

KUEN
(A Public Telecommunications Department of the University of Utah)

Financial Statements

June 30, 2020

(With Independent Auditors' Report Thereon)

KUEN
(A Public Telecommunications Department of the University of Utah)

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CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

KUEN
The University of Utah Board of Trustees
and Ruth V. Watkins, President
Salt Lake City, Utah

We have audited the accompanying financial statements of KUEN (a public telecommunications department of the University of Utah) and affiliates, which comprise the statement of net position as of June 30, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUEN as of June 30, 2020, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited KUEN's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The financial statements of KUEN are intended to present the financial position, the changes in financial position and cash flows of only KUEN. They do not purport to, and do not, present the financial position of the University of Utah as of June 30, 2020, 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 and the schedules of the proportionate share of the net pension liability and employer contributions on pages 28 and 29 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KUEN's financial statements. The supplementary schedules on pages 31 through 34 are presented for purposes of additional analysis and are not a required part of the financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2021, on our consideration of KUEN'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 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 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 KUEN's internal control over financial reporting and compliance.

WSRP, LLC

Salt Lake City, Utah
February 4, 2021

KUEN

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of KUEN (the Station) as of and for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the combined financial statements and the notes thereto.

KUEN consists of two programs: KUEN-TV and the Utah Telehealth Network (UTN).

The Utah Telehealth Network links patients to health care providers across the state, country and the world by using telecommunications technology. UTN provides rural patients and providers with access to services that are usually available only in more populated urban areas. UTN uses interactive video to deliver patient care, provide continuing education to health professionals, and to facilitate administrative meetings.

KUEN-TV is a broadband and broadcast network of educational services for educators and students. KUEN-TV connects all Utah school districts, schools and higher education institutions to a robust network of educational resources.

KUEN-TV is licensed to the Utah State Board of Regents, is not a member of the Public Broadcasting Service (PBS), and is the only public television station in Utah with a 24-hour weekly program schedule dedicated to education and lifelong learning. Advertising and promotional materials refer to the Station as UEN-TV. Although KUEN-TV is not a member of PBS, KUEN-TV qualifies for funding under the community service grant administered by the Corporation for Public Broadcasting (CPB). Working in cooperation with the Utah State Office of Education and Utah's System of Higher Education, KUEN-TV broadcasts college-credit telecourses, instructional programs for children and adults, and teacher professional development courses. KUEN-TV's viewing audiences include Kindergarten through 12th grade students and teachers, college students, adult students enrolled in public education programs, senior citizens, and the general public.

In conjunction with the Utah Education Network (UEN – a publicly funded consortium supporting educational technology needs for Utah's public and higher education institutions, public libraries, and state agencies), the Station provides internet access for all Utah public middle schools, high schools, and higher education institutions. The Station also operates a fully interactive distance learning network interconnecting public schools and higher education institutions statewide. In March 2014, the Utah State Legislature merged the Utah Telehealth Network (UTN) with UEN as specified in HB 92 of the Utah Legislature to form the Utah Education and Telehealth Network (UETN). The goal of the legislation is to strengthen the services of both organizations for the people of Utah while strengthening and achieving greater infrastructure, organizational, service and cost efficiencies. UETN is led by a governing board with 13 members and two advisory councils representing education and telehealth. Although legislation was passed during fiscal year 2014, the operations of the new combined entity did not begin until after June 30, 2014. This year is the sixth year combined financial statements are presented.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020

FINANCIAL HIGHLIGHTS

The Station's financial position remained favorable at June 30, 2020, with assets of \$46.6 million, deferred outflows of resources of \$0.3 million, total liabilities of \$3.4 million, and deferred inflows of resources of \$0.3 million. Net position, which represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources increased by \$0.6 million to \$43.2 million at June 30, 2020.

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, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 41,299,900	\$ 47,253,921
Total expenses	<u>40,671,408</u>	<u>45,741,390</u>
Increase in net position	<u>\$ 628,492</u>	<u>\$ 1,512,531</u>

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 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.

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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position and is one indicator of the current financial condition of the Station, while the change in net position is an indicator of whether the Station's overall financial condition has improved or worsened during the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020

A summarized comparison of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Current assets		
Current assets, unrestricted	\$ 38,625,689	\$ 38,490,386
Current assets, restricted	71,134	69,343
Noncurrent assets		
Investments in joint venture	1,074,831	1,110,190
Net pension asset	15,481	443
Capital assets, net	6,833,169	7,343,009
Total assets	<u>46,620,304</u>	<u>47,013,371</u>
Deferred outflows of resources	325,905	279,531
Current liabilities	(3,150,011)	(3,733,208)
Noncurrent liabilities	(277,914)	(844,055)
Total liabilities	<u>(3,427,925)</u>	<u>(4,577,263)</u>
Deferred inflows of resources	(284,316)	(110,163)
Net investment in capital assets	6,833,169	7,343,009
Restricted - expendable	71,134	69,343
Unrestricted	<u>36,329,665</u>	<u>35,193,124</u>
Total net position	<u>\$ 43,233,968</u>	<u>\$ 42,605,476</u>

A review of the Station's Statements of Net Position at June 30, 2020 and 2019 shows that the Station still maintains its favorable financial foundation. This financial position reflects the prudent utilization of its financial resources.

Current assets consist of cash, receivables, and prepaid expenses. Total current assets increased by \$0.1 million in fiscal year 2020. The increase in current assets is due to the increase in prepaid expenses of \$0.8 million offset by the decrease in receivables of \$0.4 million and decrease in cash of \$0.3 million. The decrease in cash is largely due to the decrease in state funding to be used for multi-year projects.

Noncurrent assets decreased by \$0.5 million in fiscal year 2020. The decrease is primarily due to the retirement of capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020

Current liabilities consist of accounts payable and accrued personnel services. Total current liabilities decreased by \$0.6 million in fiscal year 2020. The decrease was due to a decrease of accounts payable by \$0.7 million offset by an increase in accrued personnel expenses by \$0.2 million. The decrease in accounts payable is due to the timing of invoices being paid.

Noncurrent liabilities consist of net pension liability related to pensions. Net pension liability decreased during fiscal year 2020 by \$0.6 million.

NET POSITION

Net position represents the residual interest of the Station's (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. *Restricted expendable component of net position* is subject to externally imposed restrictions governing its use. Although *unrestricted component of net position* is not subject to externally imposed stipulations, most of the Station's unrestricted components of net position have been designated for various programming, outreach, and broadcasting projects.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 8,689	\$ 8,689
Operating expenses		
Program services	(37,883,028)	(43,318,907)
Support services	(2,788,380)	(2,422,483)
Nonoperating revenues	41,291,211	47,245,232
Increase in net position	628,492	1,512,531
Net position – beginning of year	42,605,476	41,092,945
Net position – end of year	<u>\$ 43,233,968</u>	<u>\$ 42,605,476</u>

In fiscal year 2020, operating expenses decreased \$5.1 million. The decrease in operating expenses is due to the work associated with the onetime state funds for the rural fiber project, backbone upgrade and operations that was performed in the prior fiscal year.

In fiscal year 2020, non-operating revenue decreased by \$6.0 million. The decrease in non-operating revenue is comprised of: an increase in CBP support of \$0.3 million, a decrease in University of Utah indirect support of \$2.1 million, a decrease in state appropriated funding of \$1.5 million, a decrease in grant funding of \$0.2 million, a decrease in member fees of \$0.1 million, and a decrease in indirect in-kind support from governmental entities of \$2.4 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020

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 balance at year-end decreased by \$0.3 million. The decrease in cash is directly related to the decrease in one-time state appropriations for projects that last over multiple years.

The Station's significant sources of cash provided from noncapital financing activities include state appropriations, federal grants, CPB grants, member fees and private gifts.

CURRENT FACTORS HAVING PROBABLE FUTURE FINANCIAL SIGNIFICANCE

Utah's economy is currently strong but the Station remains vigilant for signs of another downturn. Funding from the State of Utah is also expected to remain level or decrease modestly in fiscal year 2021. The Station's management searches for new sources of funding due to the continuing threats to reduce or eliminate federal funding for public broadcasting stations.

With the elimination a few years ago of the NTIA Public Telecommunications Facilities Program at the U.S. Department of Commerce, the Station must bear the burden of depreciated equipment replacement without federal assistance. With the 2005 federally mandated digital conversion, 65 translators statewide were replaced at the same time. There is a concern that the useful life of all of those translators will expire at the same time, causing a significant cost for replacement.

The Station's translator network has been rechanneled at an estimated cost of \$1.2 million. This expense is not being reimbursed by the FCC. However, through delicate negotiations by PBS, a wireless provider has agreed to fund this at 100%. The wireless provider has acquired bandwidth sold in the auction and considers the expense reimbursement a public relations cost. KUEN has been approved for the majority of the reimbursement funds from the wireless provider. Fortunately, the translator network rechanneling effort does include replacing some of the translators mentioned earlier.

State funding from the State of Utah is stable but the Station still plans to continue to obtain grant funding from federal government programs, county governments, and local sources to assist with the conversion and expansion of the analog translator network to digital technology. The Station is also participating in a federal discount program for telecommunication costs incurred by public schools (K-12). This discount program helps to offset the additional telecommunication expenses.

The Station 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.

KUEN**(A Public Telecommunications Department of the University of Utah)****STATEMENT OF NET POSITION**

As of June 30, 2020

	<u>2020</u>	<u>[For Comparison Only] 2019</u>
ASSETS		
Current assets		
Cash	\$ 19,711,592	\$ 19,970,957
Restricted cash	71,134	69,343
Receivables (Note 2)	14,417,408	14,838,292
Prepaid expenses	4,496,689	3,681,137
Total current assets	<u>38,696,823</u>	<u>38,559,729</u>
Noncurrent assets		
Investments in joint venture (Note 4)	1,074,831	1,110,190
Net pension asset	15,481	443
Capital assets, net (Note 3)	6,833,169	7,343,009
Total noncurrent assets	<u>7,923,481</u>	<u>8,453,642</u>
Total assets	<u>46,620,304</u>	<u>47,013,371</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	325,905	279,531
LIABILITIES		
Current liabilities		
Accounts payable	1,354,259	2,093,433
Accrued personnel services	1,795,752	1,639,775
Total current liabilities	<u>3,150,011</u>	<u>3,733,208</u>
Noncurrent liabilities		
Net pension liability	277,914	844,055
Total liabilities	<u>3,427,925</u>	<u>4,577,263</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	284,316	110,163
NET POSITION		
Net investment in capital assets	6,833,169	7,343,009
Restricted – expendable	71,134	69,343
Unrestricted	36,329,665	35,193,124
Total net position	<u>\$ 43,233,968</u>	<u>\$ 42,605,476</u>

See accompanying notes to financial statements.

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

Year ended June 30, 2020

	2020	[For Comparison Only] 2019
OPERATING REVENUES		
Commercial	\$ 8,689	\$ 8,689
Total operating revenues	8,689	8,689
OPERATING EXPENSES		
Broadcasting	8,372,306	5,663,216
Education service and training	1,268,566	1,581,253
Installation and transport	22,934,708	28,369,705
Programming and production	4,891,770	7,345,391
Program information	415,678	359,342
Management and general	2,788,380	2,422,483
Total operating expenses	40,671,408	45,741,390
Operating loss	(40,662,719)	(45,732,701)
NONOPERATING REVENUES		
State of Utah appropriations	32,299,783	33,802,600
Indirect in-kind support from governmental entities	1,850,890	4,211,168
Corporation for Public Broadcasting grants – CPB	4,240,794	3,960,329
Indirect support from University of Utah	1,380,817	3,447,855
Other grants	524,039	722,802
Support from KUED-TV	39,030	39,030
Member fees	737,848	820,426
Other	218,010	241,022
Total nonoperating revenue	41,291,211	47,245,232
Increase in net position	628,492	1,512,531
NET POSITION		
Net position - beginning of year	42,605,476	41,092,945
Net position - end of year	\$ 43,233,968	\$ 42,605,476

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS

Year ended June 30, 2020

	<u>2020</u>	<u>[For Comparison Only] 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	\$ 8,689	\$ 8,689
Cash payments for salaries, wages, and benefits	(15,448,748)	(14,535,166)
Cash payments for other operating expenses	(21,069,349)	(21,742,410)
Net cash used by operating activities	(36,509,408)	(36,268,887)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State of Utah appropriations	32,299,783	33,802,600
Cash received from Corporation for Public Broadcasting	4,240,794	3,960,329
Cash received from other grants	524,039	722,802
Cash received from KUED-TV	39,030	39,030
Cash received from member fees	737,848	820,426
Cash received from other income	218,010	241,022
Net cash provided by noncapital financing activities	38,059,504	39,586,209
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(1,675,993)	(1,923,749)
Net cash used by capital financing activities	(1,675,993)	(1,923,749)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint venture	(131,677)	(384,154)
Net cash used by investing activities	(131,677)	(384,154)
Net increase (decrease) in cash	(257,574)	1,009,419
Cash, beginning of year	20,040,300	19,030,881
Cash, end of year	<u>\$ 19,782,726</u>	<u>\$ 20,040,300</u>

See accompanying notes to financial statements.

KUEN**(A Public Telecommunications Department of the University of Utah)****STATEMENT OF CASH FLOWS**

Year ended June 30, 2020

	<u>2020</u>	<u>[For Comparison Only] 2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (40,662,719)	\$ (45,732,701)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	2,154,546	1,786,134
Loss from disposal of capital assets	31,287	127
Loss in joint venture	167,036	225,428
Indirect support from University of Utah	1,380,817	3,447,855
Indirect in-kind support from governmental entities	1,850,890	4,211,168
Net inflows (outflows) of resources relating to pensions	(453,400)	11,318
Change in assets and liabilities:		
Prepaid expenses	(815,552)	(307,993)
Receivables related to operating activities	420,884	(805,993)
Accounts payable and accrued personnel services	(583,197)	895,770
Net cash used by operating activities	<u>\$ (36,509,408)</u>	<u>\$ (36,268,887)</u>

See accompanying notes to financial statements.

KUEN

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(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

KUEN (the Station) consists of two programs: KUEN-TV and the Utah Telehealth Network (UTN).

The Utah Telehealth Network links patients to health care providers across the state, country and the world by using telecommunications technology. UTN provides rural patients and providers with access to services that are usually available only in more populated urban areas. UTN uses interactive video to deliver patient care, provide continuing education to health professionals, and to facilitate administrative meetings.

KUEN-TV is a broadband and broadcast network of educational services for educators and students. KUEN-TV connects all Utah school districts, schools, and higher education institutions to a robust network of educational resources.

KUEN-TV 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, KUED-TV, and an affiliated radio station, KUER-FM Radio. Certain Station personnel share their time among the Station, KUED-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*.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

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

- **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 transport, and educational service and training. These revenues are recognized upon being legally effective, which is the first day of the State of Utah’s fiscal year, July 1.
- **Indirect in-kind support from governmental entities** – Indirect in-kind support from governmental entities represents services provided by governmental entities, including instructional TV programming and certain transmitter expenses. This support is recognized throughout the year as costs are incurred and expended by other governmental entities.
- **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 and training, and purchase of capital assets. These revenues are recognized at the time the Station has met the eligibility requirements as defined by the grant.
- **Indirect support from University of Utah** – Indirect support from the University represents costs associated with certain administrative 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.
- **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 in other grants at the time the Station has met the eligibility requirements as defined by the grant.
- **Nongovernmental grants** – Nongovernmental grants represent funds received from agencies to assist in content, training, and operating activities. These revenues are recognized in other grants at the time the Station has met the eligibility requirements as defined by the grant.

KUEN

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

(d) *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 programming.

(e) *Capital Assets*

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

(f) *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.

(g) *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, 2020

(1) Summary of Significant Accounting Policies (Continued)

(h) 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 U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(i) 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.

(j) Subsequent Events

Management of the Station has evaluated subsequent events through February 4, 2021, which is also the date of 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.

(2) Receivables

Receivables at June 30 consist of the following:

	(For Comparison Only)	
	2020	2019
Telecommunication providers receivables	\$ 13,364,093	\$ 13,529,237
Miscellaneous governmental entities	1,053,315	1,309,055
Total	<u>\$ 14,417,408</u>	<u>\$ 14,838,292</u>

Telecommunication providers receivables represent reimbursements to be received by the Station for providing telecommunication lines for internet access to public schools throughout the State of Utah as provided for under the Telecommunications Act of 1996.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(3) Capital Assets

Capital assets at June 30, 2020 consist of the following:

	Beginning balance	Additions	Retirements	Ending balance
Transmitter	\$ 232,924			\$ 232,924
Intangible assets	215,743			215,743
UTN	1,672,302	\$ 10,730	\$ 25,686	1,657,346
Broadcast equipment	19,243,037	1,665,263	1,245,159	19,663,141
Building	8,820,887			8,820,887
Total	<u>30,184,893</u>	<u>1,675,993</u>	<u>1,270,845</u>	<u>30,590,041</u>
Less accumulated depreciation				
Transmitter	232,924			232,924
Intangible assets	215,743			215,743
UTN	1,208,776	201,696	25,686	1,384,786
Broadcast equipment	15,339,167	1,660,332	1,213,872	15,785,627
Building	5,845,274	292,518		6,137,792
Total accumulated depreciation	<u>22,841,884</u>	<u>2,154,546</u>	<u>1,239,558</u>	<u>23,756,872</u>
Capital assets, net	<u>\$ 7,343,009</u>	<u>\$ (478,553)</u>	<u>\$ 31,287</u>	<u>\$ 6,833,169</u>

Depreciation expense was \$2,154,546 for the year ended June 30, 2020, of which \$426,632 was included in broadcasting expense, \$63,043 was included in education service and training expense, \$1,531,401 was included in installation and transport expense, \$63,043 was included in programming and production expense, \$9,068 was included in program information expense, and \$61,359 was included in management and general expense.

(4) Investment in 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, 2020. 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 \$167,036, 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, 2020. The net loss is comprised mainly 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(5) Commitments

The Station contracts for certain long-term Internet-based services. Internet fees for such services totaled \$19,440,254 for fiscal year 2020 and are shown net of \$13,490,736 in federal telecommunications reimbursements as installation and transport in the Statement of Revenue, Expenses, and Changes in Net Position. At June 30, 2020, future commitments under these service contracts consist of the following:

2021	\$ 22,135,382
2022	16,016,564
2023	8,213,623
2024	5,221,784
2025	2,517,523
2026 to 2030	<u>420,000</u>
Total	<u>\$ 54,524,876</u>

All telecommunication contracts have a nonappropriation clause. The nonappropriation clause expresses that if the Station is not appropriated funds or appropriated insufficient funds to pay the charges for the telecommunication services, the Station may terminate the agreement.

The Station entered into a lease agreement during fiscal year 2013 for land in Washington County, Utah, on which a second station is located. Rent for the year ended June 30, 2020 totaled \$5,258. The rental payments under the lease will be approximately \$5,508 in fiscal years 2020 through 2022, and the lease will expire in July 2022.

(6) 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 became effective 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, 2020

(6) 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	2.0% per year all years	Up to 4%
		25 years any age*		
		20 years age 60*		
		10 years age 62*		
		4 years age 65		
Contributory System	Highest 5 years	30 years any age	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
		20 years age 60*		
		10 years age 62*		
		4 years age 65		
Tier 2 Public Employees System	Highest 5 years	35 years any age	1.5% per year all years	Up to 2.5%
		20 years age 60*		
		10 years age 62*		
		4 years age 65		

* With actuarial reductions

** 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, 2020

(6) Pension Plans and Retirement Benefits (Continued)

Contributions: 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>
Contributory System		
State and School Division Tier 1	6%	17.70%
State and School Division Tier 2*	N/A	18.99%
Noncontributory System		
State and School Division Tier 1	N/A	22.19%

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

At June 30, 2020, the Station's net pension asset and liability were as follows:

	<u>Proportionate Share December 31, 2019*</u>	<u>Proportionate Share December 31, 2018</u>	<u>Change (Decrease)</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.3986328%	0.0282934%	0.3703394%		\$ 260,238
Contributory System	0.5633235%	0.1454714%	0.4178522%		17,676
Tier 2 Public Employees System	0.0138610%	0.0163056%	-0.0024446%	\$ 15,481	
Total Net Pension Asset/Liability				<u>\$ 15,481</u>	<u>\$ 277,914</u>

* Represents the proportionate share of the University of Utah's assets and liabilities. Refer to the University's fiscal year 2020 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, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(6) Pension Plans and Retirement Benefits (Continued)

For the year ended June 30, 2020, pension benefit of \$453,400 was recorded. At June 30, 2020, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 228,987	\$ 4,494
Changes in assumptions	26,062	70
Net difference between projected and actual earnings on pension plan investments		226,175
Changes in proportion and differences between contributions and proportionate share of contributions	3,401	48,792
Contributions subsequent to the measurement date	67,455	
Total	<u>\$ 325,905</u>	<u>\$ 279,531</u>

Contributions made between January 1, 2020 and June 30, 2020 of \$67,455 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	
2020	\$	(45,767)
2021		(9,482)
2022		(89)
2023		34,637
2024		(79)
Thereafter	\$	(302)

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(6) Pension Plans and Retirement Benefits (Continued)

The total pension liability in the December 31, 2019 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	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five year period December 31, 2016.

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:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, plus a real return of 4.45% that is net of investment expense.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(6) Pension Plans and Retirement Benefits (Continued)

The discount rate used to measure the total pension liability was 6.95 percent. 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 remains the same at 6.95 percent from the prior measurement period.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as, what the proportionate share of the net pension liability 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 (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 1,539,196	\$ 260,238	\$ (424,053)
Contributory System	50,484	17,676	(101,757)
Tier 2 Public Employees System	26,883	(15,481)	(15,249)
Net pension liability	<u>\$ 1,616,563</u>	<u>\$ 262,433</u>	<u>\$ (541,059)</u>

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, 2020, 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, 2020, 2019, and 2018, the Station's contributions to the Systems and TIAA and Fidelity were equal to the required amounts as follows: \$1,589,051, \$1,497,386, and \$1,407,099, respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(7) 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.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of the Proportionate Share of the Net Pension Liability

For the years ended December 31

Noncontributory System	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset) **	0.3986328%	0.0282934%	0.0332244%	0.0314170%	0.0282686%	0.0318567%
Proportionate share of net pension liability (asset)	\$ 260,238	\$ 768,638	\$ 534,654	\$ 811,923	\$ 845,257	\$ 595,562
Covered employee payroll	462,892	559,416	569,144	637,452	663,988	601,578
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	56.22%	137.40%	93.94%	127.37%	127.30%	99.00%
Plan fiduciary net position as a percentage of total pension liability	94.2%	84.1%	89.2%	84.9%	84.5%	87.2%
Contributory System	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset) **	0.5633235%	0.1454714%	0.1513109%	0.1368579%	0.1112653%	0.1169214%
Proportionate share of net pension liability (asset)	\$ 17,676	\$ 75,417	\$ 40,243	\$ 61,112	\$ 63,622	\$ 9,539
Covered employee payroll	(16,291)	20,615	139,152	29,897	32,162	31,379
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(108.5%)	365.84%	28.92%	204.41%	197.82%	30.40%
Plan fiduciary net position as a percentage of total pension liability	103.6%	91.4%	99.2%	93.4%	92.4%	98.7%
Tier 2 Public Employees	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset) **	0.0138610%	0.0163056%	0.0239310%	0.0306259%	0.0370897%	0.0423172%
Proportionate share of net pension liability (asset)	\$ (15,481)	\$ (443)	\$ (443)	\$ (445)	\$ (555)	\$ (1,316)
Covered employee payroll	—	(12,104)	(49,222)	(32,721)	1,850,000	219,268
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	0.00%	3.66%	0.90%	1.36%	(0.0%)	(0.6%)
Plan fiduciary net position as a percentage of total pension liability	96.5%	90.8%	97.4%	95.1%	100.2%	103.5%

** Represents the proportionate share of the University of Utah's assets and liabilities. Refer to the University's fiscal year 2020 audited financial statements for the University's share of assets and liabilities in the Systems.

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Schedule of the Employer Contributions

For the years ended June 30

Noncontributory System	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 179,674	\$ 166,029	\$ 187,461	\$ 172,541	\$ 151,481	\$ 156,659	\$ 151,431	\$ 196,241	\$ 145,774	\$ 140,517
Contributions in Relation to the Contractually Required Contribution	\$ (179,674)	\$ (166,029)	\$ (187,461)	\$ (172,541)	\$ (151,481)	\$ (156,659)	\$ (151,431)	\$ (196,241)	\$ (145,774)	\$ (140,517)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 820,246	\$ 757,005	\$ 854,217	\$ 785,981	\$ 687,223	\$ 708,780	\$ 742,149	\$ 841,594	\$ 866,251	\$ 861,041
Contributions as a Percentage of Covered Employee Payroll	21.9%	21.9%	21.9%	22.0%	22.0%	22.1%	20.4%	23.3%	16.8%	16.3%
Contributory System	2020	2019	2018	2017	2016	2015	2014 ¹	2013 ¹	2012 ¹	2011 ¹
Contractually Required Contribution	\$ 4,959	\$ 4,796	\$ 5,655	\$ 5,948	\$ 5,910	\$ 6,502	\$ 6,121	\$ 3,839	\$ 2,253	\$ 1,510
Contributions in Relation to the Contractually Required Contribution	\$ (4,959)	\$ (4,796)	\$ (5,655)	\$ (5,948)	\$ (5,910)	\$ (6,502)	\$ (6,121)	\$ (3,839)	\$ (2,253)	\$ (1,510)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 28,018	\$ 27,096	\$ 31,952	\$ 33,606	\$ 33,414	\$ 36,737	\$ 38,326	\$ 31,803	\$ 17,714	\$ 8,470
Contributions as a Percentage of Covered Employee Payroll	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	16.0%	12.1%	12.7%	17.8%
Tier 2 Public Employees System	2020	2019	2018	2017	2016	2015	2014 ¹	2013 ¹	2012 ¹	2011 ¹
Contractually Required Contribution	\$ 35,360	\$ 34,037	\$ 40,816	\$ 40,761	\$ 43,983	\$ 39,056	\$ 26,281	\$ 16,443	\$ 9,651	\$ 6,468
Contributions in Relation to the Contractually Required Contribution	\$ (35,360)	\$ (34,037)	\$ (40,816)	\$ (40,761)	\$ (43,983)	\$ (39,056)	\$ (26,281)	\$ (16,443)	\$ (9,651)	\$ (6,468)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 186,688	\$ 180,713	\$ 221,557	\$ 223,715	\$ 241,195	\$ 214,020	\$ 156,949	\$ 136,220	\$ 75,873	\$ 36,278
Contributions as a Percentage of Covered-Employee Payroll ³	18.9%	18.8%	18.4%	18.2%	18.2%	18.2%	16.7%	12.1%	12.7%	17.8%

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 Contributory System, as required by law. The amounts reported here reflect the contributions to the Tier 2 systems rather than the total required.

SUPPLEMENTARY SCHEDULES

KUEN**(A Public Telecommunications Department of the University of Utah)****COMBINING SCHEDULE OF PROGRAMS – STATEMENT OF NET POSITION**

As of June 30, 2020

	<u>KUEN-TV</u>	<u>TeleHealth</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 20,622,977	\$ (911,385)	\$ 19,711,592
Restricted cash	71,134		71,134
Receivables (Note 2)	13,783,555	633,853	14,417,408
Prepaid expenses	4,295,096	201,593	4,496,689
Total current assets	<u>38,772,762</u>	<u>(75,939)</u>	<u>38,696,823</u>
Noncurrent assets			
Investments in joint venture (Note 4)	1,074,831		1,074,831
Net pension asset	15,481		15,481
Capital assets, net (Note 3)	6,560,609	272,560	6,833,169
Total noncurrent assets	<u>7,650,921</u>	<u>272,560</u>	<u>7,923,481</u>
Total assets	<u>46,423,683</u>	<u>196,621</u>	<u>46,620,304</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	325,905		325,905
LIABILITIES			
Current liabilities			
Accounts payable	940,445	413,814	1,354,259
Accrued personnel services	1,640,275	155,477	1,795,752
Total current liabilities	<u>2,580,720</u>	<u>569,291</u>	<u>3,150,011</u>
Noncurrent liabilities			
Net pension liability	277,914		277,914
Total liabilities	<u>2,858,634</u>	<u>569,291</u>	<u>3,427,925</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	284,316		284,316
NET POSITION			
Net investment in capital assets	6,560,609	272,560	6,833,169
Restricted – expendable	71,134		71,134
Unrestricted	36,974,895	(645,230)	36,329,665
Total net position	<u>\$ 43,606,638</u>	<u>\$ (372,670)</u>	<u>\$ 43,233,968</u>

KUEN**(A Public Telecommunications Department of the University of Utah)****COMBINING SCHEDULE OF PROGRAMS – STATEMENT OF NET POSITION**

As of June 30, 2019

	<u>KUEN-TV</u>	<u>TeleHealth</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 21,025,735	\$ (1,054,778)	\$ 19,970,957
Restricted cash	69,343		69,343
Receivables (Note 2)	14,148,034	690,258	14,838,292
Prepaid expenses	3,482,398	198,739	3,681,137
Total current assets	38,725,510	(165,781)	38,559,729
Noncurrent assets			
Investments in joint venture (Note 4)	1,110,190		1,110,190
Net pension asset	443		443
Capital assets, net (Note 3)	6,879,483	463,526	7,343,009
Total noncurrent assets	7,990,116	463,526	8,453,642
Total assets	46,715,626	297,745	47,013,371
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	279,531		279,531
LIABILITIES			
Current liabilities			
Accounts payable	1,635,789	457,644	2,093,433
Accrued personnel services	1,513,255	126,520	1,639,775
Total current liabilities	3,149,044	584,164	3,733,208
Noncurrent liabilities			
Net pension liability	844,055		844,055
Total liabilities	3,993,099	584,164	4,577,263
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	110,163		110,163
NET POSITION			
Net investment in capital assets	6,879,483	463,526	7,343,009
Restricted – expendable	69,343		69,343
Unrestricted	35,943,069	(749,945)	35,193,124
Total net position	\$ 42,891,895	\$ (286,419)	\$ 42,605,476

KUEN**(A Public Telecommunications Department of the University of Utah)****COMBINING SCHEDULE OF PROGRAMS – STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

Year ended June 30, 2020

	<u>KUEN-TV</u>	<u>TeleHealth</u>	<u>Total</u>
OPERATING REVENUES			
Commercial	\$ 8,689		\$ 8,689
Total operating revenues	8,689		8,689
OPERATING EXPENSES			
Broadcasting	8,372,306		8,372,306
Education service and training	1,268,566		1,268,566
Installation and transport	21,144,625	\$ 1,790,083	22,934,708
Programming and production	4,891,770		4,891,770
Program information	415,678		415,678
Management and general	2,356,253	432,127	2,788,380
Total operating expenses	38,449,198	2,222,210	40,671,408
Operating loss	(38,440,509)	(2,222,210)	(40,662,719)
NONOPERATING REVENUES			
State of Utah appropriations	31,129,783	1,170,000	32,299,783
Indirect in-kind support from governmental entities	1,850,890		1,850,890
Corporation for Public Broadcasting grants – CPB	4,240,794		4,240,794
Indirect support from University of Utah	1,380,817		1,380,817
Other grants	295,928	228,111	524,039
Support from KUED-TV	39,030		39,030
Member fees		737,848	737,848
Other	218,010		218,010
Total nonoperating revenue	39,155,252	2,135,959	41,291,211
Increase (decrease) in net position	714,743	(86,251)	628,492
NET POSITION			
Net position - beginning of year	42,891,895	(286,419)	42,605,476
Net position - end of year	<u>\$ 43,606,638</u>	<u>\$ (372,670)</u>	<u>\$ 43,233,968</u>

KUEN**(A Public Telecommunications Department of the University of Utah)****COMBINING SCHEDULE OF PROGRAMS – STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

Year ended June 30, 2019

	<u>KUEN-TV</u>	<u>TeleHealth</u>	<u>Total</u>
OPERATING REVENUES			
Commercial	\$ 8,689		\$ 8,689
Total operating revenues	8,689		8,689
OPERATING EXPENSES			
Broadcasting	5,663,216		5,663,216
Education service and training	1,208,351	\$ 372,902	1,581,253
Installation and transport	26,344,171	2,025,534	28,369,705
Programming and production	7,345,391		7,345,391
Program information	359,342		359,342
Management and general	2,324,771	97,712	2,422,483
Total operating expenses	43,245,242	2,496,148	45,741,390
Operating loss	(43,236,553)	(2,496,148)	(45,732,701)
NONOPERATING REVENUES			
State of Utah appropriations	33,134,300	668,300	33,802,600
Indirect in-kind support from governmental entities	4,211,168		4,211,168
Corporation for Public Broadcasting grants – CPB	3,960,329		3,960,329
Indirect support from University of Utah	3,244,958	202,897	3,447,855
Other grants	503,290	219,512	722,802
Support from KUED-TV	39,030		39,030
Member fees		820,426	820,426
Other	241,022		241,022
Total nonoperating revenue	45,334,097	1,911,135	47,245,232
Decrease in net position	2,097,544	(585,013)	1,512,531
NET POSITION			
Net position - beginning of year	40,794,351	298,594	41,092,945
Net position - end of year	<u>\$ 42,891,895</u>	<u>\$ (286,419)</u>	<u>\$ 42,605,476</u>



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***

KUEN

**The University of Utah Board of Trustees
and Ruth V. Watkins, 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 KUEN, which comprise the statement of net position as of June 30, 2020, 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 KUEN's basic financial statements, and have issued our report thereon dated February 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KUEN'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 KUEN's internal control. Accordingly, we do not express an opinion on the effectiveness of KUEN'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 KUEN'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
February 4, 2021