

KUED-TV
(A Public Telecommunications Department of the University of Utah)

Financial Statements

June 30, 2022

(With Independent Auditors' Report Thereon)

KUED-TV
(A Public Telecommunications Department of the University of Utah)

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CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

KUED-TV

**The University of Utah Board of Trustees
and Taylor R. Randall, President
Salt Lake City, Utah**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of KUED-TV (a public telecommunications department of the University of Utah), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the 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 KUED-TV, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KUED-TV and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KUED-TV's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 KUED-TV's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KUED-TV's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of the proportionate share of the net pension liability and employer contributions on pages 6–11 and 34–35 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 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 Summarized Comparative Information

We have previously audited KUED-TV's 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated January 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The financial statements of KUED-TV are intended to present the financial position, the changes in financial position, and cash flows of only KUED-TV. They do not purport to, and do not, present the financial position of the University of Utah as of June 30, 2022, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023, on our consideration of KUED-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KUED-TV's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KUED-TV's internal control over financial reporting and compliance.

WSRP, LLC

Salt Lake City, Utah
January 24, 2023

KUED-TV

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of KUED-TV (the Station) as of and for the year ended June 30, 2022, with selected comparative information as of and for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

The Station is licensed to the University of Utah and is the only public television station in Utah that broadcasts the full Public Broadcasting Service (PBS) schedule. The Station has a significant commitment to local-interest television productions and community outreach and broadcasts an instructional television block from 9:00 a.m. to 2:00 p.m. every weekday. The Station broadcasts a digital signal to the State of Utah.

FINANCIAL HIGHLIGHTS

The Station's financial position at June 30, 2022 includes assets of \$19,243,122 deferred outflows of resources of \$0, total liabilities of \$857,753, and deferred inflows of resources of \$931,227. Net position, which represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources decreased by \$585,716 to \$17,454,142 at June 30, 2022.

Changes in net position represent the total activity of the Station, which results from all revenues, expenses, gains, and losses, and are summarized for the years ended June 30, 2022 and 2021 as follows:

	2022	2021
Total revenues	\$ 10,844,878	\$ 13,463,833
Total expenses	11,430,594	9,868,340
Increase (decrease) in net position	<u>\$ (585,716)</u>	<u>\$ 3,595,493</u>

Fiscal year 2022 revenues decreased by 19.5% or \$2,618,955 while expenses increased by 15.8% or \$1,562,255. For further detail related to these changes please see the discussion related to the Statement of Revenues, Expenses, and Changes in Net Position.

USING THE FINANCIAL STATEMENTS

The Station's financial report is prepared on the accrual basis of accounting and conforms to *Principles of Accounting and Financial Reporting for Public Telecommunication Entities* published by the Corporation for Public Broadcasting (CPB), which conforms to U.S. generally accepted accounting principles and includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

KUED-TV

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Station at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is one indicator of the current financial condition of the Station, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the Station's assets, deferred outflows and inflows of resources, liabilities, and net position at June 30, 2022 and 2021 follows:

	2022	2021
Current assets		
Current assets, unrestricted	\$ 11,897,244	\$ 11,693,008
Current assets, restricted	1,017,114	811,611
Noncurrent assets		
Restricted investments	3,717,588	4,051,907
Net pension asset	809,952	497,386
Investments in joint venture	932,587	993,340
Capital assets, net	868,638	1,126,238
Total assets	<u>19,243,123</u>	<u>19,173,490</u>
Deferred outflows of resources	—	52,668
Current liabilities	(857,754)	(808,627)
Noncurrent liabilities	—	—
Total liabilities	<u>(857,754)</u>	<u>(808,627)</u>
Deferred inflows of resources	(931,227)	(377,673)
Net investment in capital assets	868,638	1,126,238
Restricted - expendable	1,012,314	802,761
Restricted - nonexpendable	3,717,588	4,051,907
Unrestricted	11,855,602	12,058,952
Total net position	<u>\$ 17,454,142</u>	<u>\$ 18,039,858</u>

KUED-TV

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

STATEMENT OF NET POSITION (CONTINUED)

A review of the Station's Statement of Net Position at June 30, 2022 and 2021 shows that the Station still maintains its favorable financial foundation. This financial position results from the efficient management and wise use of its financial resources.

Current assets consist of cash, receivables, and investments. Total current assets increased by \$409,739 during fiscal year 2022. The increase was due primarily to increases of \$585,788 in cash, \$205,503 in restricted cash, and \$116,239 in receivables. This increase was offset by a decrease of \$235,425 in costs incurred for programs not yet broadcast, \$158,306 in investments, and \$104,060 in prepaid expenses.

Noncurrent assets consist of restricted investments, net pension asset, investment in joint venture, and capital assets. Total noncurrent assets decreased by \$340,106 during fiscal year 2022. The decrease was primarily due to decreases of \$334,319 in restricted investments, \$60,753 in investment in joint venture, and \$257,600 in net capital assets. The decrease was offset by an increase of \$312,566 in net pension asset.

Deferred outflows of resources related to pensions decreased by \$52,668 during fiscal year 2022.

Current liabilities consist of accounts payable and accrued personnel services. Total current liabilities increased by \$49,127 during fiscal year 2022 primarily due to an increase of \$77,073 in accrued personnel services. Accounts payable decreased by \$27,946 primarily due to decreased expenses related to broadcasting expenses.

Deferred inflows of resources consist of deferred inflows related to pensions. Total deferred inflows of resources increased by \$553,554 during fiscal year 2022.

NET POSITION

Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents the Station's capital assets net of accumulated depreciation. The restricted - expendable component of net position is subject to externally imposed restrictions governing their use. The restricted - nonexpendable component of net position is subject to the funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income that is to be expended for purposes specified by the donor. Although unrestricted component of net position is not subject to externally imposed stipulations, most of the Station's unrestricted net position has been designated for various programming, production, outreach, and broadcasting projects to be used during fiscal year 2022.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the Station's results of operations. A comparison of the Station's revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 148,176	\$ 137,735
Operating expenses	<u>11,430,594</u>	<u>9,868,340</u>
Operating loss	(11,282,418)	(9,730,605)
Nonoperating revenues	<u>10,696,402</u>	<u>13,326,098</u>
Income before addition to permanent endowment	(586,016)	3,595,493
Addition to permanent endowment	<u>300</u>	<u>—</u>
Increase (decrease) in net position	(585,716)	3,595,493
Net position – beginning of year	<u>18,039,858</u>	<u>14,444,365</u>
Net position – end of year	<u>\$ 17,454,142</u>	<u>\$ 18,039,858</u>

The Station's main revenue sources are the State of Utah, the University of Utah, the CPB, individuals, foundation contributions, and corporate donations. The Station has in the past and will continue to aggressively seek funding from all possible sources consistent with its mission.

The Station's revenues were \$2,618,955 lower in fiscal year 2022 than in fiscal year 2021. This was partially due to a decrease in the market value of investments of \$1,890,509, a decrease in Federal grants of \$605,437 which included a one-time grant from the American Rescue Act Plan, a decrease in other Federal funding of \$16,462, a decrease of \$85,413 in other income, and a decrease of \$558,654 in contributions. These decreases were offset by increases of \$73,093 from the State of Utah appropriations, an increase in direct support from the University of Utah of \$4,864, an increase of \$210,027 in indirect support from the University of Utah, an increase of \$193,349 in underwriting, and an increase in sales and services of \$10,441.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

A comparative summary of the Station's operating expenses by functional classification for the years ended June 30, 2022 and 2021 follows:

	2022	2021
Program services		
Programming and production	\$ 5,090,278	\$ 4,228,751
Broadcasting	1,392,740	1,418,189
Program information	1,410,965	1,352,898
Total program services	7,893,983	6,999,838
Support services		
Fundraising and membership development	2,053,862	1,735,742
Management and general	1,482,749	1,132,760
Total support services	3,536,611	2,868,502
Total expenses	\$ 11,430,594	\$ 9,868,340

The Station's expenses increased by \$1,562,254 in fiscal year 2022. Programming and production expenses increased by \$861,527 primarily due to increased production expenses related to local documentaries, fundraising and public affairs productions along with their digital components. Management and general expenses increased by \$349,989 primarily due to the allocation of indirect administrative support from the University of Utah and increased personnel costs, along with increased building maintenance costs. Fundraising and membership development increased by \$318,120 primarily from increased personnel costs and increases in bank and mailing fees. These increases were offset by a decrease in Broadcasting expenses of \$25,449.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the Station's financial activity by reporting the major sources and uses of cash.

The Station's cash increased by \$791,291 in fiscal year 2022 primarily due to an increase in cash from noncapital financing activities. The Station's significant sources of cash provided by noncapital financing activities include state appropriations, funding from the University of Utah, grants from the CPB, and private gifts.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

CURRENT FACTORS HAVING PROBABLE FUTURE FINANCIAL SIGNIFICANCE

Having weathered COVID and the accompanying disruptions to the workforce and the economy, PBS Utah now faces the pressures of inflation and recession, the largest factors impacting the station's financial health at this time.

Donations from corporations, foundations and the private sector are still hard to predict in a pandemic and post-pandemic economy. PBS Utah has been relying on consultation from Market Engenuity, a national-firm that handles sister station KUER's business sponsorship. This fall PBS Utah transitioned their business sponsorship work completely to Market Engenuity as well. This will allow PBS Utah to make the most of an economy slowed by recession.

While PBS Utah membership stayed healthy throughout the last two years, inflation seems to be slowing those small, monthly donations, as Utah households balance rising costs. Fund drives in the coming months might deliver less than in previous months. PBS Utah will collaborate with colleagues at KUER to increase the retention number of donors; increase the number of donations in its growing sustaining members, major donor and planned giving programs; maximize the recent interest and maintain interest in the stations Passport member benefit; as well as broadening out the channels of engagement with current, lapsed and prospective donors. All of this will be done with particular attention to developing digital fundraising best practices.

State and federal funding still makes up more than half of PBS Utah's operating budget. While the station endeavors to continue to decrease reliance on public funding, flat or declining funding from the Corporation for Public Broadcasting or the State of Utah could significantly affect PBS Utah in the upcoming year.

PBS Utah has roughly \$7 million dollars in its full and quasi endowment funds. Plans to review those funds, including revisiting original donor intent documentation and strategizing about how to leverage that money to cultivate more major donations, was postponed due to major staffing changes in PBS Utah's development team. Inflation and the great resignation have brought some staff retention difficulties, and hiring takes much longer than in previous years. Salaries are competitive. But as PBS Utah's major donor team is reinvigorated, the station will return to that task.

PBS Utah will continue to produce and broadcast high-quality commercial-free programs that educate, enlighten, and entertain. Community outreach projects will continue to add visibility to the station and will attract more viewers, even though many of our programs have transitioned online. PBS Utah will continue to deliver local programs, PBS programs, and unique digital-first content to viewers on desktop, mobile, and OTT devices. The station will continue to expand its social media presence to engage with its viewers and donors, and to deliver them video, photographic, and other content. The station has sought and achieved important strategic partnerships. With a grant from the Corporation for Public Broadcasting, PBS Utah partnered with KUER on an Instagram and newsletter project connecting young women with midterm election information.

PBS Utah will continue to be prudent in its long-term planning. While it is not possible to predict the ultimate results, management will be aggressive in meeting these economic uncertainties to maintain its favorable financial position.

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STATEMENT OF NET POSITION

As of June 30, 2022 and 2021

	2022	[For Comparison Only] 2021
ASSETS		
Current assets		
Cash	\$ 7,037,841	\$ 6,452,053
Restricted cash	1,017,114	811,611
Receivables, net (Note 2)	1,831,210	1,714,971
Costs incurred for programs not yet broadcast	—	235,425
Investments (Note 4)	3,028,193	3,186,499
Prepaid expenses	—	104,060
Total current assets	12,914,358	12,504,619
Noncurrent assets		
Restricted investments (Note 4)	3,717,588	4,051,907
Net pension asset	809,952	497,386
Investments in joint venture (Note 4)	932,587	993,340
Capital assets, net (Note 3)	868,638	1,126,238
Total noncurrent assets	6,328,765	6,668,871
Total assets	19,243,123	19,173,490
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	—	52,668
LIABILITIES		
Current liabilities		
Accounts payable	127,275	155,221
Accrued personnel services	730,479	653,406
Total current liabilities	857,754	808,627
Noncurrent liabilities		
Net pension liability	—	—
Total liabilities	857,754	808,627
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	931,227	377,673
Total deferred inflows of resources	931,227	377,673
NET POSITION		
Net investment in capital assets	868,638	1,126,238
Restricted – expendable	1,012,314	802,761
Restricted – nonexpendable	3,717,588	4,051,907
Unrestricted	11,855,602	12,058,952
Total net position	\$ 17,454,142	\$ 18,039,858

See accompanying notes to financial statements

KUED-TV**(A Public Telecommunications Department of the University of Utah)****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Years ended June 30, 2022 and 2021

	2022	[For Comparison Only] 2021
OPERATING REVENUES		
Sales and services	\$ 148,176	\$ 137,735
Total operating revenues	148,176	137,735
OPERATING EXPENSES		
Broadcasting	1,392,740	1,418,189
Programming and production	5,090,278	4,228,751
Program information	1,410,965	1,352,898
Management and general	1,482,749	1,132,760
Fundraising and membership development	2,053,862	1,735,742
Total operating expenses	11,430,594	9,868,340
Operating loss	(11,282,418)	(9,730,605)
NONOPERATING REVENUES		
State of Utah appropriations	2,750,500	2,677,407
Direct support from the University of Utah	134,384	129,520
Indirect support from the University of Utah	553,542	343,515
Indirect in-kind support from governmental entities	86,169	87,637
Support from KUEN-TV	52,514	5,600
Federal grants	1,618,548	2,223,985
Other Federal funding	74,970	91,432
Contributions	4,681,831	5,240,485
Underwriting	1,102,348	908,999
Investment income (Note 4)	(358,404)	1,532,105
Other	—	85,413
Total nonoperating revenues	10,696,402	13,326,098
Income (loss) before addition to permanent endowment	(586,016)	3,595,493
Addition to permanent endowment	300	—
Total donated capital assets and addition to permanent endowment	300	—
Increase (decrease) in net position	(585,716)	3,595,493
NET POSITION		
Net position – beginning of year	18,039,858	14,444,365
Net position – end of year	\$ 17,454,142	\$ 18,039,858

See accompanying notes to financial statements

KUED-TV**(A Public Telecommunications Department of the University of Utah)****STATEMENT OF CASH FLOWS**

Years ended June 30, 2022 and 2021

	2022	[For Comparison Only] 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	\$ 147,452	\$ 137,735
Cash payments for salaries, wages, and benefits	(5,969,318)	(5,788,246)
Cash payments for other operating expenses	(3,413,191)	(3,460,555)
Net cash used by operating activities	(9,235,057)	(9,111,066)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from the University of Utah	134,384	129,520
Cash received from Federal grants	1,618,548	2,223,985
Cash received from other Federal funding	74,970	91,432
Cash received from State of Utah appropriations	2,750,500	2,677,407
Cash received from contributions	4,588,270	4,142,434
Cash received from underwriting	999,848	890,897
Cash received from other income	—	85,413
Additions to permanent endowments	300	—
Net cash provided by noncapital financing activities	10,166,820	10,241,088
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from sale of capital assets		
Purchases of capital assets	(218,054)	—
Support from KUEN-TV	52,514	—
Net cash used by capital financing activities	(165,540)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint venture	(109,153)	(100,770)
Proceeds from sale of investments	333,126	(5,375)
Purchases of investments	(448,833)	—
Cash received from interest income	249,928	250,710
Net cash provided investing activities	25,068	144,565
Net increase in cash	791,291	1,274,587
Cash, beginning of year	7,263,664	5,989,077
Cash, end of year	<u>\$ 8,054,955</u>	<u>\$ 7,263,664</u>

See accompanying notes to financial statements

KUED-TV**(A Public Telecommunications Department of the University of Utah)****STATEMENT OF CASH FLOWS (CONTINUED)**

Years ended June 30, 2022 and 2021

	2022	[For Comparison Only] 2021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (11,282,418)	\$ (9,730,605)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	475,654	507,676
Loss on sale of assets	—	—
Loss in joint venture	169,906	180,509
In-kind donations	80,546	26,085
Indirect support from University of Utah	553,542	343,515
Indirect in-kind support from governmental entities	86,169	87,637
Net inflows (outflows) of resources relating to pensions	293,656	(324,500)
Change in assets and liabilities:		
Prepaid expenses	104,060	43,925
Receivables related to operating revenue	(724)	—
Cost of programs not yet broadcast	235,425	(158,965)
Accounts payable and accruals	49,127	(86,343)
Net cash used by operating activities	<u>\$ (9,235,057)</u>	<u>\$ (9,111,066)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase (Decrease) in fair value of investments	<u>\$ (608,332)</u>	<u>\$ 1,281,395</u>
Capital assets received from KUEN	<u>\$ 52,514</u>	<u>\$ 5,600</u>

See accompanying notes to financial statements

KUED-TV

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to principles of *Accounting and Financial Reporting for Public Telecommunications Entities*, published by the Corporation for Public Broadcasting (CPB), which conform to U.S. generally accepted accounting principles.

(a) Organization

KUED-TV (the Station) is operated by the University of Utah (the University), Salt Lake City, Utah. There are common management and facilities between the Station and an affiliated television station, KUEN-TV, and an affiliated radio station, KUER-FM Radio. Certain Station personnel share their time among the Station, KUEN-TV, and KUER-FM Radio.

(b) Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Station follows Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 72, *Fair Value Measurement and Application*.

(c) Basis of Accounting

All statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the service efforts of the Station. Additionally, donations in-kind that are deemed to support the service efforts of the Station, as defined by its mission, goals, and objectives, are recorded as operating expenses. Such donations in-kind are also reflected as a part of nonoperating revenues as they are considered nonexchange transactions as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The accounting for revenues of the Station recorded in the accompanying Statement of Revenues, Expenses, and Changes in Net Position is as follows:

- **Sales and services** - Sales and services represent funds received from locally produced programming and facilities rentals. These amounts are recorded as services are rendered.
- **State of Utah appropriations** - State of Utah appropriations represent direct support from the State of Utah as appropriated by the Utah State Legislature. These funds support Station personnel, programming and production, broadcasting, program information, installation and transmission, and educational service and training. These revenues are recognized when legally effective, which is the first day of the State of Utah's fiscal year, July 1.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(c) Basis of Accounting (continued)

- **Direct support from the University of Utah** - Direct support from the University represents funds received to support various Station personnel and underwriting support. These amounts are recorded as revenue and associated expense at estimated fair value or actual amounts where known at the time such costs are incurred.
- **Indirect support from the University of Utah** - Indirect support from the University represents costs associated with certain administrative and other services provided by the University. These amounts are recorded as revenue and associated expense at estimated fair value or actual amounts where known at the time such costs are incurred. The Station multiplies an indirect cost rate calculated from the University's indirect and direct costs to determine indirect support. The rate is assessed against eligible Station expenses in deriving the amount recognized as indirect University support.
- **Indirect in-kind support from governmental entities** - Indirect in-kind support from governmental entities represents services provided by governmental entities, including certain transmitter expenses. This support is recognized throughout the year as costs are incurred and expended by other governmental entities.
- **Federal grants** - Federal grants represent funds received from federal agencies to assist in the purchase of capital assets and to support programming and operating activities. These revenues are recognized at the time the Station has met the eligibility requirements as defined by the grant.
- **Other Federal Funding** – Federal funding from the Federal Communications Commission (FCC) and PBS to reimburse the Station for expenses related to the FCC mandated television broadcast spectrum reallocation.
- **Corporation for Public Broadcasting** - Corporation for Public Broadcasting represents funds received from the CPB to support the operations of the Station, including personnel, programming and production, broadcasting, program information, educational services, training, and purchase of capital assets. These revenues are recognized in federal grants at the time the Station has met the eligibility requirements as defined by the grant.
- **Contributions** - Contributions represent funds received from individuals through on-air, direct mail, and special event fundraisers and are used to purchase national and locally produced programming. Pledges are recognized as revenue when a pledge is made by a donor and the amount is estimable and deemed probable of collection. Pledges for endowments are not recognized as receivable per GASB Statement No. 33.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(c) Basis of Accounting (continued)

- **Underwriting** - Underwriting represents funds received from local corporations and foundations to purchase national and locally produced programming. Underwriting revenues are recognized as revenues and expenses upon execution of an underwriting contract.

(d) Program Rights

Program rights purchased by the Station are expensed upon the initial program broadcast, due to the uncertainty of any future program broadcasts. The financial statements at June 30, 2022 do not include any deferred costs related to program rights.

(e) Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast relate to programs produced by the Station that will be initially broadcast subsequent to June 30, 2022. Concurrent with initial broadcasting of the programs, their costs will be reported as operating expenses.

(f) Cash and Restricted Cash

Cash is pooled for the University as a whole. Amounts reported as cash in the Station's financial statements reflect the Station's proportionate ownership in that pool. Therefore, the Station does not have separate accounts in financial institutions. Thus, disclosures of risk related to deposits apply at the University level. See the financial statements of the University of Utah for those disclosures. Amounts reported as restricted cash reflect funds from a grant to pay for satellite interconnection fees for PBS programming and bequests from donors that have not yet been invested by the University.

(g) Investments

The Station's investments, except for investment in joint venture, are pooled for the University as a whole in the University's endowment pool. Amounts reported as investments in the Station's financial statements reflect the Station's proportionate ownership in that pool. Therefore, the Station does not have separate accounts in financial institutions. Thus, disclosures of fair value and risk related to investments apply at the University level. See the financial statements of the University of Utah for those disclosures.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account; or for endowments, distributes according to the University's spending policy.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(g) Investments (continued)

A portion of the Station's endowment portfolio is invested in "alternative investments." These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. See Note 4 for more information regarding these investments and the Station's outstanding commitments under the terms of the partnership agreements. The Station values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

(h) Capital Assets

Capital assets are recorded at cost or, in the case of donated equipment, at estimated fair value at date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Transmitter	15 years
Broadcast equipment	5 to 10 years

Expenditures for repairs and maintenance are charged to expense as incurred.

(i) Deferred Inflows/Outflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Station that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the Station that is applicable to a future reporting period. Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

(j) Income Taxes

The University, as a political subdivision of the State of Utah, has a dual status for federal income tax purposes. The University is both an Internal Revenue Code (IRC) Section 115 organization and an IRC Section 501(c)(3) charitable organization. This status exempts the University from paying federal income tax on revenue generated by activities that are directly related to the University's mission. This exemption does not apply to unrelated business activities. On these activities, the University is required to report and pay federal and state income tax. The Station, as a separate department of the University, shares in these same tax exemptions.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(k) Use of Estimates

Management of the Station has made estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

(l) Restricted Resources

When the Station has both restricted and unrestricted resources available to finance a particular program, it is the Station's practice to use restricted resources before unrestricted resources.

(2) Receivables

Receivables at June 30 consist of the following:

		(For Comparison Only)
	2022	2021
Underwriting	\$ 126,446	\$ 104,492
Contributions	1,704,040	1,610,479
Other	724	—
	<u>1,831,210</u>	<u>1,714,971</u>
Less allowance for doubtful accounts	<u>—</u>	<u>—</u>
Receivables, net	<u>\$ 1,831,210</u>	<u>\$ 1,714,971</u>

In fiscal year 2021, the Station revised its methodology for calculating the allowance for doubtful accounts. Based on the attrition rate of sustaining members, the Station is able to estimate the receivable from retained sustainers.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(3) Capital Assets

Capital assets at June 30, 2022 consist of the following:

	Beginning balance	Additions	Retirements	Ending balance
Land	\$ 204,807	\$ -	\$ -	\$ 204,807
Transmitter	999,229	-	-	999,229
Broadcast equipment	8,051,200	218,054	218,597	8,050,657
Building	4,692,363	-	-	4,692,363
Total	13,947,599	218,054	218,597	13,947,056
Less accumulated depreciation				
Transmitter	853,587	79,440		933,027
Broadcast equipment	7,548,448	240,606	218,597	7,570,457
Building	4,419,326	155,608	-	4,574,934
Total accumulated depreciation	12,821,361	475,654	218,597	13,078,418
Capital assets, net	<u>\$ 1,126,238</u>	<u>\$ (257,600)</u>	<u>\$ -</u>	<u>\$ 868,638</u>

Depreciation expense was \$475,654 for the year ended June 30, 2022, of which \$330,848 was included in broadcasting expense, \$86,368 was included in programming and production expense, \$17,117 was included in program information expense, \$19,536 was included in management and general expense, and \$21,785 was included in fundraising and membership development expense.

(4) Investments

The State of Utah Money Management Council (Council) has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (Act) that relate to the deposit and investment of public funds.

Except for endowment funds and certain other investments, the University follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council.

The Act defines the types of securities authorized as appropriate investments for the University's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) Investments (Continued)

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable agreements; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State, and participants share proportionally in any realized gains or losses on investments.

The Station participates in the University’s endowment pool. The University holds the investments within the pool on behalf of the Station. The Station holds an interest in the University’s investment pool, but not in specific investment instruments within that pool. The Station carries its interest at fair value and had a net unrealized, noncash loss of \$608,332 for the year ended June 30, 2022.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act, UPMIFA, Section 51-8 of the *Utah Code*; State Board of Regents’ Rule 541, *Management and Reporting of Institutional Investments*; and the University’s investment policy and endowment guidelines.

The UPMIFA, Rule 541, and the University’s endowment guidelines allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the SEC, investments sponsored by the Common fund; any investment made in accordance with the donor’s directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) Investments (Continued)

Fair Value of Investments

The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

See the University's investment note in its financial statements for a schedule of investments at fair value categorized by the three-tiered fair value hierarchy. A summary of the University's investments by level is as follows:

	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Total investments measured at fair value	\$ 4,833,717,599	\$ 47,933,992	\$ 4,120,201,230	\$ 8,907,207
Percentage of total fair value		1.0%	85.2%	0.2%

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets;
- Repurchase Agreements: valued at purchase price due to very short term to maturity;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Utah Public Treasurers' Investment Fund: application of the June 30, 2022 fair value factor, as calculated by the Utah State Treasurer, to the University's ending balance in the Fund.

Equity securities, namely common and preferred stocks, classified as Level 3 are valued manually using various sources such as issuer, investment manager or default price if a price is not provided.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) Investments (Continued)

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The University values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

Investment income in the Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2022 consists of the following:

	2022	[For Comparison Only] 2021
Unrealized gain (loss) on investments	\$ (608,332)	\$ 1,281,395
Investment income on endowment pool distributions	249,928	250,710
Investment income	<u>\$ (358,404)</u>	<u>\$ 1,532,105</u>

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds that are authorized by the University administration to be separately invested or which are separately invested to meet legal or donor requirements. Investments received as gifts are recorded at fair value on the date of receipt. Other investments are also recorded at fair value.

University personnel manage certain portfolios, while other portfolios are managed by banks, investment advisors or through trust agreements.

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the Utah Code, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending practice at June 30, 2022, was 4% of the twelve-quarter moving average of the market value of the endowment pool. The spending practice is reviewed periodically and any necessary changes are made. In general, nearly all of the University’s endowment is subject to spending restrictions imposed by donors.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For endowment funds Rule 541 requires that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the UPMIFA and Rule 541.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the UPMIFA and Rule 541. For endowments, the University, under Rule 541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's Pool Asset Allocation Guidelines allocate endowment funds in the following asset classes:

Asset Category	Target	Range
Global Equity	40 %	30-50
Public Equities	25	15-50
Hedged Equity*	5	0-10
Private Equity*	10	0-15
Global Fixed Income/Credit	20	10-40
Interest Rate Sensitive	11	5-40
Credit Sensitive*	9	0-20
Real Assets	20	10-30
Real Estate*	10	0-15
Diversifying Strategies*	20	0-30

* May include semi-liquid hedge funds or illiquid private capital funds

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) Investments (Continued)

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. At June 30, 2022, the University held more than 5% of its total investments in the Federal Home Loan Bank Federal Farm Credit Bank, and the Federal Agricultural Mortgage Corporation. These investments represent 21.53%, 8.48% and 5.82%, respectively, of the University's total investments.

Joint Venture: The Station has an investment in DTV Utah, LC, a joint venture with seven other Wasatch front stations. The Station has a 13% interest in DTV Utah, LC at June 30, 2022. DTV Utah, LC was formed to design, construct, and operate a facility to transmit high-definition television signals of the participating members as mandated by the Federal Communications Commission. The facility was completed during fiscal year 2000. The Station's ongoing financial responsibility is to fund its share of operating and maintenance costs. The loss in the joint venture of \$169,906 which is included in broadcasting expenses in the Statement of Revenues, Expenses, and Changes in Net position, represents the Station's equity interest in the net loss of DTV Utah, LC for the year ended June 30, 2022. The net loss was mainly comprised of depreciation and other operating expenses. Financial statements for the joint venture are the responsibility of and are available from KSL-TV, one of the joint venture participants.

(5) Pension Plans and Retirement Benefits

As required by state law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the Station are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association (TIAA) or Fidelity Investments (Fidelity).

Defined Benefit Plans

Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) which are cost-sharing, multiple-employer public employee retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) which is a cost-sharing, multiple-employer public employee retirement system.

The Tier 2 Public Employee System was created July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date, are members of the Tier 2 Retirement Systems.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(5) Pension Plans and Retirement Benefits (Continued)

The Systems are established and governed by the respective sections of Title 49 of the *Utah Code Annotated, 1953*, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System:

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied.

** All post-retirement cost of living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(5) Pension Plans and Retirement Benefits (Continued)

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Noncontributory System		
State and School Division Tier 1	N/A	22.19%
Contributory System		
State and School Division Tier 1	6%	17.70%
State and School Division Tier 2*	N/A	19.40%

* Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 plans.

At June 30, 2022, the Station's net pension asset and liability were as follows:

	<u>Proportionate Share December 31, 2021*</u>	<u>Proportionate Share December 31, 2020</u>	<u>Change (Decrease)</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.4082030%	0.4361985%	-0.0279955%	\$ 12,189,043	\$ -
Contributory System	0.6156465%	0.6441115%	-0.0284649%	(16,242,164)	-
Tier 2 Public Employees System	0.0098401%	0.0126994%	(0.0028594%)	4,863,073	-
Total Net Pension Asset/Liability				<u>\$ 809,952</u>	<u>\$ -</u>

* Represents the Station's proportionate share of the University of Utah's assets and liabilities. Refer to the University's fiscal year 2022 audited financial statements for the University's share of assets and liabilities in the Systems.

The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, pension expense of \$293,656 was recorded. At June 30, 2022, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KUED-TV**(A Public Telecommunications Department of the University of Utah)****NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

(5) Pension Plans and Retirement Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 158,932
Changes in assumptions	-	36
Net difference between projected and actual earnings on pension plan investments	-	770,723
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,536
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 931,227</u>

Contributions made between January 1, 2022 and June 30, 2022 of \$0 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,	Net Deferred Outflows/ (Inflows) of Resources
2022	\$ (324,383)
2023	(280,298)
2024	(198,614)
2025	(130,116)
2026	455
Thereafter	1,729

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.85 percent net of pension plan investment expense, including inflation

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(5) Pension Plans and Retirement Benefits (Continued)

Mortality rates were adopted from an actual experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-term
			Expected Portfolio Real Rate of Return
Equity securities	37%	6.58%	2.43%
Debt securities	20%	-0.28%	-0.06%
Real assets	15%	5.77%	0.87%
Private equity	12%	9.85%	1.18%
Absolute return	16%	2.91%	0.47%
Cash and equivalents	0%	-1.01%	0.00%
Totals	100%		4.89%
	Inflation		2.50%
	Expected arithmetic nominal return		7.39%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50% and a real return of 4.35% that is net of investment expense.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(5) Pension Plans and Retirement Benefits (Continued)

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what the proportionate share of the net pension liability (asset) would be if calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	62,196	(12,189,043)	(32,686,885)
Contributory System	(82,877)	16,242,164	43,555,983
Tier 2 Public Employees System	24,814	(4,863,073)	(13,041,115)
Net pension (asset) liability	4,133	(809,952)	(2,172,017)

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Plans

TIAA and Fidelity provide individual retirement fund contracts with each participating employee. Employees may allocate contributions by the Station to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2022, the Station's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. The Station has no further liability once contributions are made.

For the years ended June 30, 2022 and 2021, the Station's contributions to the Systems, TIAA, and Fidelity were equal to the required amounts as follows: \$602,333 and \$586,649, respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(6) Risk Management

The Station participates in the University's insurance coverage program for commercial general liability, automobile, errors and omissions, and property (building and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the Station and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund of Utah.

In addition, the Station participates in the University-maintained self-insurance funds for health care, dental, and auto/physical damage, which are held in a trust with an independent financial institution in compliance with Medicare reimbursement regulations. The Station's participation in these programs is funded through indirect support provided by the University.

(7) Commitments

The Station rents land to build and operate transmitters. Several of those sites are jointly rented and used by KUER and KUEN to build and operate transmitters. Rent for the year ended June 30, 2022 totaled \$15,156. The rental payments under the lease are approximately \$16,642 in fiscal year 2023 and the lease expires in July 2027.

(8) Subsequent Events

Management of the Station has evaluated subsequent events through January 24, 2023, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that require recognition or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KUED-TV

(A Public Telecommunications Department of the University of Utah)

Schedule of the Proportionate Share of the Net Pension Liability

KUED Proportionate Share of the Net Pension Liability
Noncontributory, Contributory, & Tier 2 Public Employees Systems
of the Utah Retirement System
For the years ended December 31

Noncontributory System	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset) **	0.4082030%	0.4361985%	0.3488037%	0.0266291%	0.0268959%	0.0257048%	0.0270908%	0.0318567%
Proportionate share of net pension liability (asset)	\$ (12,189,043)	\$ (503,470)	\$ 248,023	\$ 678,479	\$ 457,304	\$ 681,760	\$ 709,033	\$ 595,562
Covered employee payroll	9,997,574	(1,045,628)	441,165	493,798	486,805	535,259	556,978	601,578
Proportionate share of the net pension liability (asset) as a percentage of its covered employee	-121.92%	48.15%	56.22%	137.40%	93.94%	127.37%	127.30%	99.00%
Plan fiduciary net position as a percentage of total pension liability	111.8%	104.7%	94.2%	84.1%	89.2%	84.9%	84.5%	87.2%
Contributory System	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset) **	0.6156465%	0.6441115%	0.4929081%	0.1369142%	0.1224897%	0.1119746%	0.1066292%	0.1169214%
Proportionate share of net pension liability (asset)	\$ 16,242,164	\$ 26,057	\$ (13,386)	\$ 66,571	\$ 34,421	\$ 51,315	\$ 53,368	\$ 9,539
Covered employee payroll	(2,089,938)	(5,454)	12,337	18,197	119,021	25,104	26,978	31,379
Proportionate share of the net pension liability (asset) as a percentage of its covered employee	(777.16%)	(477.77%)	-108.50%	365.84%	28.92%	204.41%	197.82%	30.40%
Plan fiduciary net position as a percentage of total pension liability	117.6%	113.1%	103.6%	91.4%	99.2%	93.4%	92.4%	98.7%
Tier 2 Public Employees System	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset) **	0.0098401%	0.0126994%	0.0121284%	0.0153464%	0.0193727%	0.0250576%	0.0355443%	0.0423172%
Proportionate share of net pension liability (asset)	\$ (4,863,073)	\$ (19,973)	\$ 1,654	\$ (204)	\$ (204)	\$ (206)	\$ (296)	\$ (1,316)
Covered employee payroll	213,292,671	(2,219,231)	-	(5,574)	(22,667)	(15,147)	986,667	219,268
Proportionate share of the net pension liability (asset) as a percentage of its covered employee	-2.28%	0.90%	0.00%	3.66%	0.90%	1.36%	(0.03%)	-0.60%
Plan fiduciary net position as a percentage of total pension liability	103.8%	98.3%	96.5%	90.8%	97.4%	95.1%	100.2%	103.5%

** Represents the Station's proportionate share of the University of Utah's assets and liabilities. Refer to the University's fiscal year 2022 audited financial statements for the University's share of assets and liabilities in the Systems.

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Schedule of Employer Contributions

KUED Schedule of Contributions

For the years ended June 30

Noncontributory System	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 179,334	\$ 190,694	\$ 157,215	\$ 156,263	\$ 151,754	\$ 141,170	\$ 145,169	\$ 150,132	\$ 145,121	\$ 188,065
Contributions in Relation to the Contractually Required Contribution	(179,334)	(190,694)	(157,215)	(156,263)	(151,754)	(141,170)	(145,169)	(150,132)	(145,121)	(188,065)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 824,435	\$ 875,600	\$ 717,715	\$ 712,475	\$ 691,509	\$ 643,075	\$ 658,589	\$ 679,247	\$ 711,226	\$ 806,527
Contributions as a Percentage of Covered Employee Payroll	21.8%	21.8%	21.9%	21.9%	21.9%	22.0%	22.0%	22.1%	20.4%	23.3%

Contributory System	2022	2021	2020	2019	2018	2017	2016	2015	2014 ¹	2013 ¹
Contractually Required Contribution	\$ 3,655	\$ 4,547	\$ 4,339	\$ 4,514	\$ 4,578	\$ 4,867	\$ 5,663	\$ 6,231	\$ 5,866	\$ 3,679
Contributions in Relation to the Contractually Required Contribution	(3,655)	(4,547)	(4,339)	(4,514)	(4,578)	(4,867)	(5,663)	(6,231)	(5,866)	(3,679)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 20,652	\$ 25,691	\$ 24,516	\$ 25,502	\$ 25,866	\$ 27,496	\$ 32,022	\$ 35,206	\$ 36,729	\$ 30,478
Contributions as a Percentage of Covered Employee Payroll	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	16.0%	12.1%

Tier 2 Public Employees System	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 35,311	\$ 37,554	\$ 30,940	\$ 32,035	\$ 33,041	\$ 33,350	\$ 42,150	\$ 37,429	\$ 25,186	\$ 15,758
Contributions in Relation to the Contractually Required Contribution	(35,311)	(37,554)	(30,940)	(32,035)	(33,041)	(33,350)	(42,150)	(37,429)	(25,186)	(15,758)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 182,173	\$ 196,614	\$ 163,352	\$ 170,083	\$ 179,356	\$ 183,040	\$ 231,145	\$ 205,103	\$ 150,410	\$ 130,544
Contributions as a Percentage of Covered-Employee Payroll ³	19.4%	19.1%	18.9%	18.8%	18.4%	18.2%	18.2%	18.2%	16.7%	12.1%

¹ Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.

² The Tier 2 Public Employees System was created in 2011.

³ For employees participating in the Public Employees Tier 2 Systems, the University is required to contribute 18.99% of the employees' salaries to the Systems.

The Station makes the required contributions by paying approximately 10% in to the Tier 2 Systems while the remainder is contributed to the Tier 1 Noncontributory System, as required by law. The amounts reported here reflect the contributions to the Tier 2 systems rather than the total required.



CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

KUED-TV

**The University of Utah Board of Trustees
and Taylor R. Randall, President
Salt Lake City, Utah**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KUED-TV, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise KUED-TV's basic financial statements, and have issued our report thereon dated January 24, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KUED-TV's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KUED-TV's internal control. Accordingly, we do not express an opinion on the effectiveness of KUED-TV's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KUED-TV's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WSRP, LLC

Salt Lake City, Utah
January 24, 2023