

# FINANCIAL REPORT

Fiscal Year 2022

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# Message from the Chief Financial and Administrative Officer



**Chief Financial and Administrative Officer Kim Farington**

I am pleased to present the financial condition and operating results of the First Responder Network Authority (FirstNet Authority) for fiscal year (FY) 2022, along with the report of the independent auditors, Harper, Rains, Knight & Company, P.A. This fulfills the statutory requirements established by Section 6209 of Public Law No. 112-96, Title VI, 126 Statute 156, which created the FirstNet Authority as an independent authority within the National Telecommunications and Information Administration of the U.S. Department of Commerce.

For the tenth consecutive year, the FirstNet Authority's auditors have provided an unmodified opinion on the FirstNet Authority's FY 2022 Financial Statements. The auditors perform procedures to obtain audit evidence about the amounts and disclosures in the financial statements to provide reasonable assurance that the financial statements are free from material misstatement.

**FY 2022 overview.** Throughout FY 2022, the FirstNet Authority continued achieving its mission of overseeing the deployment and operation of the nationwide public safety broadband network (NPSBN or FirstNet Network). The FirstNet Authority exercised sound stewardship over its financial resources to support its ongoing operations and execution of the mandates of the FirstNet Authority's enabling legislation. During FY 2022, the FirstNet Authority used fees received from the leasing of its licensed spectrum for operations and to invest in expanding services for network coverage.

**Annual fees from NPSBN contractor.** The FirstNet Authority is required by its enabling statute to be a self-sustaining entity, which does not receive annual congressional funding. The FirstNet Authority has ensured its financial sustainability through its contractual relationship with AT&T in which AT&T has exclusive access to FirstNet Authority's licensed 20 MHz of telecommunications spectrum (Band 14) for a 25-year contract term in exchange for annual fee payments and AT&T's commitment to build, deploy, and operate the NPSBN. In September 2022 and September 2021, AT&T submitted the annual fee payments for its exclusive use of the FirstNet Authority's licensed 20 MHz of telecommunications spectrum (Band 14) pursuant to the terms of the NPSBN contract. This fee collection was recorded as both contract revenue and a contract liability on the respective FirstNet Authority Statements of Operations and Balance Sheets.

**Success-based payments to advance the NPSBN.** In FY 2022, the FirstNet Authority made success-based payments to AT&T for completed milestones of the NPSBN contract. As of September 30, 2022, the FirstNet Authority has recognized \$6.2 billion in assets, at cost, related to the NPSBN. The network buildout will continue through 2027 based on the timelines contained in the NPSBN contract. As of September 30, 2022, more than 21,800 public safety agencies and organizations were using over 3.7 million service connections on the network.

**Reinvestment into the Network.** In FY 2022, the FirstNet Authority announced a new investment to improve the network, consistent with its enabling statute. The investment expands services for network coverage via small-cell technologies, increasing NPSBN coverage where public safety agencies operate indoors, such as police headquarters, fire stations, emergency communication centers, and other critical sites and field locations.

In FY 2022, the FirstNet Authority continued fulfilling its duties, responsibilities, and promise to public safety. This year also marked the FirstNet Authority's ten-year anniversary. In the decade since Congress passed our founding legislation, we have followed through on our mission to deliver a broadband communications network for public safety. As we look to the future, we remain committed to advancing the network in support of the thousands of public safety entities that work to keep our communities safe.

*Kim Farington*

Kim Farington  
Chief Financial and Administrative Officer  
First Responder Network Authority



# Introduction and Background



# Introduction and Background

## History, Purpose and Mission

Ten years ago, the Middle Class Tax Relief and Job Creation Act of 2012 (the Act) was signed into law, establishing the First Responder Network Authority (FirstNet Authority) within the U.S. Department of Commerce's National Telecommunications and Information Administration. The organization was stood up following recommendations from the 9/11 Commission and years of advocacy from the first responder community for a broadband network of their own. The Act also allocated \$7.0 billion and 20 megahertz of broadband spectrum for the creation of a public safety broadband network; set forth the FirstNet Authority's authorities, duties, and responsibilities; established its governance structure; authorized initial funding and subsequent requirements for self-funding and network investments; created advisory committees; and provided audit and reporting requirements.

The FirstNet Authority's mission is to ensure the building, deployment, and operation of the nationwide public safety broadband network known as FirstNet. In March 2017, after a full and open competitive procurement process, the FirstNet Authority entered into an innovative public-private partnership with AT&T, awarding a 25-year network contract.

Since its creation 10 years ago, the FirstNet Authority has been committed to bringing first responders a network built to address their needs and enhance their operations. The initial buildout of the network began in 2018, and today, responders are using FirstNet's prioritized connection to support communication through planned events, weather-related disasters, and other emergencies and incidents.

The FirstNet Authority is working to create a dedicated, differentiated broadband experience for first responders, and to be a catalyst for advancing our nation's public safety communications. Through ongoing engagement with public safety, the FirstNet Authority continues to ensure FirstNet meets the needs of first responders across the nation.

## Fiscal Year 2022 Overview

The FirstNet Authority's fiscal year begins October 1 and ends September 30. Fiscal Year (FY) 2022 was the FirstNet Authority's tenth consecutive year of operations, marking a major milestone for the agency and another year of progress for the FirstNet Network. In FY 2022, the FirstNet Authority continued to oversee the contract-compliant buildout, advanced innovation, and investment into the network.

Specifically, in FY 2022, public safety and the nation have seen:

- **Network buildout and Band 14 deployment:** During the past year, AT&T reported that FirstNet has the largest coverage footprint for first responders, reaching more than 2.81 million square miles across the country. Additionally, AT&T remains ahead of schedule in the buildout of Band 14, surpassing 95 percent of its coverage target. Band 14 is high-quality spectrum licensed to the FirstNet Authority. With Band 14, first responders have access to bandwidth specifically for public safety, so they don't have to compete with non-public safety users. The NPSBN buildout is helping close connectivity gaps in rural areas and tribal lands.

- **Use and adoption by public safety:** Users and connections continue to grow on FirstNet. More than 4,000 public safety agencies and organizations joined the network this fiscal year, bringing the total to more than 21,800, using more than 3.7 million connections. From hurricanes, tornadoes, and floods to training exercises and significant events, responders used FirstNet to communicate when and where they needed.
- **Growing ecosystem of apps and devices for first responders:** In FY 2022, 100 devices were approved and certified for use on FirstNet. There are now more than 450 FirstNet Ready™ devices available for public safety. Additionally, the FirstNet App Catalog saw a 10 percent increase from FY 2021, making more than 200 apps approved and available to first responders.

## Advancing Public Safety Through Network Investments

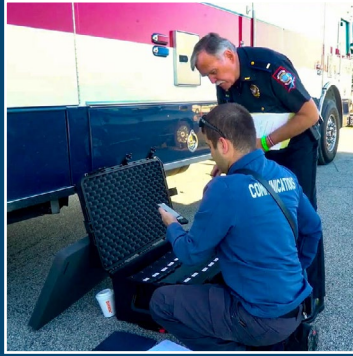
Public safety feedback is critical to the advancement of FirstNet. One of the top critical communication priorities first responders share with us is the need for greater in-building coverage. In May 2022, the FirstNet Authority Board approved an investment to address this challenge, supporting the expansion of Band 14 coverage through small cell technology. This technology can be used anywhere with a broadband connection to enhance coverage and access to mission critical services where public safety operates in-building, such as at fire stations or police headquarters.

The FirstNet deployable fleet continues to play an important role, supporting public safety with coverage during major disasters and planned events. In FY 2022, the fleet grew to 150 assets, including Flying Cell on Wings, Communication Vehicles, Satellite Cells on Light Trucks, Compact Rapid Deployables, and an Aerostat. The expanded portable fleet supported public safety during natural disasters such as Hurricanes Ian and Fiona and the Marshall Fire in Colorado. Additionally, portable assets are being used by Tribal communities to enhance coverage in rural and remote areas.

As we look to the future of public safety communications, the FirstNet Authority is focused on developing innovative solutions for challenges faced by first responders. In May 2022, we launched the Public Safety Immersive Test Center in Boulder, Colorado. This center, developed in partnership with the National Institute of Standards and Technology Public Safety Communications Research Division, brings together innovation and collaboration with public safety. The Center spurs research, development, and deployment of technologies that will enhance public safety operations, especially those related to user interfaces and location services.

As the FirstNet Authority celebrated our 10-year anniversary in FY 2022, we reflected on the progress we've made since our founding legislation. We're proud to continue to deliver on our promise to public safety to provide the broadband network and capabilities they need. Through collaboration and insight from first responders, we were able to deliver several innovative solutions this year. In FY 2023 and beyond, we will continue — through public safety advocacy, alignment with our Roadmap, strategic intent, and strong financial stewardship — to provide a network public safety can depend on every day and in every emergency.





# 1.0 Financial Statements





## 1.0 Financial Statements

### 1.1 Balance Sheets

**First Responder Network Authority**  
**Balance Sheets**  
**As of September 30, 2022 and 2021**  
**(In Thousands)**

ASSETS	FY 2022	FY 2021
<b>Current Assets</b>		
Cash (Note 3)	\$ 915,855	\$ 1,867,596
Restricted Cash (Note 3)	536	534
Accounts Receivable (Note 4)	23	47
Advances and Prepayments (Note 5)	94	187
<b>Total Current Assets</b>	<b>916,508</b>	<b>1,868,364</b>
Property, Plant, and Equipment, Net (Note 6)	4,008	4,134
Nationwide Public Safety Broadband Network (NPSBN), Net (Note 7)	5,438,104	5,537,123
Other Assets, Net (Note 8)	2,654	527
<b>TOTAL ASSETS</b>	<b>\$ 6,361,274</b>	<b>\$ 7,410,148</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable (Note 9)	\$ 7,107	\$ 904,701
Accrued Payroll and Leave (Note 10)	5,975	5,749
Contract Liability (Note 12)	195,000	120,000
<b>Total Current Liabilities</b>	<b>208,082</b>	<b>1,030,450</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 208,082</b>	<b>\$ 1,030,450</b>
<b>EQUITY (Note 14)</b>		
Contributed Capital	\$ 6,962,927	\$ 6,957,427
Retained Deficit	(809,735)	(577,729)
<b>TOTAL EQUITY</b>	<b>\$ 6,153,192</b>	<b>\$ 6,379,698</b>
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>\$ 6,361,274</b>	<b>\$ 7,410,148</b>

The accompanying notes are an integral part of these financial statements.

## 1.2 Statements of Operations

**First Responder Network Authority**  
**Statements of Operations**  
**For the Years Ending September 30, 2022 and 2021**  
**(In Thousands)**

<b>Operating Revenues</b>	<b>FY 2022</b>	<b>FY 2021</b>
Nationwide Public Safety Broadband Network Contract Revenue	\$ 120,000	\$ 120,000
<b>Total Operating Revenues (Note 12)</b>	<b>120,000</b>	<b>120,000</b>
<b>Operating Expenses</b>		
Personnel Compensation and Benefits (Note 2 & Note 16)	43,091	42,495
Contractual Services (Note 2 & Note 17)	31,230	21,149
Other General and Administrative (Note 2 & Note 11)	6,044	5,014
Depreciation and Amortization Expense (Note 6, Note 7, & Note 8)	271,629	216,224
<b>Total Operating Expenses</b>	<b>351,994</b>	<b>284,882</b>
<b>Operating Deficit</b>	<b>(231,994)</b>	<b>(164,882)</b>
Loss on Disposition of Assets	(12)	(3)
<b>NET DEFICIT</b>	<b>\$ (232,006)</b>	<b>\$ (164,885)</b>

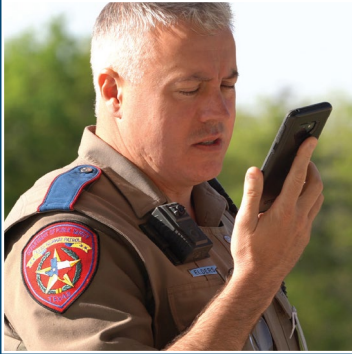
The accompanying notes are an integral part of these financial statements.

### 1.3 Statements of Cash Flows

**First Responder Network Authority**  
**Statements of Cash Flows**  
**For the Years Ending September 30, 2022 and 2021**  
**(In Thousands)**

<b>Cash Flows from Operating Activities</b>	<b>FY 2022</b>	<b>FY 2021</b>
Net Deficit	\$ (232,006)	\$ (164,885)
Adjustments to reconcile Net Deficit to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	271,629	216,224
Decrease/(Increase) in Accounts Receivable	24	(7)
Decrease in Advances and Prepayments	93	318
Increase in Accounts Payable	3,086	33
Increase in Accrued Payroll and Leave	226	121
Increase in Contract Liability	75,000	-
Loss on Disposition of Assets	12	3
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>118,064</b>	<b>51,807</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Capitalized NPSBN	(1,072,115)	(1,536,393)
Purchases of Property, Plant, and Equipment	(843)	(1,678)
Purchases of Other Assets	(2,345)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,075,303)</b>	<b>(1,538,071)</b>
<b>Cash Flows from Financing Activities</b>		
Capital Contributions Received (Note 14)	5,500	1,537
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>5,500</b>	<b>1,537</b>
Net Decrease in Cash and Restricted Cash	(951,739)	(1,484,727)
Cash and Restricted Cash, Beginning of Year	1,868,130	3,352,857
<b>CASH AND RESTRICTED CASH, END OF YEAR (Note 3)</b>	<b>\$ 916,391</b>	<b>\$ 1,868,130</b>
<b>Non-Monetary Transactions</b>		
Loss on Disposition of Assets	\$ (12)	\$ (3)
Non-Cash Purchases of Capitalized NPSBN (included in Accounts Payable on the Balance Sheets)	483	901,163
<b>NON-MONETARY TRANSACTIONS</b>	<b>\$ 471</b>	<b>\$ 901,160</b>

The accompanying notes are an integral part of these financial statements.



## 2.0 Notes to the Financial Statements



## 2.0 Notes to the Financial Statements

### Note 1. Reporting Entity and Summary of Significant Accounting Policies

#### 1. A – Description of Reporting Entity

The First Responder Network Authority (FirstNet Authority) was established by the Public Law No. 112-96, *Title VI, 126 Stat. 156* (Public Law 112-96 or the Act) as an independent authority within the NTIA of the U.S. Department of Commerce (the Department). The FirstNet Authority is headed by a Board of 15 individuals (12 appointed by the Secretary of Commerce, along with the Secretary of Homeland Security, the Attorney General of the United States, and the Director of the Office of Management and Budget). The FirstNet Authority's statutory mandate is to ensure the establishment of an interoperable Nationwide Public Safety Broadband Network (NPSBN or FirstNet Network).

In 2017, the FirstNet Authority awarded a contract to AT&T to design, build, deploy, operate, and maintain the NPSBN. In exchange for AT&T's commitments to establish the network, the FirstNet Authority provides access to spectrum capacity on 20 megahertz (MHz) of spectrum in the 700 MHz band, commonly known as Band 14, for the 25-year contract term. Additionally, the FirstNet Authority is contributing success-based payments to support network buildout and reinvestment. As of September 30, 2022, more than 21,800 public safety agencies and organizations were using over 3.7 million service connections on the network.

These financial statements cover the FirstNet Authority's fiscal years ended September 30, 2022 and 2021.

#### 1. B – Basis of Presentation

The FirstNet Authority prepares its financial statements using the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The accompanying financial statements of the FirstNet Authority have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private sector standards-setting body. The Federal Accounting Standards Advisory Board (FASAB) has been designated as the standards-setting body for federal financial reporting entities, with respect to the establishment of GAAP. However, the FASAB allows certain federal reporting entities, such as the FirstNet Authority, to utilize FASB standards for financial statement presentations where the entity can demonstrate that the needs of their primary users would best be met through the application of FASB standards.

The FirstNet Authority has been delegated the financial and operational authority to operate in a manner similar to private business enterprises by Public Law 112-96. The FirstNet Authority's primary funding is derived from a source other than through annual Federal appropriations and, after an initial infusion of capital, the FirstNet Authority finances its operations through fee income and other revenues earned from selling goods and/or services to sources outside the U.S. government as its principal activity.

In compliance with the Act, the FirstNet Authority is to be audited annually by an independent auditor, in accordance with GAAP and procedures applicable to commercial corporate transactions. The FirstNet Authority, accordingly, has determined that the financial reporting framework established by the FASB is the appropriate source of GAAP for external financial statement reporting purposes.

The accompanying audited financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the FirstNet Authority's financial position as of September 30, 2022 and 2021, and the results of its operations and cash flows for the years ended September 30, 2022 and 2021.

#### 1. C – Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in these financial statements. Actual results may differ from those estimates. Significant estimates used in preparing the financial statements included those assumed in determining the useful lives of intangible assets, NPSBN assets and other property, plant, and equipment.

#### 1. D – Cash

As of September 30, 2022 and 2021, the FirstNet Authority has recorded as Cash the aggregate amount of funds from all sources, including proceeds from the auction of Federal Communications Commission (FCC) spectrum licenses specified by the Act, to implement requirements to build NPSBN consistent with Section 6206 (b) of the Act. This Cash is held at the U.S. Department of the Treasury in the NTIA Network Construction Fund, First Responder Network Authority Fund, and the NTIA Public Safety Trust Fund.

#### 1. E – Restricted Cash

Restricted Cash represents FirstNet Authority cash that is not available for general use. The FirstNet Authority treats funds sequestered by the Budget Control Act of 2011 as Restricted Cash until such time as the sequestered funds are made available. See *Note 3 – Cash and Restricted Cash* for further details.

#### 1. F – Accounts Receivable

Accounts Receivable typically consist of amounts owed to the FirstNet Authority by NTIA, other Federal agencies and the public. Amounts due from Federal agencies are considered fully collectable. Accounts receivable from the public include reimbursements from employees. An allowance for doubtful accounts from the public is established when, based upon a review of outstanding accounts, failure of all collection efforts, and debtor's ability to pay, management determines that collection is unlikely to occur in full or in part. See *Note 4 – Accounts Receivable* for further details.

#### 1. G – Advances and Prepayments

Advances and Prepayments are advance payments for the cost of goods or services to be acquired. Prepaid goods and services are expensed as the goods and services are delivered. See *Note 5 – Advances and Prepayments* for further details.

#### 1. H – Property, Plant, and Equipment, Net

Property, Plant, and Equipment (PP&E), Net includes capital assets used in providing goods or services when the estimated useful life is two years or more. PP&E, Net is stated at original cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation and amortization. The FirstNet Authority calculates depreciation and amortization expense using the straight-line method over the asset's estimated useful life. The estimated useful lives of the FirstNet Authority's PP&E range from three to ten years.

The FirstNet Authority's single asset capitalization threshold is \$25 thousand, and the personal property bulk capitalization threshold is \$150 thousand. See *Note 6 – Property, Plant, and Equipment, Net* for further details.

#### 1. I – Other Assets, Net

Other Assets, Net represent Geographical Mapping Data and Drive test Data collections to measure the coverage and performance of the NPSBN. Other Assets, Net are stated at original cost, including all costs related to acquisition, delivery, and installation, less accumulated amortization. The FirstNet Authority calculates amortization expense using the straight-line method over the asset's estimated useful life. See *Note 8 – Other Assets, Net* for further details.

#### 1. J – Operating Leases

Lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Rent expense paid by the FirstNet Authority related to operating leases is included in operating expenses in the accompanying Statements of Operations on a straight-line basis over the term of the lease. See *Note 11 – Leases* for further details.

#### 1. K – Impaired Assets

Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the asset is written down to fair value. There were no impairment charges for the years ended September 30, 2022 and 2021.

#### 1. L – Accrued Payroll and Leave

These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30, 2022 and 2021. Annual leave and compensatory time earned leave are accrued as liabilities when earned and the accruals are reduced as leave is taken. The balances in these accrued liability accounts reflect salary or wage rates of employees as of the Balance Sheet date. Accrued leave is recorded net of advances.

Sick leave and other types of non-vested leave are not accrued but are expensed as the leave is taken. See *Note 10 – Accrued Payroll and Leave* for further details.

#### 1. M – Contract Liability

As payments are received from AT&T under the NPSBN contract, they are initially recognized as a contract liability and are subsequently amortized on a straight-line basis over the applicable fiscal year. See *Note 12 – Revenue Recognition* for further details.

#### 1. N – Contributed Capital

Contributed Capital represents NTIA transfers and additional proceeds from the auction of FCC spectrum licenses specified by the Act to carry out the FirstNet Authority's responsibilities in deploying the NPSBN. See *Note 14 – Equity* for further details.

#### 1. O – Employee Retirement Plans and Postretirement Benefits other than Pensions

The FirstNet Authority employees participate in the U.S. government contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), in which the FirstNet



Authority and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, the FirstNet Authority does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the U.S. Office of Personnel Management (OPM). Postretirement benefits for FirstNet Authority employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. government. The FirstNet Authority does not reimburse OPM for these payments. The FirstNet Authority financial statements do not include the costs of employee retirement plans and employee postretirement benefits paid or to be paid by OPM, or the actuarial liabilities for such benefits.

#### 1. P – Intangible Asset - Spectrum License

Intangible assets at the FirstNet Authority include an FCC spectrum license. The FCC granted the FirstNet Authority exclusive rights to the single nationwide Public Safety Wireless Network License, Station WQQE234, for use of 20 MHz of spectrum in the 700 MHz band at no cost. The Station WQQE234 license is renewable every ten years following an application to the FCC. See *Note 12 – Revenue Recognition* for further details. Under FASB Accounting Standards Codification (ASC) subtopic 350-30-25, *Intangibles Other than Goodwill*, the spectrum license would be recognized at fair value. Because this spectrum has been allocated for public safety use consistent with the mission of the FirstNet Authority, a fair value cannot be determined. Under current law, the spectrum license is not tradeable or exchangeable in any market, and any measure based on potential cash flow would be purely speculative. Therefore, the FirstNet Authority has not recognized in its financial statements any value related to the spectrum license granted by the FCC.

#### 1. Q – Revenue Recognition

Pursuant to the Act, the FirstNet Authority generates revenues through network user fees and leases related to network capacity<sup>1</sup>. The FirstNet Authority records revenue over time as it meets its performance obligations, based on the transaction price noted in the contract with the customer (or AT&T). In FY 2018, the FirstNet Authority began to receive payments from AT&T for access to 20MHz of spectrum and its capacity for the 25-year contract term. This contract is the FirstNet Authority's sole source of revenue. As payments are received from AT&T, they are initially recognized as a contract liability and are subsequently amortized on a straight-line basis over the applicable fiscal year. See *Note 12 – Revenue Recognition* for further details.

#### 1. R – Tax Status

The FirstNet Authority is not subject to Federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded and reported in the FirstNet Authority's Statements of Operations, nor does the FirstNet Authority recognize any associated income tax interest and penalties.

The FirstNet Authority has no uncertain tax positions and, accordingly, it has no unrecognized tax benefits for which liabilities have been established.

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<sup>1</sup> See 47 U.S.C. § 1428(a).

### 1. S – Fair Value Measurements

The FirstNet Authority held no financial instruments that were required by ASC Topic 820, *Fair Value Measurements and Disclosures*, to be valued, reported, or disclosed at fair value as of September 30, 2022 and 2021.

### 1. T – Recently Issued Accounting Standards

Accounting Standards Update 2020-05, Leases:

In February 2016, the FASB issued Accounting Standards Update 2016-02 Leases, which is codified in ASC 842, Leases (“ASC 842”). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations. It requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. FirstNet Authority will adopt ASC 842 for its 2023 fiscal year (beginning October 1, 2022) using the modified retrospective approach for all leases in effect as of October 1, 2022 or commencing thereafter. Upon adoption of ASC 842, FirstNet Authority expects an impact in its balance sheet resulting from recognizing one or more lease liabilities with related right-of-use assets at amounts that will represent the present value of the future minimum lease payments of the lease. We do not expect any material effects on our statement of operations and statement of cash flows.

### **Note 2. Limitation on Administrative Expenses**

Administrative expenses for the FirstNet Authority may not exceed \$100.0 million during the 10-year period beginning on February 22, 2012<sup>2</sup>. Costs attributed to certain oversight and audits were not included under the administrative expenses limitation. Non-programmatic costs incurred in the course of carrying out activities that directly support the FirstNet Authority organization as a whole were recognized as administrative expenses subject to the limitation.

For the years ended September 30, 2022 and 2021, the FirstNet Authority incurred \$9.3 million and \$9.0 million in administrative expenses under the limitation, respectively. As of September 30, 2022 and 2021, the total amount of administrative expense limitation available in future periods was \$25.2 million and \$34.5 million, respectively. The administrative expense total for the 10-year period ended September 30, 2022 was \$74.8 million.

### **Note 3. Cash and Restricted Cash**

Restricted Cash represents FirstNet Authority cash that is not available for general use. As of September 30, 2022 and 2021, \$536 thousand and \$534 thousand, respectively, was temporarily restricted from use by the FirstNet Authority due to a temporary reduction in direct spending authority as calculated by the Office of Management and Budget and imposed under the Budget Control Act of 2011.

The following table shows the reconciliation of total Cash and Restricted Cash reported on the Balance Sheets to the amounts presented on the Statements of Cash Flows as of September 30, 2022 and 2021:

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<sup>2</sup> See 47 U.S.C. § 1427(b).

<i>In Thousands</i>		<b>FY 2022</b>		<b>FY 2021</b>
Cash	\$	915,855	\$	1,867,596
Restricted Cash		536		534
<b>Total Cash and Restricted Cash shown in the Statements of Cash Flows</b>	<b>\$</b>	<b>916,391</b>	<b>\$</b>	<b>1,868,130</b>

#### **Note 4. Accounts Receivable**

Receivables – Intragovernmental and With the Public represent sums due to the FirstNet Authority for services rendered by the FirstNet Authority as of September 30, 2022 and 2021. Intragovernmental Accounts Receivable includes amounts under reimbursable service agreements between the FirstNet Authority and NTIA.

Accounts Receivable as of September 30, 2022 and 2021 consist of the following:

<i>In Thousands</i>		<b>FY 2022</b>		<b>FY 2021</b>
Receivables – Intragovernmental	\$	2	\$	22
Receivables - With the Public		21		25
Total Accounts Receivable		<b>23</b>		<b>47</b>
Less: Allowance for doubtful accounts		-		-
<b>Accounts Receivable</b>	<b>\$</b>	<b>23</b>	<b>\$</b>	<b>47</b>

#### **Note 5. Advances and Prepayments**

Advances and Prepayments represent payments made pursuant to intragovernmental agreements for services to be performed by contactors in future periods to support FirstNet Authority's mission, strategic, programmatic, and administrative objectives. As of September 30, 2022 and 2021, Advances and Prepayments amounted to \$94 thousand and \$187 thousand, respectively. The decrease is primarily due to a reduction in advances paid to Naval Information Warfare Center Pacific.

## Note 6. Property, Plant, and Equipment, Net

The following table summarizes Property, Plant, and Equipment, Net as of September 30, 2022 and 2021:

<i>In Thousands</i>		<b>FY 2022</b>	<b>FY 2021</b>
	<b><u>Estimated Useful Life in Years</u></b>		
Equipment	3 - 10	\$ 7,960	\$ 7,835
Leasehold Improvements	3 - 4	3,417	3,015
Internal Use Software	3 - 7	657	436
Other Property, Plant, and Equipment	3 - 4	1,662	1,662
Construction In Progress - Real Property		-	70
<b>Property, Plant, and Equipment, at cost</b>		<b>13,696</b>	<b>13,018</b>
Less: Accumulated depreciation and amortization		9,688	8,884
<b>Property, Plant, and Equipment, Net</b>		<b>\$ 4,008</b>	<b>\$ 4,134</b>

For the years ended September 30, 2022 and 2021, depreciation and amortization expense on Property, Plant, and Equipment was \$1.0 million, respectively, and is included in *Depreciation and Amortization Expense* in the accompanying *Statements of Operations*.

## Note 7. Nationwide Public Safety Broadband Network, Net

As noted in Note 1. A, the FirstNet Authority awarded in 2017 a 25-year contract to AT&T to design, build, deploy, operate, and maintain the NPSBN. As the FirstNet Authority's exclusive contractor in the delivery of the NPSBN, AT&T has use of the FirstNet Authority's spectrum and can allow commercial subscribers to secondarily utilize network capacity, when it is not in use by public safety subscribers.

The contract with AT&T is a firm-fixed-price contract with specific milestone deliverables. Consistent with accrual accounting under GAAP, the FirstNet Authority accrues for a contract milestone upon AT&T's delivery of core network and radio access network initial operating capabilities to the FirstNet Authority. The delivered milestone is capitalized or expensed after inspection and acceptance by the FirstNet Authority and amortized over the remaining life of the contract.

As of September 30, 2022, the FirstNet Authority has capitalized NPSBN, at cost, of \$6.2 billion, and recorded amortization expense of \$270.5 million. For the year ended September 30, 2022, the FirstNet Authority disbursed \$170.9 million for NPSBN services received, of which \$483 thousand remained unpaid as of September 30, 2022, and is included in *Accounts Payable* on the *Balance Sheets*.

As of September 30, 2021, the FirstNet Authority had capitalized NPSBN, at cost, of \$6.0 billion, and recorded amortization expense of \$215.1 million. For the year ended September 30, 2021, the FirstNet Authority disbursed \$1.0 billion for NPSBN services received, of which \$901.2 million remained unpaid as of September 30, 2021, and is included in *Accounts Payable* on the *Balance Sheets*.

The following table summarizes Nationwide Public Safety Broadband Network, Net as of September 30, 2022 and September 30, 2021:

<i>In Thousands</i>		<b>FY 2022</b>	<b>FY 2021</b>
	<b><u>Estimated Useful Life in Years</u></b>		
Nationwide Public Safety Broadband Network (Task Orders 6 and 9)	4 - 7	\$ 8,381	\$ 7,898
Nationwide Public Safety Broadband Network (All Other Task Orders)	19 - 25	6,154,610	5,983,658
<b>Nationwide Public Safety Broadband Network, at cost</b>		<b>6,162,991</b>	<b>5,991,556</b>
Less: Accumulated amortization		724,887	454,433
<b>Nationwide Public Safety Broadband Network, Net</b>		<b>\$ 5,438,104</b>	<b>\$ 5,537,123</b>

As of September 30, 2022, future minimum estimated NPSBN amortization expense for each of the next five fiscal years are as follows:

<i>In Thousands</i>	<b>Total</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<i>Amortization Expense</i>	\$ 1,554,882	\$ 310,406	\$ 311,119	\$ 311,119	\$ 311,119	\$ 311,119
<i>Total</i>	<b>\$ 1,554,882</b>	<b>\$ 310,406</b>	<b>\$ 311,119</b>	<b>\$ 311,119</b>	<b>\$ 311,119</b>	<b>\$ 311,119</b>

#### **Note 8. Other Assets, Net**

The following table summarizes Other Assets, Net as of September 30, 2022 and 2021:

<i>In Thousands</i>		<b>FY 2022</b>	<b>FY 2021</b>
	<b><u>Estimated Useful Life in Years</u></b>		
Geographical Mapping Data and Drive test Data	3 - 10	\$ 4,287	\$ 1,942
<b>Other Assets, at cost</b>		<b>4,287</b>	<b>1,942</b>
Less: Accumulated amortization		1,633	1,415
<b>Other Assets, Net</b>		<b>\$ 2,654</b>	<b>\$ 527</b>

For the years ended September 30, 2022 and 2021, amortization expense for Other Assets was \$218 thousand and \$132 thousand, respectively, and is included within *Depreciation and Amortization Expense* on the *Statements of Operations*.

#### **Note 9. Accounts Payable**

Accounts Payable as of September 30, 2022 and 2021 was \$7.1 million and \$904.7 million, respectively. The balance as of September 30, 2022 and 2021 was primarily comprised of accrued NPSBN milestone deliverables and contractual services payable to AT&T and any accrued NPSBN capitalized milestone deliverables are included in *Non-Cash Purchases of Capitalized NPSBN* in the accompanying *Statements of Cash Flows*.

## Note 10. Accrued Payroll and Leave

Accrued Payroll and Leave as of September 30, 2022 and 2021, was \$6.0 million and \$5.7 million, respectively. These accruals include compensation and annual leave balances that continue to accrue for both tenured and new personnel.

## Note 11. Leases

The FirstNet Authority leases office facilities under operating leases in Reston, Virginia, and Boulder, Colorado. The non-cancelable portion of these leases generally ranges from four to 16 months. The FirstNet Authority may relinquish space upon four months' notice at any point after the first twelve months of occupancy. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the Consumer Price Index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most FirstNet Authority leases includes the initial non-cancelable term plus at least one renewal period, as the exercise of the related renewal option or options is considered reasonably certain. For the years ended September 30, 2022 and 2021, rental expense under operating leases was \$1.2 million and \$1.1 million, respectively.

As of September 30, 2022, the minimum estimated rental amounts due under operating leases for the periods shown are as follows:

							<b>FY 2028 and thereafter</b>
<i>In Thousands</i>	<b>Total</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	
Operating Leases	\$ 5,389	\$ 1,215	\$ 1,225	\$ 1,236	\$ 803	\$ 364	\$ 546
<b>Total</b>	<b>\$ 5,389</b>	<b>\$ 1,215</b>	<b>\$ 1,225</b>	<b>\$ 1,236</b>	<b>\$ 803</b>	<b>\$ 364</b>	<b>\$ 546</b>

## Note 12. Revenue Recognition

The FirstNet Authority has one contract, with AT&T, under which it earns revenue.

The FCC, an independent third-party agency, has granted exclusive rights to the FirstNet Authority for the use of the spectrum through November 15, 2022. On August 22, 2022, the FirstNet Authority filed an application to renew spectrum license, Station WQQE234, with the FCC. The renewal application sought to demonstrate that the FirstNet Authority has met its obligations under its enabling Act, namely that the FirstNet Authority has ensured the establishment of the NPSBN, which is operational and serving public safety users. The grant of the renewal application by the FCC will continue the Station WQQE234 license for an additional ten years at which time it may again be renewed and every ten years thereafter. The license renewal is a factor outside of the FirstNet Authority's control, but the FirstNet Authority anticipates, through renewals of the spectrum license, that it will have enforceable rights to the use of the spectrum throughout the term of the contract with AT&T. The renewal application was accepted for filing by the FCC on August 23, 2022, and the application remains pending.

The FirstNet Authority has concluded that the promise to make the spectrum capacity available for use by AT&T is a single performance obligation that includes a series of distinct services that have

the same pattern of transfer to the customer. The customer is granted continuous access to the spectrum during the contractual period, and the FirstNet Authority satisfies its performance obligation as these access services are rendered. A time-elapsed output method is used to measure progress because the FirstNet Authority transfers control evenly over the contractual period. Accordingly, the fixed consideration of \$600.0 million of payments due from AT&T for the first five years of the NPSBN contract related to the Band 14 spectrum network capacity services is recognized on a straight-line basis over the initial five-year period during which enforceable rights and obligations exist, beginning on the date that such service is made available to the customer. For the years ended September 30, 2022 and 2021, the FirstNet Authority has recognized \$120.0 million in revenue.

With the exception of the initial payment, subsequent payments by AT&T will be received, in advance, two weeks prior to the end of each fiscal year over the performance period of the NPSBN contract. As of September 30, 2022 and 2021, the FirstNet Authority recorded a contract liability of \$195.0 million and \$120.0 million, respectively for payments received from AT&T during September 2022 and 2021, for the subsequent fiscal year.

### **Note 13. Commitments and Contingencies**

Commitments are preliminary actions that will ultimately result in an obligation to the FirstNet Authority if carried through. A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to a possible gain or loss. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition were not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable.

As of March 7, 2023, management was not aware of any actual or potential commitments affecting the FirstNet Authority.

#### *Litigation, Claims and Assessments*

For pending or threatened litigation and unasserted claims, a contingency liability and expense are recognized when a future confirming event or events are likely to occur.

As of March 7, 2023, management was not aware of any threatened or pending legal claims or contingencies affecting the FirstNet Authority.

### **Note 14. Equity**

During FY 2022 and FY 2021, NTIA transferred \$5.5 million and \$1.5 million, respectively, to FirstNet's Network Construction Fund for use in FirstNet's programmatic operations. The \$5.5 million and \$1.5 million had previously been held by NTIA to administer a potential State opt-out grant program related to the FirstNet Network. As all of the States and Territories opted into the FirstNet Network by early FY 2018, NTIA was not required to grant any awards, and was able to transfer the unutilized funds to FirstNet.



The following table summarizes Equity as of and for the years ended September 30, 2022 and 2021:

**As of and for the year ended September 30, 2022**

<i>In Thousands</i>	<b>Contributed Capital</b>	<b>Retained Deficit</b>	<b>Total</b>
Beginning Balance, October 1, 2021	\$ 6,957,427	\$ (577,729)	\$ 6,379,698
Net (Deficit)	-	(232,006)	(232,006)
Contributions	5,500	-	5,500
<b>Ending Balance, September 30, 2022</b>	<b>\$ 6,962,927</b>	<b>\$ (809,735)</b>	<b>\$ 6,153,192</b>

**As of and for the year ended September 30, 2021**

<i>In Thousands</i>	<b>Contributed Capital</b>	<b>Retained Deficit</b>	<b>Total</b>
Beginning Balance, October 1, 2020	\$ 6,955,890	\$ (412,844)	\$ 6,543,046
Net (Deficit)	-	(164,885)	(164,885)
Contributions	1,537	-	1,537
<b>Ending Balance, September 30, 2021</b>	<b>\$ 6,957,427</b>	<b>\$ (577,729)</b>	<b>\$ 6,379,698</b>

**Note 15. Related Party Transactions**

The FirstNet Authority considers NTIA, as well as the Department, comprised of the Office of the Secretary (OS) and OS Working Capital Fund, to be related parties.

The FirstNet Authority, as a Federal entity within NTIA, is subject to certain nexus and control from NTIA and the Department. NTIA assesses the FirstNet Authority a portion of the costs it incurs, exercising its oversight functions and the FirstNet Authority's share of certain centralized NTIA and Departmental costs.

In addition, the FirstNet Authority has entered into service agreements with NTIA and the Department to provide certain services, such as human resources management, legal advice and representation, and acquisition services that cannot be acquired more efficiently from another source.

All related party activities as of and for the years ended September 30, 2022 and 2021 are summarized in the tables below:

**As of and for the year ended September 30, 2022**

*In Thousands*

<b>Related Party</b>	<b>Purchases and Assessments</b>	<b>Reimbursed Expenses</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>
NTIA	\$ 2,117	\$ 148	\$ 2	\$ -
The Department	\$ 811	\$ 55	\$ -	\$ -

**As of and for the year ended September 30, 2021**

*In Thousands*

<b>Related Party</b>	<b>Purchases and Assessments</b>	<b>Reimbursed Expenses</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>
NTIA	\$ 1,568	\$ 98	\$ 22	\$ -
The Department	\$ 754	\$ 159	\$ -	\$ 12

**Note 16. Personnel Compensation and Benefits**

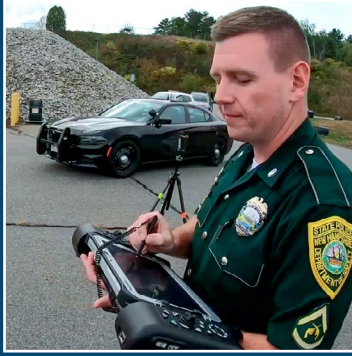
For the years ended September 30, 2022 and 2021, Personnel Compensation and Benefits expense was \$43.1 million and \$42.5 million, respectively. These expenses include salaries, wages, and other compensation earned by employees such as tuition reimbursement and student loan forgiveness payments to qualifying employees.

**Note 17. Contractual Services**

For the years ended September 30, 2022 and 2021, Contractual Services expense was \$31.2 million and \$21.1 million, respectively. Contractual Services include expenses incurred on contracts with vendors to assist the FirstNet Authority with strategic and programmatic support, including external consulting and advisory services that were primarily contracted in support of the deployment, launch, and sustainment of the NPSBN. The \$10.1 million increase is due to contractual services to support overall program management, strategy, and analytics services to provide oversight to the NPSBN contract.

**Note 18. Subsequent Events**

Subsequent events were evaluated by the FirstNet Authority through March 7, 2023, which is the date the financial statements were available to be issued.



## 3.0 Independent Auditors' Report

### 3.0 Independent Auditors' Report



#### Independent Auditors' Report

Secretary, U. S. Department of Commerce  
FirstNet Board

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

##### *Opinion*

We have audited the financial statements of the First Responder Network Authority ("FirstNet Authority") which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of operations and cash flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the First Responder Network Authority as of September 30, 2022 and 2021, and the results of its operations and its cash flows 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 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FirstNet Authority 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.

##### *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.

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***Responsibilities of Management for the Financial Statements (continued)***

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 FirstNet Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditors' 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 auditors' 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 the FirstNet Authority'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 FirstNet Authority'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.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the Message from the Chief Financial and Administrative Officer and Introduction and Background sections of this report are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

#### ***Internal Control over Financial Reporting***

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

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

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

#### ***Compliance and Other Matters***

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

Secretary, U. S. Department of Commerce  
FirstNet Board

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 FirstNet Authority'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.

*Harper, Rains, Knight & Company, P.A.*

March 7, 2023  
Washington, DC