

**CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF COMMUNITY SERVICE AND OTHER GRANTS
AWARDED TO THE UNIVERSITY OF UTAH
KUER-FM and KUED-TV
SALT LAKE CITY, UTAH
FOR THE PERIOD JULY 1, 2017 THROUGH JUNE 30, 2019**

REPORT NO. ASJ2006-2102

March 12, 2021



Report in Brief

Why We Did This Audit

We performed this audit based on our Annual Plan to audit public television and radio stations.

Our objectives were to examine KUER and KUED certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines; b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act). The amount of NFFS a station reports to CPB affects the amount of CPB funding the station receives.

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Audit of Community Service and other Grants Awarded to KUER-FM and KUED-TV licensed to the University of Utah, Salt Lake City, Utah, for the Period July 1, 2017 through June 30, 2019

What We Found

KUER and KUED overstated the NFFS reported on their FY 2018 and FY 2019 AFRs by \$960,424 because they claimed:

The \$960,424 of overstated NFFS resulted in \$100,091 of excess CSG payments.

- \$452,001 of ineligible endowment revenue;
- \$450,947 of unallowable indirect administrative support;
- \$70,800 of unsupported underwriting trades;
- \$24,000 of ineligible revenue from public broadcasting entities; and
- revenues of \$32,772 not used for public broadcasting purposes.

These revenues were offset with a \$70,096 premium adjustment due to low-value premiums reported on the AFR.

In response to the draft report, KUER and KUED management agreed with our findings and implemented corrective actions to ensure they properly report NFFS in the future. CPB management will make the final determination on our findings and recommendations.

What We Recommend

That CPB management:

- recover the \$100,091 of CSG overpayments;
- require KUED to reconcile membership premiums provided to donors in FY 2021 and in subsequent years to contributions received each year;
- require management to identify corrective actions it will implement to ensure future compliance with CPB requirements for reporting NFFS; and
- consider using CPB's new FY 2020 Standard Indirect Administrative Support (IAS) methodology to calculate the IAS KUER and KUED can use as NFFS in calculating FYs 2020 and 2021 CSG award amounts.



Corporation
for Public
Broadcasting

Office of the Inspector General

Date: March 12, 2021

To: Jackie J. Livesay, Vice President, Compliance
Michael Levy, Executive Vice President and Chief Operating Officer
Kathy Merritt, Senior Vice President, Radio, Journalism and CSG Services
Debra Sanchez, Senior Vice President, Education and Children's Content
Operations
Stephanie Aaronson, Senior Vice President, Engagement

From: Kimberly A. Howell, Inspector General *Kimberly A. Howell*

Subject: Audit of Community Service and other Grants Awarded to the KUED-FM and
KUED-TV, Salt Lake City, Utah, for the Period July 1, 2017 through June 30,
2019, Report No. ASJ2006-2102

Enclosed please find our final report which contains our findings and recommendations. CPB officials must make a final management decision on the findings and recommendations in accordance with established audit resolution procedures.

Accordingly, we request that you provide us with a draft written response to our findings and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee, which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of the Inspector General's website and Oversight.gov and distribute it to the appropriate Congressional committees as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Bruce M. Ramer, Chair, CPB Board of Directors
Robert Mandell, Chair, Audit and Finance Committee, CPB Board of Directors
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation

U.S. House of Representatives Energy and Commerce Committee
U.S. Senate Committee on Appropriations
U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) grants awarded to KUER-FM, also known as NPR Utah, and KUED-TV, also known as the PBS Utah, licensed to the University of Utah. The grants reviewed included radio and television Community Service grants (CSG), Interconnection, Distance Service, Universal Service, Healthy Network Initiative, and Ready to Learn Community Collectives grants for the period July 1, 2017 through June 30, 2019.

Our objectives were to examine KUER and KUED certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our audit, KUER and KUED complied with CPB grant and Act requirements, except they overstated NFFS by \$960,424, resulting in CSG overpayments of \$100,091. We have reported the CSG overpayments to KUER and KUED as funds put to better use and recommend that CPB management:

- recover the \$100,091 in CSG overpayments;
- require KUED to reconcile membership premiums provided to donors in FY 2021 and in subsequent years to contributions received for each year;
- require management to identify corrective actions it will implement to ensure future compliance with CPB requirements; and
- consider using CPB's new FY 2020 Standard Indirect Administrative Support (IAS) methodology to calculate the IAS KUER/KUED can recover as NFFS in FYs 2020 and 2021.

In response to the draft report, KUER and KUED management agreed that the stations overstated NFFS of \$960,424 because they reported revenue from ineligible endowment revenue, donations, contribution sources and other errors. They also indicated corrective actions have been implemented for future reporting.

Based on the stations' response to the draft report, we consider recommendations one through three resolved but open pending CPB's final management decisions resolving the audit findings and receipt of corrective actions completed. Recommendation four requires action by CPB and is considered unresolved and open pending receipt of CPB's response to this recommendation. The stations' written response is summarized after each finding and the complete response is presented in Exhibit L.

This report presents the conclusions of the Office of the Inspector General (OIG) and the findings do not necessarily represent CPB's final position on the issues. While we have made recommendations that are appropriate to resolve the findings, CPB officials will make final

determinations on our findings and recommendations in accordance with established CPB audit resolution procedures.

We performed this audit based on the OIG's annual audit plan objective to audit multiple television and/or radio stations. We conducted our audit in accordance with *Government Auditing Standards* for attestation examination engagements. Our scope and methodology are discussed in Exhibit K.

BACKGROUND

KUER-FM is a public radio station licensed to the University of Utah. Founded in 1960, the station was one of the original 100 National Public Radio (NPR) affiliates. The station broadcasts national news and information programs provided by NPR, Public Radio International, American Public Media, as well as local news and information programs. Through an extensive translator network, the station reaches the vast majority of Utah's population. Although the station is one of five noncommercial radio signals available to Utah residents, it continues to reach between 150,000-175,000 weekly listeners. According to its website, KUER is home to an award-winning news team. Its local news features include short and long-form stories with topics ranging from health and politics to the environment and the arts.

KUED-TV signed on the air in 1958 and is also licensed to the University of Utah. It is the sole PBS station for the state. The station reaches portions of five states, including all of Utah, and parts of Wyoming, Idaho, Nevada, and Arizona. According to its website, the station provides viewers access to quality educational, arts and entertainment programs 24 hours a day, on four broadcast channels and online. KUED airs national PBS programming in addition to award-winning locally produced documentaries. Additionally, the station works to provide the people of Utah and surrounding areas with relevant programming and services through traditional television, online, mobile, and connected TV devices, in the classroom, and in the community.

KUER and KUED are located at the University of Utah and the University is the licensee for both stations. KUER and KUED are both funded by state appropriations, contributions, and CPB grants and are operated as telecommunications departments of the University of Utah.

CPB's Community Service Grant Program

The Act provides that specific percentages of the appropriated funds CPB receives annually from the United States Treasury must be allocated and distributed to licensees and permittees of public TV and radio stations. After funds are designated as either TV or radio funds, the funds are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

Each year CPB awards CSG grants to public TV and radio stations based in part on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the TV and radio CSG pools adjusted by base grants and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for TV and the other is for radio.

The Incentive Rate of Return (IRR) is calculated separately for television and radio grantees. This is done by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all television grantees for the television IRR and by all radio grantees for the radio IRR. The IRR is then multiplied by each grantee's adjusted NFFS in various tiers to calculate the incentive award amount of its total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the fiscal year's (FY's) CSG amount. For example, CPB used the NFFS reported by KUER and KUED on their FYs 2016 and 2017 AFRs to determine the amount of the TV and radio CSG funds the stations received in FYs 2018 and 2019.

As shown in Exhibit A, KUER and KUED received CSG, Interconnection, Universal Service Support and Distance Service grant funds totaling \$4,033,680 for FYs 2018 and 2019 from CPB (\$3,380,809 for TV and \$652,871 for radio). The stations reported combined TV and radio NFFS of \$12,243,638 in FY 2018 and \$12,870,917 in FY 2019 as shown in Exhibit D. The audited financial statements for both stations for the two FYs we audited reported total revenues of \$16,350,897 in FY 2018 and \$19,183,931 in FY 2019. The stations' fiscal years begin July 1 and ends June 30.

RESULTS OF REVIEW

In our opinion, except for the noncompliance issues described below, KUER and KUED complied with the requirements in the following paragraph for the FYs 2018 and 2019 grant funds examined in Exhibits B, C, E, and F.

We reviewed KUER and KUED management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes KUER's and KUED's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, Advisory Board, equal employment opportunity (EEO) reporting, and donor lists; discrete accounting requirements; and other non-CSG requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Based on our audit, KUER and KUED complied with CPB grant and Act requirements, except they overstated NFFS by \$960,424 resulting in CSG overpayments of \$100,091. We have reported the CSG overpayments as funds put to better use.

Our audit was conducted in accordance with the *Government Auditing Standards* for attestation examination engagements and, accordingly, included examining, on a test basis,

evidence about KUER's and KUED's compliance with CPB's requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. However, it does not provide a legal determination on KUER's and KUED's compliance with specified requirements.

FINDINGS AND RECOMMENDATIONS

I. Overstated NFFS

Our audit found overstated NFFS totaling \$960,424 for fiscal years (FY) 2018 and 2019, which resulted in CSG overpayments of \$100,091. The following table summarizes these results. Each category of NFFS overstatement is discussed in more detail following the table.

Overstated NFFS and CSG Overpayment Calculation

NFFS Categories	Overstated Radio NFFS		Overstated TV NFFS		Total
	FY 2018	FY 2019	FY 2018	FY 2019	
<i>Schedule A: Direct Revenues</i>					
Ineligible Endowment Revenue	\$11,742	\$11,561	\$216,540	\$212,158	\$452,001
Unsupported Underwriting Trades	10,000	24,100		36,700	70,800
Revenue Received from Public Broadcasting Entities			2,510	21,490	24,000
Donations Not Used for Public Broadcasting Purposes	16,200	16,572	0	0	32,772
Incorrect Premiums Offset Against Membership	(9,266)	14,945	(56,913)	(18,862)	(70,096)
<i>Schedule B: Indirect Administrative Support</i>					
Unallowed Indirect Administrative Support	82,895	45,384	200,789	121,879	450,947
Net Overstated NFFS	\$111,571	\$112,562	\$362,926	\$373,365	\$960,424
Overpaid CSG Grant Funds	\$5,589	\$5,381	\$42,825	\$46,296	\$100,091
FYs 2020 & 2021 IRRs	5.00967788%	4.78040952%	11.79986616%	12.39970296%	

Ineligible Endowment Revenue

Our review of passive income identified that \$452,001 of \$532,692 reported on Line 15.A. was ineligible endowment revenues and the remaining \$80,691 was eligible NFFS, but these amounts were misclassified as passive income interest and dividends other than endowment funds. \$48,244 of the \$80,691 should have been reported as foundation and nonprofit contributions other than underwriting on Line 8.B. The remaining \$32,447 was eligible endowment interest and dividends and should have been reported on Line 17.B.

Ineligible NFFS

As background, both stations participate in the University's endowment pool, and the University holds the stations' investments within the pool on behalf of the stations. The stations hold an interest in the University's endowment investment pool, but not in specific investment instruments within that pool.

Our discussions with University personnel that manage the endowment pool distributions disclosed the University reported to the stations that the “total annual return” on their share of the endowment pool for FYs 2018 and 2019 was \$484,115. Regarding the \$484,115, the University personnel explained that:

The Endowment Investment Pool is run on a total return basis. Interest and dividends, expenses, realized capital gains and losses and unrealized capital gains and losses are all part of the income of the Endowment Pool....the goal for investments in the Pool is to earn an 8% total average annual return, [and] spend 4% annually....

The calculations the University provided to us substantiated that the \$484,115 was the 4% annual spending distribution both stations received in FYs 2018 and 2019. University personnel explained further that:

...we do market value/total return accounting, which means we don’t record all the interest and dividends earned.... It becomes part of the unrealized gain from increased market value, which we do record as unrealized gain along with market gains....

Only Interest and Dividends May be Claimed as NFFS

We explained to KUER and KUED officials that CPB Guidelines provide that only the interest and dividends from endowments are eligible NFFS; the remainder—realized and unrealized gains, including annual endowment distributions—are not. KUER and KUED officials explained they were not aware the amounts reported each year by the University were for more than just interest and dividends. Subsequently, at the request of KUER/KUED station management, University officials calculated the interest and dividends earned on the endowment pools, as follows:

NFFS Eligible Endowment Pool Interest and Dividends

Fiscal Year	KUER	KUED	Totals
2018	\$1,330	\$12,342	\$13,672
2019	1,609	16,833	18,442
Totals	\$2,939	\$29,175	\$32,114

Using the endowment interest and dividends calculated by the University, we accepted the \$32,114 as eligible for NFFS. We questioned the remaining \$452,001 (\$484,115 - \$32,114) as ineligible in accordance with CPB Guidelines. The details are provided in the following table by station and fiscal year.

Unallowable Endowment Revenue Claimed as NFFS

Fiscal Year	KUER	KUED	Totals
2018	\$11,742	\$216,540	\$228,282
2019	11,561	212,158	223,719
Totals	\$23,303	\$428,698	\$452,001

The \$452,001 is the ineligible portion of the university investment distribution reported on line 15.A that were not endowment interest and dividends.

Misclassification of NFFS Revenues

On their FYs 2018 and 2019 AFRs, KUER and KUED erroneously reported a total of \$532,692 of NFFS revenue on AFR Line 15.A (Passive income, Interest and dividends other than endowment funds) as shown below:

Amounts Reported as NFFS on AFR Line 15.A

Fiscal Year	KUER	KUED	Totals
2018	\$13,072	\$257,212	\$270,284
2019	13,169	249,239	262,408
Totals	\$26,241	\$506,451	\$532,692

Of the \$506,451 reported by KUED, \$48,244 were distributions of the interest (\$28,187 in FY 2018 and \$20,057 in FY 2019) that a trust contributes to KUED each year. These contributions are eligible for NFFS revenue but should have been reported on AFR Line 8.B (Foundations and nonprofit association, Contributions other than underwriting). The \$506,451 that KUED reported also contained miscellaneous endowment revenue of \$333 (\$142 in FY 2018 and \$191 in FY 2019) that KUED should have reported on Line 17.A (Endowment revenue, Contributions to principle) as eligible NFFS.

The remaining \$457,874 of endowment earnings (\$506,451 - \$48,244 - \$333) reported by KUED and the \$26,241 of revenue KUER reported were incorrectly reported on Line 15.A as interest and dividends other than endowment funds. These amounts, totaling \$484,115 (\$457,874 + \$26,241) were the result of earnings from the stations' own endowments (not the university endowments) and should have been reported on Lines 17 B, C and D, details follow.

Remaining Endowment Earnings Incorrectly Reported on Line 15.A

Fiscal Year	KUER	KUED	Totals
2018	\$13,072	\$228,883	\$241,955
2019	13,169	228,991	242,160
Totals	\$26,241	\$457,874	\$484,115

CPB Guidelines provide that the \$32,114 of interest and dividends and the remaining \$452,001 should have been reported on AFR Line 17. CPB allows certain investment income as NFFS

from passive investments and endowments. The CPB Guidelines are specific that KUER's and KUED's endowment revenue should be reported on AFR Line 17 and not on Line 15. Station personnel agreed that interest and dividends should have been reported on AFR Line 17.

The Guidelines instructions explain how to report this income on the AFRs as follows:

Line 15 – Passive Income

Passive income derived from the use of property (e.g. from real estate and business investments...

A. Interest and Dividends

Report interest and dividend income, except earnings on endowment funds (see line 17). Do not use this line to report realized and unrealized gains and losses on marketable securities (see instructions for Lines 16 and 17)....

Line 17 - Endowment Revenue

Report all contributions to endowment fund principal regardless of source or form of the amounts contributed. Also, report passive (interest and dividends) derived from endowment funds and realized and unrealized gains or losses from investments held by endowment funds.

A. Contributions on endowment principle

Use this line to report contributions to endowment principle.

B. Interest and Dividends on endowment funds

Use this line to report interest and dividends earned on endowment funds.

C. Realized net investment gains and losses on endowment funds

Use this line to report realized net investment gains and losses on endowment funds...The revenue on Line 17C will forward to Line 27 and will be automatically excluded from NFFS.

D. Unrealized net investment gains and losses on endowment funds

Use this line to report unrealized net investment gains and losses on endowment funds....

The revenue reported on Line 17D will forward to Line 27 and will be automatically excluded from NFFS.

CPB Guidelines, Part III AFR and FSR line item instructions. Lines 15 and 17.

The \$452,001 of overstated FYs 2018 and 2019 NFFS that we identified resulted in \$26,140 of FY 2020 CSG overpayments and \$26,860 of CSG overpayments in FY 2021.

Unsupported Underwriting Trades

KUER and KUED claimed six underwriting trades, valued at \$70,800, without the supporting documentation required by CPB Guidelines. We determined the \$70,800 of NFFS claimed for these trades was ineligible.

In FYs 2018 and 2019, KUER and KUED claimed as NFFS a total of almost \$485,000 for underwriting trades on their AFRs. We reviewed 18 of these trades, valued at \$282,600, and found that six of the trades, valued at \$70,800, were not supported by sufficient documentation from the underwriters to evidence the receipt of goods or services as required by CPB Guidelines. KUER and KUED each reported three of these six trades.

Our review found that KUER reported two trades in FY 2019 valued at \$24,100 and a third trade in FY 2018 valued at \$10,000 that were supported only by the underwriting agreements between the station and the donors. The current KUER personnel responsible for obtaining the evidence required by CPB did not know why the required supporting documentation was not always obtained in the past. CPB Guidelines explain that the underwriting agreement may not be used to document the value of trades. As a result, we determined the \$34,100 claimed as NFFS by KUER was ineligible.

Similarly, three of the trades valued at \$51,700 that KUED reported as NFFS on its FY 2019 AFR were also not supported by the documentation required by CPB Guidelines. For two of these trades, valued at \$30,800 (\$15,800 and \$15,000), there was no documentation available prepared by the donor, at the time of their contributions, that provided the information required by the CPB Guidelines. For example, the donors did not provide signed documentation showing the dates and fair market value of their contributions. KUED personnel explained that for some annual trades, donors usually provide the certifications evidencing their donations when signing the trade agreements for the coming year. However, this was not done for the two trades we reviewed.

The third trade agreement was for \$20,900 but the “Certification of Goods and Services Delivered” the donor provided KUED to evidence this trade was only for \$15,000. As a result, we determined that \$5,900 (\$20,900 - \$15,000) and the \$30,800 claimed as NFFS for the other two KUED trades we reviewed were ineligible for NFFS.

CPB’s Guidelines require that trade underwriting agreements or contracts may not be used to document the value of a contribution because they represent the donor’s intent and are not evidence that the trade took place.

These same Guidelines also explain that to satisfy CPB’s requirements to evidence the value of a trade underwriting agreement the CSG recipient must obtain documentation from the donor that:

1. was prepared at the time the contribution is made;
2. is printed on the donor’s business stationary or an invoice that prominently displays the donor’s name, address, business logo, and contact information;

3. describes the contribution;
4. shows the date the contribution was provided to the CSG recipient;
5. identifies the fair market value of the contribution using a clearly measurable and objective valuation method (e.g. lawyers hourly rate multiplied by the numbers of hours worked) pursuant to GAAP;
6. states the donor's intent to donate or trade the goods and/or services; and
7. includes the signature, name, and title of the donor or its representative.

CPB Guidelines also provide stations a template to use when certifying in-kind donations.

CPB 2019 Guidelines Part II: NFFS, Section VII, NFFS In-Kind Contributions.

The \$34,100 of overstated FYs 2018 and 2019 NFFS that KUER reported resulted in \$501 of FY 2020 radio CSG overpayments and \$1,152 of radio CSG overpayments in FY 2021. The \$36,700 of ineligible FY 2019 NFFS that KUED reported resulted in \$4,551 of TV CSG overpayments in FY 2021.

Revenues Received From Public Broadcasting Entities

KUED reported \$24,000 received from CPB and other public broadcasting entities as NFFS. KUED reported these revenues as NFFS on Line 3 (Local boards and departments of education or other local government or agency sources) and Line 9, (Business and Industry) of its FYs 2018 and 2019 AFRs. Instead, KUED should have reported these ineligible NFFS revenues on Line 2 to exclude them from NFFS.

Public Broadcasting Revenues Reported as NFFS

Revenue Description	NFFS Questioned	
	FY 2018	FY 2019
Public Broadcasting Service (PBS)	\$0	\$15,000
KUEN/Utah Educational Network	\$0	\$4,000
CPB Planning Grant	\$2,510	\$2,490
Totals	\$2,510	\$21,490

The \$15,000 received from PBS resulted from underwriting grant agreements between PBS and KUED for the acquisition, production, and broadcast of shows such as *The Great American Read*. KUED received \$4,000 from KUEN/Utah Educational Network to air its American Graduate programs, to air short videos produced by KUEN regarding technical careers, and to host American Graduate screenings in alignment with KUEN's promotional activities for American Graduate Day.

The \$2,510 and \$2,490 were payments received from CPB under the Community Collectives for Early Learning & Media Planning Grant (CPB Grant No, 34611-EDU) awarded to KUED. This grant required KUED to develop a two-year plan to support early science and literacy learning in a low-income community.

CPB Guidelines, Section 5, Completing AFR Schedule A – Direct Revenue, Line Item Instructions explain that funds received from public broadcasting entities are ineligible for NFFS. More specifically these guidelines state in part that:

Line 2 - Amounts provided by Public Broadcasting Entities

Public Broadcasting funds are reported on this line and will be forwarded to line 24 to be automatically excluded from NFFS.

Specific Line Instructions:

B. CPB – all other funds from CPB (e.g., DDF, RTL, Programming Grants)

Use this line to report all non-CSG funds received from CPB including digital grants and production grants....

F. Other PBE funds (specify)

Use this line to report all funds received that originate from public broadcasting sources other than those listed in Line 2A – 2E.

CPB Guidelines Section 5, Line 2, Amounts provided by Public Broadcasting Entities. See also Guidelines V. NFFS: Excluded Revenues

KUED officials acknowledged that reporting these funds as NFFS was a mistake. Reporting the \$24,000 received from public broadcasting entities and CPB resulted in TV CSG overpayments of \$296 in FY 2020 and a \$2,665 overpayment in FY 2021.

Donations Not Used for Public Broadcasting Purposes

KUER membership records showed that numerous FYs 2018 and 2019 premiums provided to donors were recorded in the station's records with Fair Market Values (FMV) of zero dollars. Membership officials explained that during FY 2018, in lieu of receiving a physical premium, a donor could agree that KUER would pay \$6, \$12, or \$24 to one of three nonprofits: the Fourth Street Clinic, the IRC (International Rescue Committee), or the Rape Recovery Clinic, to be designated by the donor. For each \$60 donation to KUER, one of the three nonprofits received \$6; for each \$120 contribution, a nonprofit received \$12; or for a \$240 donation to the station, a nonprofit received \$24. In FY 2019, KUER told donors they had the option to send similar amounts to the Utah Diaper Bank, Kids Eat, or the Volunteers of America.

During FYs 2018 and 2019, KUER provided donations totaling \$16,200 and \$16,572 respectively, to the designated nonprofits. KUER reported the full amount of the donation as NFFS and did not adjust the amount reported to the donor on the annual disclosure letter required by the IRS. Instead, the annual disclosure letters informed donors that their entire contribution i.e., \$60, \$120 or \$240 was tax deductible.

Discussions with KUER personnel disclosed that these donations were recorded as membership revenues and when paid to the designated nonprofits they were expensed on the station's financial records. As a result, KUER treated the amounts provided to the selected nonprofits as pass-through contributions from the donor. Because the pass-through contributions, totaling

\$32,772, were not used for the operation of a public broadcasting station, these donations did not meet purpose criteria specified by CPB Guidelines to be eligible for NFFS. For this reason, we determined the \$32,772 claimed was ineligible as NFFS.

CPB Guidelines Part II: provides the following definition of NFFS and an explanation of Contributions vs. Payments.

I NFFS: Definition

NFFS is the total value of cash and the fair market value of property and services (including, to the extent provided in the second sentence of this paragraph, the personal services of volunteers) received—

A. as gifts, grants, bequests, donations, or other contributions for the construction or operation of noncommercial educational broadcast stations, or for the production, acquisition, distribution, or dissemination of educational television or radio programs, and related activities, from any source other than: (i) the United States or any agency or instrumentality of the United States; or (ii) any public broadcasting entity

II Contribution vs. Payment

Revenues are either a contribution or a payment, and must meet the recipient, form, source, and purpose criteria below to be reported as NFFS.

A. Contribution. A contribution is a gift, grant, bequest, donation or appropriation (i.e. the form criterion). For a contribution to be reported as NFFS, it must meet the following criteria....

3. Purpose. The contribution must be provided to the CSG recipient to construct or operate a noncommercial educational broadcast station¹⁵, or for the production, acquisition, distribution or dissemination of educational television or radio programs and related activities.

CPB Guidelines Part II: NFFS Sections I and II.

The \$32,772 of overstated FYs 2018 and 2019 NFFS that we identified resulted in \$811 of FY 2020 CSG overpayments and \$792 of radio CSG overpayments in FY 2021.

Incorrect Premiums Offset Against Membership

KUER and KUED did not exclude the correct amount of premiums from the NFFS they reported on their FYs 2018 and 2019 AFRs as required by CPB Guidelines.

KUER Premiums

KUER reported that it provided donors “thank you gifts” with FMVs totaling \$111,805 and \$46,794, on its FYs 2018 and 2019 AFR, respectively. As required by CPB Guidelines KUER entered these amounts on line 10.1 of both AFRs to exclude them from the NFFS reported to CPB. However, the station’s records indicated that it should have reported \$61,739 on its FY 2019 AFR line 10.1 instead of the \$46,794.

KUER records the FMV of premiums for donors when the pledge is made but does not send premiums to many of its donor until the pledge is fully paid. There is an exception for sustainers who pledge monthly payments over an extended period, i.e., 12 monthly payments. Sustainers receive their premium after the initial payment. Discussions with KUER personnel disclosed that they only report the FMV of pledges sent to donors on AFR line 10.1, and they miscalculated the number of pledges sent (and pending) when determining the amounts reported on the AFR. As a result, the station overstated its FY 2019 NFFS by \$14,945 (\$61,739 - \$46,794), which we have reported as overstated NFFS.

Conversely, according to the station’s membership records, the \$111,805 of premiums deducted on the FY 2018 AFR line 10.1 should have been only \$102,539. As a result, FY 2018 NFFS was understated \$9,266 (\$111,805-\$102,539). We offset this amount against other questioned FY 2018 NFFS.

KUED Premiums

KUED initially reported to CPB that it provided donors \$567,838 of premiums on its FY 2018 AFR and \$473,066 on its FY 2019 AFR. Subsequently, a CPB desk review requested KUED to explain why FY 2019 premiums decreased while both the number of donors and total membership revenue increased. In response to CPB, KUED personnel explained that \$23,500 of its FY 2018 premiums were double counted and the premiums reported on the AFR should have been \$544,338. KUED personnel also explained that a formula error reduced the reported FY 2019 premiums by \$30,000 and that the premiums reported should have been \$503,066, instead of \$473,066. As a result, CPB personnel explained that FY 2019 AFR line 10.1 was adjusted to \$503,066 and the FY 2018 premiums would be revised based on the results of this OIG audit.

CPB Desk Review FY 2019 Premium Adjustments

Description	FY 2018	FY 2019
Membership Revenue @ AFR	\$2,653,190	\$2,982,820
Number of Donors	25,520	28,922
Line 10.1 Premiums	\$567,838	\$473,066
Revised Premiums @ Desk Review	(\$23,500)	\$30,000
Revised Line 10.1 Premiums	\$544,338	\$503,066

Our review of KUED's support for the FY 2018 and the revised FY 2019 premiums reported on its AFRs disclosed the support for these premiums continued to contain duplicate donor information. When asked about these duplicates, KUED personnel researched the issue and subsequently provided revised support showing \$487,425 of FY 2018 premiums and FY 2019 premiums totaling \$484,204. Based on these revised premiums, the NFFS reported to CPB was understated as follows.

OIG Audit Premium Adjustments

Description	FY 2018	FY 2019
Premiums Reported on AFR	\$567,838	\$503,066
Premiums With Duplicates Eliminated	\$487,425	\$484,204
Amount NFFS Understated	\$56,913	\$18,862

KUED personnel could not explain how the duplicate information occurred in their premium information. Additionally, KUED's personnel indicated it was not possible to reconcile membership revenue shown in the station's general ledger to its support for the FYs 2018 through 2020 premiums provided to donors. Unlike KUER records, KUED's supporting information for the FY 2018 and 2019 membership contributions of \$2,653,190 and \$2,982,820 did not include premium information. KUED's supporting information for the \$503,066 of FY 2019 premiums are contained in separate records that show only the \$637,269 of contributions associated with these premiums, while it received \$2,982,820 of membership contributions. KUED's FY 2018 records were maintained in a similar manner. In FY 2021, KUED transitioned to a revised system and expect to be able to reconcile its premiums with its total membership contributions.

To gain assurance that the \$637,269 of contributions associated with the \$503,066 of premiums were included in the \$2,982,820 of membership revenue, we reviewed a sample of ten confirmation letters that KUED sent donors. KUED's FY 2018 premium reports show donor contributions made from July 1, 2017 through June 30, 2018. The FY 2019 premium report shows donors contributions made from July 1, 2018 through June 30, 2019. Although these reports encompass two fiscal years, we were able to determine each donors' contributions and verify them to the donor letters sent to them by KUED each calendar year. We were able to perform a similar verification for FY 2018 contributions. As a result, we accepted the revised premiums for FYs 2018 and 2019 NFFS.

CPB Guidelines state that:

The AFR and in some instances the Annual Financial Summary Report (FSR) are used to collect a CSG grantee's revenue and expense information Grantees are required to report ALL revenue and expense information and reconcile those values with their audited financial statements. The ultimate objective of the AFR/FSR is to identify which revenues reported in the annual audit qualify as non-Federal financial support (NFFS)....

CPB FY 2018 Guidelines, Part 1 – NFFS Guiding Principles and Policy, Section 1.

CPB Guidelines also require stations to exclude from NFFS the FMV of high-end premiums that are not of insubstantial value. The Guidelines state:

Grantees frequently provide “thank-you gifts” (a.k.a. “premiums”) in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e., premiums). Thank-you gifts may be anything of value from low-end premiums (e.g., coffee mugs and tee-shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g. boxed set CDs or DVDs, coffee-table books, travel and lodging, and tickets to performances, dinners or other events).

What do you need to do for AFR purposes? If the financial statements present membership revenues on a net basis (i.e. the contribution portion only), report the same amount on Line 10 (i.e. it is unnecessary to make any further adjustment). However, if the financial statements present membership revenue at their gross value (i.e. unadjusted for the non-contribution portion), you must enter the non-contribution portion on Line 10.1 NFFS Exclusion – Fare market value of the premiums that are not of insubstantial value.

CPB FY 2019 Guidelines Part III, Line 10 – Membership and Subscriptions (net of write-offs).

We offset KUER's \$9,266 of understated FY 2018 NFFS against other NFFS questioned that year, which reduced the FY 2018 CSG overpayment by \$464. The \$14,945 of overstated FY 2019 KUER NFFS that we identified resulted in \$714 of radio CSG overpayments in FY 2021. In total, CSG overpayments were reduced to \$250 (\$714-\$464).

We also offset KUED's FYs 2018 and 2019 understated NFFS of \$56,913 and \$18,862, against other NFFS overstatements in each of these fiscal years. These offsets reduced the FY 2018 and FY 2019 NFFS overstatement by \$9,054 (\$6,715 and \$2,339 respectively).

Unallowed Indirect Administrative Support

KUER-FM and KUED-TV claimed (IAS) of \$1,824,088 as NFFS using the Federal Indirect Cost Rate (FICR) Other Sponsored Activities (OSA) rate. However, the stations' costs were not included in the formula used to calculate the federal rate. This disqualifies the stations from claiming IAS under CPB's guidelines.¹ Applying CPB's guidance disqualifies the full amount of IAS claimed and result in potential CSG overpayments of \$176,428 as calculated in Exhibit F.

However, we acknowledge that KUER/KUED received substantial indirect support from the University. Because of the complexities encountered applying CPB's Basic Method, an option available during our audit period, we applied CPB's new FY 2020 Standard IAS methodology for the FY 2018-2019 period to enable KUER/KUED to recover some IAS as NFFS.

As background in FY 2020 after consultation with CSG stations, CPB proposed a new IAS policy to simplify IAS calculations that was adopted by the CPB board. The Standard Method allows for better audit review and consistency in application among institutional stations and is based on audited financial information from both the licensee and the station. The Standard Method is in effect for FY 2020 AFR reporting.²

We used CPB's new Standard Method to calculate the FY 2018-2019 IAS for this finding and recommendation. We calculated an IAS total of \$1,373,141 for both stations, (KUED \$884,502) and (KUER \$488,639), as summarized in the table below. The Standard IAS calculations are presented in Exhibits G-J. Our calculation of IAS excluded the spectrum repack costs from the base.³ In lieu of disallowing all IAS claimed, we recommended that CPB consider accepting this IAS calculation.

Standard IAS Calculation

	FY 2018	FY 2019	Totals
Standard IAS KUED TV	\$375,089	\$509,413	\$884,502
Standard IAS KUER FM	\$225,011	\$263,628	\$488,639
Total Allowed IAS NFFS	\$600,100	\$773,041	\$1,373,141

We compared the IAS NFFS reported for both stations to our Standard IAS calculation to identify potential CSG overpayments per the following table.

¹ During our audit period CPB's Guidance allowed for the use of one of three rate methodologies: the FICR OSA rate, the Basic Method, and Grantee Method which requires CPB prior approval. Using the other methods retroactively was not practical given the nature of the methodologies and would not have been included in the stations' audited financial statements.

² CPB's IAS Standard Method Calculation worksheets and instructions can be found at <https://www.cpb.org/stations>.

³ Repack costs for FYs 2018 and 2019 were \$814,525 and \$2,708,915, respectively.

Calculation of CSG Overpayments

	FY 2018	FY 2019	Total
Reported IAS KUED TV	\$575,878	\$631,292	\$1,207,170
Standard IAS KUED TV	\$375,089	\$509,413	\$884,502
<i>Net Unallowed TV IAS</i>	<i>\$200,789</i>	<i>\$121,879</i>	<i>\$322,668</i>
CPB FYs 2020 & 2021 IRRs TV	0.1179986616	0.1239970296	
<i>CSG Overpayments TV</i>	<i>\$23,693</i>	<i>\$15,113</i>	<i>\$38,805</i>
Reported IAS KUER FM	\$307,906	\$309,012	\$616,918
Standard IAS KUER FM	\$225,011	\$263,628	\$488,639
<i>Net Unallowed FM IAS</i>	<i>\$82,895</i>	<i>\$45,384</i>	<i>\$128,279</i>
CPB FYs 2020 & 2021 IRRs FM	0.0500967788	0.0478040952	
<i>CSG Overpayments FM</i>	<i>\$4,153</i>	<i>\$2,169</i>	<i>\$6,322</i>
Combined Unallowed IAS NFFS	\$283,684	\$167,263	\$450,947
<i>Combined CSG Overpayments</i>	<i>\$27,846</i>	<i>\$17,282</i>	<i>\$45,127</i>

If CPB accepts applying the new FY 2020 standard IAS method during audit resolution, we calculate allowable NFFS of \$1,373,141 with an NFFS overstatement of \$450,947 and an estimated CSG overpayment of \$45,127.

CPB Guidelines state:

... Institutional stations are permitted to include certain revenues from its own licensee as NFFS:

- Direct revenues, including appropriations from the licensee and expenses incurred or absorbed by the licensee specifically for the station
- Indirect administrative support

Guidelines 2018, Section 2.3.2 Interpretations and Section 2.7.1 Indirect Administrative Support Overview.

CPB revised its 2019 Guidelines for clarification purposes but the policy remained the same as the 2018 Guidelines.

...CSG recipients may report the following revenues as NFFS if they were provided by their licensees and not excluded as set forth in Part II, Section VI...

C. IAS (see Part II, Section XII).

Guidelines 2019 Part II Section III. NFFS from Institutional Licensees.

Indirect Administrative Support is defined as the value of facilities and administrative costs and occupancy support, below, provided to a station by institutional licensee. *
(*footnote stated as Defined in General Provisions).

Guidelines 2019 Part II, Section XII. Indirect Administrative Support (IAS). (See also Guidelines 2018 Section 2.7.1).

The General Provisions provides the definition of Licensee as:

V. Licensee: The entity with a valid, renewable license from the United States Government to operate a full-power, noncommercial, educational television station.

General Provisions Definition: Part IV: Definitions.

Further, the guidelines require an approved method to calculate IAS that reasonably allocates costs based on resources used.

B. IAS Calculations. The following methods may be used to calculate IAS. The method selected must distribute the costs in proportions reasonably consistent with the nature and extent to which the station uses its licensee's resources and be consistent with the nature and extent to which the station uses its licensee's resources and be consistent with the costs the station would incur if it acquired those services in the marketplace.

Other Sponsored Activities (OSA) method. With this method, the CSG recipient must use its licensee's federally approved OSA facilities and administrative rate...

Guidelines 2019 Part II, Section XII. Indirect Administrative Support (IAS). (See also Guidelines 2018 section 2.7.3).

Please note that if the station's direct expenses are not included in the cost base of the licensee's negotiated federal rate agreement, it may not use the OSA rate methods.

Guidelines 2018 and 2019: Part III, 6 Completing AFR Schedule B – Indirect Administrative Support, Schedule B Instructions -Worksheet I: OSA Rate (using and MTDC base).

CPB's 2018 and 2019 Guidelines Section Completing AFR Schedule B – Indirect Administrative Support also state that "Spectrum auction revenues cannot be claimed as NFFS. Spectrum auction-related expenses cannot be used to calculate indirect administrative support."

KUER and KUED have consistently used the FICR OSA rate to claim its IAS on its AFRs Schedule B over the years.⁴ The station assumed because the University had a current approved FICR OSA rate that complied with CPB guidance and used it to follow CPB's instructions to calculate the IAS it claimed as NFFS.⁵

⁴ A prior controller used this method and the new controller assumed it was correct.

⁵ CPB Schedule B Instructions – Worksheet I: OSA Rate (using an MTDC base).

During our audit, we found through discussions with licensee financial management that the station's costs were not included in the FICR OSA base as required but were in the "Other Institutional Activities" (OIA) cost base which does not have a negotiated federally approved rate.⁶

KUER and KUED overclaimed \$1,824,088 in IAS NFFS on its FYs 2018 and 2019 AFRs resulting in potential CSG overpayments of \$176,428 in FYs 2020 and 2021 because it was not compliant with CPB requirements for claiming IAS. However, if CPB allows the stations to revise its claimed IAS using the Standard Method that we presented for consideration, the unallowed IAS NFFS would be reduced to \$450,947 resulting in CSG overpayments of \$45,127. Of this amount \$6,322 was for radio CSG overpayments and \$38,805 was for television.

Recommendations:

We recommend that CPB management take the following actions:

- 1) recover the \$100,091 in CSG overpayments;
- 2) require KUED to reconcile membership premiums provided to donors in FY 2021 and in subsequent years to contributions received for each year;
- 3) require management to identify corrective actions it will implement to ensure future compliance with CPB requirements; and
- 4) consider using CPB's new FY 2020 Standard IAS methodology to calculate the IAS KUER/KUED can use as NFFS in calculating FYs 2020 and 2021 CSG award amounts.

KUER & KUED Management Response:

In response to the draft report, KUER and KUED management accepted all our findings regarding how the stations reported NFFS to CPB. To ensure future compliance, KUER and KUED managers indicated they will continue to work with the University of Utah to calculate and report each station's endowment revenue that is derived solely from interest and dividends as NFFS. Further, station managers will work with their development and finance personnel to ensure they collect and retain proper documentation for underwriting trades, including receiving additional training. Additionally, cross checks will be implemented to ensure revenues received from public broadcasting entities is not claimed as NFFS. Station managers also intend to ensure that funds passing through the stations to other organizations will be excluded from NFFS. They also intend to reconcile donations and duplicate donor data within their databases to ensure information is properly reported on their AFRs.

Finally, KUER and KUED managers agreed with our recalculation of IAS and indicated they will use the Standard Method when calculating and reporting IAS as NFFS on their AFRS.

⁶ Licensee financial management calculated an OIA rate using the methodology used for FICR rates. The rate was higher and was not a negotiated rate, nor was it audited. This OIA rate also included costs related to athletic facilities that were difficult to isolate to determine the net benefitting rates for the stations.

OIG Review and Comment

Based on their response to the draft audit report, we consider recommendations 1 through 3 resolved but open pending CPB's final management decision resolving the audit findings and receipt of corrective actions completed to close these recommendations. Because recommendation four requires action by CPB it is considered unresolved and open pending receipt of CPB's response to this recommendation.

CPB GRANT PAYMENTS TO KUER & KUED
July 1, 2017 – June 30, 2019

CPB Grants	FY 2018	FY 2019	Totals
TV - CSG			
Community Service	\$1,245,924	\$1,274,497	\$2,520,421
Interconnection	\$23,773	\$24,270	\$48,043
Distance Service	\$388,940	\$391,600	\$780,540
Universal Service Support	\$15,844	\$15,961	\$31,805
Total TV - CSG	\$1,674,481	\$1,706,328	\$3,380,809
Radio - CSG			
Unrestricted Community Service	\$193,382	\$293,341	\$486,723
Restricted Community Service	\$68,760	\$97,388	\$166,148
Total Radio - CSG	\$262,142	\$390,729	\$652,871
Other Grants			
Healthy Network JMC- Grant #34536	\$75,000	\$0	\$75,000
CC -RTL Planning - Grant #34611	\$5,000	\$0	\$5,000
Total Other Grants	\$80,000	\$0	\$80,000
Total All CPB Grants	\$2,016,623	\$2,097,057	\$4,113,680

Total TV & radio CSG payments in both FYs was \$4,033,680 (\$3,380,809 + \$652,871)

**KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
Schedule A		
1. Amounts provided directly by federal government agencies	\$0	\$128
A. Grants for facilities and other capital purposes (PTFP and others)	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (Sales & Services)	\$0	\$128
2. Amounts provided by Public Broadcasting Entities	\$2,020,489	\$1,841,877
A. CPB - Community Service Grants	\$1,650,708	\$1,682,058
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$98,773	\$27,341
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$180,414	\$37,500
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$0	\$0
E. Public broadcasting stations - all payments	\$89,719	\$94,978
F. Other PBE funds (specify)	\$875	\$0
3. Local boards and departments of education or other local government or agency sources	\$23,028	\$21,033
3.1 NFFS Eligible	\$23,000	\$21,000
A. Program and production underwriting	\$23,000	\$21,000
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
3.2 NFFS Ineligible	\$28	\$33
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$28	\$33
<div> <div>Description</div> <div>Amount</div> </div> NFFS Ineligible -DVD Sales \$33		
4. State boards and departments of education or other state government or agency sources	\$2,611,353	\$2,676,420

KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
4.1 NFFS Eligible	\$2,611,300	\$2,676,400
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$4,500
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)		
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)		
<div> <div>Description</div> <div>Amount</div> </div> Direct Support from the University of Utah underwriting - NFFS eligible	\$2,611,300	\$2,671,900
4.2 NFFS Ineligible	\$53	\$20
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion		
<div> <div>Description</div> <div>Amount</div> </div> DVD Sales NFFS Ineligible	\$53	\$20
5. State colleges and universities	\$315,615	\$268,916
5.1 NFFS Eligible	\$317,112	\$268,112
A. Program and production underwriting	\$41,250	\$64,000
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$275,862	\$204,112
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
5.2 NFFS Ineligible	(\$1,497)	\$804
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion (DVD Sales)		
<div> <div>Description</div> <div>Amount</div> </div> DVD Sales NFFS ineligible	(\$1,497)	\$804

KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
6. Other state-supported colleges and universities	\$7,000	\$13
6.1 NFFS Eligible	\$7,000	\$0
A. Program and production underwriting	\$7,000	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
6.2 NFFS Ineligible	\$0	\$13
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion		
<div style="display: flex; justify-content: space-between;"> <div>Description</div> <div>Amount</div> </div> <div style="display: flex; justify-content: space-between;"> <div>DVD Sales NFFS Ineligible</div> <div>\$13</div> </div>	\$0	\$13
7. Private colleges and universities	\$0	\$28
7.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
7.2 NFFS Ineligible	\$0	\$28
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion		
<div style="display: flex; justify-content: space-between;"> <div>Description</div> <div>Amount</div> </div> <div style="display: flex; justify-content: space-between;"> <div>DVD Sales - NFFS Ineligible</div> <div>\$28</div> </div>	\$0	\$28
8. Foundations and nonprofit associations	\$511,817	\$209,126

**KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
8.1 NFFS Eligible	\$495,231	\$208,500
A. Program and production underwriting	\$495,231	\$208,500
B. Grants and contributions other than underwriting	\$0	\$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
8.2 NFFS Ineligible	\$16,586	\$626
A. Rental income	\$0	\$0
B. Fees for services	\$16,461	(\$17)
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion		
Description Amount		
DVD Sales \$643	\$125	\$643
9. Business and Industry	\$244,769	\$534,582
9.1 NFFS Eligible	\$124,545	\$420,916
A. Program and production underwriting	\$120,620	\$416,890
B. Grants and contributions other than underwriting	\$3,925	\$4,026
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
9.2 NFFS Ineligible	\$120,224	\$113,666
A. Rental income	\$11,770	\$2,445
B. Fees for services	\$107,179	\$94,994
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion		
Description Amount		
DVD Sales \$16,227	\$1,275	\$16,227
10. Memberships and subscriptions (net of membership bad debt expense)	\$2,653,190	\$2,982,820
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value	\$567,838	\$503,066

Exhibit B (continued)

KUED-TV Annual Financial Reports Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
10.2 NFFS Exclusion – All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (unless netted elsewhere in Schedule A)	\$0	\$0
10.3 Total number of contributors. 2018 data 2019 data 28,520 28,922	\$0	\$0
11. Revenue from Friends groups less any revenue included on line 10	\$0	\$0
11.1 Total number of Friends contributors. 2018 data 2019 data 0 0		
12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)	\$0	\$0
A. Nonprofit subsidiaries involved in telecommunications activities	\$0	\$0
B. NFFS Ineligible – Nonprofit subsidiaries not involved in telecommunications activities	\$0	\$0
C. NFFS Ineligible – For-profit subsidiaries regardless of the nature of their activities	\$0	\$0
D. NFFS Ineligible – Other activities unrelated to public broadcasting	\$0	\$0
Form of Revenue		
13. Auction revenue (see instructions for Line 13)	\$0	\$0
A. Gross auction revenue	\$0	\$0
B. Direct auction expenses	\$0	\$0
14. Special fundraising activities (see instructions for Line 14)	\$18,466	\$19,939
A. Gross special fundraising revenues	\$18,466	\$19,939
B. Direct special fundraising expenses	\$0	\$0
15. Passive income	\$269,163	\$257,427
A. Interest and dividends (other than on endowment funds)	\$257,212	\$249,239
B. Royalties	\$3,598	\$769
C. PBS or NPR pass-through copyright royalties	\$8,353	\$7,419
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	\$50,483	(\$31,349)
A. Gains from sales of property and equipment (do not report losses)	\$2,428	\$746
B. Realized gains/losses on investments (other than endowment funds)	\$0	\$0
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	\$48,055	(\$32,695)
17. Endowment revenue	\$46,200	\$60,999
A. Contributions to endowment principal	\$0	\$107,842
B. Interest and dividends on endowment funds	\$0	\$0
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0

Exhibit B (continued)

KUED-TV Annual Financial Reports Years Ending June 30, 2018 and 2019

[illegible]

**KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019												
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$123,640	\$94,977												
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$0	\$0												
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	(\$16)	\$17,768												
K. FMV of high-end premiums (Line 10.1)	\$567,838	\$503,066												
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	\$0	\$0												
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	\$0	\$0												
N. Proceeds from spectrum auction and related revenues from line 21	\$813,589	\$3,098,808												
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$6,970,607	\$7,195,515												
Schedule B - Worksheet														
1. Determine station net direct expenses														
1a. Total station operating expenses and capital outlays (Schedule E line 10)	\$9,952,802	\$14,127,914												
1b.1. Capital outlays (from Schedule E, Line 9 total)	\$495,056	\$767,073												
1b.2. Depreciation	\$495,642	\$554,965												
1b.3. Amortization	\$25,246	\$4,720												
1b.4. In-kind contributions (services and other assets)	\$184,655	\$183,539												
1b.5. Indirect administration support (see Guidelines for instructions)	\$575,878	\$907,602												
1b.6. Donated property and equipment (if not included on line 1b.1)	\$0	\$0												
1b.7. Reports costs here that are not part of the base per the licensee's federal negotiated indirect cost rate agreement. (Commonly excluded: general and administrative, fundraising, membership development, and grant solicitation costs)	\$2,530,457	\$5,520,873												
<table><tr><th>Description</th><th>Amount</th></tr><tr><td>GASB 6B pension expense</td><td>\$7,137</td></tr><tr><td>Management & General Expenses</td><td>\$969,541</td></tr><tr><td>Fundraising, membership and grant solicitation expenses</td><td>\$1,720,435</td></tr><tr><td>Salaries and Benefits paid from University funding-KUED 1001fund</td><td>\$129,119</td></tr><tr><td>Spectrum Repack - Reimbursable Expenditure</td><td>\$2,708,915</td></tr></table>	Description	Amount	GASB 6B pension expense	\$7,137	Management & General Expenses	\$969,541	Fundraising, membership and grant solicitation expenses	\$1,720,435	Salaries and Benefits paid from University funding-KUED 1001fund	\$129,119	Spectrum Repack - Reimbursable Expenditure	\$2,708,915		
Description	Amount													
GASB 6B pension expense	\$7,137													
Management & General Expenses	\$969,541													
Fundraising, membership and grant solicitation expenses	\$1,720,435													
Salaries and Benefits paid from University funding-KUED 1001fund	\$129,119													
Spectrum Repack - Reimbursable Expenditure	\$2,708,915													
1b.8. Total deductions	\$4,306,934	\$7,938,772												
1c. Station net direct expenses	\$5,645,868	\$6,189,142												
2. Modify licensee negotiated cost rate														
If the station's direct expenses are not included in the cost base, do not continue with this worksheet														
2a. Licensee's negotiated indirect cost rate														
Less: rate components that do not benefit station operations	36.5%	36.5%												
2b.1, Departmental administration	16.2%	16.2%												
2b.2 Sponsored projects administration	5.5%	5.8%												
2b.3 Library Support	4.3%	4.3%												

**KUED-TV Annual Financial Reports
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Description	FY 2018	FY 2019
2b.4. Other	0.3%	0.0%
2b.5. Total deductions (sum of 2b.1 through 2b.4)	26.3%	26.3%
2c. Modified cost rate	10.2%	10.2%
3. Apply modified rated to station net direct expenses		
3a. Station net direct expenses from line 1c	\$5,645,868	\$6,189,142
3b. Modified cost rate from line 2c	10.2%	10.2%
4. Total indirect support (forwards to line 1 of Schedules B Tab 3)	\$575,878	\$631,292
Schedule B Totals		
1. Total support activity benefiting station	\$575,878	\$631,292
2. Occupancy value	\$0	\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$0	\$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$0	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$575,878	\$631,292
6. Please enter an institutional type code for your licensee.	SU	SU
Schedule C		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$4,745	\$4,873
A. Legal	\$0	\$0
B. Accounting and/or auditing	\$4,745	\$4,873
C. Engineering	\$0	\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$0	\$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$94,870	\$78,554
A. Annual rental value of space (studios, offices, or tower facilities)	\$0	\$0
B. Annual value of land used for locating a station-owned transmission tower	\$0	\$0
C. Station operating expenses	\$83,377	\$72,554
D. Other (see specific line item instructions in Guidelines before completing)		
Description	Amount	
Donation of lease of car amortized over five years	\$6,000	\$11,493
		\$6,000
3. OTHER SERVICES (must be eligible as NFFS)	\$100,185	\$110,985
A. ITV or educational radio	\$0	\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0	\$0
C. Local advertising	\$100,185	\$110,985
D. National advertising	\$0	\$0

**KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$199,800	\$194,412
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
A. Compact discs, records, tapes and cassettes	\$0	\$0
B. Exchange transactions	\$0	\$0
C. Federal or public broadcasting sources	\$0	\$0
D. Fundraising related activities	\$0	\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$0	\$0
F. Local productions	\$0	\$0
G. Program supplements	\$0	\$0
H. Programs that are nationally distributed	\$0	\$0
I. Promotional items	\$0	\$0
J. Regional organization allocations of program services	\$0	\$0
K. State PB agency allocations other than those allowed on line 3(B)	\$0	\$0
L. Services that would not need to be purchased if not donated	\$0	\$0
M. Other	\$0	\$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$199,800	\$194,412
Schedule D		
1. Land (must be eligible as NFFS)	\$0	\$0
2. Building (must be eligible as NFFS)	\$0	\$0
3. Equipment (must be eligible as NFFS)	\$0	\$0
4. Vehicle(s) (must be eligible as NFFS)	\$0	\$0
5. Other (specify) (must be eligible as NFFS)	\$0	\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$0	\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
a) Exchange transactions	\$0	\$0
b) Federal or public broadcasting sources	\$0	\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0	\$0
d) Other (specify)	\$0	\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0	\$0

**KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
Schedule E-EXPENSES		
1. Programming and production	\$4,385,329	\$5,247,224
A. TV CSG	\$610,847	\$612,824
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$3,774,482	\$4,634,400
2. Broadcasting and engineering	\$1,444,551	\$3,926,470
A. TV CSG	\$0	\$0
B. TV Interconnection	\$22,763	\$23,773
C. Other CPB Funds	\$57,306	\$0
D. All non-CPB Funds	\$1,364,482	\$3,902,697
3. Program information and promotion	\$1,262,399	\$1,447,318
A. TV CSG	\$274,517	\$197,181
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$987,882	\$1,250,137
4. Management and general	\$897,985	\$997,609
A. TV CSG	\$714,082	\$687,198
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$183,903	\$310,411
5. Fund raising and membership development	\$1,186,011	\$1,457,642
A. TV CSG	\$6,384	\$6,067
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,179,627	\$1,451,575
6. Underwriting and grant solicitation	\$281,471	\$284,578
A. TV CSG	\$3,144	\$2,988
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$278,327	\$281,590
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$0	\$0
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0

**KUED-TV Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
D. All non-CPB Funds	\$0	\$0
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$9,457,746	\$13,360,841
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$1,608,974	\$1,506,258
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$22,763	\$23,773
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$57,306	\$0
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$7,768,703	\$11,830,810
9. Total capital assets purchased or donated	\$495,056	\$767,073
9a. Land and buildings	\$0	\$0
9b. Equipment	\$495,056	\$767,073
9c. All other	\$0	\$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$9,952,802	\$14,127,914
11. Total expenses (direct only)	\$8,198,464	\$11,717,152
12. Total expenses (indirect and in-kind)	\$1,259,282	\$1,643,689
13. Investment in capital assets (direct only)	\$495,056	\$767,073
14. Investment in capital assets (indirect and in-kind)	\$0	\$0
Schedule F		
1. Data from AFR		
a. Schedule A, Line 22	\$10,605,150	\$12,677,089
b. Schedule B, Line 5	\$575,878	\$631,292
c. Schedule C, Line 6	\$199,800	\$194,412
d. Schedule D, Line 8	\$0	\$0
e. Total from AFR	\$11,380,828	\$13,502,793
2. GASB Model A proprietary enterprise-fund financial statements with business-type activities only		
a. Operating revenues	\$157,328	\$138,171
b. Non-operating revenues	\$11,223,500	\$13,533,089
c. Other revenue	\$0	\$107,842
d. Capital grants, gifts and appropriations (if not included above)	\$0	\$0
e. Total From AFS, lines 2a-2	\$11,380,828	\$13,779,102
Reconciliation		
3. Difference (line 1 minus line 2)	\$0	(\$276,309)
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items.		
Description	Amount	
IAS Revision per AFR Desk Review	(\$276,309)	\$0 (\$276,309)

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
Schedule A		
1. Amounts provided directly by federal government agencies	\$0	\$0
A. Grants for facilities and other capital purposes	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (specify)	\$0	\$0
2. Amounts provided by Public Broadcasting Entities	\$282,905	\$442,342
A. CPB - Community Service Grants	\$276,130	\$390,729
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$0	\$27,003
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$975	\$438
E. Public broadcasting stations - all payments	\$4,475	\$4,819
F. Other PBE funds (specify)		
Description	Amount	
BBC and CBC	\$525	
PRX Catapult	\$18,828	
	\$1,325	\$19,353
3. Local boards and departments of education or other local government or agency sources	\$22,244	\$18,768
3.1 NFFS Eligible	\$22,244	\$18,768
A. Program and production underwriting	\$22,244	\$18,768
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
3.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
4. State boards and departments of education or other state government or agency sources	\$33,252	\$16,742

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Description	FY 2018	FY 2019
4.1 NFFS Eligible	\$36,389	\$16,742
A. Program and production underwriting	\$36,689	\$16,742
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)		
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
4.2 NFFS Ineligible	(\$3,437)	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	(\$3,437)	\$0
5. State colleges and universities	\$579,720	\$600,167
5.1 NFFS Eligible	\$579,720	\$599,492
A. Program and production underwriting	\$95,324	\$115,042
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$484,396	\$484,450
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
5.2 NFFS Ineligible	\$0	\$675
A. Rental income	\$0	\$175
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion (DVD Sales)	\$0	\$500
6. Other state-supported colleges and universities	\$76,200	\$51,414
6.1 NFFS Eligible	\$76,200	\$51,414
A. Program and production underwriting	\$76,200	\$51,414
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0

**KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
6.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
7. Private colleges and universities	\$13,130	\$9,100
7.1 NFFS Eligible	\$13,130	\$9,100
A. Program and production underwriting	\$13,130	\$9,100
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
7.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion (DVD Sales)	\$0	\$0
8. Foundations and nonprofit associations	\$205,169	\$276,820
8.1 NFFS Eligible	\$204,879	\$275,250
A. Program and production underwriting	\$204,879	\$165,250
B. Grants and contributions other than underwriting	\$0	\$110,000
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
8.2 NFFS Ineligible	\$290	\$1,570

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description			FY 2018	FY 2019
A. Rental income			\$0	\$0
B. Fees for services			\$290	\$130
C. Licensing fees (not royalties – see instructions for Line 15)			\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)			\$0	\$0
E. Other income ineligible for NFFS inclusion (DVD Sales)				
Description	Amount			
Reimbursement	\$1,440		\$0	\$1,440
9. Business and Industry			\$620,721	\$784,984
9.1 NFFS Eligible			\$613,846	\$779,040
A. Program and production underwriting			\$613,846	\$779,040
B. Grants and contributions other than underwriting			\$0	\$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)			\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment			\$0	\$0
E. Other income eligible as NFFS (specify)			\$0	\$0
9.2 NFFS Ineligible			\$6,875	\$5,944
A. Rental income			\$5,875	\$5,575
B. Fees for services			\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)			\$1,000	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)			\$0	\$0
E. Other income ineligible for NFFS inclusion				
Description	Amount			
Forest service fee reimbursement	\$369		\$0	\$369
10. Memberships and subscriptions (net of membership bad debt expense)			\$1,969,959	\$1,980,544
10.1 NFFS Exclusion – Fair market value of premiums that are not of insubstantial value			\$111,805	\$46,794
10.2 NFFS Exclusion – All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (unless netted elsewhere in Schedule A)			\$0	\$0
10.3 Total number of contributors.				
	2018 data	2019 data		
	13,849	14,589	\$0	\$0
11. Revenue from Friends groups less any revenue included on line 10			\$0	\$0
11.1 Total number of Friends contributors.				
	2018 data	2019 data		
	0	0		
12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)			\$0	\$0
A. Nonprofit subsidiaries involved in telecommunications activities			\$0	\$0

Exhibit C (continued)

KUER-FM Annual Financial Reports

Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
B. NFFS Ineligible – Nonprofit subsidiaries not involved in telecommunications activities	\$0	\$0
C. NFFS Ineligible – For-profit subsidiaries regardless of the nature of their activities	\$0	\$0
D. NFFS Ineligible – Other activities unrelated to public broadcasting	\$0	\$0
Form of Revenue		
13. Auction revenue (see instructions for Line 13)	\$0	\$0
A. Gross auction revenue	\$0	\$0
B. Direct auction expenses	\$0	\$0
14. Special fundraising activities (see instructions for Line 14)	\$43,769	\$44,981
A. Gross special fundraising revenues	\$84,895	\$73,044
B. Direct special fundraising expenses	\$41,126	\$28,063
15. Passive income	\$13,079	\$15,144
A. Interest and dividends (other than on endowment funds)	\$13,072	\$13,169
B. Royalties	\$7	\$1,975
C. PBS or NPR pass-through copyright royalties	\$0	\$0
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	\$4,555	(\$4,679)
A. Gains from sales of property and equipment (do not report losses)	\$0	\$0
B. Realized gains/losses on investments (other than endowment funds)	\$0	\$0
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	\$4,555	(\$4,679)
17. Endowment revenue	\$0	\$0
A. Contributions to endowment principal	\$0	\$0
B. Interest and dividends on endowment funds	\$0	\$0
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0
18. Capital fund contributions from individuals (see instructions)	\$33,488	\$31,000
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	\$33,488	\$31,000
B. Other	\$0	\$0
19. Gifts and bequests from major individual donors	\$557,106	\$574,497
19.1 Total number of major individual donors. FY 2018 data FY 2019 data	275 337	

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description		FY 2018	FY 2019
20. Other Direct Revenue			
Description	Amount		
Studio Rentals	\$175		
CD Duplications	\$185	\$122	\$360
Exclusion Description	Amount		
Rental of studio space, equipment, tower, parking space	\$175		
Royalty income from licensing fees	\$185		
21. Proceeds from the FCC Spectrum Incentive Auction, interest earned on these funds, channel sharing revenues, and spectrum leases		\$0	\$0
A. Proceeds from sale in spectrum auction		\$0	\$0
B. Interest and dividends earned on spectrum auction related revenue		\$0	\$0
C. Payments from spectrum auction speculators		\$0	\$0
D. Channel sharing and spectrum leases revenues		\$0	\$0
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)		\$4,496,545	\$4,870,247
Adjustments to Revenue			
23. Federal revenue from line 1.		\$0	\$0
24. Public broadcasting revenue from line 2.		\$282,905	\$442,342
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)		\$0	\$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria		\$122	\$360
27. Other automatic subtractions from total revenue		\$161,214	\$78,367
A. Auction expenses – limited to the lesser of lines 13a or 13b		\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b		\$41,126	\$28,063
C. Gains from sales of property and equipment – line 16a		\$0	\$0
D. Realized gains/losses on investments (other than endowment funds)—line 16b		\$0	\$0
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c		\$4,555	(\$4,679)
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d		\$0	\$0
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)		\$5,875	\$5,750
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)		\$290	\$130
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)		\$1,000	\$0
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)		(\$3,437)	\$2,309
K. FMV of high-end premiums (Line 10.1)		\$111,805	\$46,794
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)		\$0	\$0
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)		\$0	\$0
N. Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases from line 21 (TV only)		\$0	\$0

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019												
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$4,052,304	\$4,349,178												
Schedule B - Worksheet														
1. Determine station net direct expenses														
1a. Total station operating expenses and capital outlays (Schedule E line 10)	\$5,037,881	\$5,399,621												
1b.1. Capital outlays (from Schedule E, Line 9 total)	\$38,686	\$94,885												
1b.2. Depreciation	\$94,232	\$109,704												
1b.3. Amortization	\$0	\$0												
1b.4. In-kind contributions (services and other assets)	\$162,409	\$161,703												
1b.5. Indirect administration support (see Guidelines for instructions)	\$307,906	\$309,012												
1b.6. Donated property and equipment (if not included on line 1b.1)	\$0	\$60,570												
1b.7. Reports costs here that are not part of the base per the licensee's federal negotiated indirect cost rate agreement. (Commonly excluded: general and administrative, fundraising. Membership development, and grant solicitation costs)	\$1,415,958	\$1,634,217												
<table><tr><td>Description</td><td>Amount</td></tr><tr><td>Management & Administration expenses</td><td>\$430,466</td></tr><tr><td>Fundraising & Membership expenses</td><td>\$848,990</td></tr><tr><td>Salary & Benefits 1001-05670 Program Information</td><td>\$50,618</td></tr><tr><td>Salaries & Benefits 1001-5670 Programming</td><td>\$301,824</td></tr><tr><td>GASB 68</td><td>\$2,319</td></tr></table>			Description	Amount	Management & Administration expenses	\$430,466	Fundraising & Membership expenses	\$848,990	Salary & Benefits 1001-05670 Program Information	\$50,618	Salaries & Benefits 1001-5670 Programming	\$301,824	GASB 68	\$2,319
Description			Amount											
Management & Administration expenses			\$430,466											
Fundraising & Membership expenses			\$848,990											
Salary & Benefits 1001-05670 Program Information			\$50,618											
Salaries & Benefits 1001-5670 Programming			\$301,824											
GASB 68	\$2,319													
1.b.8. Total deductions														
1c Station net direct expenses														
2. Modify licensee negotiated cost rate														
If the station's direct expenses are not included in the cost base, do not continue with this worksheet														
2a. Licensee's negotiated indirect cost rate	36.5%	36.5%												
Less: rate components that do not benefit station operations														
2b,1, Departmental administration	16.2%	16.2%												
2b.2 Sponsored projects administration	5.5%	5.5%												
2b.3 Library Support	4.3%	4.3%												
2b.4. Other	.3%	.3%												
<table><tr><td>Description</td><td>Amount</td></tr><tr><td>Interest</td><td>\$0</td></tr></table>			Description	Amount	Interest	\$0								
Description	Amount													
Interest	\$0													
2b.5. Total deductions (sum of 2b.1 through 2b.4)	26.3%	26.3%												
2c. Modified cost rate	10.2%	10.2%												
3. Apply modified rated to station net direct expenses														
3a. Station net direct expenses from line1c	\$3,018,690	\$3,029,530												
3b. Modified cost rate from line2c	10.2%	10.2%												
4.Total indirect support (forwards to line 1 of Schedules B Tab 3)	\$307,906	\$309,012												

**KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019**

Description	FY 2018	FY 2019
Schedule B Totals		
1. Total support activity benefiting station	\$307,906	\$309,012
2. Occupancy value	\$0	\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$0	\$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$0	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$307,906	\$309,012
6. Please enter an institutional type code for your licensee.	SU	SU
Schedule C		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$3,210	\$4,796
A. Legal	\$0	\$0
B. Accounting and/or auditing	\$3,210	\$3,296
C. Engineering	\$0	\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)		
<div> <div>Description</div> <div>Amount</div> </div> Photography Services (Staff Photos for the Website) \$1,500	\$0	\$1,500
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$0	\$20,367
A. Annual rental value of space (studios, offices, or tower facilities)	\$0	\$0
B. Annual value of land used for locating a station-owned transmission tower	\$0	\$0
C. Station operating expenses	\$0	\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)		
<div> <div>Description</div> <div>Amount</div> </div> Space for community engagement events & staff retreat events \$16,901 Catering services for a Board meeting \$3,446	\$0	\$20,367
3. OTHER SERVICES (must be eligible as NFFS)	\$133,933	\$105,775
A. ITV or educational radio	\$0	\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0	\$0
C. Local advertising	\$133,933	\$105,775
D. National advertising	\$0	\$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$137,143	\$130,938
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$28,476	\$34,061
A. Compact discs, records, tapes and cassettes	\$0	\$0

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
B. Exchange transactions	\$0	\$0
C. Federal or public broadcasting sources	\$0	\$0
D. Fundraising related activities	\$0	\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$0	\$0
F. Local productions	\$0	\$0
G. Program supplements	\$0	\$0
H. Programs that are nationally distributed	\$0	\$0
I. Promotional items	\$0	\$0
J. Regional organization allocations of program services	\$0	\$0
K. State PB agency allocations other than those allowed on line 3(B)	\$0	\$0
L. Services that would not need to be purchased if not donated	\$0	\$0
M. Other		
Description	Amount	
Catering services for fundraising events	\$6,534	\$28,476
Fund drive tickets for donors	\$27,527	\$34,061
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$165,619	\$164,999
Schedule D		
1. Land (must be eligible as NFFS)	\$0	\$0
2. Building (must be eligible as NFFS)	\$0	\$0
3. Equipment (must be eligible as NFFS)	\$0	\$60,570
4. Vehicle(s) (must be eligible as NFFS)	\$0	\$0
5. Other (specify) (must be eligible as NFFS)	\$0	\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$0	\$60,570
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
a) Exchange transactions	\$0	\$0
b) Federal or public broadcasting sources	\$0	\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0	\$0
d) Other (specify)	\$0	\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0	\$60,570
Schedule E-EXPENSES		
1. Programming and production	\$2,500,648	\$2,929,325
A. Restricted Radio CSG	\$68,760	\$97,388

Exhibit C (continued)

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
B. Unrestricted Radio CSG	\$193,382	\$293,341
C. Other CPB Funds	\$13,988	\$27,003
D. All non-CPB Funds	\$2,224,518	\$2,511,593
2. Broadcasting and engineering	\$649,279	\$662,792
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$649,279	\$662,792
3. Program information and promotion	\$435,797	\$422,757
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$435,797	\$422,757
4. Management and general	\$375,263	\$431,953
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$375,953	\$431,953
5. Fund raising and membership development	\$802,469	\$669,470
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$802,469	\$669,470
6. Underwriting and grant solicitation	\$235,739	\$188,439
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$235,739	\$188,439
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$0	\$0
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$4,999,195	\$5,304,736
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$68,760	\$97,388

KUER-FM Annual Financial Reports
Years Ending June 30, 2018 and 2019

Description	FY 2018	FY 2019
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$193,382	\$293,341
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$13,988	\$27,003
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$4,723,065	\$4,887,004
9. Total capital assets purchased or donated	\$38,686	\$94,885
9a. Land and buildings	\$0	\$0
9b. Equipment	\$38,686	\$94,885
9c. All other	\$0	\$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$5,037,881	\$5,399,621
11. Total expenses (direct only)	\$4,419,551	\$4,717,026
12. Total expenses (indirect and in-kind)	\$579,644	\$587,710
13. Investment in capital assets (direct only)	\$38,686	\$94,885
14. Investment in capital assets (indirect and in-kind)	\$0	\$0
Schedule F		
1. Data from AFR		
a. Schedule A, Line 22	\$4,496,545	\$4,870,247
b. Schedule B, Line 5	\$307,906	\$309,012
c. Schedule C, Line 6	\$165,619	\$164,999
d. Schedule D, Line 8	\$0	\$60,570
e. Total from AFR	\$4,970,070	\$5,404,828
2. GASB Model A proprietary enterprise-fund financial statements with business-type activities only		
a. Operating revenues	\$11,062	\$10,391
b. Non-operating revenues	\$4,959,007	\$5,394,437
c. Other revenue	\$0	\$0
d. Capital grants, gifts and appropriations (if not included above)	\$0	\$0
e. Total From AFS, lines 2a-2	\$4,970,069	\$5,404,828
Reconciliation		
3. Difference (line 1 minus line 2)	\$1	\$0
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items.	\$1	\$0

**KUER & KUED Summary of Non-Federal Financial Support
For the Years Ending June 30, 2018 and 2019
Certified by Head of Grantee and Independent Accountant's Report**

AFR Line	KUER-FM Description	FY 2018	FY 2019	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$4,052,304	\$4,349,178	\$8,401,482
2	Indirect Administrative (Schedule B)	\$307,906	\$309,012	\$616,918
3	In-kind-Contributions			
	3a. In-Kind Contributions (Schedule C)	\$137,143	\$130,938	\$268,081
	3b. In-Kind Contributions (Schedule D)	\$0	\$60,570	\$60,570
4	Total Non-Federal Financial Support	\$4,497,353	\$4,849,698	\$9,347,051

AFR Line	KUED-TV Description	FY 2018	FY 2019	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$6,970,607	\$7,195,515	\$14,166,122
2	Indirect Administrative (Schedule B)	\$575,878	\$631,292	\$1,207,170
3	In-Kind Contributions			
	3a. In-Kind Contributions (Schedule C)	\$199,800	\$194,412	\$394,212
	3b. In-Kind Contributions (Schedule D)	\$0	\$0	\$0
4	Total Non-Federal Financial Support	\$7,746,285	\$8,021,219	\$15,767,504

NFFS reported in FY 2018 totaled \$12,243,638 and the total reported in FY 2019 was \$12,870,917.

Early Learning & Media Planning Grant (# 34611)

As of June 30, 2018

	BUDGET	ACTUAL	VARIANCE	QUESTIONED
CPB Revenue	\$5,000	\$5,000	\$0	\$0
EXPENSES				
Personnel				
RTL Coordinator	\$1,500	\$2,730.50	(\$1,230.50)	\$0
RTL Assistant	\$400	\$856.80	(\$456.80)	\$0
Personnel Subtotal	\$1,900	\$3,587.30	(\$1,687.30)	\$0
Travel				
CPB Kick-off meeting	\$2,500	\$2,509.68	(\$9.68)	\$0
In-state Travel	\$100	0	\$100	\$0
Travel Subtotal	\$2,600	\$2,509.68	\$90.32	\$0
Supplies				
Supplies	\$500	\$928.38	(\$428.38)	\$0
Supplies Subtotal	\$500	\$928.38	(\$428.38)	\$0
Total Expenses	\$5,000	\$7,025.36	(\$2,025.36)	\$0

**Calculation of CSG Overpayments Based on Unallowable NFFS
Calculated Using the Federal Indirect Cost Rate**

Condition	FY 2018	FY 2019	Total
Unallowed KUED TV	\$575,878	\$631,292	\$1,207,170
CPB FYs 2020 & 2021 IRRs TV	0.1179986616	0.1239970296	
<i>CSG Overpayments TV</i>	<i>\$67,953</i>	<i>\$78,278</i>	<i>\$146,231</i>
Unallowed KUER FM	\$307,906	\$309,012	\$616,918
CPB FYs 2020 & 2021 IRRs FM	0.0500967788	0.0478040952	
<i>CSG Overpayments FM</i>	<i>\$15,425</i>	<i>\$14,772</i>	<i>\$30,197</i>
Combined Unallowed	\$883,784	\$940,304	\$1,824,088
<i>Combined CSG Overpayments</i>	<i>\$83,378</i>	<i>\$93,050</i>	<i>\$176,428</i>

Additionally, as KUED TV applied the FICR OSA methodology we found errors in how it applied CPB's guidance, e.g., repack costs of \$814,525 for FY 2018 were not deducted from the net station direct costs.⁷

⁷ CPB found in its review of the station's FY 2019 AFRs that repack costs were not deducted but allowed KUED to correct before final CPB approval.

2018 KUED-TV IAS Calculation Using Standard Method

Step 1 - Compute the Rate - Licensee Indirect Costs /Licensee Direct Costs	Amount	Must include licensee AFS page numbers or N/A below:
Institutional Support <i>(Enter this amount here, only if station benefits from Institutional Support)</i>	\$118,514,000	page(s): pg 44 Footnote 18 ties to AFS page 18 operating expenses in total
Physical Plant Support <i>(Enter this amount here, only if station benefits from Physical Plant Support)</i>	\$103,051,000	page(s): pg 44 Footnote 18 ties to AFS page 18 operating expenses in total
Total Licensee Indirect Costs	\$221,565,000	(formula-no need to enter amount here)
Licensee Direct Costs		
Total Operating expenses	\$4,585,138,000	page(s): pg 44 Footnote 18 ties to AFS page 18 operating expenses in total
Less: Institutional Support (Please enter this amount whether or not the station benefits from Institutional Support)	\$118,514,000	page(s): pg 44 Footnote 18 ties to AFS page 18 operating expenses in total
Less: Physical Plant Support (Please enter this amount whether or not the station benefits from Physical Plant Support)	\$103,051,000	page(s): pg 44 Footnote 18 ties to AFS page 18 operating expenses in total
Licensee's Direct Costs = (Total operating expenses minus both institutional support and physical plant support)	\$4,363,573,000	(formula-no need to enter amount here)
Indirect Cost Rate = (Licensee's Indirect Costs/Licensee's Direct Costs)	5%	(formula-no need to enter amount here)
Step 2 - Identify the Base (Station Net Direct Expenses)		Must include Station's AFS page numbers or N/A below:
Station's Total Operating Expenses	\$9,457,746	Per Station's AFR Schedule E, Line 8
Less: Depreciation and amortization-per AFS (if applicable)	\$480,419	page(s): pg 15 Statement of Cashflows adjustments
In-kind contributions and donated property and equipment reported as expenses per AFS (if applicable)	\$199,800	page(s): pg 15 Statement of Cashflows adjustments
Indirect administrative support (if included in station's total expenses)-per AFS	\$575,878	page(s): pg 15 Statement of Cashflows adjustments
Expenses for non-broadcast activities and UBIT-per AFS and Spectrum (OIG footnote*)	\$814,525	page(s): per GL detail provided
Expenses not supported by licensee-per AFS – example, expenses of consolidated entities like Friends' Group, foundations, and component units. (if applicable)	\$0	
Station Net Direct Expenses	\$7,387,124	(formula-no need to enter amount here)
Step 3: Apply the Rate to the Base	\$375,089	(formula-no need to enter amount here)
Step 4: Compute Occupancy Value (if applicable)		If you computed occupancy value on your FY 2018 AFR Schedule B, report the amount in Step 4. If not, do not include an amount for occupancy value.
Step 5: Deductions- Fees Paid to the Licensee (if applicable)		Enter any fees that you have paid directly to the licensee for overhead recovery, assessment, use fees, or management fees.
Calculated IAS	\$375,089	(formula-no need to enter amount here)

* CPB's new draft instructions did not address Spectrum expenses as it did for FY 2018 and FY 2019 because most of these costs would have been incurred in those years. However, as they are reimbursed expenses and for the audit period disallowed we have concluded they should be deducted before applying the Standard Rate.

2018 KUER-FM IAS Calculation Using Standard Method

Step 1 - Compute the Rate - Licensee Indirect Costs /Licensee Direct Costs	Amount	Must include licensee AFS page numbers or N/A below:
Institutional Support <i>(Enter this amount here, only if station benefits from Institutional Support)</i>	\$118,514,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Physical Plant Support <i>(Enter this amount here, only if station benefits from Physical Plant Support)</i>	\$103,051,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Total Licensee Indirect Costs	\$221,565,000	(formula-no need to enter amount here)
Licensee Direct Costs		
Total Operating expenses	\$4,585,138,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Less: Institutional Support (Please enter this amount whether or not the station benefits from Institutional Support)	\$118,514,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Less: Physical Plant Support (Please enter this amount whether or not the station benefits from Physical Plant Support)	\$103,051,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Licensee's Direct Costs = (Total operating expenses minus both institutional support and physical plant support)	\$4,363,573,000	(formula-no need to enter amount here)
Indirect Cost Rate = (Licensee's Indirect Costs/Licensee's Direct Costs)	5%	(formula-no need to enter amount here)
Step 2 - Identify the Base (Station Net Direct Expenses)		Must include Station's AFS page numbers or N/A below:
Station's Total Operating Expenses	\$4,999,195	Per Station's AFR Schedule E, Line 8
Less: Depreciation and amortization-per AFS (if applicable)	\$94,232	page(s): pg 14 Statement of Cashflows adjustments
In-kind contributions and donated property and equipment reported as expenses per AFS (if applicable)	\$165,620	page(s): pg 14 Statement of Cashflows adjustments
Indirect administrative support (if included in station's total expenses)-per AFS	\$307,906	page(s): pg 14 Statement of Cashflows adjustments
Expenses for non-broadcast activities and UBIT-per AFS (if applicable)	\$0	page(s):
Expenses not supported by licensee-per AFS – example, expenses of consolidated entities like Friends' Group, foundations, and component units. (if applicable)	\$0	
Station Net Direct Expenses	\$4,431,437	(formula-no need to enter amount here)
Step 3: Apply the Rate to the Base	\$225,011	(formula-no need to enter amount here)
Step 4: Compute Occupancy Value (if applicable)		If you computed occupancy value on your FY 2018 AFR Schedule B, report the amount in Step 4. If not, do not include an amount for occupancy value.
Step 5: Deductions- Fees Paid to the Licensee (if applicable)		Enter any fees that you have paid directly to the licensee for overhead recovery, assessment, use fees, or management fees.
Calculated IAS	\$225,011	(formula-no need to enter amount here)

2019 KUED-TV IAS Calculation Using Standard Method

Step 1 - Compute the Rate - Licensee Indirect Costs /Licensee Direct Costs	Amount	Must include licensee AFS page numbers or N/A below:
Institutional Support <i>(Enter this amount here, only if station benefits from Institutional Support)</i>	\$169,638,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Physical Plant Support <i>(Enter this amount here, only if station benefits from Physical Plant Support)</i>	\$103,693,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Total Licensee Indirect Costs	\$273,331,000	(formula-no need to enter amount here)
Licensee Direct Costs		
Total Operating expenses	\$5,105,317,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Less: Institutional Support (Please enter this amount whether or not the station benefits from Institutional Support)	\$169,638,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Less: Physical Plant Support (Please enter this amount whether or not the station benefits from Physical Plant Support)	\$103,693,000	page(s): pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Licensee's Direct Costs = (Total operating expenses minus both institutional support and physical plant support)	\$4,831,986,000	(formula-no need to enter amount here)
Indirect Cost Rate = (Licensee's Indirect Costs/Licensee's Direct Costs)	6%	(formula-no need to enter amount here)
Step 2 - Identify the Base (Station Net Direct Expenses)		Must Include Station's AFS page numbers or N/A below:
Station's Total Operating Expenses	\$13,360,841	Per Station's AFR Schedule E, Line 8 and AFS pg 13
Less: Depreciation and amortization-per AFS (if applicable)	\$544,425	page(s): pg 15 Statement of Cashflows adjustments
In-kind contributions and donated property and equipment reported as expenses per AFS (if applicable)	\$194,414	page(s): pg 15 Statement of Cashflows adjustments
Indirect administrative support (if included in station's total expenses)- per AFS	\$907,602	page(s): pg 15 Statement of Cashflows adjustments
Expenses for non-broadcast activities and UBIT-per AFS (if applicable) and spectrum (OIG footnote*)	\$2,708,915	from AFR B line 1.7B and GL
Expenses not supported by licensee-per AFS – example, expenses of consolidated entities like Friends' Group, foundations, and component units. (if applicable)	\$0	
Station Net Direct Expenses	\$9,005,485	(formula-no need to enter amount here)
Step 3: Apply the Rate to the Base	\$509,413	(formula-no need to enter amount here)
Step 4: Compute Occupancy Value (if applicable)		If you computed occupancy value on your FY2018 AFR Schedule B, report the amount in Step 4. If not, do not include an amount for occupancy value.
Step 5: Deductions- Fees Paid to the Licensee (if applicable)		Enter any fees that you have paid directly to the licensee for overhead recovery, assessment, use fees, or management fees.
Calculated IAS	\$509,413	(formula-no need to enter amount here)

2019 KUER-FM IAS Calculation Using Standard Method

Step 1 - Compute the Rate - Licensee Indirect Costs /Licensee Direct Costs	Amount	Must include licensee AFS page numbers or N/A below:
Institutional Support <i>(Enter this amount here, only if station benefits from Institutional Support)</i>	\$169,638,000	page(s): U of Utah AFS pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Physical Plant Support <i>(Enter this amount here, only if station benefits from Physical Plant Support)</i>	\$103,693,000	page(s): U of Utah AFS pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Total Licensee Indirect Costs	\$273,331,000	(formula-no need to enter amount here)
Licensee Direct Costs		
Total Operating expenses	\$5,105,317,000	page(s): U of Utah AFS pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Less: Institutional Support (Please enter this amount whether or not the station benefits from Institutional Support)	\$169,638,000	page(s): U of Utah AFS pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Less: Physical Plant Support (Please enter this amount whether or not the station benefits from Physical Plant Support)	\$103,693,000	page(s): U of Utah AFS pg 44 Footnote 18 ties to AFS pg 18 operating expenses in total
Licensee's Direct Costs = (Total operating expenses minus both institutional support and physical plant support)	\$4,831,986,000	(formula-no need to enter amount here)
Indirect Cost Rate = (Licensee's Indirect Costs/Licensee's Direct Costs)	6%	(formula-no need to enter amount here)
Step 2 - Identify the Base (Station Net Direct Expenses)		Must include Station's AFS page numbers or N/A below:
Station's Total Operating Expenses	\$5,304,736	Per Station's AFR Schedule E, Line 8
Less: Depreciation and amortization-per AFS (if applicable)	\$109,704	page(s): pg 14 Statement of Cashflows adjustments
In-kind contributions and donated property and equipment reported as expenses per AFS (if applicable)	\$225,569	page(s): pg 14 Statement of Cashflows adjustments
Indirect administrative support (if included in station's total expenses)-per AFS	\$309,012	page(s): pg 14 Statement of Cashflows adjustments
Expenses for non-broadcast activities and UBIT-per AFS (if applicable)	\$0	page(s): pg 14 Statement of Cashflows adjustments +
Expenses not supported by licensee-per AFS – example, expenses of consolidated entities like Friends' Group, foundations, and component units. (if applicable)		
Station Net Direct Expenses	\$4,660,451	(formula-no need to enter amount here)
Step 3: Apply the Rate to the Base	\$263,628	(formula-no need to enter amount here)
Step 4: Compute Occupancy Value (if applicable)		If you computed occupancy value on your FY 2018 AFR Schedule B, report the amount in Step 4. If not, do not include an amount for occupancy value.
Step 5: Deductions- Fees Paid to the Licensee (if applicable)		Enter any fees that you have paid directly to the licensee for overhead recovery, assessment, use fees, or management fees.
Calculated IAS	\$263,628	(formula-no need to enter amount here)

SCOPE AND METHODOLOGY

We performed an attestation examination to determine KUER's and KUED's compliance with CPB Financial Reporting Guidelines, provisions of the Communications Act, grant certification requirements, and other grant provisions. The scope of the audit included reviews and tests of the information reported by both stations on their AFRs that we reconciled to audited financial statements for the fiscal years ending June 30, 2018 and June 30, 2019; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of the NFFS claimed on KUER's and KUED's AFRs by performing financial reconciliations and comparisons to both stations' underlying accounting records (general ledgers) and the audited financial statements. We reviewed underwriting and grant agreements and other documentation supporting revenues reported. Specifically, we reviewed NFFS revenue transactions reported by both stations totaling \$2,347,028 of the \$12,243,638 reported in FY 2018 and \$2,934,188 of the \$12,870,917 reported in FY 2019.

We reviewed the allowability of expenses KUER and KUED charged to the CSGs received from CPB during FYs 2018 and 2019. We also reviewed the expenses KUED claimed under the Healthy Networks Joint Master Control grant. To determine whether KUER and KUED incurred CSG expenditures in accordance with grant terms, we reviewed \$605,184 of the \$3,901,323 in CSG expenses incurred by both stations during our audit period. We also reviewed \$27,921 of the \$150,000 KUED claimed under of the Healthy Networks Joint Master Control Grant. For all the grant expenses reviewed, we examined supporting documentation, including invoices, proof of payments, and other documentation for judgmentally selected transactions.

We reviewed policies, records, and documents supporting the station's compliance with the Act's requirements to provide advance notice of public meetings, make financial and EEO information available to the public, and safeguard donor lists. We also reviewed KUER's and KUED's websites to determine its compliance with CPB's transparency requirements. Our procedures included interviewing station officials and the stations' independent public accountant.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of KUER's and KUED's policies and procedures for compliance with certification of eligibility requirements, Communication Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

We conducted fieldwork from March 3, 2020 through December 1, 2020. While we performed our audit in accordance with the *Government Auditing Standards* for attestation examination.



February 8, 2021

William J. Richardson III
Deputy Inspector General
Office of Inspector General
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

**Re: RE: Audit of Community Service and Other Grants Awarded to the
University of Utah, KUER-FM and KUED-TV, Salt Lake City, Utah for the
Period July 1, 2017 Through June 30, 2019, Report No. ASJ2006-XXXX**

Dear Mr. Richardson:

Thank you for the opportunity to respond to the Office of Inspector General (“OIG”) Draft Audit Report in the matter indicated above. We appreciate the thoroughness and professionalism of your office throughout this process. We especially appreciate the way your staff conducted themselves given the unique circumstances of conducting an audit amidst a global pandemic across such great distances. The management and staff of KUER-FM and KUED-TV (collectively the “Stations”) approached the audit as a way to learn and strengthen our practices. We believe we are a better organization as a result of this process.

First, we are especially proud of the fact that the Draft Audit Report concluded the Stations complied with the statutory and Community Service Grant (“CSG”) legal requirements regarding the funding the Stations received from the Corporation for Public Broadcasting (“CPB”).

We accept all of the Inspector General’s findings as contained in the Draft Audit Report regarding CPB’s financial reporting requirements for how the Stations reported non-Federal Financial Support (“NFFS”) to CPB. As such, we would like to take this opportunity to discuss the actions the Stations have implemented to correct the areas criticized in the Draft Audit Report and ensure proper NFFS reporting in the future. For your convenience, we have grouped the discussion of our actions under the headings used in the Draft Audit Report.

Ineligible Endowment Revenue:

As discussed in the Draft Audit Report, the Stations hold interests in an endowment investment pool managed by the University of Utah. The Stations each earn a return based on the total income earned by the total pool. Previously, each Station reported to CPB the total annual return as reported to the Stations by the University

of Utah. During the audit process, though, University of Utah personnel learned the Stations may only claim interest and dividend revenue generated from the pool as NFFS, while other gains such as endowment revenue may not be claimed as NFFS. As a result, the Stations will continue to work with the University of Utah to calculate and report each Station's portion of the pool's revenue that is derived solely from interest and dividends as NFFS.

Unsupported Underwriting Trades:

Station management will continue to work with members of the Stations' development teams to ensure the Stations collect and retain the proper documentation to support NFFS reporting that derives from underwriting trades. Part of this commitment will be training staff to ensure development personnel understand what constitutes acceptable and adequate supporting documentation for NFFS reporting.

Revenues Received From Public Broadcasting Entities:

During the audit process, Station personnel acknowledged they mistakenly reported such revenue and are aware NFFS cannot be claimed from funds derived from public broadcasting entities. Station management will ensure finance department personnel cross check revenue sources when compiling the Stations' annual financial reports ("AFRs") to ensure NFFS is accurately reported to CPB.

Donations Not Used for Public Broadcasting Purposes:

Going forward, when the Stations partner with other nonprofit organizations in our community, finance department personnel will work collaboratively to ensure any funds that pass through the Stations to another organization are appropriately excluded from NFFS reporting.

Incorrect Premiums Offset Against Membership:

The Stations' finance and development departments have and will continue to work together to reconcile all donations and duplicate donor data within our databases so this information will be properly reported on the AFRs in the future.

Unallowed Indirect Administrative Support:

The Stations agree with the Inspector General's recalculation of indirect administrative support ("IAS") from the University of Utah using CPB's Simplified Method. We urge CPB management, in its response to the final OIG Audit Report, to adopt the method as discussed in the Draft Audit Report. In the future, the Stations will utilize the Simplified Method when calculating and reporting IAS as NFFS on the AFR.



Thank you again for this opportunity to respond to the draft audit report. Again, we truly appreciate the integrity and collegiality your staff exhibited throughout this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Maria O'Mara".

Maria O'Mara
Executive Director

