-Type Activities
Right to Use Assets:	
Tower	\$ 320,250
Copiers	33,775
Less: Accumulated Amortization	(34,298)
Right to Use Assets, Net	\$ 319,727

NOTE 5 SPLIT-INTEREST AGREEMENTS

The Entity is the beneficiary of seventeen 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 Entity's use. The portion of the trust attributable to the present value of the future benefits to be received by the Entity 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 Entity 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 rates of 3.4% and 2.4% as of June 30, 2022 and 2021.

NOTE 6 TRANSACTIONS WITH AFFILIATED ENTITIES

The Entity received indirect support from the University of \$2,623,492 in 2022 and \$2,265,611 in 2021 based upon the methodology developed by the Corporation for Public Broadcasting. The Entity also received state appropriations for operating, personal services and employee-related reimbursements for KBAQ-FM from the University of \$479,670 and \$488,652 in 2022 and 2021, respectively, all of which are reported as an increase in unrestricted net position. The Entity operates out of a building owned by ASU and does not pay rent.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 COMMITMENTS

In 1992, the Entity 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, 2022 and 2021, KBAQ recognized \$78,062 and \$84,742, respectively, in revenue, which is recorded as grants and contracts. In addition, the Entity contributed \$323,812 in 2022 and 2021 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 12.41% of compensation for fiscal year 2022, comprised of 12.22% for retirement and 0.19% 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 2021, comprised of 11.64% for retirement and 0.16% for long-term disability. The Entity's retirement plan expense for this plan was \$370,103 in 2022, \$342,278 in 2021, and \$362,620 in 2020.

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 Entity's retirement plan expense for this plan was \$92,480 in 2022, \$139,450 in 2021, and \$122,310 in 2020.

**ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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. Arizona PBS (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 Annual Financial Comprehensive Report (AFR) 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 AFR 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 Entity is not allowed to execute debt agreements with outside third parties. In the event the Entity has a shortfall covering its operating expenses, it is anticipated that the University would work with the Entity to develop a repayment plan to cover the deficit.

NOTE 11 SUBSEQUENT EVENTS

Management evaluated subsequent events through January 12, 2023, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to January 12, 2023, that provided additional evidence about conditions that existed at June 30, 2022, have been recognized in the financial statements for the year ended June 30, 2022. Events or transactions that provided evidence about conditions that did not exist at June 30, 2022, 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, 2022.

ARIZONA PBS
(A DEPARTMENT OF ARIZONA STATE UNIVERSITY)
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services			Support Services			2022 Total	2021 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	\$ 3,234,786	\$ 920,599	\$ 1,153,958	\$ 5,309,343	\$ 1,089,198	\$ 799,735	\$ 7,198,276	\$ 7,262,832
Administrative Service Charge	13,460	76	-	13,536	50,901	-	64,437	44,825
Conferences and Meetings	3,719	-	-	3,719	1,295	-	5,014	394
Depreciation	-	39,812	-	39,812	245,236	-	285,048	243,459
Indirect Administrative Support	-	-	-	-	2,623,492	-	2,623,492	2,265,611
Indirect Cost	233,389	-	-	233,389	-	-	233,389	165,486
Noncapital Equipment	279,888	85,875	-	365,763	21,030	101	386,894	233,860
Educational Outreach - Tuition	689,697	-	-	689,697	-	-	689,697	845,960
Other Operations	36,061	48,730	3,873	88,664	25,660	535,906	650,230	710,474
Postage	21,125	560	-	21,685	152	146,449	168,286	165,911
Professional Fees and Services	552,490	356,826	12,681	921,997	142,444	1,105,894	2,170,335	2,188,681
Program Licenses and Dues	2,895,336	12,028	787	2,908,151	15,301	208	2,923,660	2,556,403
Rentals	352	19,997	-	20,349	1,557	-	21,906	147,227
Supplies	135,948	9,689	308	145,945	5,400	5,427	156,772	71,667
Telephone	33,329	9,909	-	43,238	-	78,391	121,629	129,805
Travel	45,180	12,727	269	58,176	6,117	652	64,945	11,178
Total Functional Expenses	\$ 8,174,760	\$ 1,516,828	\$ 1,171,876	\$ 10,863,464	\$ 4,227,783	\$ 2,672,763	\$ 17,764,010	\$ 17,043,773



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.