

KACV-TV
A PUBLIC TELECOMMUNICATIONS
OPERATION OF AMARILLO COLLEGE
Amarillo, Texas

FINANCIAL STATEMENTS
August 31, 2022 and 2021

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Independent Auditor's Report

The Board of Regents
Amarillo College
Amarillo, Texas

Opinion

We have audited the accompanying financial statements of KACV-TV (the Station), a public telecommunications operation of Amarillo College (the College), which comprise the statements of net position as of August 31, 2022 and 2021, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of August 31, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with the financial reporting provisions of the Corporation for Public Broadcasting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Station 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the Station adopted new accounting guidance, GASB No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 of the financial statements, the financial statements are prepared by the Station in accordance with the financial reporting practices prescribed or permitted by the Corporation for Public Broadcasting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Corporation for Public Broadcasting. As a result, the financial statements may not be suitable for another purpose. 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 these financial statements in accordance with the financial reporting practices prescribed or permitted by the Corporation for Public Broadcasting. Management is also responsible 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.



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 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, 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 the Station'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 the Station'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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in net position and cash flows of only the portion of the College's transactions that is attributable to the Station. They do not purport to, and do not, present fairly the financial position of the College, as of August 31, 2022 and 2021, the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The Management's Discussion and Analysis on pages 5-9 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the other information in accordance with auditing standards under regulatory filing, 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.

Restriction on use

This report is intended solely for the information and use of management, Board of Regents, and others within the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

CMMS CPAs & Advisors PLLC

Amarillo, Texas
March 2, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

KACV-TV
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2022, 2021 and 2020

INTRODUCTION

The following discussion and analysis is an overview of the financial position and activities of KACV-TV (the Station) for the year ended August 31, 2022. KACV-TV is a part of and is operated by Amarillo College (the College). Operations and activities relating to the Station officially began on September 1, 1987, and broadcasting began on August 29, 1988.

KACV-TV is the public television station serving the citizens of the Texas Panhandle. As a free, over-the-air service providing enlightening, intelligent, entertaining, educational, non-commercial programming, the Station serves the mostly rural 26 counties of the Texas Panhandle, covering approximately 26,000 square miles. KACV-TV is in the Amarillo Nielsen DMA and reaches approximately 406,000 individuals.

KACV-TV is a department of Amarillo College in the division of Communication and Marketing, and the Amarillo College Board of Regents holds the license for the television station. The Board of Regents approves the Station's budget. KACV-TV must also adhere to the Federal Communications Commission (FCC) guidelines as a licensed non-commercial, educational television station.

The Station appoints a community advisory council with members from within its viewing area and holds advisory council meetings at least quarterly. The advisory council provides a vehicle for effective community input to the Station's governing body and license holder and to Station management regarding programming, community service and outreach activities and policies that impact the specific needs of the community. The advisory council is comprised of not more than 20 members serving staggered three-year terms. Two Amarillo College Board of Regents' members and the College President serve in an ex-officio capacity on the council. Station senior staff interacts with council members on a regular basis in both formal and informal conversations.

BACKGROUND

KACV-TV began operation in August 1988 as the Texas Panhandle's only PBS member station. Licensed to Amarillo College, the Station extends the community college philosophy of improving the quality of life for all residents and also the College mission to enrich the lives of AC students and the entire Panhandle community. The Station operates digital channels 2.1, 2.2 and 2.3 twenty-four hours a day, seven days a week.

In addition to providing quality PBS programming, the Station has a long history of producing local content that address timely concerns and celebrates the region. KACV-TV has been the recipient of numerous honors including the Edward R. Murrow and Barbara Jordan awards for outstanding documentary productions as well as a Regional Emmy Award in 2021 for the Documentary – Topical category.

KACV-TV broadcasts on Channel 2.1 in digital high definition carrying PBS programming. Channel 2.2 carries PBS Kids 24/7 programming in standard definition, and channel 2.3 carries Create TV in standard definition, with cooking, travel, home improvement, gardening, arts and crafts and other lifestyle interest programming.

KACV-TV
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2022, 2021 and 2020

FINANCES AND FUNDRAISING

KACV-TV relies on three primary funding sources: Amarillo College, the CPB, and the community it serves. The College provides support through direct contribution and in-kind services. Funding from the CPB comes to the Station in the form of annual grants. Local community support includes individual Station membership and corporate/foundation underwriting support. The Station also receives a few project-specific grants annually.

This section of the Station's financial statements presents our discussion and analysis of the Station's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the financial statements and notes to the financial statements that follow this letter. The independent auditor's report on the Station's financial statements can be found on page 1 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the Station exceeded its liabilities by \$7,211,375 (net position). Of this amount, \$474,952 is invested in capital assets. The Station also has an endowment of \$1,500,000 and restricted funds of \$1,824,950. The remaining portion, \$3,411,473, is unrestricted.
- Total assets decreased \$1,032,540 from the prior year. For 2022, this was primarily a result of losses in investment income due to volatility in the national economy that has continued since 2020.
- Total liabilities decreased \$24,540 from the prior year. Two factors make up most of the change, right-to-use lease payables decreased \$28,349, and unearned support and revenue increased by \$11,287 due to receipt of grant project funds not yet completed.
- Net position decreased \$1,008,000 over the prior year, as compared to an increase of \$1,397,878 in the previous year. This was the result of a decrease in investment income (unrealized gains) and decreased revenues primarily from a large capital grant from 2021 that was not repeated for 2022.
- CPB grant revenue increased \$38,368 or 4% from the prior year. A portion of this increase came from the use of the CPB CARES Act Grant with the rest due to increases in the CPB Grants. Membership revenue was about the same while underwriting revenue decreased by \$34,330 or 22.5% from the prior year. The underwriting decrease was due to fewer grant projects that included an underwriting component as well as businesses struggling post covid.
- Total expenses decreased by \$67,456 or 2.5% as compared to a decrease of \$137,676 or 5% in the previous year. This was due to decreases in broadcasting, management, and promotion expenses. Expenses for programming, community engagement, fundraising, underwriting and management increased due to increased activities in those areas compared to prior year.
- Capital equipment acquisitions totaled \$42,550, for new production equipment.

KACV-TV
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2022, 2021 and 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Station's financial statements. For financial reporting purposes, the Station is a public telecommunications operation of the College and information concerning it is included in the College's financial statements because of the College's oversight responsibility of the Station's activities.

The financial statements of the Station are comprised of two components: 1) financial statements and 2) notes to the financial statements. The financial statements can be found on pages 11 through 13 of this report, and the notes to the financial statements can be found on pages 14 through 30.

The financial statements of the Station have been prepared on the accrual basis of accounting in accordance with *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*, published by the CPB. The Statement of Net Position presents information on all of the Station's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating. The Statement of Revenue, Expenses, and Changes in Net Position presents information showing how the Station's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Statement of Cash Flows is next, which reports cash receipts, cash payments, and net changes in cash from the prior year broken down by operating, capital and related financing, and investing activities. Following the financial statements are the notes to the financial statements, which provide additional information pertaining to the Station's accounting policies, sources of revenue, changes in fixed assets, and other account detail.

FINANCIAL ANALYSIS

The following tables summarize the Station's net position and changes in net position for the most recent three years:

| NET POSITION | | | | |
|---------------------|--------------------|--------------------|--------------------|------------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>Change</u> |
| | | (restated) | | <u>(2022 to 2021)</u> |
| Current assets | \$ 9,204,066 | \$ 10,118,001 | \$ 8,632,620 | \$ (913,935) -9.03% |
| Capital assets | 474,952 | 593,557 | 354,425 | (118,605) -19.98% |
| Total assets | <u>9,679,018</u> | <u>10,711,558</u> | <u>8,987,045</u> | <u>(1,032,540) -9.64%</u> |

KACV-TV
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2022, 2021 and 2020

FINANCIAL ANALYSIS (CONTINUED)

| NET POSITION | | | | |
|----------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| (Continued) | 2022 | 2021 | 2020 | Change |
| | | (restated) | | (2022 to 2021) |
| Current liabilities | 2,326,118 | 2,321,183 | 2,165,548 | 4,935 0.21% |
| Non-Current liabilities | 141,525 | 171,000 | - | (29,475) -17.24% |
| Total liabilities | 2,467,643 | 2,492,183 | 2,165,548 | (24,540) -0.98% |
| Net investment in capital assets | 474,952 | 593,557 | 354,425 | (118,605) -19.98% |
| Restricted / Endowment | 3,324,950 | 3,972,449 | 3,129,714 | (647,499) -16.30% |
| Unrestricted | 3,411,473 | 3,653,369 | 3,337,358 | (241,896) -6.62% |
| Total net position | <u>\$ 7,211,375</u> | <u>\$ 8,219,375</u> | <u>\$ 6,821,497</u> | <u>\$ (1,008,000) -12.26%</u> |

| CHANGE IN NET POSITION | | | | |
|---------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | 2022 | 2021 | 2020 | Change |
| | | (restated) | | (2022 to 2021) |
| Revenue | | | | |
| Operating | \$ 2,503,589 | \$ 2,766,509 | \$ 2,559,653 | \$ (262,920) -9.50% |
| Nonoperating | (888,665) | 1,321,749 | 632,528 | (2,210,414) -167.23% |
| Total revenue | 1,614,924 | 4,088,258 | 3,192,181 | (2,473,334) -60.50% |
| Expenses | | | | |
| Operating and nonoperating | 2,622,924 | 2,690,380 | 2,828,056 | (67,456) -2.51% |
| Change in net position | (1,008,000) | 1,397,878 | 364,125 | (2,405,878) -172.11% |
| Net position, beginning of year | 8,219,375 | 6,821,497 | 6,457,372 | 1,397,878 20.49% |
| Net position, end of year | <u>\$ 7,211,375</u> | <u>\$ 8,219,375</u> | <u>\$ 6,821,497</u> | <u>\$ (1,008,000) -12.26%</u> |

CAPITAL ASSET ACTIVITY

During the year ended August 31, 2022, the Station expended \$ 42,550 to acquire property. The acquisition was for new production equipment to replace existing equipment that was at end of life. This consisted of a new studio audio console.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Amarillo is located in both Potter and Randall Counties and is one of only two incorporated cities in the Amarillo Core Based Statistical Area (CBSA). The City of Amarillo proper has grown from 137,969 in 1960 to 200,393 in the 2020 census. The Amarillo CBSA, which includes both Potter and Randall Counties, has grown from 149,493 in 1960 to 259,278 in 2020 (estimated).

KACV-TV
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2022, 2021 and 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

As a result of this continued steady and manageable growth in Amarillo and the surrounding area, KACV-TV expects to experience similar economic viability. The Station continues to reach out for corporate support and grant acquisition for local productions and national PBS programming. In addition, the Station also encourages contributions from individual donors. The Station has made a concerted effort to encourage these individual donors to sustain their contributions by giving once a month, thereby providing a steady, reliable stream of income. Since the implementation of this change in 2013 we have expanded our donor base and increased membership revenues. As effects of the COVID pandemic continue we are watching closely to identify any revenue trends and take steps to manage the changes effectively.

CONTACTING THE STATION'S MANAGEMENT

This financial report is designed to provide the community with a general overview of the Station's finances and to demonstrate the Station's accountability for the money it receives from charitable gifts, grants, and underwriting. If you have any questions regarding this report or would like additional information, please contact the Station at 2408 S. Jackson, Amarillo, Texas 79109 or call at 806-371-5222. Questions regarding the activities of the Station should be directed to the attention of Kevin Ball, General Manager of Panhandle PBS.

FINANCIAL STATEMENTS

KACV-TV
A PUBLIC TELECOMMUNICATIONS
OPERATION OF AMARILLO COLLEGE
STATEMENTS OF NET POSITION
August 31, 2022 and 2021

| ASSETS | <u>2022</u> | <u>2021</u> (restated) |
|--------------------------------------------------------|----------------------------|----------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 706,677 | \$ 748,467 |
| Short-term investments | 8,096,150 | 8,964,767 |
| Accounts receivable, net | 11,953 | 10,360 |
| Accrued interest receivable | 8,260 | 4,326 |
| Costs incurred for programs not yet telecast | 339,483 | 351,196 |
| Prepaid expenses | <u>41,543</u> | <u>38,885</u> |
| Total current assets | 9,204,066 | 10,118,001 |
| NONCURRENT ASSETS | | |
| Capital assets, net | <u>474,952</u> | <u>593,557</u> |
| TOTAL ASSETS | <u>\$ 9,679,018</u> | <u>\$ 10,711,558</u> |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 382,708 | \$ 390,371 |
| Accrued liabilities | 66,586 | 66,402 |
| Unearned support and revenue | 1,847,349 | 1,836,061 |
| Right-to-use lease liabilities - current portion | <u>29,475</u> | <u>28,349</u> |
| Total current liabilities | <u>2,326,118</u> | <u>2,321,183</u> |
| LONG-TERM LIABILITIES | | |
| Right-to-use lease liabilities, net of current portion | <u>141,525</u> | <u>171,000</u> |
| Total liabilities | <u>2,467,643</u> | <u>2,492,183</u> |
| NET POSITION | | |
| Net investment in capital assets | 474,952 | 593,557 |
| Restricted for: | | |
| Nonexpendable - endowment | 1,500,000 | 1,500,000 |
| Expendable - donor restrictions | 1,824,950 | 2,472,449 |
| Unrestricted | <u>3,411,473</u> | <u>3,653,369</u> |
| Total net position | <u>7,211,375</u> | <u>8,219,375</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 9,679,018</u> | <u>\$ 10,711,558</u> |

The accompanying notes are an integral part of the financial statements.

KACV-TV
A PUBLIC TELECOMMUNICATIONS
OPERATION OF AMARILLO COLLEGE
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years Ended August 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> (restated) |
|------------------------------------------------------|----------------------------|----------------------------------|
| OPERATING REVENUES | | |
| Direct support from Amarillo College | \$ 398,514 | \$ 374,749 |
| State contributions to benefit plans | 148,593 | 147,765 |
| Donated support: | | |
| Facilities and administrative support from | | |
| Amarillo College | 535,622 | 560,723 |
| In-kind contributions | 22,321 | 29,912 |
| Non-cash contributions | 2,507 | 28,627 |
| Grants from Corporation for Public Broadcasting: | | |
| Community service grant | 778,695 | 746,501 |
| Interconnection grant | 14,310 | 14,120 |
| Universal service support grant | 155,561 | 148,729 |
| CARES Fiscal Stabilization Grant | 28,520 | 29,368 |
| Harrington capital equipment grant | - | 218,762 |
| Other grants | 76,201 | 59,251 |
| Underwriting | 117,931 | 152,261 |
| Memberships | 203,721 | 210,414 |
| Production | 17,150 | 30,123 |
| Other income | 3,943 | 15,204 |
| Total operating revenues | <u>2,503,589</u> | <u>2,766,509</u> |
| OPERATING EXPENSES | | |
| Programming and productions | 979,202 | 966,450 |
| Broadcasting and engineering | 485,459 | 549,897 |
| Program information and promotion | 258,866 | 314,683 |
| Community engagement | 137,456 | 74,647 |
| Fundraising and membership development | 241,202 | 235,039 |
| Underwriting and grant solicitation | 100,724 | 97,966 |
| Management and general | 420,015 | 451,698 |
| Total operating expenses | <u>2,622,924</u> | <u>2,690,380</u> |
| Operating income (loss) | <u>(119,335)</u> | <u>76,129</u> |
| NONOPERATING REVENUE (EXPENSES) | | |
| Net increase (decrease) in fair value of investments | (1,014,988) | 1,228,624 |
| Investment income, net of investment expenses | 126,323 | 93,125 |
| Net nonoperating revenue (expenses) | <u>(888,665)</u> | <u>1,321,749</u> |
| Increase (decrease) in net position | <u>(1,008,000)</u> | <u>1,397,878</u> |
| NET POSITION, BEGINNING OF YEAR | <u>8,219,375</u> | <u>6,821,497</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 7,211,375</u></u> | <u><u>\$ 8,219,375</u></u> |

The accompanying notes are an integral part of the financial statements.

KACV-TV
A PUBLIC TELECOMMUNICATIONS
OPERATION OF AMARILLO COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> (restated) |
|-------------------------------------------------------------------------------------------------------|-------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts of grants and contracts | \$ 1,444,502 | \$ 1,812,191 |
| Receipts from underwriting | 134,925 | 145,171 |
| Receipts from memberships | 203,721 | 212,714 |
| Receipts from production | 17,150 | 42,463 |
| Other receipts | 3,943 | 2,864 |
| Payments for payroll and suppliers of goods and services | (1,779,499) | (1,808,491) |
| Net cash provided by operating activities | <u>24,742</u> | <u>406,912</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of capital assets, net | (42,550) | (216,697) |
| Donations of capital assets, net | - | (17,599) |
| Net cash used by capital and related financing activities | <u>(42,550)</u> | <u>(234,296)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds on the sale of investments | 5,040,497 | 2,869,270 |
| Purchases of investments | (5,186,868) | (3,925,445) |
| Investment earnings | 122,389 | 100,133 |
| Net cash used by investing activities | <u>(23,982)</u> | <u>(956,042)</u> |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | <u>(41,790)</u> | <u>(783,426)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>748,467</u> | <u>1,531,893</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 706,677</u> | <u>\$ 748,467</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (119,335) | \$ 76,129 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | 161,155 | 221,922 |
| Change in assets and liabilities: | | |
| Accounts receivable, net | (1,593) | 9,606 |
| Prepaid expenses | (2,658) | (4,935) |
| Costs incurred for programs not yet telecast | 11,713 | 4,313 |
| Accounts payable | (7,663) | (82,495) |
| Accrued liabilities | 184 | 3,466 |
| Right-to-use lease liabilities | (28,349) | (27,409) |
| Unearned support and revenue | 11,288 | 206,315 |
| Net cash provided by operating activities | <u>\$ 24,742</u> | <u>\$ 406,912</u> |
| Noncash: | | |
| Change in fair value of investments | \$ (1,284,899) | \$ 901,002 |

The accompanying notes are an integral part of the financial statements.

**KACV-TV
A PUBLIC TELECOMMUNICATIONS
OPERATION OF AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2022 and 2021**

NOTE 1 - GENERAL

KACV-TV (the Station) is part of and is operated by Amarillo College (the College). Operations and activities relating to the Station officially began on September 1, 1987 and broadcasting began on August 29, 1988. The accompanying financial statements have been prepared in accordance with the Corporation for Public Broadcasting (CPB) guidelines which are a regulatory basis of accounting and not U.S. generally accepted accounting principles (U.S. GAAP). The CPB follows the governmental accounting standard guidelines with the exception of the implementation of Governmental Accounting Standards Board (GASB) 68 and 75 which have not been presented as required by the CPB. The financial statements of the Station are intended to present the net position and changes in net position of only that portion of the financial reporting entity of the College that is attributable to transactions of the Station. Financial statements of the entire operations of the College have been separately issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Station's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments and Investment Income

The Station follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments generally are reported at fair value, and all investment income, including changes in the fair value of investments, is recognized as nonoperating revenue (expenses) in the statements of revenue, expenses and changes in net position.

Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. The specific identification method of determining cost is used to calculate realized gain or loss. Donated investment securities are recorded at fair value at the date of receipt.

Investments are classified as short-term if they have maturities of less than one year at the balance sheet date or have longer maturity dates and the Station plans to sell the investment during the next fiscal year. Investments are classified as long-term if they have maturity dates more than one year past the balance sheet date or if management intends to hold the investments for long-term investment purposes.

**KACV-TV
A PUBLIC TELECOMMUNICATIONS
OPERATION OF AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2022 and 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The Station had no items classified as deferred inflows as of August 31, 2022 and 2021.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt. The Station had no items classified as deferred outflows as of August 31, 2022 and 2021.

Programs Not Yet Telecast

Costs incurred for programs not yet telecast relate to programs that will be broadcast principally in the next fiscal year. Grants and contributions relating to programs not yet telecast are included as deferred support and revenue. As the programs are telecast, the costs incurred are included in operating expenses and the deferred revenue is included in operating revenues.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The capitalization policy includes items valued at \$5,000 or more and a useful life of greater than two years. Renovations of \$100,000 or more to buildings, infrastructures, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

| | |
|----------------------------------------------------|----------|
| Buildings | 50 years |
| Facilities and other improvements | 20 years |
| Furniture, machinery, vehicles and other equipment | 10 years |
| Telecommunications and peripheral equipment | 5 years |

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Effective September 1, 2021, the Station implemented GASB No. 87, *Leases*. As the lessee, the Station determines whether a contract is, or contains a lease at inception. Lease agreements with a maximum lease term of twelve months or less, including options to extend, are accounted for as a short-term lease. Lease agreements that transfer ownership of the underlying asset to the Station at the end of the contract are recorded as a finance purchase with a related lease liability. Lease agreements not classified as a short-term lease, or a finance purchase are accounted for as an intangible right-of-use lease asset. An intangible right-of-use lease asset represents the Station's right-of-use an underlying asset during the lease term and the lease liability represents the Station's obligation to make lease payments arising from the lease. Intangible right-of-use lease assets and lease liabilities are recognized at lease commencement based upon the estimate present value of unpaid lease payments over the lease term. The Station uses its incremental borrowing rate based on information available at lease commencement in determining the present value of unpaid lease payments.

Revenue Recognition

Contributions and grants are recorded as revenue in the statements of revenue, expenses and changes in net position when received unless deferred as discussed elsewhere. Pledges are generally not legally enforceable and are recognized as revenue when collected. Legally enforceable installment pledges are recorded as revenue and receivables at the time the pledge is made. No significant pledges were outstanding at August 31, 2022 and 2021. An allowance for uncollectible pledges is recorded when considered appropriate. Underwriting for programming is recorded as deferred revenue and recognized as revenue ratably over the term of the underwriting agreement.

Contributions and grants restricted by the donor or grantor for particular operating purposes or for plant acquisitions are deemed to be earned and reported as operating revenues or as capital additions, respectively, when the Station has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as unearned amounts.

When both restricted and unrestricted resources are available for use it is the Station's practice to use restricted resources first and then unrestricted resources as they are needed.

Operating and Nonoperating Revenue and Expense Policy

The Station distinguishes operating revenues and expenses from nonoperating items. The Station reports as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the Station's principal ongoing operations. The principal operating revenues are grants, contributions, underwriting, and membership income. The major nonoperating revenue is investment income. Operating expenses include programming and broadcasting expenses, administrative expenses, and

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Revenue and Expense Policy (Continued)

depreciation on capital assets. Indirect costs are allocated to each function recorded in the Statement of Activities based on square footage that each department within the Station utilizes.

Special Events

The Station held several special events during 2022 and 2021. Revenue for these events was \$8 with expenses of \$-0- for 2022 and \$11,350 with expenses of \$3,474 in 2021. This revenue and expense total is included in the total membership revenue of \$203,721 with expense of \$241,202 in 2022 and total membership revenue of \$210,414 with expense of \$235,039 in 2021.

In-kind Contributions

During 2022 and 2021 donated personal services of volunteers were not significant.

Other in-kind donated items are also recorded as operating revenues and operating expenses in the accompanying statements of revenue, expenses and changes in net position at estimated fair value. Other donated items included in revenues amounted to \$24,828 and \$58,539 for 2022 and 2021, respectively. These amounts were recorded in operating expenses as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|-------------------------|-------------------------|
| Broadcasting | \$ 6,900 | \$ 24,499 |
| Production and promotion | 3,132 | 10,750 |
| Management and underwriting | 3,700 | 2,250 |
| Outreach | 7,471 | 18,862 |
| Membership | 2,000 | 1,700 |
| Engagement | <u>1,625</u> | <u>478</u> |
| Total | <u>\$ 24,828</u> | <u>\$ 58,539</u> |

During 2022 and 2021, the Station received capital equipment donations valued at \$-0- and \$17,599. This is recorded with in-kind revenue, and is included in the Net Investment in Capital Assets.

Donated facilities from the College consist of office and studio space and are recorded in revenue and expense at estimated fair values. Related occupancy costs are recorded at actual allocable costs. Administrative support from the College consists of allocated departmental costs and certain other expenses incurred by the College on behalf of the Station.

Income Taxes

The Station, as part of the College, which is a political subdivision of the State of Texas, is exempt from paying federal income taxes under Code Section 115 of the Internal Revenue Code (IRC) except to the extent it has unrelated business taxable income.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements requires management to make 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 and the reported amounts of revenues, expenses and other changes during the reporting period. Actual results could differ from those estimates.

Reclassifications and Prior Period Adjustments

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The Station also made a prior period adjustment, of \$7,112 which was a restatement from capital assets to right-to-use lease assets due to the implementation of GASB 87, *Leases*. See Note 13.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents included on the Statements of Net Position, consist of the items reported below:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------|--------------------------|--------------------------|
| Cash and cash equivalents | | |
| Demand deposits | \$ 42,083 | \$ 91,860 |
| TexPool | <u>664,594</u> | <u>656,607</u> |
| Total cash and cash equivalents | <u>\$ 706,677</u> | <u>\$ 748,467</u> |

The following represents a reconciliation of deposits and investments:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|----------------------------|----------------------------|
| | | <u>Market Value</u> |
| Mutual funds/money market | \$ 6,064,674 | \$ 6,967,524 |
| Certificates of deposit | <u>2,031,476</u> | <u>1,997,243</u> |
| Total investments | 8,096,150 | 8,964,767 |
| Cash and cash equivalents | <u>706,677</u> | <u>748,467</u> |
| Total deposits and investments | <u>\$ 8,802,827</u> | <u>\$ 9,713,234</u> |

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NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of August 31, 2022, the Station had the following investments and maturities:

| <u>Investment type</u> | <u>Market Value</u> | <u>Investment Maturities (Years)</u> | <u>Security Rating</u> |
|---------------------------------------|----------------------------|--------------------------------------|------------------------|
| Endowed mutual funds/ money market | \$ 6,064,674 | Less than 1 year | Unrated - BBB |
| Certificates of deposit | <u>2,031,476</u> | Less than 1 year | — |
| Total market value | <u>\$ 8,096,150</u> | | |

Interest Rate Risk - Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. In accordance with state law and Board policy, the Station does not purchase any investments with maturities greater than one year except for endowed funds which can be invested to a maximum of five years. The Station uses the specific identification method to disclose interest rate risk.

Credit Risk - In accordance with state law and the Station's investment policy, with the exception of endowed investments, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Station will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Station is not exposed to custodial credit risk for its deposits and investments as all are insured, registered and held by the Station or by its agent in the Station's name.

Participation in External Investment Pools

As of August 31, 2022 and 2021, the carrying amount of amounts invested in investment pools was \$664,594 and \$656,607, respectively. Investment pools are recorded at cost, which approximated market value at August 31, 2022 and 2021. All investment pools are uninsured and are not registered with the Securities and Exchange Commission. Investment pools are not subject to custodial credit risk, as they are not evidenced by securities that exist in physical or book entry form.

The Station's investment in investment pools is TexPool Participant Services. TexPool Participant Services' regulatory oversight agent is the Texas Treasury Safekeeping Trust Company and their credit risk rating is AAAM. Their financial reports may be obtained by writing Federated Investors Management Company, 1001 Texas Avenue, Suite 1400, Houston, Texas, 77002.

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NOTE 4 - FAIR VALUE MEASUREMENTS

The Station follows GASB Statement No. 72 *Fair Value Measurement and Applications*, as guidance on fair value measurements. The standard established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Station uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Station measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Assets Measured at Fair Value on a Recurring Basis

| | | Fair Value Measurements Using: | | |
|--------------------------------|----------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>August 31, 2022:</u> | | | | |
| Money market mutual funds | \$ 61,597 | \$ 61,597 | \$ - | \$ - |
| Certificates of deposit | 2,031,476 | - | 2,031,476 | - |
| Mutual funds | <u>6,003,077</u> | <u>6,003,077</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 8,096,150</u> | <u>\$ 6,064,674</u> | <u>\$ 2,031,476</u> | <u>\$ -</u> |
| <u>August 31, 2021:</u> | | | | |
| Money market mutual funds | \$ 68,839 | \$ 68,839 | \$ - | \$ - |
| Certificates of deposit | 1,997,243 | - | 1,997,243 | - |
| Mutual funds | <u>6,898,685</u> | <u>6,898,685</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 8,964,767</u> | <u>\$ 6,967,524</u> | <u>\$ 1,997,243</u> | <u>\$ -</u> |

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NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

For the valuation of money market funds and mutual funds, at August 31, 2022 and 2021, the Station used quoted prices in principal active markets for identical assets as of the valuation date (Level 1). For the valuation of Certificates of Deposit at August 31, 2022 and 2021, the Station used significant other observable inputs as of the valuation date, particularly dealer market price for comparable investments as of the valuation date (Level 2).

A summary of investments classified according to any restrictions at August 31, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|----------------------------|----------------------------|
| Unrestricted investments | \$ 5,096,150 | \$ 5,964,767 |
| Restricted investments: | | |
| Temporarily restricted | 1,500,000 | 1,500,000 |
| Permanently restricted | 1,500,000 | 1,500,000 |
| Total restricted investments | <u>3,000,000</u> | <u>3,000,000</u> |
| Total investments | <u>\$ 8,096,150</u> | <u>\$ 8,964,767</u> |

There were no fair values of assets and liabilities measured on a nonrecurring basis at August 31, 2022 and 2021.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2022 was as follows:

| | <u>Balance</u> <u>September 1, 2021</u> <u>(restated)</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>August 31, 2022</u> |
|---------------------------------------|-------------------------------------------------------------------------------|-------------------------|-------------------------|--------------------------------------------------------|
| Capital assets: | | | | |
| Production and broadcasting equipment | \$ 2,904,250 | \$ 42,550 | \$ - | \$ 2,946,800 |
| Transmitter and antenna equipment | 2,560,911 | - | - | 2,560,911 |
| Furniture and fixtures | 211,505 | - | - | 211,505 |
| Vehicles | 42,734 | - | - | 42,734 |
| Membership software | 44,980 | - | - | 44,980 |
| Right-to-use lease equipment | <u>226,758</u> | <u>-</u> | <u>-</u> | <u>226,758</u> |
| Total capital assets | <u>5,991,138</u> | <u>42,550</u> | <u>-</u> | <u>6,033,688</u> |
| Accumulated depreciation | <u>5,366,645</u> | <u>130,219</u> | <u>-</u> | <u>5,496,864</u> |
| Accumulated amortization | <u>30,936</u> | <u>30,936</u> | <u>-</u> | <u>61,872</u> |
| Capital assets, net | <u>\$ 593,557</u> | | | <u>\$ 474,952</u> |

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NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended August 31, 2021 was as follows:

| | <u>Balance</u> <u>September 1, 2020</u> (restated) | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>August 31, 2021</u> (restated) |
|---------------------------------------|----------------------------------------------------------|------------------|------------------|--------------------------------------------------------|
| Capital assets: | | | | |
| Production and broadcasting equipment | \$ 2,895,606 | \$ 234,296 | \$ 225,652 | \$ 2,904,250 |
| Transmitter and antenna equipment | 2,560,911 | - | - | 2,560,911 |
| Furniture and fixtures | 211,505 | - | - | 211,505 |
| Vehicles | 42,734 | - | - | 42,734 |
| Membership software | 44,980 | - | - | 44,980 |
| Right-to-use lease equipment | <u>226,758</u> | <u>-</u> | <u>-</u> | <u>226,758</u> |
| Total capital assets | <u>5,982,494</u> | <u>234,296</u> | <u>225,652</u> | <u>5,991,138</u> |
| Accumulated depreciation | <u>5,401,311</u> | <u>190,986</u> | <u>225,652</u> | <u>5,366,645</u> |
| Accumulated amortization | <u>-</u> | <u>30,936</u> | <u>-</u> | <u>30,936</u> |
| Capital assets, net | <u>\$ 581,138</u> | | | <u>\$ 593,557</u> |

NOTE 6 - GASB 87 LEASES

The Station leased broadcast tower space for the Station-owned analog antenna and microwave equipment, as well as building space for transmitter equipment under a ten-year lease agreement, which expired in 1998. The lease had two consecutive ten-year renewal options expiring on December 31, 2008. The renewal option was not renewed and the Station paid month-to-month until the Station's digital signal including the Station-owned digital antenna and microwave equipment, digital transmitter and associated equipment was moved to the site and a lease amendment was secured in June 2011 allowing for modification of Station equipment at the site and adding two additional ten-year renewal options. In March, 2018, an amendment to the lease was signed extending the lease to December 31, 2027 and added three additional five year renewal terms. Additionally, the lease is subject to a 3% increase the first of each year. All other terms and provisions of the agreement remain in full force and effect.

Pursuant to GASB No. 87, *Leases*, the Station has recorded an intangible right-to-use lease asset which represents the Station's right-to-use an underlying asset during the lease term. The Station has obtained TV Towers through right-to-use leased assets.

Annual installments range from \$11,626 to \$34,351. Imputed interest is the rate listed on the Electronic Municipal Market Access Website for the lease start date and term, and is 0.80%. The due date is January 2028.

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NOTE 6 - GASB 87 LEASES (CONTINUED)

Right-of-Use Leased Assets

| | <u>Ending Balance</u> |
|------------------------------------|-----------------------|
| Right-of-Use - Equipment | \$ 226,758 |
| Total Right-of-Use Assets | 226,758 |
| Less accumulated amortization for: | |
| Right-of-Use - Equipment | 61,872 |
| Total accumulated amortization | 61,872 |
| Right-of-Use Assets, net | <u>\$ 164,886</u> |

Pursuant to GASB No. 87, *Leases*, the Station recorded a right-to-use lease liability in conjunction with the intangible right-to-use lease asset. The lease liability represents the Station's obligation to make lease payments arising from the lease.

Following is a summary of the Station's right-to-use lease liability principal maturities and interest requirements:

| <u>Year Ended August 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|-------------------|-----------------|-------------------|
| 2023 | \$ 29,475 | \$ 1,261 | \$ 30,736 |
| 2024 | 30,637 | 1,021 | 31,658 |
| 2025 | 31,837 | 771 | 32,608 |
| 2026 | 33,074 | 512 | 33,586 |
| 2027 | 34,351 | 243 | 34,594 |
| 2028-2032 | 11,626 | 19 | 11,645 |
| | <u>\$ 171,000</u> | <u>\$ 3,827</u> | <u>\$ 174,827</u> |

NOTE 7 - RESTRICTED NET POSITION AND FUNDS HELD BY OTHERS

Amarillo College Foundation, Incorporated

The Amarillo College Foundation, Incorporated (the Foundation) is a nonprofit organization with the primary purpose of supporting the educational and other activities of various entities including the College. As such, the Foundation has provided financial support to the Station since the mid-1980s and has designated various endowments and funds for the benefit of the Station.

The Foundation's Board of Directors designated a portion of the Endowment Challenge Grant funds received in 1992 and 1994 to benefit the Station. The portion of the fund designated for the Station's benefit was approximately \$1,193,000 and \$1,476,000 at August 31, 2022 and 2021,

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NOTE 7 - RESTRICTED NET POSITION AND FUNDS HELD BY OTHERS (CONTINUED)

Amarillo College Foundation, Incorporated (Continued)

respectively. Because the assets are owned and controlled by the Foundation, and not the Station, they are not included in the accompanying financial statements. KACV-TV received \$49,948 and \$-0- in distributions from this fund during 2022 and 2021, respectively.

The Foundation has also designated certain funds to supplement the operating expenses of the Station. At August 31, 2022 and 2021, the fund balance was approximately \$1,221,000 and \$1,456,000, respectively. Because these assets are owned and controlled by the Foundation, and not the Station, they are not included in the accompanying financial statements. KACV received \$67,056 and \$52,022 in distributions from this fund during 2022 and 2021, respectively.

During 2007, the Foundation received a gift of \$1,000,000, which was specified as an endowment for the benefit of the Station. At August 31, 2022 and 2021, the opera fund balance was approximately \$1,262,000 and \$1,537,000, respectively. The endowment earnings were designated to the benefit of the Station in broadcasting opera programs. Because the assets of this endowment are controlled by the Foundation and not the Station, they are not included in the accompanying financial statements. KACV received \$30,000 and \$47,500 in distributions from this fund during 2022 and 2021, respectively.

Amarillo Area Foundation

In 1989 the Amarillo Area Foundation (AAF) established a permanent endowment fund for the College for the benefit of the Station in the amount of \$275,000. Because the assets of this endowment are controlled by AAF, and not the Station, they are not included in the accompanying financial statements. The endowment agreement also specifies that realized gains and losses from investing activities will be added to or deducted from the original principal. Investment income on the endowment fund is available for distribution for use by the Station. No amounts were distributed during 2022 and 2021.

Other

In 1999, the Station received a \$2,500,000 gift from the Sybil B. Harrington Living Trust, of which \$1,000,000 was specified as endowment and \$1,500,000 was restricted for purchases of digital broadcasting equipment. In 2003, the Station received an additional \$1,500,000 gift from an anonymous donor that was restricted for purchase of digital broadcasting equipment. Endowment earnings are unrestricted. In 2005, the Station received an additional \$500,000 gift from an anonymous donor that was to be held as an endowment. At August 31, 2022 and 2021, designated endowment gains (losses) of approximately \$(533,000) and \$632,000 were included in the Station's unrestricted net position. As of August 31, 2022, and 2021, approximately \$2.6 million of the principal and earnings restricted for purchases of equipment had been expended. The remaining principal amounts have been reflected as deferred support and revenue.

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NOTE 8 - CHANGES IN UNEARNED SUPPORT AND REVENUE

The following is a summary of activity of unearned support and revenue for the years ended August 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------------------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,836,061 | \$ 1,629,746 |
| Increase (decrease) in contributions and grants deferred | 11,288 | 425,077 |
| Increase (decrease) in contributions and grants due to release of deferral | <u>-</u> | <u>(218,762)</u> |
| Balance, end of year | <u>\$ 1,847,349</u> | <u>\$ 1,836,061</u> |

NOTE 9 - COMPENSATED ABSENCES

Full-time employees earn annual leave from eight to twelve hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry their accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 160 for those employees with less than five years of service, up to 200 hours for those employees with more than five years but under ten years of service, and up to 240 hours for those employees with more than ten years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The Station recognized the accrued liability for the unpaid annual leave in the amount of approximately \$66,600 and \$66,400 at August 31, 2022 and 2021, respectively. Sick leave, which can be accumulated up to 120 days, is earned at the rate of eight hours per month; however, sick leave is not paid at termination. The College's policy is to recognize the cost of sick leave when utilized by employees.

NOTE 10 - STATE CONTRIBUTIONS TO BENEFIT PLANS

The State of Texas (the State) requires all employees of the College employed for one-half or more of the standard workload to participate in either the Teacher Retirement System of Texas (TRS) or an Optional Retirement Plan (ORP). Both plans provide for retirement income. State law under TRS provides for a member contribution rate of 8% and 7.7%, respectively, for fiscal years 2022 and 2021, and a state contribution rate of 7.75% and 7.5%, respectively, for fiscal years 2022 and 2021. Under ORP, the percentage of participant salaries currently contributed by the state is 6.6% for fiscal years 2022 and 2021. The participant contribution rate is 6.65% for both 2022 and 2021. The College contributes 1.31% for employees who were participating in the ORP prior to September 1, 1995. These contributions made directly by the State on behalf of the College for Station employees are recorded as operating revenues and operating expenses in the accompanying financial statements. State contributions to these plans for Station employees for the years ended August 31, 2022 and 2021 were \$48,861 and \$45,186, respectively. The

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NOTE 10 - STATE CONTRIBUTIONS TO BENEFIT PLANS (CONTINUED)

College implemented GASB 68 during the year ended August 31, 2015. However, the Station's financial statements do not reflect this implementation due to the CPB requirements.

College employees are covered under a State-sponsored health plan. During 2022 and 2021, the State contributed \$99,732 and \$102,578, respectively, to the plan on behalf of the College for Station employees. These contributions are included as operating revenues and operating expenses in the accompanying financial statements. No direct contributions are required by the College. The College implemented GASB 75 during the year ended August 31, 2018. However, the Station's financial statements do not reflect this implementation due to CPB requirements.

For more information regarding these benefit plans, refer to the separate audited financial statements of the College.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Station receives grants from various sources. These grants are given with certain restrictions placed on their use. Management believes the Station has expended these funds in accordance with the terms of the grants; however, these expenditures are subject to audit by various agencies and may be required to be refunded if found to have been expended inappropriately.

NOTE 12 - RELATED PARTY TRANSACTIONS

As mentioned in Note 1 the Station is part of Amarillo College (the College). The College provides direct and indirect support to the Station. The direct support to the Station was \$398,514 and \$374,749 in the years ended August 31, 2022 and 2021, respectively. The indirect support to the Station for facilities and administrative support was \$535,622 and \$560,723 in the years ended August 31, 2022 and 2021, respectively.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Station restated prior year amounts for a change in accounting principles for leased assets in fiscal year 2022. The restatements below affect the capital assets, capital leases, fund balance, and the statement of revenues, expenses, and change in net position.

| | |
|---------------------------------------------------------|---------------------------------|
| Capital assets, net | \$ 397,735 |
| Adjust to record right-of-use lease asset | <u>195,822</u> |
| Capital assets, net at August 31, 2021, restated | <u><u>\$ 593,557</u></u> |

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NOTE 13 - PRIOR PERIOD ADJUSTMENT (CONTINUED)

| | |
|---------------------------------------------------------------------------|-------------------|
| Right-to-use lease payable-current portion | \$ - |
| Adjust to record right-of-use lease liability | 28,349 |
| Right-to-use payable current portion, at August 31, 2021, restated | \$ 28,349 |
| Right-to-use liability | \$ - |
| Adjust to record right-of-use lease liability | 171,000 |
| Right-to-use lease payable, net at August 31, 2021, restated | \$ 171,000 |
| Net investment in capital assets | \$ 397,735 |
| Adjust to record right-to-use lease asset | 195,822 |
| Net investment in capital assets, at August 31, 2021, restated | \$ 593,557 |
| Broadcasting and engineering | \$ 546,370 |
| Adjust to record lease amortization | 3,527 |
| Broadcasting and engineering, at August 31, 2021, restated | \$ 549,897 |

NOTE 14 - NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new pronouncements that the Station has reviewed for application to their accounting and reporting.

Recently Issued Accounting Pronouncements

GASB Statement No. 87, *Leases*, the objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement 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 statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Station implemented this statement during the current year.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This

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NOTE 14 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources. This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal, and interest requirements for the subscription liability, and other essential information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The Station is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 99, *OMNIBUS 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows: (1) Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument (2) Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives (3) Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset (4) Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. (5) Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. (6) Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP) (7) Disclosures related to nonmonetary transactions. (8) Pledges of future revenues when resources are not received by the pledging government. (9) Clarification of

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NOTE 14 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

provisions in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments*, as amended, related to the focus of the government-wide financial statements (10) Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (11) Terminology used in Statement No. 53 to refer to resource flows statements. The requirements of this Statement that are effective as follows: (1) The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of the Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

NOTE 15 - SUBSEQUENT EVENTS

The Station has evaluated for inclusion as a subsequent event disclosure only those events that occurred prior to March 2, 2023, the date the financial statements were issued. There were no events that require disclosure except as noted below.

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NOTE 15 - SUBSEQUENT EVENTS (CONTINUED)

In March 2020, the World Health Organization declared the novel strain of coronavirus a "Public Health Emergency of International Concern". As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The extent of the impact on the Station's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. The extent to which COVID-19 may impact the Station's subsequent financial condition or results of operations is uncertain.

This information is an integral part of the accompanying financial statements.