

FINANCIAL STATEMENTS OF  
KJZZ – FM RADIO, A PUBLIC TELECOMMUNICATIONS ENTITY  
OPERATED BY MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT  
AND KBAQ – FM RADIO, A PUBLIC TELECOMMUNICATIONS ENTITY  
LICENSED TO ARIZONA BOARD OF REGENTS FOR AND  
ON BEHALF OF ARIZONA STATE UNIVERSITY AND  
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT  
(KJZZ – FM RADIO AND KBAQ – FM RADIO)  
YEARS ENDED JUNE 30, 2019 AND 2018

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## INDEPENDENT AUDITORS' REPORT

Maricopa County Community College District  
KJZZ – FM Radio and KBAQ – FM Radio  
Tempe, Arizona

We have audited the accompanying financial statements of KJZZ – FM Radio, a Public Telecommunications Entity Operated by Maricopa County Community College District and KBAQ – FM Radio, a Public Telecommunications Entity Licensed to Arizona Board of Regents for and on behalf of Arizona State University and Maricopa County Community College District (KJZZ – FM Radio and KBAQ – FM Radio) or (Stations) and the discretely presented component unit, Friends of Public Radio Arizona, as of and for the years ended June 30, 2019 and 2018, and the related notes to the basic financial statements, which collectively comprise the Stations' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Stations' preparation and fair presentation of the financial statements 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 Stations' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KJZZ – FM Radio and KBAQ – FM Radio and the discretely presented component unit as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 1.A., the financial statements present only KJZZ – FM Radio and KBAQ – FM Radio (departments within Maricopa County Community College District, under a license granted by the Federal Communications Commission) and do not purport to, and do not, present fairly the financial position of Maricopa County Community College District as of June 30, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's basic financial statements. The other information, as referenced in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Activities by Licensee (Other Information) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 27, 2020

## REQUIRED SUPPLEMENTARY INFORMATION

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**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

This discussion and analysis introduces the financial statements and provides an overview of the Stations' financial activities for the years ended June 30, 2019 and 2018. Please read it in conjunction with the financial statements, which immediately follow.

**FINANCIAL HIGHLIGHTS**

- ◆ KJZZ – FM Radio, and by extension, its Sun Sounds Radio Reading Service and KJZZ's Spot 127 Youth Media Center, provide listeners with community engagement projects, along with 24 hours of news, information, and acoustic jazz music. KBAQ – FM Radio, co- licensed to Arizona State University and Maricopa County Community College District, broadcasts 24 hours of classical music and arts information. KJZZ – FM Radio and KBAQ – FM Radio operate as public radio stations, while Sun Sounds uses a specialized delivery system to reach an audience of print-disabled individuals. Additionally, the Spot 127 Youth Media Center empowers high school students to develop state-of-the-art skills in digital media, radio, and journalism. The Division currently has an estimated 37,000 members.
- ◆ Significant funding for KJZZ and Sun Sounds comes from individual donations and corporate underwriting. Other sources include the Maricopa County Community College District (MCCCD), the Corporation for Public Broadcasting (CPB), and the State Department of Library, Archives, and Public Records. Significant funding sources for KBAQ include the two institutional licensees (MCCCD and Arizona State University), and CPB. Fundraising events and car donations also help with all services.
- ◆ KJZZ and KBAQ have continued strategic plans in acquiring revenue. Focused efforts on acquiring new members through fund drives and acquisition campaigns along with personal solicitations and events have contributed to the fundraising efforts.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Beginning in FY2002, KJZZ – FM Radio, operated by the Maricopa County Community College District (MCCCD), and KBAQ – FM Radio co-licensed to Arizona State University and the Maricopa County Community College District (the Stations), were required to present annual financial statements in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The financial statements consist of the following:

- ◆ The statement of net position reflects the financial position of KJZZ – FM Radio and KBAQ – FM Radio and Sun Sounds Radio Stations at June 30, 2019 and 2018. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net position.
- ◆ The statement of revenues, expenses, and changes in net position reflects the results of operations and other changes for the years ended June 30, 2019 and 2018. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount – which is shown on the statement of net position, described above.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

- ♦ The statement of cash flows reflects the inflows and outflows of cash and cash equivalents for the years ended June 30, 2019 and 2018. It shows various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the statement of net position, described above. In addition, this statement reconciles cash flows from operating activities to operating income (loss) on the statement of revenues, expenses, and changes in net position, described above.

Although the primary focus of this document is on the results of activity for years ending June 30, 2019 (FY2019) and 2018 (FY2018), comparative data is presented for the previous year ending June 30, 2017 (FY2017). This Management's Discussion and Analysis (MD&A) uses the prior year as a reference point in illustrating issues and trends for determining whether the Stations' financial health may have improved or deteriorated.

The condensed financial information on the following page highlights the main categories of the statement of net position. Assets and liabilities are distinguished as to their current and noncurrent natures. Current liabilities are typically those obligations intended for liquidation or payment within the next fiscal year while current assets are those resources that are available for use in meeting the ongoing operating needs of the Stations, including current liabilities. Net Position is divided into two categories, net investment in capital assets and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Stations are improving or deteriorating.

**Table A-1  
Statement of Net Position**

|                              | 2019                |                    |                     |                     | 2018                | 2017                |
|------------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
|                              | KJZZ                | Sun Sounds         | KBAQ                | Total               |                     |                     |
| <b>ASSETS</b>                |                     |                    |                     |                     |                     |                     |
| Current Assets               | \$ 1,035,273        | \$ (132,506)       | \$ 796,676          | \$ 1,699,443        | \$ 1,228,521        | \$ 1,521,552        |
| Capital Assets, Net          | 1,870,209           | 139,935            | 355,470             | 2,365,614           | 2,613,953           | 2,695,238           |
| Total Assets                 | 2,905,482           | 7,429              | 1,152,146           | 4,065,057           | 3,842,474           | 4,216,790           |
| <b>LIABILITIES</b>           |                     |                    |                     |                     |                     |                     |
| Current Liabilities          | 85,419              | 56,584             | 122,532             | 264,535             | 277,470             | 387,994             |
| <b>NET POSITION</b>          |                     |                    |                     |                     |                     |                     |
| Investment in Capital Assets | 1,870,209           | 139,935            | 355,470             | 2,365,614           | 2,613,953           | 2,695,238           |
| Unrestricted Net Position    | 964,712             | (203,948)          | 674,144             | 1,434,908           | 951,051             | 1,133,558           |
| Total Net Position           | <u>\$ 2,834,921</u> | <u>\$ (64,013)</u> | <u>\$ 1,029,614</u> | <u>\$ 3,800,522</u> | <u>\$ 3,565,004</u> | <u>\$ 3,828,796</u> |

The Stations' overall financial position increased in FY2019, with total net position increasing 7% from FY2018 to FY2019. Total current assets for the stations increased \$0.5 million. The increase was due to an increase in cash and cash equivalents and underwriting receivable. The cash increase was primarily due to an increase in funds transferred from Friends of Public Radio Arizona.

The Stations' overall financial position decreased in FY2018, with total net position decreasing 7% from FY2017 to FY2018. Total current assets for the stations decreased \$0.3 million. The decrease was due to a decrease in cash and cash equivalents. The cash decrease of \$0.3 million was primarily due to less funds transferred from Friends of Public Radio Arizona. Additionally, there was a decrease in underwriting revenue.



**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

Capital assets at June 30, 2019 and 2018 totaled \$2.4 million and \$2.6 million, respectively, versus \$2.7 million in 2017. The net decrease in FY2019 was due the net effect of current year depreciation expense and current year additions. The Stations had additions of \$0.2 million and an increase of \$75k in depreciation expense during FY2019. The net decrease in FY2018 was due the net effect of current year depreciation expense and current year additions. Additional information on capital assets can be found in the Notes to Financial Statements – Note 2.A.2.

In FY2019, liabilities remained relatively unchanged from FY2018. Accounts payable increased over FY2018 by \$90k due to the timing of payments at or near year-end.

In FY2018, liabilities decreased from FY2017 by \$0.1 million. The decrease was largely due to a decrease in accounts payable of \$0.3 million, offset by \$0.1 million in borrowings from the College in FY2018 and a decrease in other liabilities of \$0.1 million. The decrease in accounts payable was the result of construction costs accrued at FY2017 to complete the South Mountain Transmitter Tower. The \$0.1 million due to the College in FY2018 was recorded to eliminate deficit cash at year end through borrowings from the College. The decrease in unearned revenue was due to the use of restricted grant funds received in the previous year.

The condensed financial information below highlights the main categories of the statement of revenues, expenses, and changes in net position. Depreciation expense is recorded in accordance with the adoption of the full accrual basis of accounting. The construction and acquisition of capital assets, although budgeted and tracked as an expenditure in the accounting system, is not reflected as an expense in these statements. Rather, such transactions are capitalized and reported in net position – with the systematic allocation of such costs (depreciation) expensed over the useful lives of the assets constructed or acquired.

**Table A-2  
Changes in Net Position**

|  | 2019                |                    |                     |                     | 2018                | 2017                |
|--|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
|  | KJZZ                | Sun Sounds         | KBAQ                | Total               |                     |                     |
| <b>OPERATING REVENUES</b>                                  | \$ 2,926,206        | \$ 96,829          | \$ 810,691          | \$ 3,833,726        | \$ 3,730,801        | \$ 3,598,054        |
| <b>OPERATING EXPENSES</b>                                  |                     |                    |                     |                     |                     |                     |
| Education and General                                      | 11,208,061          | 365,015            | 2,898,315           | 14,471,391          | 14,263,064          | 14,339,759          |
| Depreciation   | 267,748             | 53,045             | 98,371              | 419,164             | 343,554             | 371,929             |
| Total Operating Expenses                                   | 11,475,809          | 418,060            | 2,996,686           | 14,890,555          | 14,606,618          | 14,711,688          |
| <b>OPERATING LOSS</b>                                      | (8,549,603)         | (321,231)          | (2,185,995)         | (11,056,829)        | (10,875,817)        | (11,113,634)        |
| <b>NONOPERATING REVENUES</b>                               | 8,911,313           | 220,338            | 2,160,696           | 11,292,347          | 10,612,025          | 12,348,357          |
| <b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b> | 361,710             | (100,893)          | (25,299)            | 235,518             | (263,792)           | 1,234,723           |
| <b>CAPITAL CONTRIBUTIONS</b>                               | -                   | -                  | -                   | -                   | -                   | 376,458             |
| <b>CHANGE IN NET POSITION</b>                              | 361,710             | (100,893)          | (25,299)            | 235,518             | (263,792)           | 1,611,181           |
| Net Position - Beginning of Year                           | 2,473,211           | 36,880             | 1,054,913           | 3,565,004           | 3,828,796           | 2,217,615           |
| <b>NET POSITION - END OF YEAR</b>                          | <u>\$ 2,834,921</u> | <u>\$ (64,013)</u> | <u>\$ 1,029,614</u> | <u>\$ 3,800,522</u> | <u>\$ 3,565,004</u> | <u>\$ 3,828,796</u> |

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

The Stations show an operating loss in each of the three fiscal years, reflective of the fact the two largest revenue sources, private gifts and underwriting, are considered nonoperating revenues. For a description of the difference between operating and nonoperating revenues, please refer to the Summary of Significant Accounting Policies (Note 1), which directly follows the presentation of the financial statements.

Operating revenues, including licensee appropriations and shared administrative support, reported an increase of \$0.1 million in FY2019 and a \$0.1 million increase in FY2018 compared to FY2017. Licensee appropriations are expenses paid on behalf of the stations by MCCCCD and are recognized as revenues (contributions) on the financial statements. They include expenses such as salary and benefits of key employees and certain capital expenses. Shared administrative support is a calculation of how much indirect support is provided to the Stations' by the licensees. Revenues are recognized in an amount equal to expenses through contributions from MCCCCD and ASU. In FY2019, operating revenues remained relatively unchanged over the previous fiscal year, with a slight decrease in general appropriations due to adjustments in personnel. Shared administrative support increased due to an increase in costs related to shared services.

Nonoperating revenues, primarily comprised of listener donations, corporate underwriting, and private grants and contracts, showed an increase of \$0.7 million in FY2019 largely due to an increase in contributions from FPRAZ. FPRAZ contributed \$6.1 million to the Stations in FY2019 versus \$5.6 million in FY2018 (\$0.5 million increase). Friends of Public Radio Arizona is a nonprofit organization organized to provide funding to support the Stations through listener donations. Underwriting revenues increased \$0.2 million from FY2018 to FY2019 due to an increase in advertising sales. Private grants and contracts increased \$0.2 million, while private gifts decreased \$0.2 million due to more private gifts being donated to Friends of Public Radio Arizona.

Nonoperating revenues, primarily comprised of listener donations, corporate underwriting, and private grants and contracts, showed a decrease of \$1.7 million in FY2018 largely due to a decrease in contributions from FPRAZ. FPRAZ contributed \$5.6 million to the Stations in FY2018 versus \$7.5 million in FY2017 (\$1.9 million decrease) with the decrease primarily due to a reduction in funding requirements upon completion of the District's South Mountain Transmission Tower. Friends of Public Radio Arizona is a nonprofit organization organized to provide funding to support the Stations through listener donations. Underwriting revenues remained relatively unchanged from FY2017 to FY2018; however, there were decreases in private grants and contracts of \$0.3 million due to the CPB Diverse Perspectives Grant ending in FY16-17.

In FY2019 operating expenses increased \$0.3 million. The increase was the net effect of a \$0.3 million decrease in programming and production, \$0.1 million decrease in broadcasting, \$0.4 million increase in management and general and \$0.3 million increase in fundraising. Depreciation expense increased \$0.1 million due to the combination of current year and prior year additions to capital assets to replace obsolete equipment with newer technology.

In FY2018 operating expenses decreased \$0.1 million. The decrease was due to less expenses in Programming, Engineering, and IT as well as Management and General. With the Tower Project completed, no new projects were started and therefore fewer expenses.



**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**Capital Assets**

Capital assets at June 30, 2019, 2018, and 2017 totaled \$2.4 million, \$2.6 million, and \$2.7 million, respectively. The decrease in FY2019 and FY2018 was due to the net effect of additions and current year depreciation.

**Table A-3  
Capital Assets (Net of Accumulated Depreciation)**

|                            | 2019                | 2018                | 2017                |
|----------------------------|---------------------|---------------------|---------------------|
| Land Improvements          | \$ 714,269          | \$ 754,043          | \$ 766,365          |
| Buildings and Improvements | 1,297,603           | 1,504,376           | 1,713,265           |
| Equipment                  | 353,742             | 355,534             | 203,493             |
| Construction in Progress   | -                   | -                   | 12,115              |
| Total                      | <u>\$ 2,365,614</u> | <u>\$ 2,613,953</u> | <u>\$ 2,695,238</u> |

Major capital asset activity during FY2019 and FY2018 were:

- ◆ FY2019 – New FM transmitter for both KBAQ – FM Radio and KJZZ FM Radio for \$66,500
- ◆ FY2019 – A new vehicle purchased by ASU for \$32,758
- ◆ FY2018 – None

**Economic Factors and Next Year's Budget**

- ◆ Audience growth resulting from additional investments in community engagement, programming, and marketing activities are evidence of a new, emerging, audience for both KJZZ and KBAQ. We will continue to integrate solid fundraising, marketing and digital practices in order to reach this growing audience.
- ◆ Operating support from the Corporation for Public Broadcasting is expected to remain constant during the coming year. Currently, there are no pending changes in the federal administration, thus giving no reasons to believe that there will be efforts to reduce or eliminate funding for CPB during the coming year. Any future budget cuts, eliminations, or sequestrations will possibly affect funding to the Corporation for Public Broadcasting, which provides the stations with ongoing Community Service Grants.
- ◆ Support from our parent institution, Rio Salado College, is still expected to continue.

The Rio Salado College "Division of Public Service," includes KJZZ, KBAQ, Sun Sounds, and Spot 127 Youth Media Center.

The Division's operating units operate under budget plans that are monitored by management.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the readers with a general overview of the Stations' finances and to show the Stations' accountability for monies it receives. If you have any questions about this report, or need additional financial information, contact the Maricopa County Community College District, Office of Financial Services and Controller, at 2411 W. 14th Street, Tempe, Arizona 85281.

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## **BASIC FINANCIAL STATEMENTS**

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

|                                 | 2019                |                     |                     |
|---------------------------------|---------------------|---------------------|---------------------|
|                                 | KJZZ                | KBAQ                | Combined            |
|                                 | FM Radio            | FM Radio            | Total               |
| <b>ASSETS</b>                   |                     |                     |                     |
| Current Assets:                 |                     |                     |                     |
| Cash and Cash Equivalents       | \$ 389,539          | \$ 695,852          | \$ 1,085,391        |
| Receivables (Net of Allowance): |                     |                     |                     |
| Government Grants               | -                   | -                   | -                   |
| Private Grants and Gifts        | -                   | -                   | -                   |
| Underwriting                    | 471,591             | 75,274              | 546,865             |
| Other Assets                    | 41,637              | 25,550              | 67,187              |
| Total Current Assets            | <u>902,767</u>      | <u>796,676</u>      | <u>1,699,443</u>    |
| Noncurrent Assets:              |                     |                     |                     |
| Capital Assets (Net):           |                     |                     |                     |
| Depreciable                     | <u>2,010,144</u>    | <u>355,470</u>      | <u>2,365,614</u>    |
| Total Assets                    | 2,912,911           | 1,152,146           | 4,065,057           |
| <b>LIABILITIES</b>              |                     |                     |                     |
| Current Liabilities:            |                     |                     |                     |
| Accounts Payable                | 84,027              | 17,995              | 102,022             |
| Accrued Liabilities             | 1,778               | 325                 | 2,103               |
| Due to MCCCCD                   | -                   | -                   | -                   |
| Unearned Revenue                | 56,198              | 104,212             | 160,410             |
| Total Current Liabilities       | <u>142,003</u>      | <u>122,532</u>      | <u>264,535</u>      |
| <b>NET POSITION</b>             |                     |                     |                     |
| Investment in Capital Assets    | 2,010,144           | 355,470             | 2,365,614           |
| Unrestricted                    | 760,764             | 674,144             | 1,434,908           |
| Total Net Position              | <u>\$ 2,770,908</u> | <u>\$ 1,029,614</u> | <u>\$ 3,800,522</u> |

See accompanying Notes to Basic Financial Statements.

| 2018                |                     |                     |
|---------------------|---------------------|---------------------|
| KJZZ<br>FM Radio    | KBAQ<br>FM Radio    | Combined<br>Total   |
| \$ -                | \$ 734,843          | \$ 734,843          |
| 10,001              | -                   | 10,001              |
| -                   | 7,683               | 7,683               |
| 387,179             | 62,876              | 450,055             |
| 19,488              | 6,451               | 25,939              |
| <u>416,668</u>      | <u>811,853</u>      | <u>1,228,521</u>    |
| <br>2,254,740       | <br>359,213         | <br>2,613,953       |
| <br>2,671,408       | <br>1,171,066       | <br>3,842,474       |
| <br>6,523           | <br>664             | <br>7,187           |
| 15,377              | 4,346               | 19,723              |
| 83,916              | -                   | 83,916              |
| 55,501              | 111,143             | 166,644             |
| <u>161,317</u>      | <u>116,153</u>      | <u>277,470</u>      |
| <br>2,254,740       | <br>359,213         | <br>2,613,953       |
| 255,351             | 695,700             | 951,051             |
| <u>\$ 2,510,091</u> | <u>\$ 1,054,913</u> | <u>\$ 3,565,004</u> |

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019 AND 2018**

|   | 2019                |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | KJZZ                | KBAQ                | Combined            |
|   | FM Radio            | FM Radio            | Total               |
| <b>REVENUES</b>                           |                     |                     |                     |
| Operating Revenues:                       |                     |                     |                     |
| Licensee Appropriations                   | \$ 509,084          | \$ 134,435          | \$ 643,519          |
| Shared Administrative Support             | 2,513,951           | 676,256             | 3,190,207           |
| Total Operating Revenues                  | 3,023,035           | 810,691             | 3,833,726           |
| <b>EXPENSES</b>                           |                     |                     |                     |
| Operating Expenses:                       |                     |                     |                     |
| Educational and General:                  |                     |                     |                     |
| Programming and Production                | 3,086,756           | 1,159,902           | 4,246,658           |
| Program Information                       | 29,025              | -                   | 29,025              |
| Broadcasting                              | 3,517,600           | 343,051             | 3,860,651           |
| Management and General                    | 3,139,299           | 867,935             | 4,007,234           |
| Fundraising                               | 1,800,396           | 527,427             | 2,327,823           |
| Depreciation                              | 320,793             | 98,371              | 419,164             |
| Total Operating Expenses                  | 11,893,869          | 2,996,686           | 14,890,555          |
| <b>OPERATING LOSS</b>                     | (8,870,834)         | (2,185,995)         | (11,056,829)        |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                     |                     |                     |
| Government Grants and Contracts           | -                   | -                   | -                   |
| State Appropriations                      | -                   | 323,817             | 323,817             |
| Private Gifts                             | 6,022,442           | 930,614             | 6,953,056           |
| Private Grants and Contracts              | 675,538             | 294,234             | 969,772             |
| Underwriting                              | 2,405,273           | 615,135             | 3,020,408           |
| Investment Income                         | 5                   | -                   | 5                   |
| Other Income                              | 31,835              | -                   | 31,835              |
| Gain (Loss) on Disposal of Capital Assets | (3,442)             | (3,104)             | (6,546)             |
| Total Nonoperating Revenues               | 9,131,651           | 2,160,696           | 11,292,347          |
| <b>CHANGE IN NET POSITION</b>             | 260,817             | (25,299)            | 235,518             |
| Net Position - Beginning of Year          | 2,510,091           | 1,054,913           | 3,565,004           |
| <b>NET POSITION - END OF YEAR</b>         | <u>\$ 2,770,908</u> | <u>\$ 1,029,614</u> | <u>\$ 3,800,522</u> |

See accompanying Notes to Basic Financial Statements.

| 2018                |                     |                     |
|---------------------|---------------------|---------------------|
| KJZZ<br>FM Radio    | KBAQ<br>FM Radio    | Combined<br>Total   |
| \$ 652,142          | \$ 133,649          | \$ 785,791          |
| 2,362,782           | 582,228             | 2,945,010           |
| <u>3,014,924</u>    | <u>715,877</u>      | <u>3,730,801</u>    |
| 3,544,661           | 994,908             | 4,539,569           |
| 42,128              | -                   | 42,128              |
| 3,594,706           | 352,843             | 3,947,549           |
| 2,962,876           | 701,619             | 3,664,495           |
| 1,591,777           | 477,546             | 2,069,323           |
| 252,303             | 91,251              | 343,554             |
| <u>11,988,451</u>   | <u>2,618,167</u>    | <u>14,606,618</u>   |
| (8,973,527)         | (1,902,290)         | (10,875,817)        |
| 42,035              | -                   | 42,035              |
| -                   | 285,853             | 285,853             |
| 5,782,505           | 873,652             | 6,656,157           |
| 614,362             | 183,267             | 797,629             |
| 2,248,341           | 572,019             | 2,820,360           |
| -                   | -                   | -                   |
| 20,868              | -                   | 20,868              |
| (5,338)             | (5,539)             | (10,877)            |
| <u>8,702,773</u>    | <u>1,909,252</u>    | <u>10,612,025</u>   |
| (270,754)           | 6,962               | (263,792)           |
| <u>2,780,845</u>    | <u>1,047,951</u>    | <u>3,828,796</u>    |
| <u>\$ 2,510,091</u> | <u>\$ 1,054,913</u> | <u>\$ 3,565,004</u> |

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019 AND 2018**

|  | 2019             |                  |                   |
|--|------------------|------------------|-------------------|
|  | KJZZ<br>FM Radio | KBAQ<br>FM Radio | Combined<br>Total |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                  |                  |                   |
| Licensee Appropriations and Shared   |                  |                  |                   |
| Administrative Support   | \$ 2,939,119     | \$ 810,691       | \$ 3,749,810      |
| Payments to Employees  | (5,922,778)      | (1,220,831)      | (7,143,609)       |
| Payments to Suppliers  | (5,608,542)      | (1,683,273)      | (7,291,815)       |
| Net Cash Used by Operating Activities  | (8,592,201)      | (2,093,413)      | (10,685,614)      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                           |                  |                  |                   |
| Government Grants and Contracts  | 10,001           | -                | 10,001            |
| Private Grants and Contracts   | 676,771          | 294,986          | 971,757           |
| Private Gifts and Underwriting Received for                                      |                  |                  |                   |
| Other than Capital Purposes  | 8,342,767        | 1,533,351        | 9,876,118         |
| State Appropriations   | -                | 323,817          | 323,817           |
| Other Nonoperating Receipts  | 31,835           | -                | 31,835            |
| Net Cash Provided by Noncapital  |                  |                  |                   |
| Financing Activities   | 9,061,374        | 2,152,154        | 11,213,528        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                  |                  |                  |                   |
| Purchase of Capital Assets   | (79,639)         | (97,732)         | (177,371)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                  |                  |                   |
| Interest on Investments  | 5                | -                | 5                 |
| <b>NET INCREASE (DECREASE) IN CASH</b>   |                  |                  |                   |
|  | 389,539          | (38,991)         | 350,548           |
| Cash and Cash Equivalents - Beginning of Year                                    | -                | 734,843          | 734,843           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                   |                  |                  |                   |
|  | \$ 389,539       | \$ 695,852       | \$ 1,085,391      |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b> |                  |                  |                   |
| Operating Loss   | \$ (8,870,834)   | \$ (2,185,995)   | \$ (11,056,829)   |
| Adjustments to Reconcile Operating Loss to                                       |                  |                  |                   |
| Net Cash Used by Operating Activities:   |                  |                  |                   |
| Depreciation Expense   | 320,793          | 98,371           | 419,164           |
| Change in Assets and Liabilities:  |                  |                  |                   |
| Other Assets   | (22,149)         | (19,099)         | (41,248)          |
| Accounts Payable   | 77,504           | 17,331           | 94,835            |
| Other Liabilities  | (83,916)         | -                | (83,916)          |
| Accrued Liabilities  | (13,599)         | (4,021)          | (17,620)          |
| Net Cash Used by Operating Activities  | \$ (8,592,201)   | \$ (2,093,413)   | \$ (10,685,614)   |

See accompanying Notes to Basic Financial Statements.



| 2018                  |                       |                        |
|-----------------------|-----------------------|------------------------|
| KJZZ<br>FM Radio      | KBAQ<br>FM Radio      | Combined<br>Total      |
| \$ 3,098,840          | \$ 715,877            | \$ 3,814,717           |
| (6,492,282)           | (1,270,363)           | (7,762,645)            |
| (5,469,928)           | (1,281,278)           | (6,751,206)            |
| <u>(8,863,370)</u>    | <u>(1,835,764)</u>    | <u>(10,699,134)</u>    |
| 32,034                | -                     | 32,034                 |
| 783,286               | 192,190               | 975,476                |
| 7,922,880             | 1,435,914             | 9,358,794              |
| -                     | 285,853               | 285,853                |
| <u>20,868</u>         | <u>-</u>              | <u>20,868</u>          |
| 8,759,068             | 1,913,957             | 10,673,025             |
| (173,697)             | (100,399)             | (274,096)              |
| -                     | -                     | -                      |
| (277,999)             | (22,206)              | (300,205)              |
| <u>277,999</u>        | <u>757,049</u>        | <u>1,035,048</u>       |
| <u>\$ -</u>           | <u>\$ 734,843</u>     | <u>\$ 734,843</u>      |
| \$ (8,973,527)        | \$ (1,902,290)        | \$ (10,875,817)        |
| 252,303               | 91,251                | 343,554                |
| 5,812                 | 2,265                 | 8,077                  |
| (247,251)             | (31,336)              | (278,587)              |
| 83,916                | -                     | 83,916                 |
| <u>15,377</u>         | <u>4,346</u>          | <u>19,723</u>          |
| <u>\$ (8,863,370)</u> | <u>\$ (1,835,764)</u> | <u>\$ (10,699,134)</u> |

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**FRIENDS OF PUBLIC RADIO ARIZONA**  
**STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT**  
**JUNE 30, 2019 AND 2018**

| <b>ASSETS</b>  | <u>2019</u>                | <u>2018</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>                                    |                            |                            |
| Cash and Cash Equivalents                                | \$ 2,696,854               | \$ 3,592,914               |
| Pledged Receivable                                       | 75,000                     | 21,491                     |
| Inventory  | 9,393                      | 10,441                     |
| Total Current Assets                                     | <u>2,781,247</u>           | <u>3,624,846</u>           |
| <b>NONCURRENT ASSETS</b>                                 |                            |                            |
| Interest in Arizona Community Foundation Investment Pool | 2,413,808                  | 2,354,707                  |
| Property and Equipment                                   | 395,869                    | 456,723                    |
| Total Noncurrent Assets                                  | <u>2,809,677</u>           | <u>2,811,430</u>           |
| Total Assets   | <u><u>\$ 5,590,924</u></u> | <u><u>\$ 6,436,276</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                        |                            |                            |
| <b>CURRENT LIABILITIES</b>                               |                            |                            |
| Accounts Payable   | \$ 25,681                  | \$ 96,508                  |
| <b>NET ASSETS</b>  |                            |                            |
| Without Donor Restrictions                               | 5,167,171                  | 6,036,890                  |
| With Donor Restrictions                                  | 398,072                    | 302,878                    |
| Total Net Assets   | <u>5,565,243</u>           | <u>6,339,768</u>           |
| Total Liabilities and Net Assets                         | <u><u>\$ 5,590,924</u></u> | <u><u>\$ 6,436,276</u></u> |

See accompanying Notes to Basic Financial Statements.

**FRIENDS OF PUBLIC RADIO ARIZONA  
STATEMENT OF ACTIVITIES – COMPONENT UNIT  
YEAR ENDED JUNE 30, 2019**

|   | 2019                         |                            |                     |
|---|------------------------------|----------------------------|---------------------|
|   | Without Donor<br>Restriction | With Donor<br>Restrictions | Total               |
| <b>REVENUES AND SUPPORT</b>   |                              |                            |                     |
| Contributions and Donations   | \$ 6,186,716                 | \$ 319,837                 | \$ 6,506,553        |
| Donated Goods and Services  | 549,683                      | -                          | 549,683             |
| Investment Income   | 54,131                       | -                          | 54,131              |
| Other Revenue   | 105,210                      | -                          | 105,210             |
| Change in Interest in Arizona Community<br>Foundation Investment Pool | 22,118                       | -                          | 22,118              |
| Special Events Revenue  | \$ 241,193                   |                            |                     |
| Less: Cost of Direct Benefit to Donors                                | <u>(158,447)</u>             |                            |                     |
| Total Net Special Events  | 82,746                       | -                          | 82,746              |
| Net Assets Released from Restriction                                  | 224,643                      | (224,643)                  | -                   |
| Total Revenues and Support  | <u>7,225,247</u>             | <u>95,194</u>              | <u>7,320,441</u>    |
| <b>EXPENSES</b>   |                              |                            |                     |
| Program Services  | 6,917,886                    | -                          | 6,917,886           |
| Support Services  | 314,748                      | -                          | 314,748             |
| Fundraising   | 862,332                      | -                          | 862,332             |
| Total Expenses  | <u>8,094,966</u>             | <u>-</u>                   | <u>8,094,966</u>    |
| <b>CHANGE IN NET ASSETS</b>   | (869,719)                    | 95,194                     | (774,525)           |
| Net Assets - Beginning of Year  | <u>6,036,890</u>             | <u>302,878</u>             | <u>6,339,768</u>    |
| <b>NET ASSETS - END OF YEAR</b>                                       | <u>\$ 5,167,171</u>          | <u>\$ 398,072</u>          | <u>\$ 5,565,243</u> |

See accompanying Notes to Basic Financial Statements.

**FRIENDS OF PUBLIC RADIO ARIZONA  
STATEMENT OF ACTIVITIES – COMPONENT UNIT  
YEAR ENDED JUNE 30, 2018**

|   | 2018                         |                            |                     |
|---|------------------------------|----------------------------|---------------------|
|   | Without Donor<br>Restriction | With Donor<br>Restrictions | Total               |
| <b>REVENUES AND SUPPORT</b>   |                              |                            |                     |
| Contributions and Donations   | \$ 5,925,312                 | \$ 453,463                 | \$ 6,378,775        |
| Donated Goods and Services  | 564,486                      | -                          | 564,486             |
| Investment Income   | 108,909                      | -                          | 108,909             |
| Other Revenue   | 127,229                      | -                          | 127,229             |
| Change in Interest in Arizona Community<br>Foundation Investment Pool                             | 28,735                       | -                          | 28,735              |
| Change in Interest in Maricopa County<br>Community College District Foundation<br>Investment Pool | 26,796                       | -                          | 26,796              |
| Special Events Revenue  | \$ 382,562                   |                            |                     |
| Less: Cost of Direct Benefit to Donors  | (225,018)                    |                            |                     |
| Total Net Special Events  | 157,544                      | -                          | 157,544             |
| Net Assets Released from Restriction  | 528,257                      | (528,257)                  | -                   |
| Total Revenues and Support  | 7,467,268                    | (74,794)                   | 7,392,474           |
| <b>EXPENSES</b>   |                              |                            |                     |
| Program Services  | 6,976,050                    | -                          | 6,976,050           |
| Support Services  | 303,517                      | -                          | 303,517             |
| Fundraising   | 927,139                      | -                          | 927,139             |
| Total Expenses  | 8,206,706                    | -                          | 8,206,706           |
| <b>CHANGE IN NET ASSETS</b>   | (739,438)                    | (74,794)                   | (814,232)           |
| Net Assets - Beginning of Year  | 6,776,328                    | 377,672                    | 7,154,000           |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 6,036,890</u>          | <u>\$ 302,878</u>          | <u>\$ 6,339,768</u> |

See accompanying Notes to Basic Financial Statements.

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**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of KJZZ – FM Radio, a Public Telecommunications Entity Operated by Maricopa County Community College District and KBAQ – FM Radio, a Public Telecommunications Entity Licensed to Arizona State University and Maricopa County Community College District (KJZZ – FM Radio and KBAQ – FM Radio) or (the Stations) conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). A summary of the Stations' more significant accounting policies follows.

**A. Reporting Entity**

The Stations are a departmental operation, not a component unit, of the Maricopa County Community College District (MCCCD) in Phoenix, Arizona, under a license granted by the Federal Communications Commission. KJZZ – FM Radio is a Public Telecommunications Entity Operated by Maricopa County Community College District and KBAQ – FM Radio is a Public Telecommunications Entity Licensed to the Arizona Board of Regents for and on behalf of Arizona State University and Maricopa County Community College District (MCCCD). MCCCD provides administrative and other financial support to the Stations. The Stations' financial statements include those portions of MCCCD's Restricted Fund for which the Stations have financial accountability, including the accounts of an affiliated broadcast service, Sun Sounds. Sun Sounds is a radio reading service for the blind produced by the Stations. Financial accountability for the Stations remains with MCCCD. The accompanying financial statements present the activities of the Stations (the primary government) and their discretely presented component unit, the Friends of Public Radio Arizona (Friends).

Friends of Public Radio Arizona (Friends) is a legally separate, 501(c)(3) nonprofit organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the Stations. Although MCCCD does not control the timing or amount of receipts from Friends, Friends' restricted resources can only be used by, or for the benefit of, the Stations or their constituents. Consequently, Friends is considered a component unit of the Stations and is discretely presented in the Stations' financial statements.

For financial reporting purposes, Friends follows Financial Accounting Standards Board (FASB) statements for nonprofit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Friends' financial information included in the Stations' financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the Stations. For financial reporting purposes, only the Friends' statements of financial position and activities are included in the Stations' financial statements as required by accounting principles generally accepted in the United States of America for public colleges and universities.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

During the years ended June 30, 2019 and 2018, Friends distributed \$6,099,917 and \$5,560,979, respectively, to the Stations for both restricted and unrestricted purposes. Complete financial statements for Friends can be obtained from the Friends Office at 2323 W. 14th Street, Tempe, Arizona 85281.

**B. Financial Statements**

The financial statements (i.e., the statement of net position and the statement of revenues, expenses, and changes in net position) report information on all of the nonfiduciary activities of the Stations.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Stations distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Stations' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Underwriting revenue is reported as nonoperating revenue due to the nature of the underwriting revenue largely representing corporate contributions rather than fees for advertising campaigns.

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

**D. Assets, Liabilities, and Net Position**

**1. Deposits and Investments**

The Stations' cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash in bank is pooled with the Maricopa County Community College District and is insured or collateralized at 103% of the bank balance.

Arizona Revised Statutes (A.R.S.) authorize the Stations to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.



**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position (Continued)**

**2. Receivables**

All receivables are shown net of allowance for uncollectibles. An allowance of \$22,633 and \$14,459 for KJZZ and an allowance of \$4,045 and \$1,992 for KBAQ was reported at June 30, 2019 and 2018, respectively.

**3. Capital Assets**

Capital assets of the Stations consist of land improvements, buildings and improvements, and equipment. Capital assets are stated at cost at date of acquisition, or acquisition value at date of donation in the case of gifts. Major outlays for assets or improvements to assets are capitalized as projects are constructed. These are categorized as construction in progress until completed, at which time they are reclassified to the appropriate asset type. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

| <u>Asset Category</u>      | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land                       | N/A                                 | N/A                            | N/A                              |
| Buildings and Improvements | \$ 100,000                          | Straight-Line                  | 40 Years                         |
| Land Improvements          | 5,000                               | Straight-Line                  | 20 Years                         |
| Equipment                  | 5,000                               | Straight-Line                  | 3 to 7 Years                     |

**4. Due to MCCCCD**

The Stations' cash is pooled with the Maricopa County Community College District (MCCCCD). The due to MCCCCD represents short-term borrowings within the pool to eliminate the deficit cash balance at year-end.

**5. Net Position**

In the financial statements, net position is reported in two categories: net investment in capital assets and unrestricted net position. Net investment in capital assets is separately reported because the Stations report all Stations' assets which make up a significant portion of total net position. Unrestricted net position is the remaining net position not included in the previous category.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position (Continued)**

**6. Income Taxes**

The Stations are exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code section 501. Consequently, there was no provision for income taxes for the fiscal year.

**7. Pension Expense**

The Stations are departments of Maricopa County Community College District (MCCCD) and therefore do not report a net pension liability. Payroll related expenses are allocated to the departments and the underlying liability is the responsibility of MCCCD.

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash and Cash Equivalents**

Deposits and investments at June 30, 2019 consist of the following:

|              | KJZZ<br>FM Radio | KBAQ<br>FM Radio | Combined<br>Total |
|--------------|------------------|------------------|-------------------|
| Deposits:    |                  |                  |                   |
| Cash in Bank | \$ 389,539       | \$ 695,852       | \$ 1,085,391      |

Deposits and investments at June 30, 2018 consist of the following:

|              | KJZZ<br>FM Radio | KBAQ<br>FM Radio | Combined<br>Total |
|--------------|------------------|------------------|-------------------|
| Deposits:    |                  |                  |                   |
| Cash in Bank | \$ -             | \$ 734,843       | \$ 734,843        |

The Stations do not have a formal policy with respect to custodial credit risk. The Stations did not hold any investments at June 30, 2019 or 2018.

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Capital Assets**

Combined capital asset activity for KJZZ – FM Radio and KBAQ – FM Radio for the years ended June 30, 2019 and 2018 was as follows:

|                                 | 2019                  |                     |                    | Ending<br>Balances  |
|---------------------------------|-----------------------|---------------------|--------------------|---------------------|
|                                 | Beginning<br>Balances | Increases           | Decreases          |                     |
| <b>Depreciable Assets</b>       |                       |                     |                    |                     |
| Land Improvements               | \$ 782,606            | \$ -                | \$ -               | \$ 782,606          |
| Buildings and Improvements      | 4,338,042             | -                   | -                  | 4,338,042           |
| Equipment                       | 3,543,823             | 177,371             | (307,488)          | 3,413,706           |
| Total Depreciable Assets        | 8,664,471             | 177,371             | (307,488)          | 8,534,354           |
| <b>Accumulated Depreciation</b> |                       |                     |                    |                     |
| Land Improvements               | (28,563)              | (39,774)            | -                  | (68,337)            |
| Buildings and Improvements      | (2,833,666)           | (206,773)           | -                  | (3,040,439)         |
| Equipment                       | (3,188,289)           | (172,617)           | 300,942            | (3,059,964)         |
| Total Accumulated Depreciation  | (6,050,518)           | (419,164)           | 300,942            | (6,168,740)         |
| Net Depreciable Assets          | 2,613,953             | (241,793)           | (6,546)            | 2,365,614           |
| Total Capital Assets            | <u>\$ 2,613,953</u>   | <u>\$ (241,793)</u> | <u>\$ (6,546)</u>  | <u>\$ 2,365,614</u> |
|                                 |                       |                     |                    |                     |
|                                 | 2018                  |                     |                    | Ending<br>Balances  |
|                                 | Beginning<br>Balances | Increases           | Decreases          |                     |
| <b>Nondepreciable Assets</b>    |                       |                     |                    |                     |
| Construction in Progress        | \$ 12,115             | \$ -                | \$ (12,115)        | \$ -                |
| <b>Depreciable Assets</b>       |                       |                     |                    |                     |
| Land Improvements               | 782,606               | -                   | -                  | 782,606             |
| Buildings and Improvements      | 4,337,357             | 685                 | -                  | 4,338,042           |
| Equipment                       | 3,279,436             | 285,526             | (21,139)           | 3,543,823           |
| Total Depreciable Assets        | 8,399,399             | 286,211             | (21,139)           | 8,664,471           |
| <b>Accumulated Depreciation</b> |                       |                     |                    |                     |
| Land Improvements               | (16,241)              | (12,322)            | -                  | (28,563)            |
| Buildings and Improvements      | (2,624,092)           | (209,574)           | -                  | (2,833,666)         |
| Equipment                       | (3,075,943)           | (121,658)           | 9,312              | (3,188,289)         |
| Total Accumulated Depreciation  | (5,716,276)           | (343,554)           | 9,312              | (6,050,518)         |
| Net Depreciable Assets          | 2,683,123             | (57,343)            | (11,827)           | 2,613,953           |
| Total Capital Assets            | <u>\$ 2,695,238</u>   | <u>\$ (57,343)</u>  | <u>\$ (23,942)</u> | <u>\$ 2,613,953</u> |

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Unearned Revenues**

Changes in unearned revenues for the year ended June 30, 2019 were as follows.

|   | KJZZ<br>FM Radio | KBAQ<br>FM Radio  | Combined<br>Total |
|---|------------------|-------------------|-------------------|
| Beginning Balance - July 1, 2018                  | \$ 55,501        | \$ 111,143        | \$ 166,644        |
| Additions:  |                  |                   |                   |
| Current Year Contributions and Grants             | 56,198           | 56,010            | 112,208           |
| Deductions:                                       |                  |                   |                   |
| Contributions and Grants<br>Recognized as Revenue | (54,965)         | (62,941)          | (117,906)         |
| Decrease in Prepaid Underwriter<br>Contributions  | (536)            | -                 | (536)             |
| Ending Balance - June 30, 2019                    | <u>\$ 56,198</u> | <u>\$ 104,212</u> | <u>\$ 160,410</u> |

Unearned revenues at June 30, 2019 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

Changes in unearned revenues for the year ended June 30, 2018 were as follows.

|   | KJZZ<br>FM Radio | KBAQ<br>FM Radio  | Combined<br>Total |
|---|------------------|-------------------|-------------------|
| Beginning Balance - July 1, 2017                  | \$ -             | \$ 102,220        | \$ 102,220        |
| Additions:  |                  |                   |                   |
| Current Year Contributions and Grants             | 54,965           | 111,143           | 166,108           |
| Increase in Prepaid Underwriter Contributions     | 536              | -                 | 536               |
| Deductions:                                       |                  |                   |                   |
| Contributions and Grants<br>Recognized as Revenue | -                | (102,220)         | (102,220)         |
| Ending Balance - June 30, 2018                    | <u>\$ 55,501</u> | <u>\$ 111,143</u> | <u>\$ 166,644</u> |

Unearned revenues at June 30, 2018 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3   DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

The Stations' discretely presented component unit is comprised of the Friends of Public Radio.

**A. Summary of Significant Accounting Policies**

**1. Nature of Operations**

Friends of Public Radio Arizona's (Organization) mission is to assure the future vitality and excellence of the Phoenix community's public radio and to broaden public radio support. Funding for the Organization is provided through individual donations and fundraising.

**2. Basis of Accounting**

The financial statements of Friends of Public Radio Arizona have been prepared on the accrual basis of accounting. The more significant of the Organization's accounting policies are described below.

**3. Financial Statement Presentation**

The Organization follows accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3   DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**A. Summary of Significant Accounting Policies (Continued)**

**4. Restricted Contributions**

Support is recognized when received. Support that is restricted by the donor/grantor is reported as an increase in net assets without donor restrictions if the restriction expires in the fiscal year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions. Support that is perpetually restricted by the donor/grantor is reported as an increase in net assets with donor restrictions.

**5. Special Events**

The Organization conducts several special events to raise funds for the benefit of the Phoenix community's public radio. Special event revenue consists of event attendance fees and sales of goods at events. Cost of direct benefits to donors is the cost incurred by the Organization to provide goods and services to donors at the events.

**6. Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal income taxes.

The Organization follows a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization has not identified any uncertain tax positions.

**7. Fair Value of Financial Instruments**

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy maximizes the use of observable inputs by requiring that the observable inputs be used when available. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**A. Summary of Significant Accounting Policies (Continued)**

**7. Fair Value of Financial Instruments (Continued)**

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**8. Functional Allocation of Expenses**

Donated services are allocated based on job descriptions and the best estimates of management. Expenses, other than donated services, which are not directly identifiable by program or supporting service, are allocated based on the best estimate of management.

**9. Risks and Uncertainties**

The Organization invests in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of activities. Subsequent to year-end, there continues to be fluctuations in the fair market value of investments due to changes in market conditions and other factors.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**B. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2019 and 2018 consisted of a book balance of \$2,696,854 and \$3,592,914, respectively. The bank balances of \$2,724,230 and \$3,886,156, respectively were each covered in the amount, of \$250,000 by federal depository insurance. The remaining \$2,474,230 and \$3,636,158, respectively, was uninsured and uncollateralized.

**C. Fair Value Measurements**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 3.A. – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2019 and 2018:

|                               |  | 2019    |         |              |              |
|-------------------------------|--|---------|---------|--------------|--------------|
|                               |  | Level 1 | Level 2 | Level 3      | Total        |
| Interest in Arizona Community |  |         |         |              |              |
| Foundation Investment Pool    |  | \$ -    | \$ -    | \$ 2,413,808 | \$ 2,413,808 |

  

|                               |  | 2018    |         |              |              |
|-------------------------------|--|---------|---------|--------------|--------------|
|                               |  | Level 1 | Level 2 | Level 3      | Total        |
| Interest in Arizona Community |  |         |         |              |              |
| Foundation Investment Pool    |  | \$ -    | \$ -    | \$ 2,354,707 | \$ 2,354,707 |

The Organization monies continue to be held by the Arizona Community Foundation. Under agreement with the Arizona Community Foundation, the funds will remain at Arizona Community Foundation as board-designated endowment funds. The funds are stated at fair value, which was determined based on quoted market prices.

As both the resource provider (the transferor of assets to the Arizona Community Foundation) and as the self-named beneficiary, Friends of Public Radio Arizona recognizes the funds held by the Arizona Community Foundation as community foundation holdings and classifies the funds in long-term assets. The Arizona Community Foundation holds these assets in a board-advised fund with the income and principal available for distribution to the Organization subject to the Organization's board of director's approval and subject to the Organization advising that the distribution be made in accordance with the provisions of the agreement.

During the year ended June 30, 2018, the agreement with the Maricopa County Community College ceased and the Organization's funds were converted to cash holdings.



**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**C. Fair Value Measurements (Continued)**

The board-designated endowments net assets and activity for the years ended June 30, 2019 and 2018 consisted of the following:

|   | Board-Designated    |                     |
|---|---------------------|---------------------|
|   | 2019                | 2018                |
| Board Designated Endowment Net Assets -<br>Beginning  | \$ 2,357,707        | \$ 4,613,430        |
| Contributions and Fund Transfers  | -                   | (2,412,227)         |
| Realized Gain   | -                   | 85,521              |
| Interest and Dividends  | 36,983              | 37,411              |
| Change in Value in Arizona Community<br>Foundation Investment Pool                                | 22,118              | 28,735              |
| Change in Interest in Maricopa County<br>Community College District Foundation<br>Investment Pool | -                   | 26,796              |
| Management Fees   | -                   | (21,959)            |
| Board Designated Endowment Net Assets -<br>Ending   | <u>\$ 2,416,808</u> | <u>\$ 2,357,707</u> |

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended June 30, 2019:

|                          | Arizona<br>Community<br>Foundation<br>Investment<br>Pool |
|--------------------------|--|
| Balances - July 1, 2018  | \$ 2,354,707   |
| Investment Income        | 36,983   |
| Change in Value          | 22,118   |
| Balances - June 30, 2019 | <u>\$ 2,413,808</u>                                      |

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**C. Fair Value Measurements (Continued)**

Level 3 Assets and Liabilities

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended June 30, 2018:

|                          | Arizona<br>Community<br>Foundation<br>Investment<br>Pool | Maricopa<br>County<br>Community<br>College District<br>Foundation<br>Investment Pool | Total               |
|--------------------------|--|--|---------------------|
| Balances - July 1, 2017  | \$ 2,242,253   | \$ 2,371,177   | \$ 4,613,430        |
| Purchases                | -  | (2,412,227)  | (2,412,227)         |
| Realized Gain            | 70,126   | 12,395   | 82,521              |
| Interest and Dividends   | 35,552   | 1,859  | 37,411              |
| Change in Value          | 28,735   | 26,796   | 55,531              |
| Fees                     | (21,959)   | -  | (21,959)            |
| Balances - June 30, 2018 | <u>\$ 2,354,707</u>                                      | <u>\$ -</u>  | <u>\$ 2,354,707</u> |

**D. Donated Goods and Services**

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts under accounting principles generally accepted in the United States of America have not been satisfied.

The Organization received \$549,683 and \$564,486 of donated management and fundraising services during the years ended June 30, 2019 and 2018, respectively, that is included in revenues and expenses in the statement of activities. The value of donated services was obtained using the personnel costs from the Organization that provided the services. Additionally, the Organization received proceeds of \$525,060 and \$494,756 from the auction of donated vehicles in 2019 and 2018, respectively.

The Organization also received \$19,748 and \$19,354 in donated auction items for its special events during the years ended June 30, 2019 and 2018, respectively. These donations are included in special event revenue and expenses on the statement of activities.

## OTHER SUPPLEMENTARY INFORMATION

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
OTHER SUPPLEMENTARY INFORMATION  
STATEMENT OF ACTIVITIES BY LICENSEE  
FOR THE YEAR ENDED JUNE 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

|   | <u>KJZZ</u>           | <u>KBAQ</u>       | <u>Total</u>        |
|---|-----------------------|-------------------|---------------------|
| <b>REVENUES AND SUPPORT</b>   |                       |                   |                     |
| Contributions and Donations   | \$ 5,049,859          | \$ 1,456,694      | \$ 6,506,553        |
| Donated Goods and Services  | 417,759               | 131,924           | 549,683             |
| Investment Income, Net  | 41,140                | 12,991            | 54,131              |
| Other Revenue   | 103,920               | 1,290             | 105,210             |
| Change in Interest in Arizona Community<br>Foundation Investment Pool | 16,809                | 5,309             | 22,118              |
| Special Events Revenue  | 131,550               | 109,643           | 241,193             |
| Less: Cost of Direct Benefit to Donors                                | <u>(86,523)</u>       | <u>(71,924)</u>   | <u>(158,447)</u>    |
| Total Revenues and Support  | 5,674,514             | 1,645,927         | 7,320,441           |
| <b>EXPENSES</b>   |                       |                   |                     |
| Distributions to Public Radio   | 5,385,563             | 714,355           | 6,099,918           |
| Public Radio Program Production                                       | 467,803               | 17,300            | 485,103             |
| Professional Fees   | 84,626                | 125,255           | 209,881             |
| Advertising   | 3,140                 | 992               | 4,132               |
| Public Awareness  | 111,366               | 64,418            | 175,784             |
| Membership  | 281,249               | 74,244            | 355,493             |
| Donated Services  | 417,759               | 131,924           | 549,683             |
| Conference, Conventions, and Meetings                                 | 3,036                 | 328               | 3,364               |
| Donations Processing and Bank Fees                                    | 79,370                | 25,123            | 104,493             |
| Depreciation  | 60,855                | -                 | 60,855              |
| Other   | 39,464                | 6,796             | 46,260              |
| Total Expenses  | <u>6,934,231</u>      | <u>1,160,735</u>  | <u>8,094,966</u>    |
| <b>CHANGE IN NET ASSETS</b>   | <u>\$ (1,259,717)</u> | <u>\$ 485,192</u> | <u>\$ (774,525)</u> |

Note: This statement provides a reconciliation of the allocation of Friends of Public Radio Arizona to KJZZ – FM Radio and KBAQ – FM Radio to the State of Activities for Friends of Public Radio Arizona presented in the basic financial statements for the year ended June 30, 2019.