

## Instructions for AFR-filers

### Standard Method to Calculate Indirect Administrative Support (IAS) to report as NFFS

CPB acknowledges the value of IAS that an institutional licensee<sup>1</sup> provides to its station. Effective with fiscal year (FY) 2020 financial reporting to CPB, a new Standard Method will be used by Community Service Grant (CSG) recipients<sup>2</sup> to calculate IAS that is reported as non-federal financial support (NFFS) on its Annual Financial Report (AFR). CSG recipients that submit Financial Summary Reports (FSRs) will continue to use a grantee-developed method.

IAS is the value of services provided by an institutional licensee to its station for facilities and administrative costs (F&A) and occupancy values (OV).

- F&A: general administration costs (also known as institutional support) and operations and maintenance costs (also known as physical plant support).
- OV: the value of a station's pro-rata share of the annual depreciation of a licensee-owned building or land associated with tower facilities that is fully or partially occupied by the station.

The Standard Method has 5 steps.

1. Compute the rate.
2. Identify the base.
3. Apply rate to base to calculate IAS.
4. Compute occupancy value, if any, and add it to IAS.
5. Deduct fees paid to licensee.

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<sup>1</sup> Institutional licensees are licensees that are not devoted primarily to public broadcasting such as public and private colleges and universities, state, and local governments, including tribal governments and governments of U.S. territories.

<sup>2</sup> Please note that State licensees that provide IAS to their stations may be unable to use the Standard Method if the State's audited financial statement are insufficiently discrete. This must be determined in consultation with CPB and CPB will approve a grantee-developed method, if necessary.

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**Step 1: Compute the rate.**

To compute the rate, divide the **licensee’s** indirect costs by its direct costs. These costs are found in the **licensee’s** FY2020<sup>3</sup> audited financial statement (AFS). On the appropriate lines, enter the costs and provide the AFS page number(s) where the amounts were obtained. When the AFR is submitted, a copy of the **licensee’s** FY 2020 AFS must also be uploaded.

*Licensee indirect costs ÷ Licensee direct costs = the rate.*

<i>Licensee’s Indirect Costs*</i> <i>(Numerator)</i>	<i>Licensee’s Direct Costs**</i> <i>(Denominator)</i>
<b>Institutional support and/or Physical plant support</b>	<b>Total operating expenses minus both institutional support and physical plant support</b>

\*Regarding the licensee’s indirect costs (numerator):

- If the station benefits from both *institutional support* and *physical plant support*, include both in the numerator above.
- If not, include only the **one** that benefits the station in the numerator. Not all stations benefit from both *institutional support* and *physical plant support*.
- Indirect costs functional categories for *institutional support* may also be called *general administration*.
- Indirect costs functional categories for *Physical plant support* may also be called *plant and services, operation and maintenance of plant or facilities, or plant services*.
- Do not add amounts from multiple expense categories to obtain this number; only **one** institutional support and **one** physical plant support expense category should be included in the calculation.
- **If** the licensee’s functional expenses are not included in its AFS, attach to the licensee’s FY 2020 AFS a list of total operating expenses by functional categories that agrees to the licensee’s AFS. This list must be reviewed by the licensee’s finance office before it is submitted to CPB.
- **If** institutional support is reported as indirect costs in the licensee’s AFS but the physical plant support provided to the station is allocated across other functions, attach to the licensee’s FY 2020 AFS a summary of total operating expenses by functional categories (including a physical plant support category) that agrees to the total operating expenses in the licensee’s AFS. This functional report may also show how the allocation of physical plant support is made.

\*\*Regarding the licensee’s direct costs (denominator):

- Deduct **both** indirect costs i.e. *institutional support* and *physical plant support* - from the licensee’s total operating expenses, whether your station benefits from both or only one.
- In the licensee’s AFS, look for only the **two** major functional categories discussed above (institutional support and physical plant support).
- Note: Do not deduct any auxiliary services expenses like Medical/Health System or Housing expenses or Auxiliary Enterprises from Total Operating Expenses of the licensee.

Note: University licensees that are part of a multiple campus system must complete this calculation using the system’s financial statement. Do not extract and then add together costs from multiple campus financial statements.

<sup>3</sup> Every effort should be made to use the licensee’s FY 2020 AFS; however, in some cases it may not be completed in time for the grantee to complete its AFR on time. In those cases, use the licensee’s most recently completed AFS. In some case, if an AFS is not available because the licensee financials are consolidated into a state’s annual comprehensive financial report (CAFR), stations may use an unaudited or published financial statements of the licensee.

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### Standard Method to Calculate Indirect Administrative Support (IAS) to report as NFFS

#### Step 2: Identify the Base.

Apply the rate calculated in Step 1 to a base consisting of the station's net direct expenses. These net direct expenses are found in the station's 2020 AFS. On the appropriate lines, enter the costs and provide the AFS page number(s) where the amounts were obtained. Note: Total operating expenses of stations are entered in Schedule E of the AFR and its recommended stations always first complete Schedule E of the AFR before calculating IAS in schedule B.

After entering the station's total operating expenses found on AFR Schedule E Line 8, deduct the following indirect expenses (*if* these expenses were included in your total operating expenses):

- total depreciation and amortization per AFS,
- in-kind contributions and donated property and equipment reported as expenses per AFS,
- indirect administrative support (if included in the total operating expenses) – per AFS,
- expenses for non-broadcasting activities and unrelated business income taxes (UBIT) you paid \*\*\* per AFS, and
- expenses not supported by your licensee per AFS – example, some consolidated entities like Friend's Group, foundations, and component units, if they are included on Schedule E Line 8 or AFS total operating expenses. (Most stations do not have a consolidated AFS.)

The total of net direct expenses, as computed above, is your base.

\*\*\* Note: Some grantees operate subsidiary enterprises or engage in activities unrelated to public broadcasting. According to the IRS, for most organizations (CSG recipients included) an activity is an unrelated business if it meets three criteria: (1) it is a trade or business; (2) it is regularly carried on; and (3) it is not substantially related to furthering the tax exempt purpose of the organization.

#### Step 3: Apply the Rate to the Base.

The formula will automatically multiply the rate (from Step 1) by the base (from Step 2).

#### Step 4: Compute Occupancy Value.

If the station operates in space provided at no cost by its licensee, the station may complete a calculation to determine the occupancy value. OV is the value of a station's pro-rata share of the annual depreciation of a licensee-owned building or land associated with tower facilities that is fully or partially occupied by the station.

Complete the Computing Occupancy Support form using instructions in the Financial Reporting Guidelines. Note: OV included in IAS under the old methods as a separate tab in Schedule B. There have been no revisions to the forms and instructions for computing OV under the Standard Method.

#### Step 5: Deduct Fees Paid to the Licensee

Enter any fees that you have paid directly to the licensee for overhead recovery, assessment, use fees, or management fees.

Once Steps 4 and 5 are completed, the formula automatically adjusts your IAS total.

## **Instructions for AFR-filers**

### **Standard Method to Calculate Indirect Administrative Support (IAS) to report as NFFS**

#### **Recording IAS as NFFS in the Station's AFR:**

Please note, IAS must be included in the station's AFS to be eligible as NFFS. The final amount calculated using the Standard Method may be reported as NFFS to the extent that it does not exceed the IAS reported in your station's AFS. If it does, you will be required to make an adjustment in the AFR so that it does not exceed the amount audited in your financial statement.