



Basic Financial Statements  
June 30, 2023 and 2022

**KNAU Radio**

(A Public Telecommunications Entity of  
Northern Arizona University)

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## Independent Auditor's Report

To the Management of  
KNAU Radio (A Public Telecommunications Entity of Northern Arizona University)  
Flagstaff, Arizona

### Report on the Audit of the Basic Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of KNAU Radio (a Public Telecommunications Entity of Northern Arizona University) (KNAU), as of and for the years ended June 30, 2023 and 2022, and the related notes to the basic financial statements, which collectively comprise KNAU's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of KNAU Radio 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 KNAU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the basic financial statements of KNAU are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the financial information of Northern Arizona University that are attributable to the transactions of KNAU. They do not purport to, and do not, present fairly the financial position of Northern Arizona University at June 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. 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.

### ***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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KNAU'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.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedule of proportionate share of net pension liability and defined benefit plan contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of KNAU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KNAU's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KNAU's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona  
December 14, 2023

## Introduction

The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and activities of KNAU Radio (A Public Telecommunications Entity of Northern Arizona University) ("KNAU"), a department of Northern Arizona University ("NAU") and is designed to assist in the understanding of the accompanying financial statements as of and for the year ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

KNAU is located on the campus of Northern Arizona University. KNAU broadcasts National Public Radio, American Public Media, Public Radio International and local programs that inform, enrich, and entertain the public. KNAU serves listeners with comprehensive music and information programs that reflect current affairs, history, and cultures.

These financial statements were prepared in accordance with reporting guidelines of the Corporation for Public Broadcasting and Governmental Accounting Standards Board ("GASB") principles. The financial statements prepared in accordance with GASB principles establish standards for external financial reporting and provide a perspective on KNAU's assets, liabilities, net position, revenues, expenses, and cash flows.

The Statements of Net Position present the financial position of KNAU at the end of the fiscal years 2023 and 2022 and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of KNAU. Assets are what KNAU owns and are generally measured at the current value, except for capital assets which include property and equipment recorded at historical cost less accumulated depreciation. Assets are categorized as either current or non-current. Current assets are generally considered to be convertible to cash within one year. Current liabilities are obligations that will be paid within one year of the statement date. The difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources, referred to as net position, is one indicator of the financial condition of KNAU.

## Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources of KNAU were \$4,222,420 and \$4,155,827 at June 30, 2023 and 2022, respectively. Unrestricted cash was \$1,007,478 and \$1,020,290 or 23% of total assets at June 30, 2023 and 2022. The investments balance increased by \$172,998 due to market value adjustments and positive earnings. Accounts receivable, net, was \$240,444 and \$301,314 at June 30, 2023 and 2022. In 2023, capital assets decreased by \$32,974 from \$259,549 to \$226,575 mainly due to depreciation of existing assets. GASB 68 and 71 was implemented during 2015 resulting in Deferred Outflows of Resources of \$126,855 and \$199,391 at June 30, 2023 and 2022, respectively.

## Liabilities and Deferred Inflows of Resources

Total liabilities and deferred inflows of resources of KNAU were \$855,857 and \$1,211,850 at June 30, 2023 and 2022, respectively. Accrued expenses were \$79,043 and \$81,695 at June 30, 2023 and 2022, respectively. Advanced underwriting fees of \$4,823 at June 30, 2023 decreased by \$5,353. GASB 68 and 71 was implemented during 2015 resulting in Deferred Inflows of Resources of \$37,154 and \$306,395 at June 30, 2023 and 2022, respectively.

### Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, reports KNAU's net equity in property, plant and equipment. The second major category, restricted net position, reports net assets that are owned by KNAU, but the use or purpose of the funds is restricted by an external source or entity. The expendable restricted net position may be expended by KNAU but must be spent only for the purpose as determined by the donor or external entity. The third category is unrestricted. KNAU does not have any restricted net position.

### **Condensed Statements of Net Position**

Fiscal Years 2023, 2022, and 2021

	2023	2022	2021
<b>Assets</b>			
Current assets	\$ 3,844,600	\$ 3,696,192	\$ 4,190,982
Noncurrent assets	377,820	459,635	517,561
Total assets	4,222,420	4,155,827	4,708,543
Deferred outflow of resources	126,855	199,391	164,372
Total assets and deferred outflows of resources	\$ 4,349,275	\$ 4,355,218	\$ 4,872,915
<b>Liabilities</b>			
Current liabilities	\$ 83,866	\$ 91,871	\$ 98,077
Net pension liability	861,692	813,584	924,849
Total liabilities	945,558	905,455	1,022,926
Deferred inflow of resources	37,154	306,395	22,235
Total liabilities and deferred inflow of resources	982,712	1,211,850	1,045,161
<b>Net Position</b>			
Net investment in capital assets	226,575	259,549	266,706
Unrestricted	3,139,988	2,883,819	3,561,048
Total net position	3,366,563	3,143,368	3,827,754
Total liabilities and net position	\$ 4,349,275	\$ 4,355,218	\$ 4,872,915

### Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position, which is generally referred to as the activities statement, presents the total revenues (operating and non-operating) received and earned by KNAU and expenses (operating and non-operating) paid and owed by KNAU and income or loss from operations for the current fiscal year.

### Revenues

Total operating revenues of KNAU for the fiscal years 2023 and 2022 were \$2,163,851 and \$2,278,233, respectively. The decrease of \$114,382 or 5% from 2022 is due to decreased contributions.

Operating revenues from grants and contracts totaled \$253,962 and \$276,749 in fiscal year 2023 and 2022, respectively, a decrease of \$22,787 or 8%. Grant and contract revenues related to non-exchange type agreements are classified as operating revenue. Grant revenue varies from year to year based on the CSG calculation and the final grant.

KNAU received \$400,436 and \$427,533 in fiscal year 2023 and 2022, respectively, of NAU appropriations, a decrease of \$27,097 and an increase of \$50,659, respectively. NAU appropriations vary from year to year based on the University ACFR calculations of institutional support and operation and maintenance of plant. KNAU also received \$815,091 and \$870,238 in fiscal year 2023 and 2022 in subscriptions, memberships and gifts, a decrease of \$55,147 or 6% and an increase of \$103,123 or 13%, respectively. This increase is due to typical fluctuation in sustaining member support year to year and decreased pledge driven gifts. Sustaining member support provides consistent, reliable, monthly income and pledge drives, which enables KNAU to budget effectively throughout the year.

Underwriting revenues in fiscal years 2023 and 2022 totaled \$624,389 and \$647,816, respectively, a decrease of \$23,427 or 4% and an increase of \$64,928 or 11%, respectively. Because of the uncertainty of both the economic outlook and future federal funding, KNAU continues to make a conscientious effort to increase business support. KNAU also received \$470,409 in fiscal year 2023 and \$483,430 in fiscal year 2022 of donated facilities and administrative support from NAU, which is comprised of donated office and studio space and costs for institutional support and physical plant operations.

Net investment income (loss) in 2023 totaled \$172,998 which was an increase from fiscal year 2022 of \$816,701, or roughly 127%. The investment return for the NAU Foundation for 2023 was a gain of 6.34% compared to a loss of 25% in 2022. In fiscal year 2022, investment income for KNAU decreased \$1,577,373, or approximately 169%.

### Expenses

Total operating expenses of KNAU for the fiscal year were \$2,527,069 and \$2,800,515 for 2023 and 2022. There was a decrease in total operating expenses for fiscal year 2023 and 2022 of \$273,446 or 10% and an increase of \$308,163 or 12%, respectively. Overall, the decrease in 2023 was due to various fluctuations in donated facilities and administrative support from NAU as well as programming and production costs and salaries. Depreciation expense totaled \$54,538 and \$48,035 for fiscal year 2023 and 2022, respectively.



**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Fiscal Years 2023, 2022, and 2021

	2023	2022	2021
Operating Revenues	\$ 2,163,851	\$ 2,278,233	\$ 2,245,643
Operating Expenses	2,527,069	2,800,515	2,492,352
Operating Loss	(363,218)	(522,282)	(246,709)
Nonoperating Revenues (Loss)	586,413	(162,104)	1,322,206
Change in Net Position	223,195	(684,386)	1,075,497
Net Position, Beginning of Year	3,143,368	3,827,754	2,752,257
Net Position, End of Year	<u>\$ 3,366,563</u>	<u>\$ 3,143,368</u>	<u>\$ 3,827,754</u>

Capital and Debt Analysis

KNAU had \$226,575 and \$259,549 in capital assets, net of accumulated depreciation, at June 30, 2023 and 2022, respectively. Title to these assets resides with NAU, which allocated custody of the assets to KNAU for its operational needs. The change in capital assets for fiscal year 2023 is mainly due to depreciation of assets. Additional information on KNAU's capital assets can be found in Note 1 to the accompanying financial statements.

KNAU does not separately issue long-term debt and is not currently engaged in any long-term financing.

Economic Factors That May Affect the Future

Overall, KNAU's financial position is relatively strong but the economic outlook for the station is dependent on various influences of its funding sources.

- Revenue from Northern Arizona University and the State of Arizona is uncertain.
- Membership and underwriting revenue are both increasing.
- Major gifts of amounts \$1,000 and above and planned giving efforts are increasing.
- Cash reserves provide short-term solutions to possible budget cuts.

KNAU is partially dependent on funding outside of its control, KNAU continues to work to strengthen controllable revenue opportunities and aggressively control costs. Some revenue risks involve funding from Northern Arizona University and the United States federal government. Revenues that are controllable and can be enhanced include membership and underwriting, major gifts over \$1,000, and planned or estate gifts. Furthermore, KNAU holds cash reserves to balance uneven timing from various revenue sources.

The station is focused on increasing private business funding and will continue working toward an annual increase in underwriting revenue.

KNAU continues to explore ways to continue providing excellent programming while controlling these costs.

Overall, the station remains financially healthy. The net position increased by \$223,195.

Request for Information

This financial report is designed to provide a general overview of KNAU's finances for KNAU management, and NAU. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to KNAU Arizona Public Radio, Attention General Manager, and P.O. Box 5764, Flagstaff, Arizona 86011.

KNAU Radio  
(A Public Telecommunications Entity of Northern Arizona University)  
Statements of Net Position  
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,007,478	\$ 1,020,290
Investments	2,728,690	2,555,692
Prepaid expenses	3,854	3,854
Accounts receivable, net	104,578	116,356
Total current assets	3,844,600	3,696,192
Accounts receivable, net of current portion	135,866	184,958
Asset Held Under Split Interest Agreement	15,379	15,128
Capital Assets, net	226,575	259,549
Total assets	4,222,420	4,155,827
Deferred Outflows of Resources		
Pension related deferred outflows - ASRS, net	126,855	199,391
Total assets and deferred outflows of resources	\$ 4,349,275	\$ 4,355,218
Liabilities		
Current Liabilities		
Accrued expenses	\$ 79,043	\$ 81,695
Advanced underwriting fees	4,823	10,176
Total current liabilities	83,866	91,871
Net Pension Liability - ASRS	861,692	813,584
Total liabilities	945,558	905,455
Deferred Inflows of Resources		
Pension related deferred inflows - ASRS	37,154	306,395
Net Position		
Net investment in capital assets	226,575	259,549
Unrestricted	3,139,988	2,883,819
Total net position	3,366,563	3,143,368
Total liabilities, deferred inflows of resources and net position	\$ 4,349,275	\$ 4,355,218

KNAU Radio  
(A Public Telecommunications Entity of Northern Arizona University)  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Grants and contracts	\$ 253,962	\$ 276,749
Subscriptions, memberships and gifts	815,091	870,238
Underwriting	624,389	647,816
Donated facilities and administrative support from Northern Arizona University	470,409	483,430
Total operating revenues	<u>2,163,851</u>	<u>2,278,233</u>
Operating Expenses		
Program services		
Programming and production	1,071,441	1,007,490
Broadcasting	357,888	410,215
Total program services	<u>1,429,329</u>	<u>1,417,705</u>
Support services		
Management and general	156,382	430,854
Northern Arizona University donated institutional support	470,409	483,430
Fundraising and development	281,132	288,276
Underwriting	189,817	180,250
Total support services	<u>1,097,740</u>	<u>1,382,810</u>
Total operating expenses	<u>2,527,069</u>	<u>2,800,515</u>
Operating Loss	<u>(363,218)</u>	<u>(522,282)</u>
Nonoperating Revenues and (Loss)		
General appropriations from Northern Arizona University	400,436	427,533
Net investment income (loss)	172,998	(643,703)
Other income	12,979	54,066
Total nonoperating revenues (loss)	<u>586,413</u>	<u>(162,104)</u>
Change in Net Position	223,195	(684,386)
Net Position, Beginning of Year	<u>3,143,368</u>	<u>3,827,754</u>
Net Position, End of Year	<u>\$ 3,366,563</u>	<u>\$ 3,143,368</u>

KNAU Radio  
(A Public Telecommunications Entity of Northern Arizona University)  
Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Receipts from grants and contracts	\$ 253,962	\$ 276,749
Receipts from subscriptions, memberships and gifts	862,402	920,544
Receipts from underwriting	632,595	633,606
Payments to employees	(1,229,199)	(1,216,278)
Payments to suppliers	(924,172)	(916,424)
Net Cash used for Operating Activities	(404,412)	(301,803)
Noncapital Financing Activities		
General appropriations from Northern Arizona University	400,436	427,533
Change in split-interest agreement	(251)	(628)
Other income	12,979	54,066
Net Cash from Noncapital Financing Activities	413,164	480,971
Capital and Related Financing Activities		
Purchase of capital assets	(21,564)	(40,878)
Net Change in Cash and Cash Equivalents	(12,812)	138,290
Cash and Cash Equivalents, Beginning of Year	1,020,290	882,000
Cash and Cash Equivalents, End of Year	\$ 1,007,478	\$ 1,020,290
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (363,218)	\$ (522,282)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	54,538	48,035
Change in allowance for uncollectible promises to give	1,781	(640)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	59,089	41,414
Accrued expenses	(2,652)	(1,528)
Net pension liability	48,108	(111,265)
Pensions related deferred outflows-ASRS	72,536	(35,019)
Pensions related deferred inflows-ASRS	(269,241)	284,160
Advanced underwriting fees	(5,353)	(4,678)
Net Cash used for Operating Activities	\$ (404,412)	\$ (301,803)

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Activities**

KNAU Radio (A Public Telecommunications Entity of Northern Arizona University) ("KNAU") is a non-commercial, educational radio station operated by Northern Arizona University in Flagstaff, Arizona, under a license granted by the Federal Communications Commission. KNAU's licensee is the Arizona Board of Regents acting for and on behalf of Northern Arizona University. KNAU's mission is to be a trusted source of information, music, and entertainment for rural Arizona through radio and other media.

The accounting policies of KNAU conform to accounting policies generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Basic financial statements of KNAU, as a department of Northern Arizona University ("NAU" or "the University") are not intended to represent the related financial statement information of the primary government.

### **Financial Reporting Entity**

The basic financial statements of KNAU include all funds for which KNAU has oversight responsibility. Fiscal responsibility for KNAU remains with the University; therefore, KNAU is considered part of the reporting entity for the University's reporting process.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

KNAU is an enterprise fund, which is accounted for using the economic resources measurement focus and the accrual basis of accounting. Except as noted below, revenues are recognized when earned, and expenses are recognized when they are incurred, regardless of the timing of related cash flows. The general appropriation from the University is recorded when expended. Grants and contracts are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. The portion of the University's indirect costs attributable to KNAU's operations and the value of space provided to KNAU by the University are included as revenues and expenses and are allocated based upon KNAU's proportional benefit and recorded at their fair value.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that generally result from providing information, music, and entertainment, which is consistent with KNAU's mission. Accordingly, revenues earned from grants and contracts, subscriptions, memberships, and gifts, underwriting and donated facilities, and institutional support from the University are considered operating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including general appropriations, investment earnings and other income. Operating expenses include the cost of services, salaries and employee-related expenses, office and general expenses, donated facilities and institutional support from the University and depreciation on capital assets.

When both restricted and unrestricted resources are available for use, it is KNAU's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Cash and Cash Equivalents**

For administrative purposes, cash balances of KNAU are commingled in bank accounts maintained by NAU or by the Northern Arizona University Foundation (the "Foundation"). For purposes of the statement of cash flows, highly liquid investments with an original maturity of three months or less are classified as cash equivalents.

Cash and cash equivalents maintained by NAU and the Foundation are deposits with commercial banks and are covered by federal depository insurance. Any cash balances held by NAU in excess of federal depository insurance are collateralized by United States government obligations held by the counter party's agent in the agent's account with the Federal Reserve in NAU's name. Any cash balances held by the Foundation in excess of depository insurance are collateralized by way of the Foundation's policies. The Foundation manages deposit concentration risk by placing cash and investments with financial institutions and investment brokerage firms believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds held at financial institutions. There were no amounts in excess of insured limits at June 30, 2023. To date, the Foundation has not experienced losses in any of these accounts.

### **Fair Value Measurements**

Certain assets and liabilities are reported at fair value in the basic financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that KNAU can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – unobservable inputs for the asset or liability. In these situations, KNAU develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to KNAU's assessment of the quality, risk or liquidity profile of the asset or liability.

The fair value of KNAU's investment balance is determined by KNAU's respective investment percentage in the fair value of the pools' assets. Fluctuations in value are recognized in the period incurred.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying basic financial statements.

#### **Accounts Receivable**

Accounts receivable consist of business underwriting activities and unconditional promises to give. Underwriting accounts receivable are stated at the amount billed to the sponsor. Unconditional promises to give are recorded at net realizable value. Management determines the allowance for uncollectible accounts receivable based on historical experience, analysis of aged receivables, and specific identification of uncollectible accounts. Accounts receivable are written off when deemed uncollectible. At June 30, 2023 and 2022, the allowance was \$986 and \$2,767, respectively.

#### **Assets Held under Split-Interest Agreements**

KNAU is the named beneficiary of an irrevocable trust held by the Foundation. This trust is governed by a trust agreement which provides for a future distribution of cash or other assets to the Foundation to be held for KNAU. As the Foundation holds the trust, and the corresponding liability, no such liability is recorded on the statement of net position of KNAU. The corresponding asset is recorded at fair value.

#### **Capital Assets**

Capital assets are generally stated at cost. Contributions of assets, for which historical costs are not available, are stated at estimated fair value at the date of receipt. Ordinary maintenance and repairs are charged to operations as incurred. The cost of assets sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gain or loss is included in operations. KNAU has set the capitalization threshold for reporting capital assets at \$1,000 and an estimated useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to twenty years.



KNAU reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2023 and 2022.

### **Deferred Outflows and Inflows of Resources**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, require actuarial assumptions be made, based on the measurement date, in computing deferred outflows and inflows of resources determined in connection with recording total pension liability.

For deferred outflows of resources, contributions made by KNAU to its pension plan since the measurement date of the plan's net pension liability, the difference between expected and actual experiences in the plan, changes in assumptions, and changes in the proportion and differences between employer contributions and the proportionate share of contributions to the plan are reported as pension related deferred outflows of resources. The contributions made since the measurement date of the plan will be recognized when the time period in which the contributions were made are encompassed by the plan. The difference between expected and actual experiences in the plan, changes in assumptions, and the changes in the proportion and differences between employer contributions and the proportionate share of contributions to the plan are amortized over the estimated remaining work-life of active participants in the plan and recognized as a reduction of pension expense.

For deferred inflows of resources, the difference between projected and actual investment earnings of the pension plan and changes in the proportion and differences between employer contributions and the proportionate share of contributions to the plan are presented as pension related deferred inflows of resources. This difference between projected and actual investment earnings of the pension plan is amortized over five years and recognized as a component of pension expense. The changes in the proportion and differences between employer contributions and the proportionate share of contributions to the plan are amortized over the estimated remaining work-life of active participants in the plan and recognized as a reduction of pension expense.

The Statement of Net Position includes separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that is applicable to future periods and will be recognized as a revenue in future periods. See Note 6 for additional information and disclosures related to the pension plan.

## Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Advanced Underwriting Fees

Advanced underwriting fees consist of advance payments from sponsors in the form of cash, for revenue to be recognized in the following year.

## Economic Dependence

KNAU is dependent upon funding from the Corporation for Public Broadcasting, NAU, underwriters, and contributors.

## Subsequent Events

KNAU has evaluated subsequent events through December 14, 2023, the date which the basic financial statements were available to be issued.

## Note 2 - Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2023	2022
Underwriting	\$ 55,564	\$ 69,123
Promises to give		
Within one year	50,000	50,000
In one to five years	135,866	184,958
Less allowance for doubtful accounts	(986)	(2,767)
	<u>\$ 240,444</u>	<u>\$ 301,314</u>

**Note 3 - Capital Assets**

Capital assets consisted of the following at June 30, 2023:

	July 1, 2022	Additions	Disposals	June 30, 2023
Capital assets being depreciated				
Broadcast and programming equipment	\$ 981,580	\$ 16,789	\$ (259,923)	\$ 738,446
Computers and office equipment	66,444	4,775	-	71,219
Vehicles	26,334	-	-	26,334
Leasehold improvements	256,942	-	-	256,942
Total cost	<u>1,331,300</u>	<u>21,564</u>	<u>(259,923)</u>	<u>1,092,941</u>
Less accumulated depreciation				
Broadcast and programming equipment	(748,412)	(31,810)	259,923	(520,299)
Computers and office equipment	(47,343)	(17,178)	-	(64,521)
Vehicles	(27,745)	-	-	(27,745)
Leasehold improvements	(248,251)	(5,550)	-	(253,801)
Total accumulated depreciation	<u>(1,071,751)</u>	<u>(54,538)</u>	<u>259,923</u>	<u>(866,366)</u>
Net capital assets	<u>\$ 259,549</u>	<u>\$ (32,974)</u>	<u>\$ -</u>	<u>\$ 226,575</u>

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

	July 1, 2021	Additions	Disposals	June 30, 2022
Capital assets being depreciated				
Broadcast and programming equipment	\$ 1,195,700	\$ 23,516	\$ (237,636)	\$ 981,580
Computers and office equipment	54,399	17,362	(5,317)	66,444
Vehicles	26,334	-	-	26,334
Leasehold improvements	272,830	-	(15,888)	256,942
Total cost	<u>1,549,263</u>	<u>40,878</u>	<u>(258,841)</u>	<u>1,331,300</u>
Less accumulated depreciation				
Broadcast and programming equipment	(943,516)	(42,532)	237,636	(748,412)
Computers and office equipment	(52,660)	-	5,317	(47,343)
Vehicles	(27,658)	(87)	-	(27,745)
Leasehold improvements	(258,723)	(5,416)	15,888	(248,251)
Total accumulated depreciation	<u>(1,282,557)</u>	<u>(48,035)</u>	<u>258,841</u>	<u>(1,071,751)</u>
Net capital assets	<u>\$ 266,706</u>	<u>\$ (7,157)</u>	<u>\$ -</u>	<u>\$ 259,549</u>

Depreciation expense was \$54,538 and \$48,035 for the years ended June 30, 2023 and 2022, respectively.

**Note 4 - Uniform Prudent Management and Investment of Funds**

Unrestricted net position includes an unrestricted quasi-endowment in accordance with generally accepted accounting principles. Funds are invested and may be drawn down at the discretion of management and are not committed for a specific purpose. Detailed quasi-endowment activity for the years ended June 30, 2023 and 2022, respectively, is as follows:

	2023	2022
Beginning balance - quasi-endowment	\$ 2,555,692	\$ 3,199,395
Interest and dividend income	267,556	111,142
Unrealized gains (losses)	(94,558)	(754,845)
Net investment income	172,998	(643,703)
Ending balance - quasi - endowment	<u>\$ 2,728,690</u>	<u>\$ 2,555,692</u>

The quasi-endowment is measured at fair value of \$2,728,690 and \$2,555,692 as of June 30, 2023 and 2022, respectively. The related fair values of these funds are determined by other observable inputs, which are considered to be Level 2 investments.

Funds held in the quasi-endowment are part of a pool of funds held by the Foundation on behalf of KNAU. The Foundation is not rated by the nationally recognized statistical rating organizations. The pool of funds is invested primarily in equity and fixed income mutual funds and money market funds. KNAU has no regulatory oversight for the pool, which is governed by the Foundation's management, board of directors and its designated subcommittees. The Foundation is audited annually by an independent certified public accounting firm.

**Note 5 - Donated Facilities and Administrative Support**

Donated facilities and administrative support from NAU totaled \$470,409 and \$483,430 for the years ended June 30, 2023 and 2022, respectively, and is comprised of donated office and studio space and costs for institutional support and physical plant operations. These costs are allocated financial costs incurred by NAU on behalf of KNAU.

**Note 6 - Retirement Plans**

KNAU employees participate in the Arizona State Retirement System (ASRS). The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov). KNAU'S net pension liability at June 30, 2023 and 2022 was \$861,692 and \$813,584, respectively.

## Defined Benefit Plan

### Plan Description

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (Other Postemployment Benefits) (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. All full benefit eligible classified staff must participate in these plans. University faculty, academic professionals, and administrative officers have the option to participate in these plans or defined contribution plans described later. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona.

### Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equal 80	30 years; age 55
	10 years; age 62	25 years; age 60
	5 years; age 50*	10 years; age 62
	Any years; age 65	5 years; age 50*
		Any years; age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit % per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

### Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41% (12.22% for retirement, 0% for health insurance premium benefit, and 0.19% for long-term disability) of the members' annual covered payroll, and KNAU was required by statute to contribute at the actuarially determined rate of 12.41% (12.01% for retirement, 0.21% for health insurance premium benefit, and 0.19% for long-term disability) of the active members' annual covered payroll. KNAU's contributions to the pension plan for the years ended June 30, 2023 and 2022, were \$75,476 and \$81,095, respectively.

### Pension Liability

At June 30, 2023 and 2022, KNAU reported a liability for its proportionate share of the ASRS's net pension liability of \$861,692 and \$813,584, respectively. The net pension liability was measured as of June 30, 2022 and June 30, 2021, respectively. For 2023 and 2022, the total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021 and 2020, to the measurement date of June 30, 2022 and 2021. KNAU's proportion of the net pension liability was based on KNAU's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. KNAU's proportion measured as of June 30, 2022 and 2021 and 2020, was 0.50% and 0.58% and 0.48%, respectively.

### Pension Expense and Deferred Outflows/Inflows of Resources

For the years ended June 30, 2023 and 2022, KNAU recognized pension expense for ASRS of \$71,039 and \$41,194, respectively. KNAU reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,342	\$ -
Changes in assumptions	42,767	-
Difference between projected and actual investment earnings	-	22,698
Changes in proportion and differences between KNAU contributions and proportionate share of contributions	1,270	14,456
KNAU contributions subsequent to the measurement date	75,476	-
	<u>\$ 126,855</u>	<u>\$ 37,154</u>

KNAU reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,402	\$ -
Changes in assumptions	105,894	-
Difference between projected and actual investment earnings	-	257,772
Changes in proportion and differences between KNAU contributions and proportionate share of contributions	-	48,623
KNAU contributions subsequent to the measurement date	81,095	-
	<u>\$ 199,391</u>	<u>\$ 306,395</u>

The \$75,476 as of June 30, 2023 reported as deferred outflows of resources related to ASRS pensions resulting from KNAU contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	\$ 27,028
2024	(9,723)
2025	(39,409)
2026	36,329
Total	<u>\$ 14,225</u>

#### Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

	June 30, 2023	June 30, 2022
Actuarial valuation date	June 30, 2021	June 30, 2020
Actuarial roll forward date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.0%	7.0%
Projected salary increases	2.9% - 8.4%	2.9% - 8.4%
Inflation	2.3%	2.3%
Permanent benefit increase	Included	Included
Mortality rates	2017 SRA Scale U-MP	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2022 valuation were determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures to June 30, 2022. Actuarial assumptions used in the June 30, 2021 valuation were determined by an actuarial valuation as of June 30, 2020, and rolled forward using generally accepted actuarial procedures to June 30, 2021.

The long-term expected rate of return on ASRS pension plan investments was determined to be 4.19% and 4.70% as of June 30, 2023 and 2022, respectively, using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2022 measurement date are summarized in the following table:

June 30, 2023	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Equity	50%	1.95%
Credit	20%	1.06%
Interest Rate Sensitive Bonds	10%	(0.02)%
Real estate	20%	1.20%
Total	100%	4.19%

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2021 measurement date are summarized in the following table:

June 30, 2022	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Equity	50%	2.45%
Credit	20%	1.04%
Interest Rate Sensitive Bonds	10%	0.07%
Real estate	20%	1.14%
Total	100%	4.70%



**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 7.0%. The rate has remained the same in the roll forward at 7.0% which was used for the actuarial assumptions at the valuation date. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of KNAU’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate** – The following table presents KNAU’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what KNAU’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

June 30, 2023	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
KNAU's proportionate share of the net pension liability	<u>\$ 1,271,401</u>	<u>\$ 861,692</u>	<u>\$ 520,059</u>
June 30, 2022	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
KNAU's proportionate share of the net pension liability	<u>\$ 1,279,699</u>	<u>\$ 813,584</u>	<u>\$ 424,973</u>

**Note 7 - Related Party Transactions**

In exchange for administrative services, KNAU pays a donation management fee equal to 5% of all donations to the Foundation, a non-profit corporation under Section 501(c)(3) of the internal revenue code, and a related party in accordance with generally accepted accounting principles. Foundation gift fees paid for the years ended June 30, 2023 and 2022 were \$43,574 and \$45,061, respectively. Also refer to Note 5 for transactions with NAU.



Required Supplementary Information  
June 30, 2023 and 2022

**KNAU Radio**

(A Public Telecommunications Entity of  
Northern Arizona University)

**KNAU Radio**  
 (A Public Telecommunications Entity of Northern Arizona University)  
 Schedule of Proportionate Share of Net Pension Liability  
 Last Ten Fiscal Years\*  
 June 30, 2023

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	Reporting Fiscal Year (Measurement Date)							
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the Plan's net pension liability	0.4958%	0.5830%	0.4755%	0.4817%	0.4900%	0.5100%	0.4700%	0.4500%
Proportionate share of the net pension liability	\$ 861,692	\$ 813,584	\$ 924,849	\$ 819,257	\$ 804,426	\$ 911,999	732,987	726,464
Covered payroll	696,672	589,004	616,002	552,020	554,295	546,345	442,337	421,947
Proportionate share of the net pension liability as a percentage of the covered payroll	123.69%	138.13%	150.14%	148.41%	145.13%	166.93%	165.71%	172.17%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.00%	69.92%	67.06%	68.35%

\*FY 2015 was the first year of implementation. GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, KNAU will present information for those years for which information is available.

**KNAU Radio**  
**(A Public Telecommunications Entity of Northern Arizona University)**  
**Schedule of Defined Benefit Plan Contributions**  
**Last Ten Fiscal Years\***  
**June 30, 2023**

	Reporting Fiscal Year (Measurement Date)							
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Statutorily required contribution	\$ 75,476	\$ 81,095	\$ 66,802	\$ 66,385	\$ 62,492	\$ 62,492	\$ 61,557	\$ 46,134
Contributions in relation to the statutorily required contribution	75,476	81,095	66,802	66,385	62,492	62,492	61,557	46,134
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 679,570	\$ 696,672	\$ 589,004	\$ 616,002	\$ 552,020	\$ 554,295	\$ 546,345	\$ 442,337
Contributions as a percentage of covered payroll	11.11%	11.64%	11.34%	10.78%	11.32%	11.27%	11.27%	10.43%

\*FY 2015 was the first year of implementation. GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, KNAU will present information for those years for which information is available.



Other Report  
June 30, 2023

## KNAU Radio

(A Public Telecommunications Entity of  
Northern Arizona University)



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To Management of  
KNAU Radio (A Public Telecommunications Entity of Northern Arizona University)  
Flagstaff, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the basic financial statements of KNAU Radio (A Public Telecommunications Entity of Northern Arizona University) ("KNAU") as of and for the year then ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise KNAU's basic financial statements, and have issued our report thereon dated December 14, 2023. Our report included an emphasis of matter that KNAU does not present the full financial activity of Northern Arizona University.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered KNAU's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of KNAU's internal control. Accordingly, we do not express an opinion on the effectiveness of KNAU's internal control.

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

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

## Report on Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona  
December 14, 2023