Financial Statements and Report of Independent Certified Public Accountants

KPBS FM/TV

(A Department of San Diego State University)

June 30, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Deanna Mackey, General Manager
KPBS FM/TV

Opinion

We have audited the financial statements of the business-type activities of KPBS FM/TV, a department of San Diego State University (the "University"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of KPBS FM/TV as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Emphasis of matter

As discussed in Note 1 to the financial statements, the financial statements of KPBS FM/TV are intended to present the financial position, the changes in net position and cash flows of only that portion of the University that is attributable to the transactions of KPBS FM/TV. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2023 and 2022 and the changes in its net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US

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GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KPBS FM/TV's basic financial statements. The accompanying supplementary schedules of revenues, expenses, and changes in net position by CPB licensee, direct and indirect support, and revenues and transfers for the year ended June 30, 2023 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

San Diego, California
January 11, 2024

Management's Discussion and Analysis

UNAUDITED

As of June 30, 2023 and 2022

Management's Discussion and Analysis (unaudited)

This section of the KPBS FM/TV (the Stations) annual financial report includes Management's Discussion and Analysis of the financial performance of the Stations for the fiscal years ended June 30, 2023 and 2022. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

The Stations' financial statements include the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements are supported by notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Stations.

> **Statements of Net Position**: The Statements of Net Position include all assets, deferred outflows and inflows of resources and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. Long-term investments are reported at fair value as of the statement date. Major categories of restrictions on the net position of the Stations are also identified.
>
> **Statements of Revenues, Expenses and Changes in Net Position**: The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred during the years on an accrual basis.
>
> **Statements of Cash Flows**: The Statements of Cash Flows present the inflows and outflows of cash for the years and are summarized by operating, non-capital and related financing, capital and related financing and investing activities. The statements are prepared using the direct method of cash flows and therefore present gross rather than net amounts for the years' activities.

KPBS FM/TV
(A Department of San Diego State University)
Management's Discussion and Analysis
UNAUDITED
As of June 30, 2023 and 2022

Financial Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Stations' financial activities as of and for the years ended June 30, 2023 (FY23) and 2022 (FY22). Included is a comparative analysis of current year and prior year activities and balances; a discussion of restrictions of the Stations' net position; and a discussion of capital assets and long-term debt.

Significant Events – Year Ended June 30, 2023

Fiscal Year 2023 was defined by workforce stabilization, reaching Capital Campaign fundraising goals, re-populating the Conrad Prebys Media Complex and forgiveness of the Paycheck Protection Program (PPP) loan.

The Stations' pandemic-era staffing turnover stabilized with most positions filled and approximately 190 total staff at year end working to support and further the KPBS mission.

KPBS concluded its capital campaign during the fiscal year and exceeded its fundraising goal of $85.0 million. New gifts and pledge receivables recorded were $2.2 million and $1.1 million FY 2023 and FY 2022, respectively. Cash receipts related to the KPBS capital campaign pledges were $5.2 million and $4.7 million for FY 2023 and FY 2022, respectively. Cumulatively, as of June 30, 2023 KPBS raised $50.2 million in realized cash gifts and pledges and $43.7 million in contingent (unrealized) planned gift pledges.

The construction on the Conrad Prebys Media Complex was substantially complete and in-service as of April 2023 with staff beginning to re-populate the facility as early as January 2023. Total construction capitalized costs at June 30, 2023 are $37.5 million. Additional capitalizable costs and expenses will continue to be incurred into FY 2024 in order to completely finish the project. Costs incurred that could not be capitalized on the building project were approximately $2.7 million cumulatively through June 30, 2023.

The $2.1 million Paycheck Protection Program loan received in FY 2021 under the Consolidated Appropriations Act 2021 (the Act) signed on December 27, 2020 and accrued interest was forgiven by the U.S. Small Business Administration on July 5, 2022. This amount is reflected as a Contribution in the FY 2023 Statements of Revenues, Expenses, and Changes in Net Position.

Significant Events – Year Ended June 30, 2022

FY 2022 was defined by the partial emergence from the COVID-19 pandemic. KPBS, in conjunction with SDSURF and SDSU, continued to follow California, San Diego County, and SDSU guidance related to COVID protocols. The expectation was for staff to resume in-person work schedules in the first quarter of calendar year 2023.

In April 2022 Deanna Mackey was appointed KPBS general manager by SDSU President, Adela de la Torre. Associate General Manager, Nancy Worlie, served as interim general manager after Tom Karlo's retirement until Mackey assumed the role on June 30, 2022. Mackey is a long-time veteran of public media and former KPBS executive with more than 30 years of public media experience, including president and executive director for the Public Television Major Market Group from August 2015 until late June 2022. Mackey first began working at KPBS in 1985, and from 1990 to 2015 held several roles including associate general manager, station manager and chief operating officer.

KPBS continued its capital campaign during the year with the increased goal of $85.0 million. New gifts and pledge receivables recorded were $1.1 million and $8.9 million for FY 2022 and FY 2021, respectively. Cash receipts related to the KPBS capital campaign pledges were $4.7 million for FY 2022 and FY 2021, respectively. Cumulatively, as of June 30, 2022, KPBS raised $48.4 million in realized cash gifts and pledges and $32.8 million in contingent (unrealized) pledges.

The Paycheck Protection Program (PPP) $2.1 million funds received in FY 2021 continued to be expended entirely for payroll needs, including increasing KPBS SDSURF employee hours to 40 per week for those individuals previously reduced from full-time to 20 hours per week due to the pandemic. KPBS applied for the loan forgiveness under this program in March 2022 with final approval for forgiveness provided by the U.S. Small Business Administration in July 2022. Due to accounting requirements, this forgiveness was reflected in the FY 2023 financial statements as the official forgiveness notification did not occur during FY 2022.

KPBS implemented GASB 87, *Leases* (GASB 87) in FY 2022 as required by the Governmental Accounting Standards Board (GASB). GASB 87 lease accounting increases the usefulness of government and government-related entity financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement created a substantial impact to the financial statements adding $6.9 million in additional assets and $7.1 in additional liabilities.

The Stations' condensed summary of net position as of June 30, 2023, 2022, and 2021 is as follows:

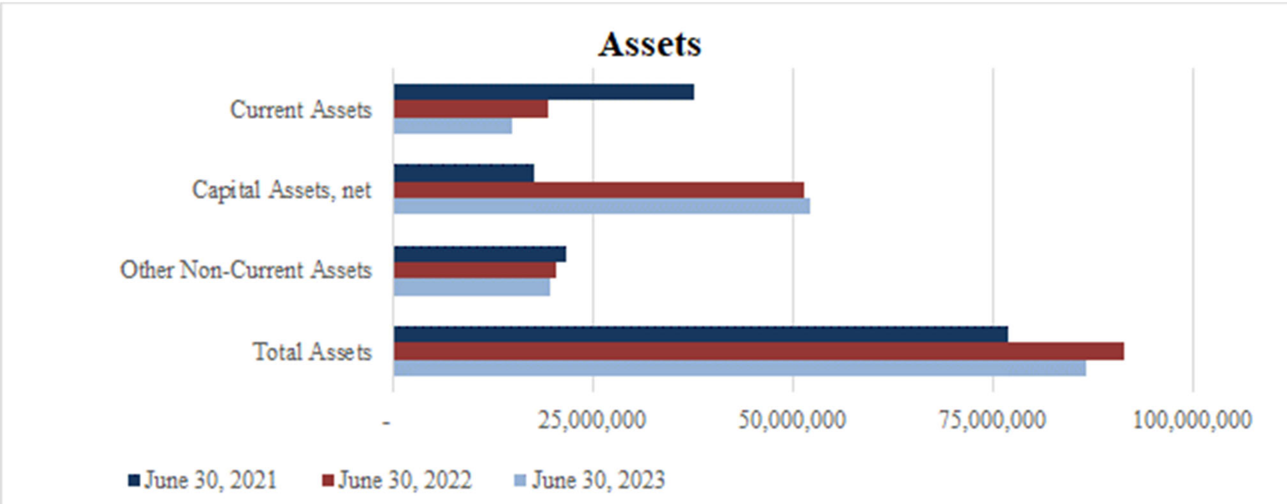
		June 30,				
		2023		2022		2021
Assets:						
Current assets	$	14,847,617	$	19,419,060	$	37,638,804
Capital assets, net		52,273,634		51,444,949		17,693,177
Other noncurrent assets		19,587,830		20,521,227		21,663,167
Total assets		86,709,081		91,385,236		76,995,148
Deferred outflows of resources	$	-	$	-	$	-
Liabilities:						
Current liabilities		11,534,336		9,783,048		5,675,868
Noncurrent liabilities		6,947,926		14,055,710		3,366,627
Total liabilities		18,482,262		23,838,758		9,042,495
Deferred inflows of resources	$	2,684,608	$	3,348,834	$	4,084,016
Net position:						
Net investment in capital assets		40,734,826		36,300,094		16,919,923
Restricted - nonexpendable		4,880,370		4,378,381		3,657,773
Restricted - expendable		9,243,484		10,503,630		32,842,223
Unrestricted		10,683,531		13,015,539		10,448,718
Total net position	$	65,542,211	$	64,197,644	$	63,868,637

Assets

Total assets decreased $4,676,000 in FY23 and increased $14,390,000 in FY22.

Total assets decreased in FY23 due to the payments on accounts receivable net of new pledges of $3,660,000, a $2,226,000 reduction in cash held by San Diego State University mostly due to payments on building construction related payables, a reduction of amounts due from SDSURF of $405,000, an increase of $858,000 in net investments, an increase in Capital assets of $829,000 relative to the building expansion and renovation project and reductions in other asset categories of $72,000.

Total assets increased in FY22 mainly due to the implementation of GASB 87 which added approximately $6,900,000 (net) to Capital assets, with the remainder relative to the building expansion and renovation project consisting of an increase of $4,500,000 in cash financing and approximately $2,990,000 related to additional resources for the building construction.

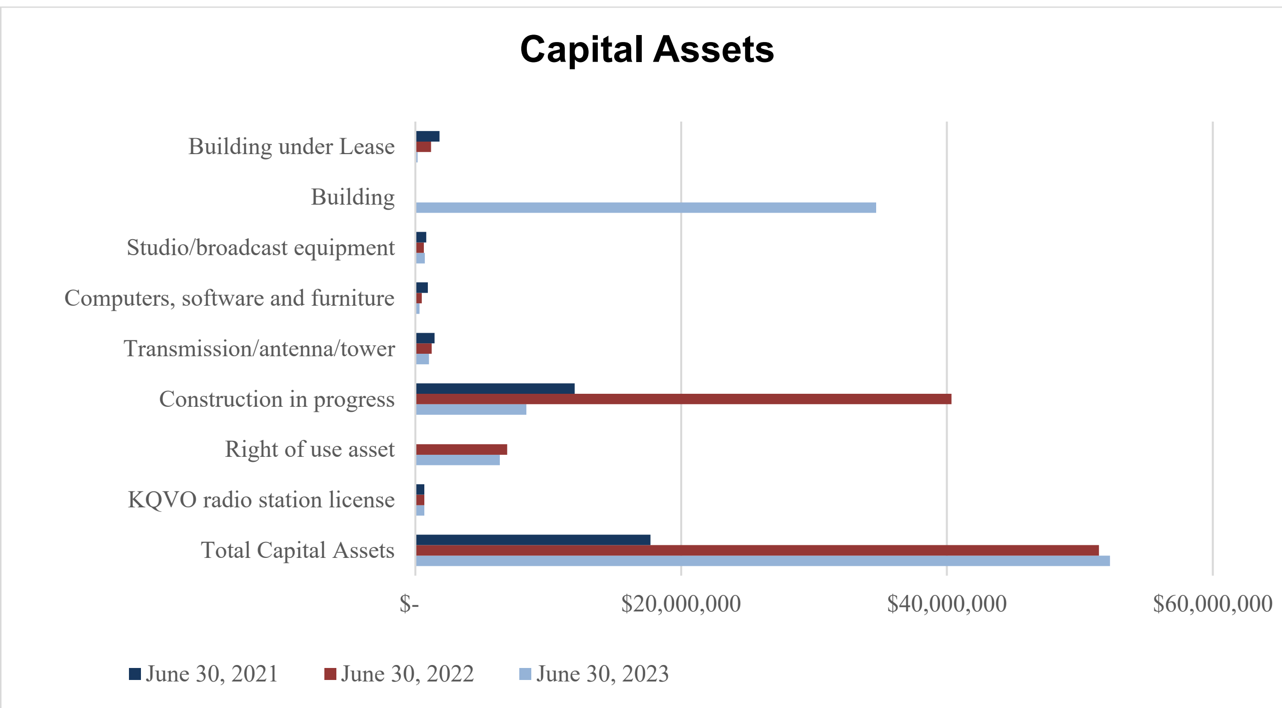


In FY23 current assets decreased by $4,571,000 from FY22 mainly due to the utilization of cash in the building renovation and expansion project and payments on pledge receivables. Cash held by SDSU decreased $2,226,000 mostly due to payments on construction related payables, accounts receivable decreased $1,868,000 due to net pledge payments, amounts due from SDSURF decreased $405,000 with all other current asset categories decreasing by $72,000.

In FY22 current assets decreased by $18,220,000 from FY21 mainly due to the utilization of cash in the building renovation and expansion project. Cash held by SDSU decreased $2,719,000, amounts due from SDSURF decreased $15,268,000 with all other current asset categories decreasing by $233,000.

Capital assets, net of accumulated depreciation, are shown below:

	June 30,		
	2023	2022	2021
Building under lease	$ 169,871	$ 1,175,645	$ 1,819,761
Building	34,672,255	-	-
Studio/broadcast equipment	711,844	638,897	821,244
Computers, software and furniture	318,945	479,861	942,793
Transmission/antenna/tower	1,024,969	1,228,682	1,448,185
Right of Use Asset	6,350,455	6,909,171	-
Construction in progress	8,355,295	40,342,693	11,991,194
KQVO radio station license	670,000	670,000	670,000
Total capital assets, net of accumulated depreciation	$ 52,273,634	$ 51,444,949	$ 17,693,177



In FY23 capital assets increased $829,000 due primarily to construction costs of the building renovation and expansion project of $2,293,000 and $603,000 in associated equipment, $5,000 in GASB 87 right-of-use assets, $286,000 in other assets acquisitions offset by deprecation of $1,928,000 and asset disposals of $430,000 relating to the remaining 1994 Campanile building renovation improvements.

In FY22 capital assets increased $33,752,000 due primarily to construction in progress costs under the building renovation and expansion project of $22,647,000 and $5,705,000 in associated equipment, $7,463,000 (gross) in

GASB 87 right-of-use assets, $61,000 in other assets acquisitions offset by deprecation of $2,115,000 and asset disposals of $9,000.

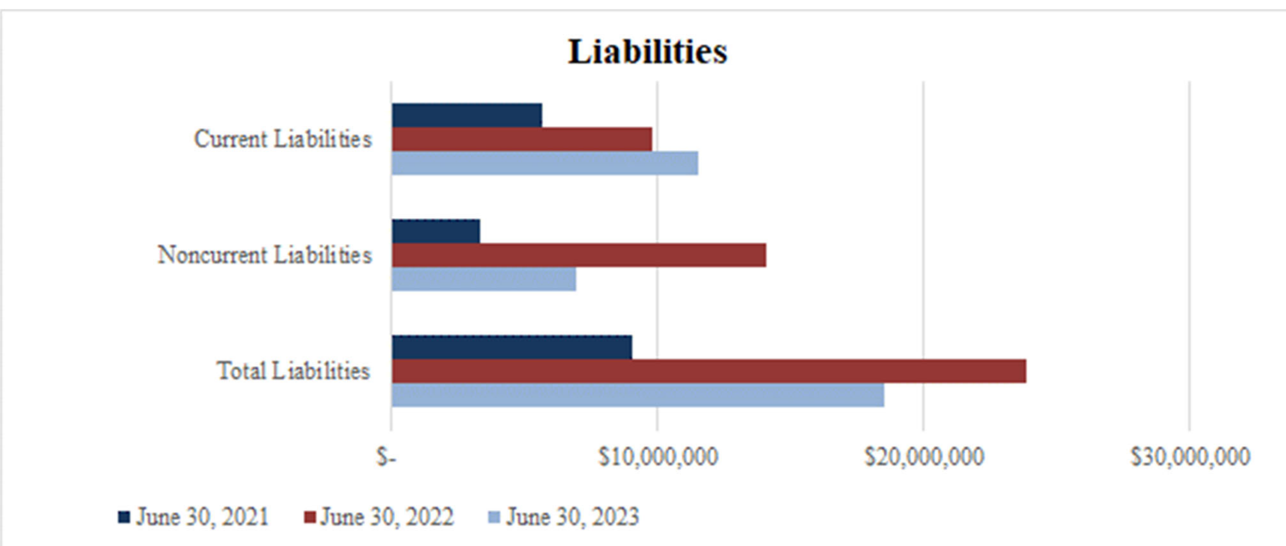
In FY23 other noncurrent assets decreased $933,000 due primarily to a reduction in long term pledges of approximately $1,791,000, the increase in the fair value of investments of $1,015,000, endowment gifts and reinvestments of $594,000 offset by distributions and withdrawals of $751,000.

In FY22 other noncurrent assets decreased $1,142,000 due primarily to a reduction in long term pledges of approximately $4,261,000, the loss in the fair value of investments of $1,416,000 offset by contributions of $4,000,000 and net endowment and other gifts of $535,000.

Liabilities

Total liabilities decreased $5,356,000 in FY23 due to the reduction in accounts payable of $2,238,000 primarily due to payments on the capital campaign building renovation and expansion project and associated equipment, the forgiveness by the SBA of the Payroll Protection Plan note of $2,122,000, debt payments of $824,000, and net decreases in other liabilities of $172,000

Total liabilities increased $14,796,000 in FY22 primarily due to the implementation of GASB 87-Leases, which increased lease obligations by $7,116,000, a $4,500,000 term note through SDSURF to provide bridge funding for longer termed pledges related to the capital campaign building renovation and expansion project, an increase in accounts payable and accrued expenses of $4,150,000 mostly due to building and equipment construction in progress payables, a decrease of $340,000 in unearned revenue, $530,000 in debt payments and reductions in other liabilities of $100,000.



Long-Term Debt Obligations

Debt outstanding at June 30, 2023, 2022 and 2021 is summarized below by type of debt instrument:

	June 30,		
	2023	2022	2021
Lease obligations	$ 6,757,690	$ 7,399,398	$ 609,747
Notes payable	4,781,118	7,085,681	2,768,763
Total	11,538,808	14,485,079	3,378,510
Less current portion	(4,973,581)	(827,435)	(530,565)
Total long-term debt	$ 6,565,227	$ 13,657,644	$ 2,847,945

Total debt decreased in FY23 by $2,946,000 primarily due the forgiveness by the SBA of the Payroll Protection Plan note of $2,122,000 and debt payments of $824,000. The current portion of long-term debt increased in FY23 resulting primarily from the $4,500,000 bridge funding term note through SDSURF having a maturity date of June 2024.

Total debt increased in FY22 by $11,107,000 primarily due to an increase in the lease obligations of $7,116,000 due to the implementation of GASB 87 $4,500,000 term note through SDSURF to provide bridge funding for the capital campaign building renovation and expansion project, $21,000 interest accrual on the PPP loan and the payment of scheduled debt obligations of $530,000.

Deferred Inflows of Resources

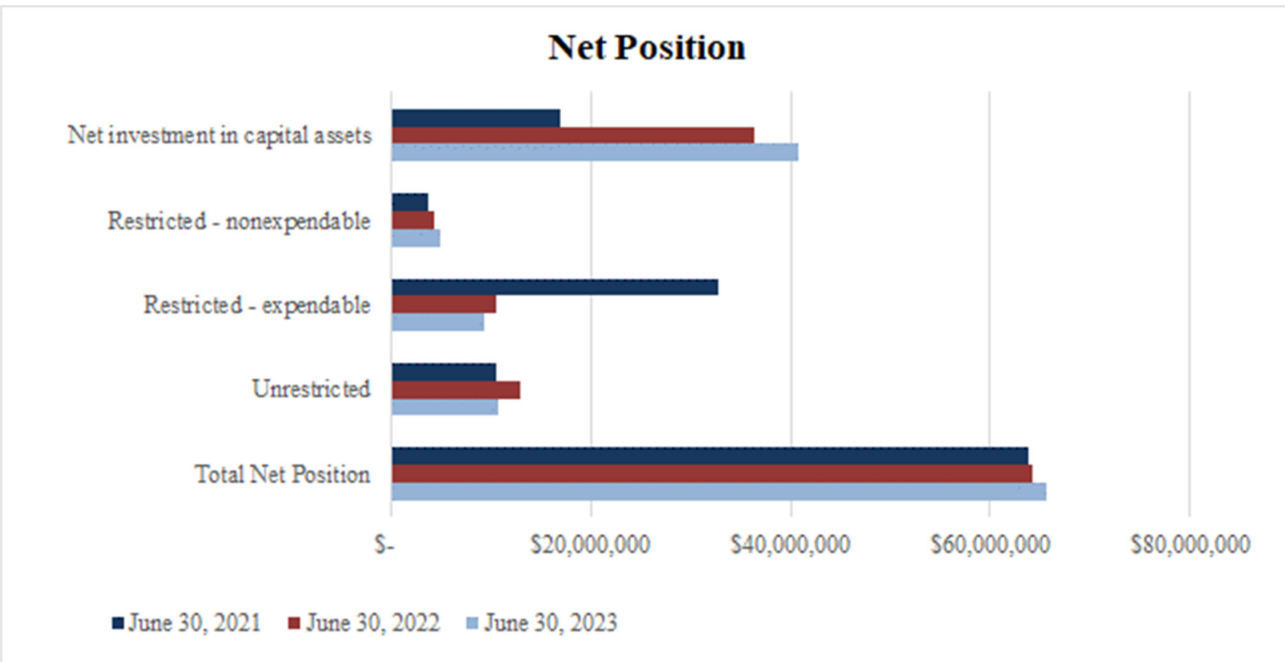
Deferred inflows of resources decreased $664,000 from FY 2022 to 2023 due primarily to in the reduction in deferred contributions and the amortization of the deferred gain on bond refunding.

Deferred inflows of resources decreased $735,000 from FY 2021 to 2022 due primarily to in the reduction in deferred contributions, the amortization of the deferred gain on bond refunding and an increase related to the implementation of GASB 87.

Net Position

Total net position increased $1,345,000 in FY23 primarily due to contributions of $1,563,000 (net of expenses) from the capital campaign, net endowments of $255,000, a net increase of $1,015,000 in the fair market value of investments, a loss on disposal of fixed assets of $430,000 relating to the remaining 1994 Campanile building renovation improvements, nonoperating costs associated with the building renovation project of $1,479,000 and other net income (net of San Diego State University transfers, depreciation and other net non-operating revenues in excess of expenses) of $421,000.

Total net position increased $329,000 in FY22 primarily due to contributions of $728,000 (net of expenses) from the capital campaign, a programming endowment of $775,000, a net decrease of $1,416,000 in the fair market value of investments, a loss on disposal of fixed assets of $9,000 and other net income (net of San Diego State University transfers, depreciation and other net non-operating revenues in excess of expenses) of $251,000.

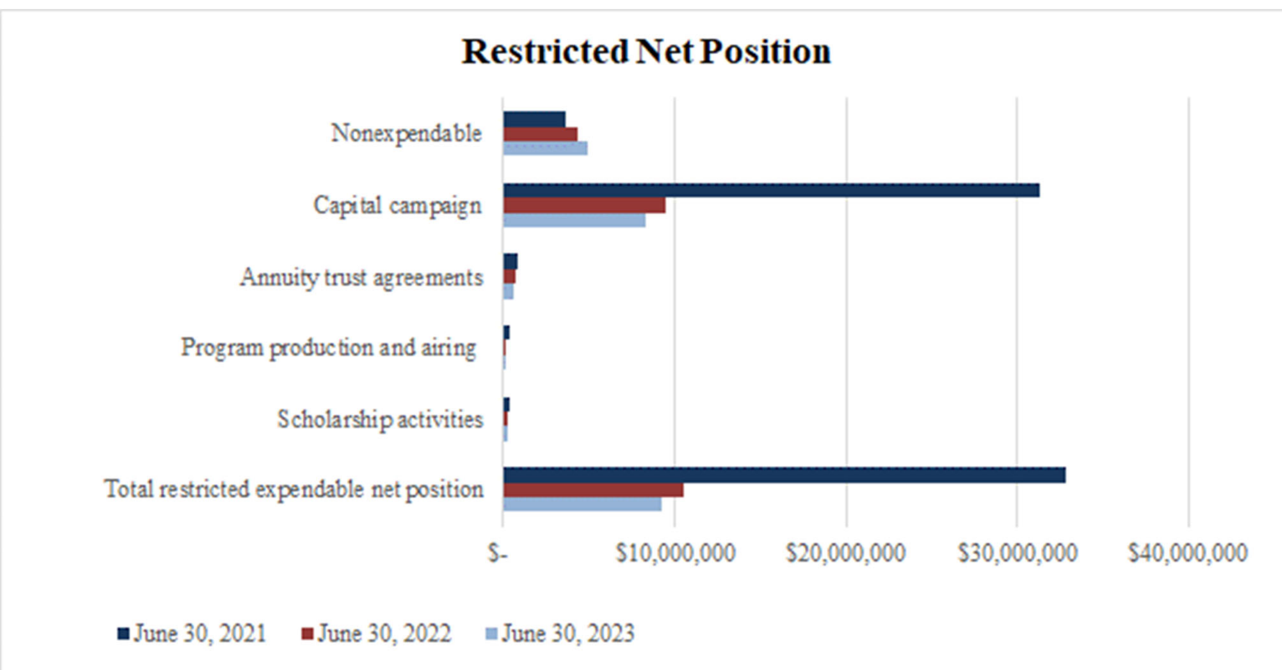


Restrictions on Net Position

Net position of the Stations includes funds that are restricted by donor or law. The following table summarizes which funds are restricted, the type of restriction and the amount:

	June 30,		
	2023	2022	2021
Nonexpendable	$ 4,880,370	$ 4,378,381	$ 3,657,773
Expendable:			
Capital campaign	$ 8,297,857	$ 9,434,605	$ 31,356,527
Annuity trust agreements	582,048	701,712	804,443
Program production and airing	73,959	102,757	343,091
Scholarship activities	289,620	264,556	338,162
Total restricted expendable net position	$ 9,243,484	$ 10,503,630	$ 32,842,223

The capital campaign fund represents donations for expenditures specifically for the building renovation and expansion project. The program production and airing fund represents donations for expenditures specifically for the KPBS radio reading service and the programming endowment.



In FY23 the restricted expendable net position decreased primarily due to capital campaign expenditures on building renovation and expansion released to net investment in capital assets, offset by a net increase in the fair value of investments and capital campaign contributions. The increase in nonexpendable net position mostly relates to several donor gifts to our programming endowments.

In FY22 the restricted expendable net position decreased primarily due to capital campaign expenditures on building renovation and expansion released to net investment in capital assets, a net decrease in the fair value of investments resulting from unfavorable market conditions for the fiscal year offset by capital campaign contributions. The increase in nonexpendable net position relates to a donor gift to the programming endowment.

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The Stations' condensed summary of revenues, expenses and changes in net position are as follows:

Condensed Summary of Revenues, Expenses and Changes in Net Position

	2023	2022	2021
Operating revenues:			
Contributions	$ 27,862,752	$ 25,966,550	$ 32,798,083
Corporation for Public Broadcasting grants (note 2)	3,798,215	3,603,256	3,521,773
Reimbursement from the FCC related to station repack	-	43,390	-
Stations-generated support	266,369	319,953	77,981
Total operating revenues	31,927,336	29,933,149	36,397,837
Operating expenses (notes 5, 6, 7, 8 and 9):			
Program services:			
Programming and production	16,189,962	14,762,873	13,956,170
Broadcasting	4,920,532	4,598,172	4,792,146
Program information and promotion	1,575,352	1,259,634	1,173,084
Total program services	22,685,846	20,620,679	19,921,400
Support services:			
Management and general	4,744,062	4,468,310	5,552,508
Fundraising, membership and development	7,559,004	7,024,963	6,871,340
Underwriting	2,651,111	2,564,566	1,814,305
Total support services	14,954,177	14,057,839	14,238,153
Total operating expenses	37,640,023	34,678,518	34,159,553
Operating (Loss)	(5,712,687)	(4,745,369)	2,238,284
Nonoperating (expenses) revenues:			
Interest expense (notes 6, 7 and 9)	(242,906)	(259,337)	(15,936)
Interest income, net	203,823	200,210	346,622
Net increase (decrease) in fair value of investments	1,015,132	(1,416,338)	1,327,618
Other nonoperating expenses	(1,478,853)	(899,308)	(275,612)
Loss on disposal of fixed assets	(429,520)	(8,638)	(5,420)
Total nonoperating (expenses) revenues, net	(932,324)	(2,383,411)	1,377,272
(Loss) before transfers	(6,645,011)	(7,128,780)	3,615,556
San Diego State University transfers (note 2):			
Direct financial support	2,145,550	2,031,046	2,486,354
Indirect financial support	5,844,028	5,426,741	5,342,593
Total San Diego State University transfers	7,989,578	7,457,787	7,828,947
Change in net position	1,344,567	329,007	11,444,503
Net position, beginning of year	64,197,644	63,868,637	52,424,134
Net position, end of year	$ 65,542,211	$ 64,197,644	$ 63,868,637

Operating Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to the Stations' primary business functions.

Operating Revenues

Contributions increased $1,896,000 in FY23 resulting from the forgiveness by the SBA of the Payroll Protection Plan note of $2,122,000 and year-over-year increases in capital campaign contributions of $1,151,000, and other revenue categories of $82,000 partially offset by decreases in major gifts of $513,000, underwriting of $397,000, endowment gifts of $285,000 and vehicle donation program of $264,000.

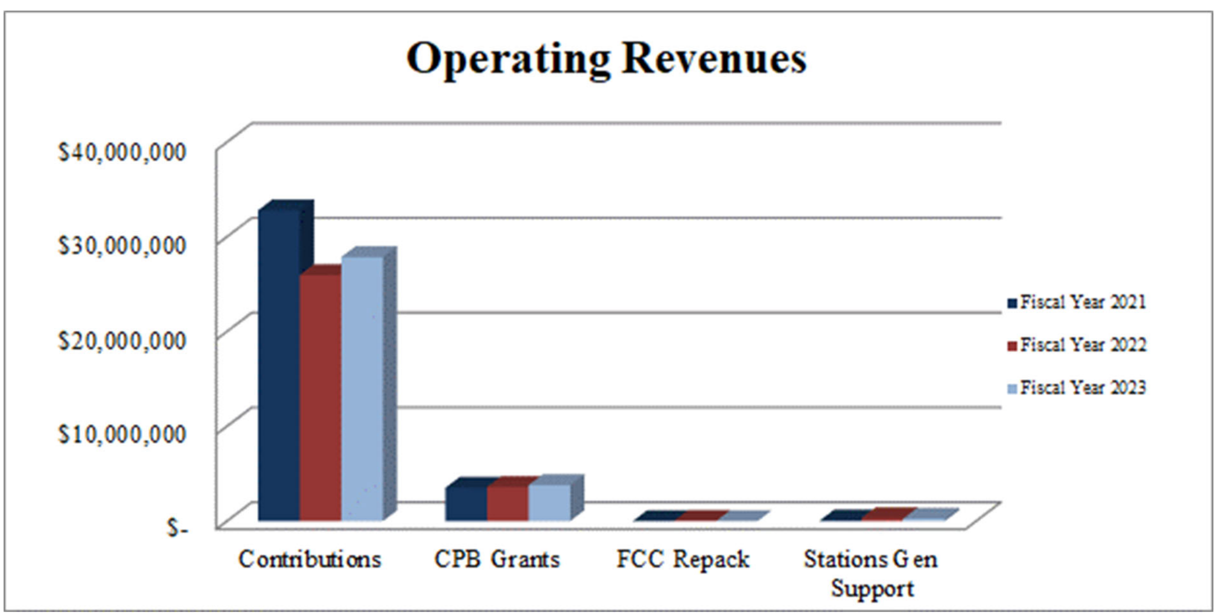
Contributions decreased $6,832,000 in FY22 resulting primarily from year-over-year decreases in capital campaign contributions of $7,920,000, endowment gifts of $1,279,000, vehicle donations of $289,000 and other revenue categories of $335,000 partially offset by increases in underwriting of $1,153,000, planned gifts of $484,000, grants of $469,000, major gifts of $441,000, in-kind contributions of $391,000 and membership of $53,000.

Funding received from the CPB increased $195,000 and $81,000 in FY23 and FY22, respectively. CPB annual grants are determined based on non-federal financial support (NFFS) and an incentive rate of return measured two fiscal years prior to the current period. For example, FY23 CPB grants are based on the FY21 NFFS and incentive rate of return. The incentive rate of return, which fluctuates from year to year, is a function of total FM or TV system NFFS and the respective CPB appropriation.

KPBS received a reimbursement of $0 and $43,000 in FY23 and FY22, respectively, from the FCC for broadcast equipment and expenses related to a station repack project which has been closed out.

Stations-generated support was $266,000 and $320,000 for FY23 and FY22, respectively, which is primarily digital and web based sponsorships.

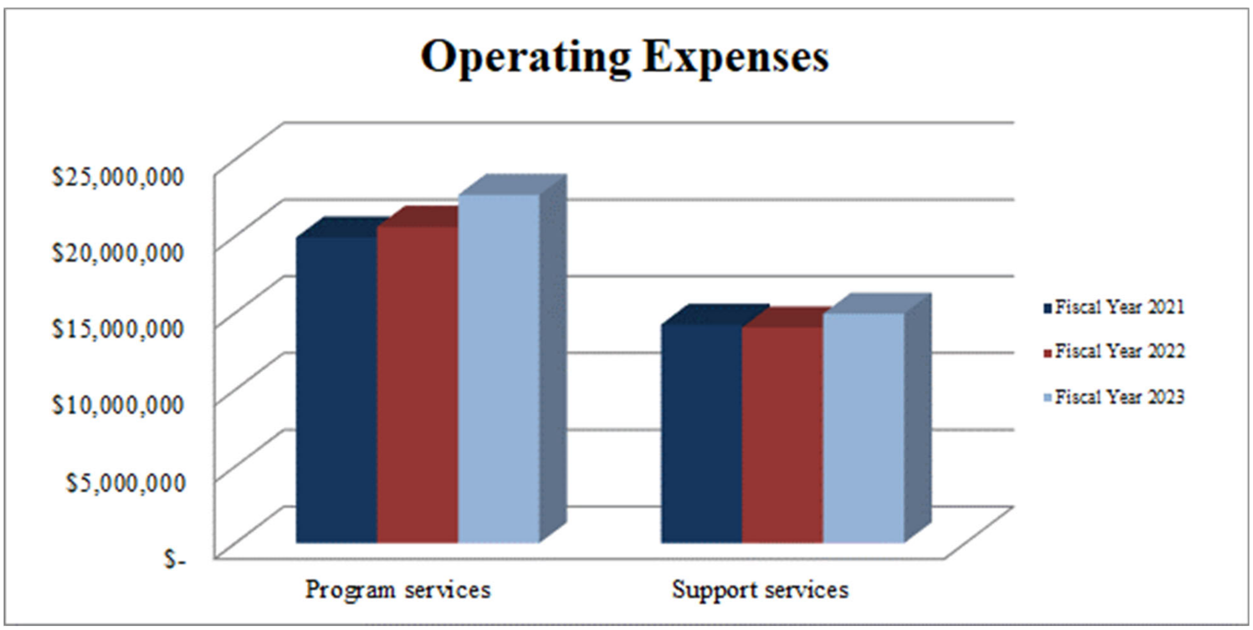
The following chart presents the proportional share that each category of operating revenues contributed to the totals:



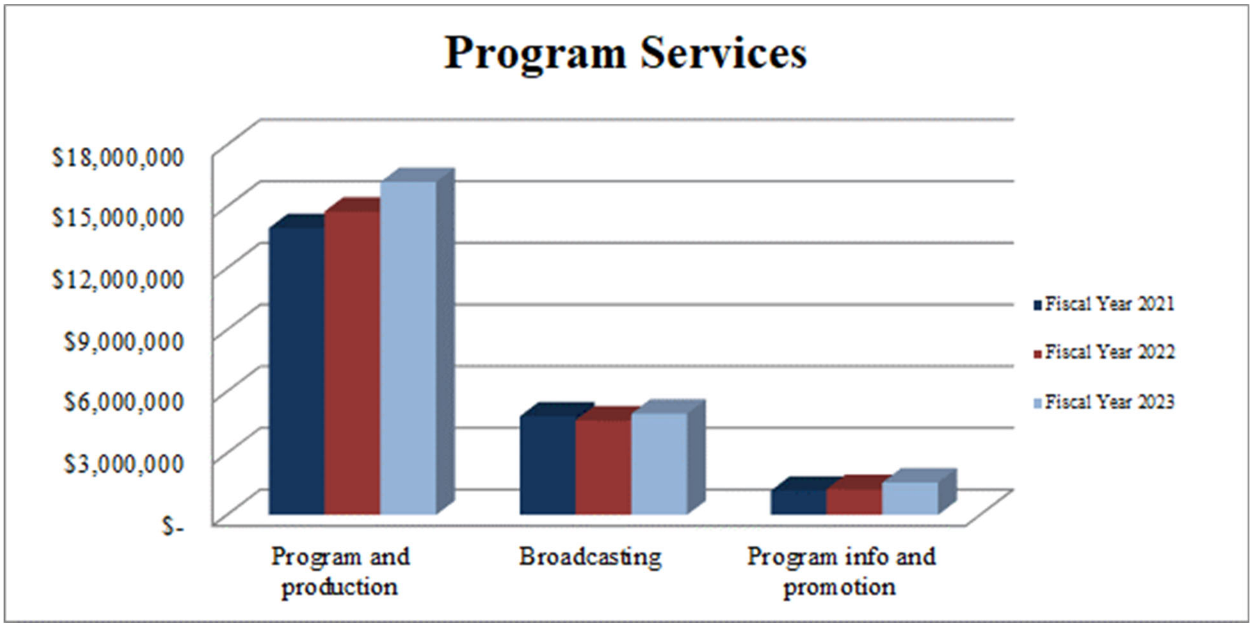
Operating Expenses

Program services expenses increased $2,065,000 in FY23 due mainly to increases in initiatives relative to content, communications, PBS dues, grants, engineering and cost allocations. Program services expenses increased $699,000 in FY22 due mainly to increases in grant related expenditures and the impact of GASB 87 lease accounting with respect to the long term transmitter leases.

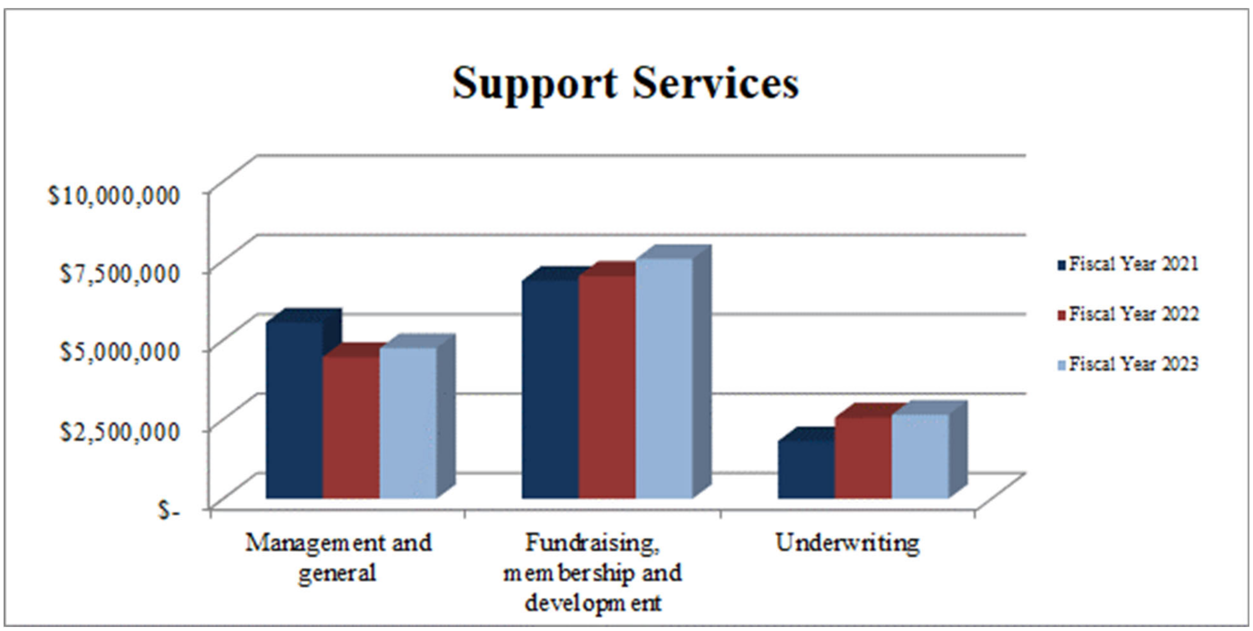
Support services expenses increased $896,000 in FY23 primarily due to growth in expenses relating to fundraising $534,000, management and general expenses of $276,000 and underwriting of $86,000, inclusive of increased direct and indirect support allocations. Support services expenses decreased $180,000 in FY22 primarily due a reduction in depreciation relating to the membership database and reductions in SDSU direct support and management and general expenses.



The following chart presents the distribution of resources in support of the Stations:



A further breakdown of the program services and support services is provided as follows:



Nonoperating Revenues and Expenses

Nonoperating revenues and expenses come from sources that are not part of the Stations' primary business functions. Included in this classification are changes in the fair value of investments, interest revenue and expense, and other nonoperating revenue and expense items.

Nonoperating expenses exceed revenue in FY23 by $932,000. This was due to non-capitalized building construction costs of $1,479,000, a loss on disposal of assets of $430,000 relating to the remaining 1994 Campanile building renovation improvements, interest expense in excess of income of $38,000 offset by an increase in the fair value of investments of 1,015,000.

Nonoperating expenses exceed revenue in FY22 by $2,383,000. This was due to a net decrease in the fair value of investments of $1,416,000, non-capitalized building construction costs of $899,000, interest expense in excess of income of $59,000 and a loss on disposal of fixed assets of $9,000.

San Diego State University Transfers

Direct financial support received from the University increased $115,000 in FY23 and decreased $455,000 in FY22. Direct support consists primarily of salaries, space rental and utilities that are provided at cost and have been allocated to the Stations as shown in the Supplementary Schedule of Direct and Indirect Support (page 40) of this report. The cost of the services is reported as transfers and operating expense in the accompanying financial statements. The reduction in direct support in FY22 is mainly the result of certain KPBS SDSU staff retirements and resulting University funding decreases.

Indirect support received from the University increased $417,000 and $84,000 in FY23 and FY22, respectively. Indirect support relates to a calculated allocation of SDSU campus and California State University chancellor's office overhead and physical plant costs, in accordance with Corporation for Public Broadcasting guidance, that benefit the programs of the Stations.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Net Position

For June 30, 2023 and 2022

Assets		**2023**		**2022**
Current assets:				
Cash and cash equivalents held by San Diego State University (note 2)	$	966,821	$	3,192,549
Due from San Diego State University Research Foundation (note 2)		8,354,798		8,759,605
Accounts receivable (notes 2 and 4)		5,188,230		7,056,936
Grants receivable		56,590		10,493
Prepaid expenses		281,178		399,477
Total current assets		14,847,617		19,419,060
Noncurrent assets:				
Accounts receivable (notes 2 and 4)		2,806,000		4,597,161
Long-term investments (note 3)		10,465,963		10,122,905
Restricted investments (note 3)		6,315,867		5,801,161
Capital assets, net (notes 5 and 7)		52,273,634		51,444,949
Total noncurrent assets		71,861,464		71,966,176
Total assets		86,709,081		91,385,236
Deferred outflows of resources		-		-
Liabilities				
Current liabilities:				
Accounts payable		2,416,979		4,654,737
Accrued expenses		1,715,388		2,064,371
Unearned revenue (note 2)		2,428,388		2,236,505
Notes payable, current portion (note 6)		4,659,136		182,285
Lease obligations, current portion (note 7)		314,445		645,150
Total current liabilities		11,534,336		9,783,048
Noncurrent liabilities:				
Notes payable, net of current portion (note 6)		121,982		6,903,396
Lease obligations, net of current portion (note 7)		6,443,245		6,754,248
Amounts held for others (note 2)		382,699		398,066
Total noncurrent liabilities		6,947,926		14,055,710
Total liabilities		18,482,262		23,838,758
Commitments and contingencies (notes 5, 7, 8, 9 and 10)				
Deferred inflows of resources (notes 2 and 9)		2,684,608		3,348,834
Net Position				
Net investment in capital assets		40,734,826		36,300,094
Restricted for:				
Nonexpendable - endowments		4,880,370		4,378,381
Expendable:				
Capital campaign		8,297,857		9,434,605
Annuity trust agreements		582,048		701,712
Program production and airing		73,959		102,757
Scholarship activities		289,620		264,556
Unrestricted		10,683,531		13,015,539
Total net position	$	65,542,211	$	64,197,644

See accompanying notes to these financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Contributions	$ 27,862,752	$ 25,966,550
Corporation for Public Broadcasting grants (note 2)	3,798,215	3,603,256
Reimbursement from the FCC related to station repack	-	43,390
Stations-generated support	266,369	319,953
Total operating revenues	31,927,336	29,933,149
Operating expenses (notes 5, 6, 7, 8 and 9):		
Program services:		
Programming and production	16,189,962	14,762,873
Broadcasting	4,920,532	4,598,172
Program information and promotion	1,575,352	1,259,634
Total program services	22,685,846	20,620,679
Support services:		
Management and general	4,744,062	4,468,310
Fundraising, membership and development	7,559,004	7,024,963
Underwriting	2,651,111	2,564,566
Total support services	14,954,177	14,057,839
Total operating expenses	37,640,023	34,678,518
Operating (Loss)	(5,712,687)	(4,745,369)
Nonoperating (expenses) revenues:		
Interest expense (notes 6, 7 and 9)	(242,906)	(259,337)
Interest income, net	203,823	200,210
Net increase (decrease) in fair value of investments	1,015,132	(1,416,338)
Other nonoperating expenses	(1,478,853)	(899,308)
Loss on disposal of fixed assets	(429,520)	(8,638)
Total nonoperating (expenses) revenues, net	(932,324)	(2,383,411)
(Loss) before transfers	(6,645,011)	(7,128,780)
San Diego State University transfers (note 2):		
Direct financial support	2,145,550	2,031,046
Indirect financial support	5,844,028	5,426,741
Total San Diego State University transfers	7,989,578	7,457,787
Change in net position	1,344,567	329,007
Net position, beginning of year	64,197,644	63,868,637
Net position, end of year	$ 65,542,211	$ 64,197,644

See accompanying notes to these financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

		2023		2022
Cash flows from operating activities:				
Contributions	$	23,582,089	$	24,491,939
Stations-generated support		266,369		319,953
Reimbursement from the FCC related to station repack		-		43,390
Payments to suppliers		(14,984,990)		(14,923,304)
Payments to employees		(13,788,435)		(11,319,929)
Administrative fees paid to San Diego State University Research Foundation		(888,792)		(830,644)
Corporation for Public Broadcasting grants		3,798,215		3,603,256
Net cash (used in) provided by operating activities		(2,015,544)		1,384,661
Cash flows from noncapital and related financing activities:				
Transfers from San Diego State University		2,145,550		2,031,046
(Decrease) Increase in amounts due from San Diego State University Research Foundation		(955,748)		15,668,222
Net cash provided by noncapital and related financing activities		1,189,802		17,699,268
Cash flows from capital and related financing activities:				
Payments on long-term debt		(827,436)		(882,544)
Additions to long-term debt		3,442		4,500,000
Interest Paid		(201,005)		(196,471)
Purchase of capital assets		(5,372,642)		(24,353,063)
Proceeds from capital campaign		5,242,545		4,653,717
Capital campaign purchases		(606,081)		(1,189,696)
Net cash (used in) capital and related financing activities		(1,761,177)		(17,468,057)
Cash flows from investing activities:				
Interest Income, net		203,823		200,210
Net distribution (purchase) of investments		157,368		(4,534,911)
Net cash provided (used in) investing activities		361,191		(4,334,701)
Net (decrease) in cash		(2,225,728)		(2,718,829)
Cash and cash equivalents held by San Diego State University				
Beginning of year		3,192,549		5,911,378
End of year	$	966,821	$	3,192,549

See accompanying notes to these financial statements.

KPBS FM/TV

(A Department of San Diego State University)

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

		2023		2022
Reconciliation of operating income (loss) to net cash				
provided by (used in)operating activities:				
Operating (loss)	$	(5,712,687)	$	(4,745,369)
Adjustments to reconcile operating income (loss) to net cash				
provided by (used in) operating activities:				
Allocated San Diego State University expenses		5,844,028		5,426,741
Depreciation and amortization		1,928,885		2,114,775
Capital campaign		(969,283)		(944,409)
Change in assets, liabililites, deferred outlows and inflows of resources:				
Accounts receivable		(7,314)		674,856
Grants receivable		(46,097)		(9,208)
Prepaid expenses		-		-
Accounts payable		(52,205)		(491,227)
Accrued expenses		(348,983)		596,252
Forgiveness of Payroll Protection Plan loan		(2,122,277)		-
Amounts held for others		(15,367)		(120,616)
Unearned revenue		(514,244)		(1,117,134)
Net cash (used in) provided by operating activities	$	(2,015,544)	$	1,384,661
Supplemental disclosure of noncash investing and capital activity:				
Increase (decrease) in fair value of investments	$	1,015,132	$	(1,416,338)
Forgiveness of Payroll Protection Plan loan	$	2,122,277	$	-
Loss on Disposal of Property and Equipment	$	(429,520)	$	-
Obtaining a right-to-use asset in exchange for a lease liability	$	(3,442)	$	-

See accompanying notes to these financial statements.

NOTE 1 – DESCRIPTION OF ORGANIZATION

KPBS FM/TV (KPBS or the Stations) is engaged in the production, broadcast and distribution of content via public television, radio, the internet and social media. KPBS FM and TV are licensed to the Board of Trustees of the California State University (CSU) for San Diego State University (SDSU or the University). KQVO FM is licensed to the State of California on behalf of the University. San Diego State University Research Foundation (SDSURF), a not-for-profit California corporation, is an auxiliary organization of the CSU, which under a service agreement provides financial accounting and administrative support to the Stations and includes all of the Stations' accounts, except for certain capital assets, university cash, notes payable and related interest and expenses related to certain state employees in its financial statements. KPBS is a department of San Diego State University. Administrative fees paid to SDSU Research Foundation were $888,792 and $830,644, respectively, for the fiscal years ended June 30, 2023 and 2022. The accompanying financial statements include only the activities and balances associated with KPBS and are not intended to present the financial position, changes in financial position or cash flows of SDSU Research Foundation or the University.

Affiliated Organizations

The Stations are related to auxiliaries of the University, including SDSU Research Foundation, Associated Students of San Diego State University, Aztec Shops, Ltd. and The Campanile Foundation (TCF). The auxiliaries and the University periodically provide various services for one another and collaborate on projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies utilized by KPBS follows:

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Classification of Current and Noncurrent Assets and Liabilities

KPBS considers assets to be current that can be reasonably expected, as a part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the statement of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within twelve months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Cash and Cash Equivalents

Cash includes funds held by the University. The Stations consider all highly liquid investments with original maturity dates of three months or less to be cash equivalents. As of June 30, 2023 and June 30, 2022, there was cash held by the University of approximately $967,000 and $3,193,000, respectively.

Due from SDSU Research Foundation

The amount of cash held and administered by the SDSU Research Foundation on behalf of the Stations is reported as due from SDSU Research Foundation on the statements of net position.

Investments

All investments are reported at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investments represent the Stations' share of investments held by SDSU Research Foundation. Investments include amounts held by TCF and others. Change in fair value of investments is included in the statements of revenues, expenses and changes in net position as non-operating revenues (expenses).

Accounts and Pledges Receivable

Accounts receivable consist of underwriter and other receivables and are recorded at the actual amounts expected to be collected and include both billed and unbilled amounts.

Pledges receivable due from donors are recorded at the net present value.

Capital Assets and Intangible Assets

Capital assets in excess of $5,000 are recorded at cost, if purchased, or at estimated fair value, if donated. Certain equipment acquired through grants is subject to restrictions on use and disposition subsequent to the conclusion of the related grants.

Leased assets and subscription-based IT arrangements in excess of $10,000 which qualify under GASB 87 and GASB 96 have been capitalized as a Right of Use Asset.

Depreciation is computed using the straight-line method over the useful life of the asset or length of the associated lease. For buildings, the useful life is generally 30 years. For furniture, fixtures, studio/broadcast equipment and transmission/antenna/tower equipment, the useful life is generally three to 15 years. Improvements to leased property and subscription-based IT arrangements are amortized over the term of the lease/agreement or the life of the improvement.

Buildings represent the portion of the Gateway Center, the Conrad Prebys Media Complex which houses the main operating offices for radio, TV and studios for the Stations.

Intangible assets are recorded at the lower of cost or fair value. Intangible assets consist of the broadcast license associated with the acquisition of the KQVO radio station. The broadcast license is renewable every eight years at a nominal fee to the Stations.

Compensated Absences

The Stations accrue vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of four hours per pay period. Employees are typically not paid for unused sick leave at the end of employment. However, for certain employees, a portion of accumulated sick leave is paid upon retirement. Liabilities for compensated absences of approximately $1,131,000 and $1,090,000 as of June 30, 2023 and 2022, respectively, are included in accrued expenses.

Contributions and Revenue Recognition

Revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Contributions received prior to satisfaction of eligibility requirements are reflected as Unearned revenue. The Stations received approximately 86% and 87% of their operating revenue from contributions in each of the years ended June 30, 2023 and 2022, respectively.

Underwriting revenue is recognized as contributions at the time of the pledge, when the underwriting agreement is signed. The underwriting agreement states that the funds are in the form of an unrestricted operating grant.

Management determines bad debts by regularly evaluating individual contributions receivable and considers a donor's financial condition and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of contributions of receivables previously written off are recorded as revenue when received.

University Support

Direct financial support received from the University for the years ended June 30, 2023 and 2022 was approximately $2,146,000 and $2,031,000, respectively, and consisted primarily of salaries for management, space rental and utilities.

Indirect support received from the University for the years ended June 30, 2023 and 2022 was approximately $5,844,000 and $5,427,000, respectively. A portion of the University's general overhead costs relates to and benefits the Stations. Such costs are allocated primarily based on the proportion of KPBS' expenses to certain costs of the University, which are then applied to certain administration, maintenance and repair costs of the University. These university services, provided without cost, have been allocated to the Stations and are reported as transfers and operating expense in the accompanying financial statements.

Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit organization responsible for grant funding to more than 1,000 television and radio stations. The CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement; however, each grant must be expended within two years of the initial grant authorization. The Stations have typically expended all funds received under CSGs in the year received.

According to the Communications Act, funds may be used at the discretion of recipients for purposes related primarily to the production or acquisition of programming. In addition, the grant may be used to sustain activities that began with the CSGs awarded in prior years. The grants are reported in the financial statements as operating revenue. Certain guidelines set by the CPB must be satisfied in connection with the application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financing reporting and licensee status with the Federal Communications Commission. Revenue on these grants is recognized as the funds are received, and management's policy is to expend the money in the year received. The Stations received and recorded approximately $3,798,000 and $3,603,000 in grant revenue from the CPB in the years ended June 30, 2023 and 2022, respectively.

Deferred Outflows and Inflows of Resources

Contributions received that are applicable to a future reporting periods are presented classified as a deferred inflow of resources.

Losses and gains on bond refundings are deferred and reported as deferred outflows of resources or deferred inflows of resources, respectively. They are amortized on the straight-line method over the life of the refunded bonds. The gain on bond refunding was fully amortized in FY23.

Deferred inflows of resources have been recorded for leases where KPBS is the lessor on leases that qualify under GASB 87-Leases.

Net Position

The Stations' net position is classified into the following net position categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted non-expendable

Assets, net of related liabilities, that are subject to externally imposed conditions that the Stations retain in perpetuity. Assets in this category consist of endowments invested in TCF endowment pool.

Restricted expendable

Assets, net of related liabilities, that are subject to externally imposed conditions that can be fulfilled by the actions of the Stations or by the passage of time. Assets in this category consist of certain donations from the Capital Campaign, gift annuities held at TCF and earnings distributions from the endowment.

Unrestricted

All other categories of net position. In addition, unrestricted assets may be designated for specific purposes by the management of the Stations.

Restricted resources are used in accordance with the Stations' policies and the donors' restrictions. Unrestricted resources are used at the Stations' discretion. When both restricted and unrestricted resources are available for use, it is the Stations' policy to determine on a case-by-case basis when to use restricted or unrestricted resources.

Income Taxes

The Stations are a department of the University, yet the Stations' accounts are included within SDSU Research Foundation.

The San Diego State University is a campus of the California State University system, which is an agency of the State of California and is treated as a governmental entity for tax purposes, and is generally not subject to federal or state income taxes.

The San Diego State University Research Foundation is generally exempt from income taxes under Sections 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

However, both the University and SDSU Research Foundation are subject to tax on trade or business income earned from an activity that is not in furtherance of their tax-exempt purposes. The Stations are engaged in activities that produce unrelated business income, such as the sales or license of certain products and services and web advertising. The Stations had no tax liability for the year ended June 30, 2022 and expects no liability for the year ended June 30, 2023 as the filing has not been completed as of the date of this report.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

Pronouncements Issued

For the year ended June 30, 2023, KPBS implemented GASB Statement 94 (GASB 94), Public-Private and Public-Public Partnerships (“PPPs”) and Availability Payment Arrangements (“APAs”) effective with fiscal year 2023, which increases the usefulness of governments’ financial statements by requiring recognition of the receivable of an asset and recognition of deferred inflows of the underlying asset. KPBS has no PPP agreements as of June 30, 2023.

For the year ended June 30, 2023, KPBS implemented GASB Statement 96 (GASB 96), Subscription-Based Information Technology Arrangements (SBITA), which increases the usefulness of governments’ financial statements by requiring recognition of certain right-to-use assets and liabilities for SBITAs that previously were classified as operating expenses and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under GASB 96, SBITAs are required to be recognized as a liability and an intangible right-to-use asset thereby enhancing the relevance and consistency of information about governments’ SBITA activities. KPBS implemented GASB 96 and found that it had no material impact on KPBS’ financial statements.

For the year ended June 30, 2023, KPBS implemented GASB Statement 91 (GASB 91), Conduit Debt Obligations, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. KPBS implemented GASB 91 and found that it had no material impact on KPBS’ financial statements.

For the year ended June 30, 2023, KPBS implemented GASB Statement 99 (GASB 99), Omnibus, which addresses a variety of practice issues, such as requirements related to leases, PPPs and SBITAs that were identified during implementation and application of certain GASB Statements. The effective periods of Statement No. 99 covered multiple fiscal years. KPBS implemented some of the requirements of this statement in its fiscal year ended June 30, 2022 financials, and the residual items in the current fiscal year and found that there were no material impacts to KPBS’ financial statements.

For the year ended June 30, 2022, KPBS implemented GASB Statement 87 (GASBS 87), *Leases* which increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASBS 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Both lessor and lessee leases have been incorporated into the June 30, 2022 financial statements. The impact of the adoption of this standard was an increase of approximately $6,900,000 in Right-of-use assets, an increase in Lease obligations and other liabilities of approximately $7,100,000 and net increase in interest and depreciation and amortization expense of approximately $200,000.

The GASB has issued the following statements:

- GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 (effective for the year ending June 30, 2024)
- GASB Statement No. 101, Compensated Absences (effective for the year ending June 30, 2025)

Management has not determined what, if any, impact implementation may have on the financial statements of KPBS.

NOTE 3 – INVESTMENTS

Investment Policy

The primary objective of the investment policy of KPBS is to protect the underlying assets so that the funds are available when needed by projects and programs. A secondary objective is to maximize investment income on available investments. Policies have been adopted to meet these objectives at the same time. Specific references are included below under various risk categories.

KPBS invests in the TCF Endowment pool, a unitized pool managed by TCF, a university auxiliary organization. Other investments are held in investment portfolios managed the San Diego Foundation and US Bank. These investments are governed by the respective investment policies of these organizations.

Investments as of June 30 were as follows:

	2023	2022
Long-term investments	$ 10,465,963	$ 10,122,905
Restricted assets, investments	6,315,867	5,801,161
	$ 16,781,830	$ 15,924,066

The Stations categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 - Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 - Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following tables summarize KPBS' investments within the fair value hierarchy at June 30, 2023 and 2022, respectively:

June 30, 2023	Fair Value	Level 1	Level 2	Level 3
Deferred Gift	$ 1,613,046	$ 1,613,046	$ -	$ -
TCF Endowment Pool	15,037,800	-	-	15,037,800
Amounts Held by Others	130,984	-	-	138,286
	$ 16,781,830	$ -	$ -	$ 15,176,086

June 30, 2022	Fair Value	Level 1	Level 2	Level 3
Deferred Gift	$ 1,739,155	$ 1,739,155	$ -	$ -
TCF Endowment Pool	14,046,625	-	-	14,046,625
Amounts Held by Others	138,286	-	-	138,286
	$ 15,924,066	$ -	$ -	$ 14,184,911

The following is a description of the valuation methodologies used for assets measured at fair value:

Level 1 Measurements

Deferred Gift – based on quoted prices available in an active market. The deferred gift is invested by a manager at US Bank in a portfolio of cash, equity securities, fixed income securities, and real estate funds designed to provide a moderate amount of current income with moderate growth of capital.

Level 3 Measurements

TCF Endowment Pool – KPBS invests in the TCF Endowment Pool, a unitized pool managed by TCF. The fair value is calculated as KPBS's share of the pool as of the measurement date, which is based on the fair value of the underlying assets owned by the fund divided by the number of units outstanding.

Amounts Held by Others – KPBS is the beneficiary of certain trusts held in an endowment portfolio managed by the San Diego Foundation. The fair value is calculated based on the fair value of the underlying assets owned by the fund.

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools. These investments are managed by an Outside Chief Investment Officer (OCIO) based upon the Investment Policy Statement (IPS) as approved by the TCF Board of Directors. The TCF Finance and Investment Committee meets regularly with the OCIO to review the investments and their performance and the compliance with the IPS.

The investment category allocations and IPS targets as of June 30 are as follows:

	2023	2022	IPS Target
Growth Assets	58.7%	54.7%	60.0%
Credit	6.6%	6.4%	8.0%
Inflation Hedges	11.8%	12.6%	13.0%
Risk Mitigation	22.9%	26.3%	19.0%
Total	100.0%	100.0%	100.0%

KPBS recognized net unrealized gain of approximately $1,015,000 and net unrealized loss of approximately $1,416,000 for the years ended June 30, 2023 and 2022, respectively, from its investments.

The TCF Endowment Pool is subject to concentrations of credit risk and the investments of the TCF Endowment Pool are exposed to both interest rate and market risk. Economic conditions can impact these risks, and resulting market values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances, and thus KPBS' portion of those investments, could be materially affected. Although the market value of the investment in the TCF Endowment Pool is subject to fluctuations on a year-to-year basis, management believes the investment policies of TCF are prudent for the long-term welfare of KPBS.

In accordance with the Uniform Prudent Management of Institutional Funds Act, KPBS through San Diego State University Research Foundation (SDSURF) has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to KPBS programs and operations supported by its endowment while also seeking to maintain the long-term purchasing power of the endowment assets.

Endowment distributions are provided in accordance with the investment policy statement. For the fiscal years ended June 30, 2023 and 2022, the distribution rate was 4% of the endowment principal market value using a three-year moving average.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. Investments in the TCF Endowment Pool are exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. KPBS' investment policy requires that fixed-income investments must be rated as "Investment Grade," which is BBB or higher. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. KPBS' investment policy contains no limitations as to how much can be invested with any one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that KPBS will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of KPBS's operations, deposit balances in checking accounts, held by SDSURF, can exceed the Federal Deposit Insurance Corporation insured limits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to an investment transaction, KPBS would not be able to recover its investment. Custodial credit risk does not apply to indirect investment in securities through the use of mutual fund and government investment pools.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, consisted of the following:

	2023		
	Current	**Noncurrent**	**Total**
Underwriter receivables	$ 2,300,617	$ -	$ 2,300,617
Pledge Receivables	2,916,835	2,584,214	5,501,049
Other receivables	100,778	221,786	322,564
Allowance for doubtful accounts	(130,000)	-	(130,000)
	$ 5,188,230	$ 2,806,000	$ 7,994,230

	2022		
	Current	**Noncurrent**	**Total**
Underwriter receivables	$ 2,386,146	$ 13,421	$ 2,399,567
Pledge Receivables	4,636,938	4,499,881	9,136,819
Other receivables	203,852	83,859	287,711
Allowance for doubtful accounts	(170,000)	-	(170,000)
	$ 7,056,936	$ 4,597,161	$ 11,654,097

It is the policy of management to review outstanding receivables at year-end for collectability and establish an allowance for doubtful accounts.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, consisted of the following:

	Balance June 30, 2022	Adoption of GASB 96	Additions	Retirements/ Transfers	Balance June 30, 2023
Nondepreciable capital assets:					
Construction in progress [a]	$ 40,342,693	$ -	$ 2,650,715	$ (34,638,113)	$ 8,355,295
KQVO radio station license	670,000	-	-	-	670,000
Total nondepreciable capital assets	41,012,693	-	2,650,715	(34,638,113)	9,025,295
Depreciable capital assets:					
Building under lease [b]	13,525,451	-	-	(12,779,379)	746,072
Building [c]	-	-	34,883,168	-	34,883,168
Studio/broadcast equipment	11,934,507	-	285,864	(178,359)	12,042,012
Computers, software and furniture	4,044,420	-	-	(37,874)	4,006,546
Transmission/antenna/tower	4,614,519	-	-	-	4,614,519
Right of use asset [d]	7,463,056	-	5,456	-	7,468,512
Total depreciable capital assets	41,581,953	-	35,174,488	(12,995,612)	63,760,829
Less accumulated depreciation:					
Building under lease	12,349,806	-	576,253	(12,349,858)	576,201
Building [c]	-	-	210,913	-	210,913
Studio/broadcast equipment	11,295,610	-	212,918	(178,360)	11,330,168
Computers, software and furniture	3,564,559	-	160,916	(37,874)	3,687,601
Transmission/antenna/tower	3,385,837	-	203,713	-	3,589,550
Right of use asset	553,885	-	564,172	-	1,118,057
Total accumulated depreciation	31,149,697	-	1,928,885	(12,566,092)	20,512,490
Total net depreciable assets	10,432,256	-	33,245,603	(429,520)	43,248,339
Net capital assets	$ 51,444,949	$ -	$ 35,896,318	$ (35,067,633)	$ 52,273,634

	Balance June 30, 2021	Adoption of GASB 87	Additions	Retirements/ Transfers	Balance June 30, 2022
Nondepreciable capital assets:					
Construction in progress [a]	$ 11,991,194	$ -	$ 28,351,499	$ -	$ 40,342,693
KQVO radio station license	670,000	-	-	-	670,000
Total nondepreciable capital assets	12,661,194	-	28,351,499	-	41,012,693
Depreciable capital assets:					
Building under lease [b]	13,558,461	-	-	(33,010)	13,525,451
Studio/broadcast equipment	12,187,112	-	60,630	(313,235)	11,934,507
Computers, software and furniture	4,257,197	-	-	(212,777)	4,044,420
Transmission/antenna/tower	4,650,118	-	-	(35,599)	4,614,519
Right of use asset [d]	-	7,463,056	-	-	7,463,056
Total depreciable capital assets	34,652,888	7,463,056	60,630	(594,621)	41,581,953
Less accumulated depreciation:					-
Building under lease	11,738,700	-	644,116	(33,010)	12,349,806
Studio/broadcast equipment	11,365,868	-	242,977	(313,235)	11,295,610
Computers, software and furniture	3,314,404	-	454,294	(204,139)	3,564,559
Transmission/antenna/tower	3,201,933	-	219,503	(35,599)	3,385,837
Right of use asset	-	-	553,885	-	553,885
Total accumulated depreciation	29,620,905	-	2,114,775	(585,983)	31,149,697
Total net depreciable assets	5,031,983	7,463,056	(2,054,145)	(8,638)	10,432,256
Net capital assets	$ 17,693,177	$ 7,463,056	$ 26,297,354	$ (8,638)	$ 51,444,949

[a] Construction in progress at June 30, 2023 and 2022 is construction and equipment related costs on the Conrad Prebys Media Complex renovation project related to the KPBS Capital Campaign.

[b] The building under lease represents the Stations-occupied portion of the Gateway Center, the Conrad Prebys Media Complex, which houses the main operating offices for radio, TV and studios for the Stations is pledged as collateral for debt issued to SDSU Research Foundation. The Stations' paid off the outstanding debt balance of $283,000 in FY23.

[c] Building is the capitalized portion of the Conrad Prebys Media Complex that was donor funded through the KPBS Capital Campaign. Additional costs of finalizing the construction and equipment for this project will be capitalized in FY24.

[d] Right of use assets represent GASB 87 lease capitalization predominantly with regard to the Stations' transmitters and other facility leases.

Depreciation and amortization expense totaled approximately $1,929,000 and $2,115,000 for the years ended June 30, 2023 and 2022, respectively, and was allocated among expenses in the accompanying statements of revenues, expenses and changes in net assets, as follows:

	2023	2022
Program Services	$ 894,878	$ 938,394
Support Services	1,034,007	1,176,381
Total depreciation	$ 1,928,885	$ 2,114,775

NOTE 6 – NOTES PAYABLE

Notes payable for the years ended June 30, 2023 and 2022 was:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Notes payable	$ 7,085,681	$ -	$ (2,304,563)	$ 4,781,118	$ 4,659,136

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Notes payable	$ 2,768,763	$ 4,520,956	$ (204,038)	$ 7,085,681	$ 182,285

In March 2021, KPBS, received $2,095,580 under the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On July 5, 2022, KPBS received confirmation from the U.S. Small Business Administration that the note of $2,095,580 and accrued interest of $26,697 had been forgiven and is recorded as Contribution revenue in the FY23 financial statements. The SBA has the right to audit the KPBS' compliance with the PPP for a period of up to six years.

In March 2021, KPBS entered into a loan agreement with SDSURF totaling $625,000. Quarterly principal and interest payments of $41,170 are required beginning June 2021 through March 2025. The loan bears interest at a fixed rate of 2.5%. Aggregate annual payments under this financing agreement are as follows:

Years Ending June 30:	Principal	Interest	Total
2024	159,136	5,544	164,680
2025	121,982	1,528	123,510
Total	$ 281,118	$ 7,072	$ 288,190

In January 2022, KPBS entered into a loan agreement with SDSURF totaling $4,500,000. Quarterly interest only payments of approximately $22,500 are required beginning April 2022 with the entire principal balance due June 2024. The loan bears interest at a fixed rate of 2.0%. Aggregate annual payments under this financing agreement are as follows:

Years Ending June 30:	Principal	Interest	Total
2024	4,500,000	90,000	4,590,000

NOTE 7 – LEASES OBLIGATIONS

Conrad Prebys Media Complex (the KPBS portion of the Gateway Center)

During the year ended June 30, 1995, SDSU Research Foundation completed construction on the Gateway Center a 160,000 square-foot building built on land leased from the University. The land lease expired in June 2023, at which time title of the building passed to the University and the associated bond financing was satisfied. The main operating office, radio studios and television studio for the Stations are housed in this facility.

In FY18, KPBS began a Capital Campaign to raise funds to refresh this facility, which was renamed the Conrad Prebys Media Complex. Construction on this facility was substantially completed and the building was put into service in the 4th quarter of FY23.

Lessee Leases

The lease liability balance as of June 30, 2023 totals approximately $6,758,000 mainly relating to land, building, and transmitter space under non-cancellable leases, which expire on various dates through January 2099. The current monthly rental payments range from approximately $270 to $22,000 and several of the agreements allow for annual increases in the base lease.

Future principal and interest payments on lease obligations are as follows:

Years Ending June 30:	Principal	Interest	Total
2024	$ 314,445	$ 147,243	$ 461,688
2025	334,903	140,550	475,453
2026	353,836	133,399	487,235
2027	381,850	125,692	507,542
2028	411,386	117,357	528,743
Thereafter	4,961,270	644,368	5,605,638
	$ 6,757,690	$ 1,308,609	$ 8,066,299

NOTE 8 – PENSION AND POSTRETIREMENT BENEFITS

For the Stations' staff employed through SDSU Research Foundation, SDSU Research Foundation provides health insurance benefits for the Stations' retirees who meet certain eligibility requirements under the Health, Vision, Life Insurance/AD&D and Employee Assistance Program of San Diego State University Foundation (the Plan). The Plan was created by SDSU Research Foundation as a fully insured, single-employer benefit plan effective as of August 1, 1982. It also provides for post-retirement medical benefits to certain former regular employees and qualified dependents of the SDSU Research Foundation. On June 24, 1996, SDSU Research Foundation established a voluntary employees' beneficiary association trust (the VEBA) with a registered investment company. The VEBA holds the assets and funds the post-retirement benefit obligation provided under the Plan. The Plan issues stand-alone, publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by contacting the Human Resources Department at SDSU Research Foundation.

For the Stations' staff employed through the University, the University, as an agency of the State of California, contributes to the CalPERS on behalf of certain employees of the Stations. The State's plan with CalPERS is an agent multiple-employer defined benefit plan that provides a defined benefit pension and postretirement benefit program for substantially all eligible University employees. CalPERS functions as an investment and administrative agent for its members. The Plan also provides survivor, death and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Act for medical benefits.

The Stations' University-employed personnel are required to contribute 5% of their monthly earnings in excess of $513 to CalPERS. The University is required to contribute at an actuarially determined rate. The contribution requirements of the Plan members are established and may be amended by CalPERS.

Amounts charged to KPBS for its annual required contribution from the University totaled $439,791 and $325,430 for the years ended June 30, 2023 and 2022, respectively, and are recorded as direct support and program services or support services expense, depending upon the employee's function. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

As of June 30, 2023 and 2022, KPBS reported deferred inflows of resources in connection with the contributions, unamortized gain on bond refunding and lessor leases, as presented in the table below:

	2023	2022
Contributions	$ 2,680,040	$ 3,261,249
Unamortized gain on bond refunding	-	41,901
Lessee Leases	4,568	45,684
	$ 2,684,608	$ 3,348,834

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Effective July 1, 2023, KPBS entered into a 30 year agreement with the University, which among other things, requires annual cost recovery payments approximating $290,000 increasing up to 5% annually. The agreement includes a provision that “with 36 months advance notice, the University may relocate the KPBS office, Studio and broadcast facilities to a mutually beneficial alternative location, subject to first obtaining written permission and consent from capital campaign donors under agreements in effect at the time of the proposed relocation”.

KPBS is involved in various legal proceedings arising in the normal course of business. Management believes that the final outcomes of these proceedings will not have a material adverse effect on the Stations’ of operations or financial position.

NOTE 11 – RISK MANAGEMENT

The Stations are exposed to risks related to general and commercial liability and workers’ compensation. The Stations are covered by insurance through the SDSU Research Foundation and the University to mitigate those risks. Insurance policies provide varying levels of coverage with varying deductibles. The University and SDSU Research Foundation participate in the CSU risk management pool for most of its insurance needs. However, SDSU Research Foundation is partially self-insured for its unemployment and workers’ compensation plans. Using insurance policies with commercial carriers to cover these risks of loss, SDSU Research Foundation maintains excess unemployment insurance coverage in the aggregate of $1,500,000 and excess workers’ compensation coverage for claims in excess of $250,000 per occurrence.

Insurance through the University is included in the University indirect support and allocated to program and support services on the statements of revenues, expenses and changes in net assets. Premiums to the SDSU Research Foundation on these insurance policies totaled $174,391 and $133,222 for the years ended June 30, 2023 and 2022, respectively.

NOTE 12 – SUBSEQUENT EVENTS

KPBS has evaluated subsequent events through the filing date of this Audit Report, and determined that there have been no events that have occurred that would require adjustments to our disclosures in these financial statements.

SUPPLEMENTARY INFORMATION

KPBS FM/TV
(A Department of San Diego State University)
Supplementary Schedule of Direct and Indirect Support
For the year ended June 30, 2023

	KPBS Excluding Direct and Indirect Transfers	SDSU Transfers Direct	SDSU Transfers Indirect	KPBS Combined
Operating revenues:				
Contributions	$ 27,862,752	$ -	$ -	$ 27,862,752
Corporation for Public Broadcasting grants	3,798,215	-	-	3,798,215
Reimbursement from the FCC related to station repack	-	-	-	-
Stations-generated support	266,369	-	-	266,369
Total operating revenues	31,927,336	-	-	31,927,336
Operating expenses:				
Program services:				
Programming and production	13,455,628	28,900	2,705,434	16,189,962
Broadcasting	3,353,127	1,071,221	496,184	4,920,532
Program information and promotion	1,314,319	-	261,033	1,575,352
Total program services	18,123,074	1,100,121	3,462,651	22,685,846
Support services:				
Management and general	3,114,602	790,951	838,509	4,744,062
Fundraising, membership and development	6,093,090	254,478	1,211,436	7,559,004
Underwriting	2,319,679	-	331,432	2,651,111
Total support services	11,527,371	1,045,429	2,381,377	14,954,177
Total operating expenses	29,650,445	2,145,550	5,844,028	37,640,023
Operating income/(loss)	2,276,891	(2,145,550)	(5,844,028)	(5,712,687)
Nonoperating (expenses) revenues:				
Interest expense	(242,906)	-	-	(242,906)
Interest income, net	203,823	-	-	203,823
Net (decrease) in fair value of investments	1,015,132	-	-	1,015,132
Other nonoperating expenses	(1,478,853)	-	-	(1,478,853)
Loss on disposal of fixed assets	(429,520)			(429,520)
Total nonoperating (expenses), net	(932,324)	-	-	(932,324)
(Loss) income before transfers	1,344,567	(2,145,550)	(5,844,028)	(6,645,011)
San Diego State University transfers:				
Direct financial support	-	2,145,550	-	2,145,550
Indirect financial support	-	-	5,844,028	5,844,028
Total San Diego State University transfers	-	2,145,550	5,844,028	7,989,578
Change in net position	$ 1,344,567	$ -	$ -	$ 1,344,567
Net position, beginning of year				64,197,644
Net position, end of year				$ 65,542,211

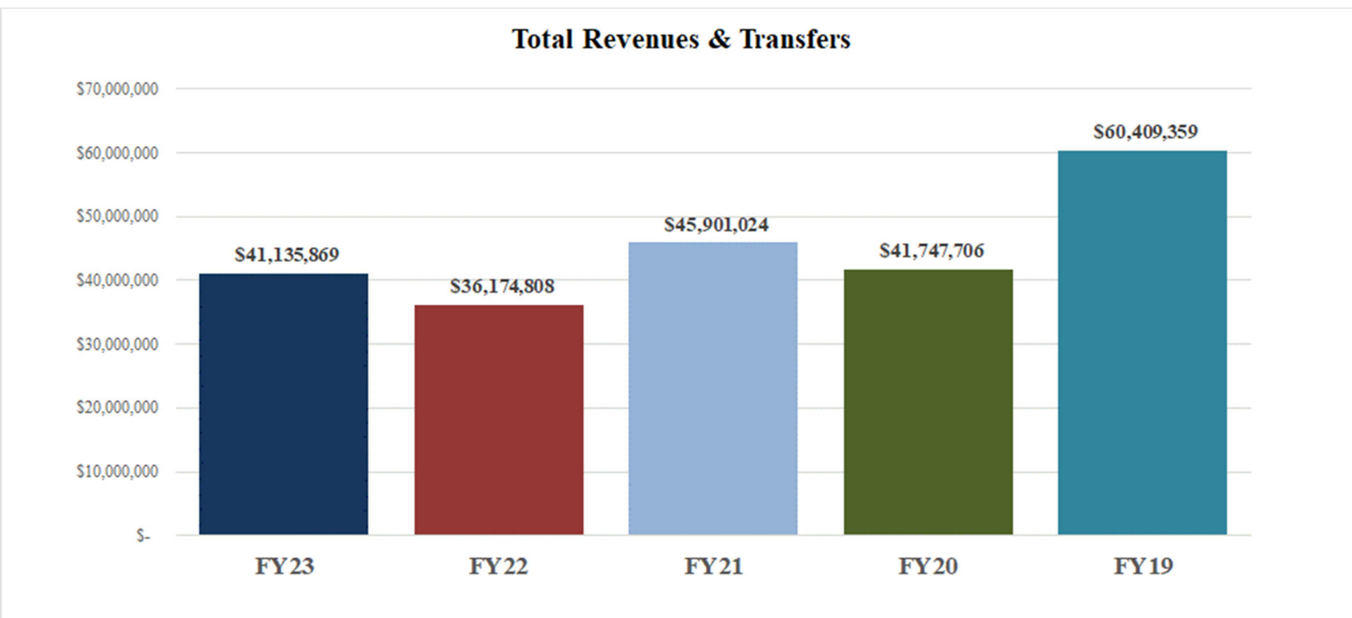
KPBS FM/TV

(A Department of San Diego State University)

Supplementary Schedule of Revenues and Transfers

For the years ended June 30,

	FY23	FY22	FY21	FY20	FY19
Operating revenues:					
Contributions	$ 27,862,752	25,966,550 $	32,798,083 $	29,615,309 $	48,971,350
Corporation for Public Broadcasting grants	3,798,215	3,603,256	3,521,773	3,550,889	2,817,938
Reimbursement from the FCC related to station repack	-	43,390	-	212,583	957,989
Stations-generated support	266,369	319,953	77,981	71,128	61,994
Total operating revenues	31,927,336	29,933,149	36,397,837	33,449,909	52,809,271
Nonoperating revenues and transfers:					
San Diego State University transfers:					
Direct financial support	2,145,550	2,031,046	2,486,354	2,407,711	2,316,475
Indirect financial support	5,844,028	5,426,741	5,342,593	5,318,788	4,899,066
Total San Diego State University transfers	7,989,578	7,457,787	7,828,947	7,726,499	7,215,541
Nonoperating revenues:					
Interest income, net	203,823	200,210	346,622	189,472	126,120
Net (decrease) increase in fair value of investments	1,015,132	(1,416,338)	1,327,618	295,245	219,540
Gain on sale of donated property	-	-	-	-	-
Other nonoperating revenues	-	-	-	7,221	38,887
Gain on bond refunding	-	-	-	79,360	-
Total nonoperating revenues, net	1,218,955	(1,216,128)	1,674,240	571,298	384,547
Total revenues and transfers	**$ 41,135,869**	**$ 36,174,808**	**$ 45,901,024**	**$ 41,747,706**	**$ 60,409,359**



KPBS FM/TV

(A Department of San Diego State University)

Supplementary Schedule of Revenues, Expenses, and Changes in Net Position by CPB Licensee

For the year ended June 30, 2023

	TV	FM	KPBS Combined
Operating revenues:			
Contributions	$ 18,410,717	$ 9,452,035	$ 27,862,752
Corporation for Public Broadcasting grants	3,126,494	671,721	3,798,215
Reimbursement from the FCC related to station repack	-	-	-
Stations-generated support	199,777	66,592	266,369
Total operating revenues	21,736,988	10,190,348	31,927,336
Operating expenses:			
Program services:			
Programming and production	11,675,965	4,513,997	16,189,962
Broadcasting	3,757,179	1,163,353	4,920,532
Program information and promotion	1,172,468	402,884	1,575,352
Total program services	16,605,612	6,080,234	22,685,846
Support services:			
Management and general	3,477,420	1,266,642	4,744,062
Fundraising, membership and development	5,623,639	1,935,365	7,559,004
Underwriting	1,137,921	1,513,190	2,651,111
Total support services	10,238,980	4,715,197	14,954,177
Total operating expenses	26,844,592	10,795,431	37,640,023
Operating (loss)/income	(5,107,604)	(605,083)	(5,712,687)
Nonoperating (expenses) revenues:			
Interest expense	(182,179)	(60,727)	(242,906)
Interest income, net	152,867	50,956	203,823
Net (decrease) in fair value of investments	793,226	221,906	1,015,132
Other nonoperating expenses	(1,109,140)	(369,713)	(1,478,853)
Loss on disposal of fixed assets	(322,140)	(107,380)	(429,520)
Total nonoperating (expenses), net	(667,366)	(264,958)	(932,324)
(Loss) before transfers	(5,774,970)	(870,041)	(6,645,011)
San Diego State University transfers:			
Direct financial support	1,597,228	548,322	2,145,550
Indirect financial support	4,218,832	1,625,196	5,844,028
Total San Diego State University transfers	5,816,060	2,173,518	7,989,578
Change in net position	$ 41,090	$ 1,303,477	$ 1,344,567