

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, 2018 AND 2017

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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, as listed in the table of contents, 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 19, 2018



## REQUIRED SUPPLEMENTARY INFORMATION

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

This discussion and analysis introduces the financial statements and provides an overview of the Stations' financial activities for the years ended June 30, 2018 and 2017. 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.
- ◆ Significant funding for KJZZ and Sun Sounds include government sources such as 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. Private donors, fundraising events, experiential learning programming, car donations, and corporate underwriters continue to provide a majority of the funding for all services.
- ◆ The Stations have succeeded in generating continued sustaining membership revenue during the past year and corporate support continues to provide modest improvement over the prior year.
- ◆ 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.
- ◆ Nationwide audience rating measurement tools used by KBAQ reveal strong audience growth for KBAQ, including an increase in Average Quarter Hour Listenership to 7,300 listeners during FY17-18 – a 12% increase from the prior year.
- ◆ Nationwide audience rating measurement tools used by KJZZ also revealed strong audience growth for KJZZ, including an increase in Average Quarter Hour Listenership to 9,100 listeners during FY17-18 – a 20% increase from the prior year.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2018 and 2017. 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, 2018 and 2017. 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.
- ◆ The statement of cash flows reflects the inflows and outflows of cash and cash equivalents for the years ended June 30, 2018 and 2017. 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, 2018 (FY2018) and 2017 (FY2017), comparative data is presented for the previous year ending June 30, 2016 (FY2016). 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 assets. 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.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

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

	2018				2017	2016
	KJZZ	Sun Sounds	KBAQ	Total		
<b>ASSETS</b>						
Current Assets	\$ 486,234	\$ (69,566)	\$ 811,853	\$ 1,228,521	\$ 1,521,552	\$ 693,800
Capital Assets, Net	2,093,329	161,411	359,213	2,613,953	2,695,238	1,899,699
Total Assets	2,579,563	91,845	1,171,066	3,842,474	4,216,790	2,593,499
<b>LIABILITIES</b>						
Current Liabilities	106,352	54,965	116,153	277,470	387,994	375,884
<b>NET POSITION</b>						
Investment in Capital Assets	1,631,807	622,933	359,213	2,613,953	2,695,238	1,899,699
Unrestricted Net Position	841,404	(586,053)	695,700	951,051	1,133,558	317,916
Total Net Position	\$ 2,473,211	\$ 36,880	\$ 1,054,913	\$ 3,565,004	\$ 3,828,796	\$ 2,217,615

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.

The Stations' overall financial position increased in FY2017, with total net position increasing 73% from FY2016 to FY2017. Total current assets for the stations increased \$0.8 million. The increase was due to an increase in cash and cash equivalents. The cash increase of \$0.8 million was primarily due to a combination of factors, including the timing of cash transfers to the stations from the Friends of Public Radio Arizona (FPRAZ) (a component unit of the Stations), net of additional expenses involved in bringing the KJZZ Mexico City News Bureau online, major advertising campaign costs for KBAQ and increased payroll and payroll related costs. Furthermore, the costs of replacing the KJZZ/KBAQ transmission towers on South Mountain added to the need for additional cash transfers from FPRAZ.

Capital assets at June 30, 2018 and 2017 totaled \$2.6 million and \$2.7 million, respectively, versus \$1.9 million in 2016. The net decrease in FY2018 was due the net effect of current year depreciation expense and current year additions. The net increase in capital assets in FY2017 of approximately \$0.8 million was the net effect of completing the replacement of the transmission towers (\$1.2 million), \$0.4 million in donated assets, and depreciation expense of \$0.4 million in FY2017. Additional information on capital assets can be found in the Notes to Financial Statements – Note 2.A.2

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.

In FY2017, liabilities remained relatively unchanged from FY2016. However, reflected in the liabilities was the repayment of \$0.3 million in funds borrowed from the College in FY2016 for the purpose of properly timing cash flows for the construction of the District's South Mountain Transmitter Tower, offset by an increase in accounts payable in FY2017 of \$0.3 million.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

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**

	2018				2017	2016
	KJZZ	Sun Sounds	KBAQ	Total		
<b>OPERATING REVENUES</b>	\$ 3,013,184	\$ 1,740	\$ 715,877	\$ 3,730,801	\$ 3,598,054	\$ 3,058,596
<b>OPERATING EXPENSES</b>						
Education and General	11,330,044	406,104	2,526,916	14,263,064	14,339,759	12,781,311
Depreciation	237,878	14,425	91,251	343,554	371,929	247,742
Total Operating Expenses	11,567,922	420,529	2,618,167	14,606,618	14,711,688	13,029,053
<b>OPERATING LOSS</b>	(8,554,738)	(418,789)	(1,902,290)	(10,875,817)	(11,113,634)	(9,970,457)
<b>NONOPERATING REVENUES</b>	8,390,305	312,468	1,909,252	10,612,025	12,348,357	8,908,475
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	(164,433)	(106,321)	6,962	(263,792)	1,234,723	(1,061,982)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	-	376,458	162,708
<b>CHANGE IN NET POSITION</b>	(164,433)	(106,321)	6,962	(263,792)	1,611,181	(899,274)
Net Position - Beginning of Year	2,637,644	143,201	1,047,951	3,828,796	2,217,615	3,116,889
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,473,211</u>	<u>\$ 36,880</u>	<u>\$ 1,054,913</u>	<u>\$ 3,565,004</u>	<u>\$ 3,828,796</u>	<u>\$ 2,217,615</u>

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 FY2018 and a \$0.5 million increase in FY2017 vs FY2016. 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 FY2018, operating revenues remained relatively unchanged over the previous fiscal year, with a slight increase in general appropriations due to salary increases and small adjustments in personnel. Shared administrative support remained relatively the same as the previous fiscal year, with a slight increase.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

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.

Nonoperating revenues, primarily comprised of listener donations, corporate underwriting, and private grants and contracts, showed an increase of \$3.4 million in FY2017 largely due to an increase in contributions from Friends of Public Radio Arizona (FPRAZ). FPRAZ contributed \$7.5 million to the Stations in FY2017 versus \$3.9 million in FY2016 (\$3.6 million increase) with the increase primarily due to funding requirements for 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. The \$3.6 million increase was offset by a decrease of \$0.2 million in listener donations paid directly to KBAQ – FM Radio.

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.

In FY2017 operating expenses increased \$1.7 million. The increase was due to an increase in shared administrative support of \$0.7 million, as well as an increase of \$1.3 million in salary related expense and increases in operating expenses related to the Stations. The \$0.7 million was attributable to an increase in MCCCCD operating expenses and those operating expenses benefiting the Stations. Salaries increased due to an increase in personnel charged to the Stations, as well as a small increase in wages. Other operating expenses increased as a result of fundraising campaigns and advertising costs.

**Capital Assets**

Capital assets at June 30, 2018, 2017, and 2016 totaled \$2.6 million, \$2.7 million, and \$1.9 million, respectively. The decrease in FY2018 was due to the net effect of additions and current year depreciation. The increase in FY2017 reflects the completion of the radio tower project during FY2017.

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

	2018	2017	2016
Land Improvements	\$ 754,043	\$ 766,365	\$ 9,919
Buildings and Improvements	1,504,376	1,713,265	1,436,527
Equipment	355,534	203,493	263,275
Construction in Progress	-	12,115	189,978
Total	<u>\$ 2,613,953</u>	<u>\$ 2,695,238</u>	<u>\$ 1,899,699</u>

Major capital asset activity during FY2018 and FY2017 were:

- ◆ FY2017 – Completion of the radio tower in the amount of \$0.8 million.
- ◆ FY2018 – None.



**KJZZ - FM RADIO AND KBAQ - FM RADIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

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

- ◆ We will continue to operate in a period of cautious optimism. Membership and 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. Underwriting support will need to increase to reflect audience growth.
- ◆ 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.

## **BASIC FINANCIAL STATEMENTS**

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

		2018	
	KJZZ	KBAQ	Combined
	FM Radio	FM Radio	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 734,843	\$ 734,843
Receivables (Net of Allowance):			
Government Grants	10,001	-	10,001
Private Grants and Gifts	-	7,683	7,683
Underwriting	387,179	62,876	450,055
Other Assets	19,488	6,451	25,939
Total Current Assets	416,668	811,853	1,228,521
Noncurrent Assets:			
Capital Assets (Net):			
Nondepreciable	-	-	-
Depreciable	2,254,740	359,213	2,613,953
Total Noncurrent Assets	2,254,740	359,213	2,613,953
Total Assets	2,671,408	1,171,066	3,842,474
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	6,523	664	7,187
Accrued Liabilities	15,377	4,346	19,723
Due to MCCCCD	83,916	-	83,916
Unearned Revenue	55,501	111,143	166,644
Total Current Liabilities	161,317	116,153	277,470
<b>NET POSITION</b>			
Investment in Capital Assets	2,254,740	359,213	2,613,953
Unrestricted	255,351	695,700	951,051
Total Net Position	\$ 2,510,091	\$ 1,054,913	\$ 3,565,004

See accompanying Notes to Basic Financial Statements.

2017		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 277,999	\$ 757,049	\$ 1,035,048
-	-	-
113,959	-	113,959
278,677	59,852	338,529
25,300	8,716	34,016
<u>695,935</u>	<u>825,617</u>	<u>1,521,552</u>
12,115	-	12,115
2,326,569	356,554	2,683,123
<u>2,338,684</u>	<u>356,554</u>	<u>2,695,238</u>
3,034,619	1,182,171	4,216,790
253,774	32,000	285,774
-	-	-
-	-	-
-	102,220	102,220
<u>253,774</u>	<u>134,220</u>	<u>387,994</u>
2,338,684	356,554	2,695,238
442,161	691,397	1,133,558
<u>\$ 2,780,845</u>	<u>\$ 1,047,951</u>	<u>\$ 3,828,796</u>

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018 AND 2017**

	2018		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
<b>REVENUES</b>			
Operating Revenues:			
Licensee Appropriations	\$ 652,142	\$ 133,649	\$ 785,791
Shared Administrative Support	2,362,782	582,228	2,945,010
Total Operating Revenues	3,014,924	715,877	3,730,801
<b>EXPENSES</b>			
Operating Expenses:			
Educational and General:			
Programming and Production	3,544,661	994,908	4,539,569
Program Information	42,128	-	42,128
Broadcasting	3,594,706	352,843	3,947,549
Management and General	2,962,876	701,619	3,664,495
Fundraising	1,591,777	477,546	2,069,323
Depreciation	252,303	91,251	343,554
Total Operating Expenses	11,988,451	2,618,167	14,606,618
<b>OPERATING LOSS</b>	(8,973,527)	(1,902,290)	(10,875,817)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Grants and Contracts	42,035	-	42,035
State Appropriations	-	285,853	285,853
Private Gifts	5,782,505	873,652	6,656,157
Private Grants and Contracts	614,362	183,267	797,629
Underwriting	2,248,341	572,019	2,820,360
Investment Income	-	-	-
Other Income	20,868	-	20,868
Gain (Loss) on Disposal of Capital Assets	(5,338)	(5,539)	(10,877)
Total Nonoperating Revenues	8,702,773	1,909,252	10,612,025
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION</b>	(270,754)	6,962	(263,792)
<b>CAPITAL CONTRIBUTION</b>	-	-	-
<b>CHANGE IN NET POSITION</b>	(270,754)	6,962	(263,792)
Net Position - Beginning of Year	2,780,845	1,047,951	3,828,796
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,510,091</u>	<u>\$ 1,054,913</u>	<u>\$ 3,565,004</u>

See accompanying Notes to Basic Financial Statements.

2017		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 644,346	\$ 84,519	\$ 728,865
2,341,445	527,744	2,869,189
<u>2,985,791</u>	<u>612,263</u>	<u>3,598,054</u>
3,682,925	912,219	4,595,144
43,308	-	43,308
3,628,428	425,904	4,054,332
3,046,811	664,796	3,711,607
1,490,082	445,286	1,935,368
291,628	80,301	371,929
<u>12,183,182</u>	<u>2,528,506</u>	<u>14,711,688</u>
(9,197,391)	(1,916,243)	(11,113,634)
97,000	-	97,000
-	323,817	323,817
6,697,632	1,320,612	8,018,244
858,657	213,633	1,072,290
2,181,258	619,254	2,800,512
156	655	811
35,683	-	35,683
-	-	-
<u>9,870,386</u>	<u>2,477,971</u>	<u>12,348,357</u>
672,995	561,728	1,234,723
376,458	-	376,458
1,049,453	561,728	1,611,181
1,731,392	486,223	2,217,615
<u>\$ 2,780,845</u>	<u>\$ 1,047,951</u>	<u>\$ 3,828,796</u>



**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018 AND 2017**

	2018		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Licensee Appropriations and Shared			
Administrative Support	\$ 3,098,840	\$ 715,877	\$ 3,814,717
Payments to Employees	(6,492,282)	(1,270,363)	(7,762,645)
Payments to Suppliers	(5,469,928)	(1,281,278)	(6,751,206)
Net Cash Used by Operating Activities	(8,863,370)	(1,835,764)	(10,699,134)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Grants and Contracts	32,034	-	32,034
Private Grants and Contracts	783,286	192,190	975,476
Private Gifts and Underwriting Received for			
Other than Capital Purposes	7,922,880	1,435,914	9,358,794
State Appropriations	-	285,853	285,853
Other Nonoperating Receipts	20,868	-	20,868
Net Cash Provided by Noncapital			
Financing Activities	8,759,068	1,913,957	10,673,025
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(173,697)	(100,399)	(274,096)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	-	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	(277,999)	(22,206)	(300,205)
Cash and Cash Equivalents - Beginning of Year	277,999	757,049	1,035,048
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 734,843</u>	<u>\$ 734,843</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating Loss	\$ (8,973,527)	\$ (1,902,290)	\$ (10,875,817)
Adjustments to Reconcile Operating Loss to			
Net Cash Used by Operating Activities:			
Depreciation Expense	252,303	91,251	343,554
Loss on Disposal of Capital Assets	-	-	-
Change in Assets and Liabilities:			
Other Assets	5,812	2,265	8,077
Accounts Payable	(247,251)	(31,336)	(278,587)
Other Liabilities	83,916	-	83,916
Accrued Liabilities	15,377	4,346	19,723
Net Cash Used by Operating Activities	<u>\$ (8,863,370)</u>	<u>\$ (1,835,764)</u>	<u>\$ (10,699,134)</u>
<b>NONCASH ACTIVITIES</b>			
Donated Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

2017		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 2,734,542	\$ 612,263	\$ 3,346,805
(5,801,163)	(1,014,245)	(6,815,408)
<u>(5,844,175)</u>	<u>(1,409,119)</u>	<u>(7,253,294)</u>
(8,910,796)	(1,811,101)	(10,721,897)
97,000	-	97,000
795,858	202,289	998,147
8,910,242	1,949,969	10,860,211
-	323,817	323,817
<u>35,683</u>	<u>-</u>	<u>35,683</u>
9,838,783	2,476,075	12,314,858
(708,645)	(82,995)	(791,640)
<u>156</u>	<u>655</u>	<u>811</u>
219,498	582,634	802,132
<u>58,501</u>	<u>174,415</u>	<u>232,916</u>
<u>\$ 277,999</u>	<u>\$ 757,049</u>	<u>\$ 1,035,048</u>
\$ (9,197,391)	\$ (1,916,243)	\$ (11,113,634)
291,628	80,301	371,929
630	-	630
2,136	(6,565)	(4,429)
252,291	31,406	283,697
(251,249)	-	(251,249)
<u>(8,841)</u>	<u>-</u>	<u>(8,841)</u>
<u>\$ (8,910,796)</u>	<u>\$ (1,811,101)</u>	<u>\$ (10,721,897)</u>
<u>\$ 376,458</u>	<u>\$ -</u>	<u>\$ 376,458</u>

**FRIENDS OF PUBLIC RADIO ARIZONA**  
**STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT**  
**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,592,914	\$ 2,064,919
Due from Foundation	-	79,887
Accounts Receivable	21,491	12,101
Inventory	<u>10,441</u>	<u>-</u>
Total Current Assets	3,624,846	2,156,907
<b>NONCURRENT ASSETS</b>		
Interest in Arizona Community Foundation Investment Pool	2,354,707	2,242,253
Interest in Maricopa County Community College District Foundation Investment Pool	-	2,371,177
Property and Equipment	<u>456,723</u>	<u>483,355</u>
Total Noncurrent Assets	<u>2,811,430</u>	<u>5,096,785</u>
Total Assets	<u>\$ 6,436,276</u>	<u>\$ 7,253,692</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 96,508	\$ 78,992
Deferred Revenue	<u>-</u>	<u>20,700</u>
Total Current Liabilities	96,508	99,692
<b>NET ASSETS</b>		
Unrestricted	6,036,890	6,776,328
Temporarily Restricted	<u>302,878</u>	<u>377,672</u>
Total Net Assets	<u>6,339,768</u>	<u>7,154,000</u>
Total Liabilities and Net Assets	<u>\$ 6,436,276</u>	<u>\$ 7,253,692</u>

See accompanying Notes to Basic Financial Statements.

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

	2018		
	Unrestricted	Temporarily Restricted	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 Foundation Investment Pool	28,735	-	28,735
Change in Interest in Maricopa County Community College District Foundation 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.

**FRIENDS OF PUBLIC RADIO ARIZONA**  
**STATEMENT OF ACTIVITIES – COMPONENT UNIT**  
**YEAR ENDED JUNE 30, 2017**

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>			
Contributions and Donations	\$ 4,959,139	\$ 370,103	\$ 5,329,242
Donated Goods and Services	493,092	-	493,092
Investment Income	365,252	-	365,252
Other Revenue	78,634	-	78,634
Change in Interest in Arizona Community Foundation Investment Pool	(60,559)	-	(60,559)
Change in Interest in Maricopa County Community College District Foundation Investment Pool	180,423	-	180,423
Special Events Revenue	\$ 376,941		
Less: Cost of Direct Benefit to Donors	(240,512)		
Total Net Special Events	136,429	-	136,429
Net Assets Released from Restriction	1,065,811	(1,065,811)	-
Total Revenues and Support	7,218,221	(695,708)	6,522,513
<b>EXPENSES</b>			
Program Services	9,027,874	-	9,027,874
Support Services	349,418	-	349,418
Fundraising	785,054	-	785,054
Total Expenses	10,162,346	-	10,162,346
<b>CHANGE IN NET ASSETS</b>	(2,944,125)	(695,708)	(3,639,833)
Net Assets - Beginning of Year	9,720,453	1,073,380	10,793,833
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,776,328</u>	<u>\$ 377,672</u>	<u>\$ 7,154,000</u>

See accompanying Notes to Basic Financial Statements.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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, 2018 AND 2017**

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

**A. Reporting Entity (Continued)**

During the years ended June 30, 2018 and 2017, Friends distributed \$5,560,979 and \$7,542,317, 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, 2018 AND 2017**

**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 \$14,549 and \$9,286 for KJZZ and an allowance of \$1,992 and \$2,191 for KBAQ was reported at June 30, 2018 and 2017, 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:

Asset Category	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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	3-7 Years

**4. Due to MCCCCD**

The Stations' cash is pooled with the Maricopa County Community College District (MCCCCD), except for the Stations' investment in the LGIP. 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, 2018 AND 2017**

**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, 2018 consist of the following:

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

Deposits and investments at June 30, 2017 consist of the following:

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Deposits:			
Cash in Bank	\$ 277,999	\$ 757,049	\$ 1,035,048

The Stations do not have a formal policy with respect to custodial credit risk. The Stations did not hold any investments at June 30, 2018 or 2017.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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, 2018 and 2017 was as follows:

2018				
	Beginning Balances	Increases	Decreases	Ending Balances
<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>
2017				
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Nondepreciable Assets</b>				
Construction in Progress	\$ 189,978	\$ 588,412	\$ (766,275)	\$ 12,115
<b>Depreciable Assets</b>				
Land Improvements	16,331	766,275	-	782,606
Buildings and Improvements	3,809,348	528,672	(663)	4,337,357
Equipment	3,270,407	51,014	(41,985)	3,279,436
Total Depreciable Assets	7,096,086	1,345,961	(42,648)	8,399,399
<b>Accumulated Depreciation</b>				
Land Improvements	(6,412)	(9,829)	-	(16,241)
Buildings and Improvements	(2,372,821)	(251,304)	33	(2,624,092)
Equipment	(3,007,132)	(110,796)	41,985	(3,075,943)
Total Accumulated Depreciation	(5,386,365)	(371,929)	42,018	(5,716,276)
Net Depreciable Assets	1,709,721	974,032	(630)	2,683,123
Total Capital Assets	<u>\$ 1,899,699</u>	<u>\$ 1,562,444</u>	<u>\$ (766,905)</u>	<u>\$ 2,695,238</u>

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

**B. Unearned Revenues**

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

	KJZZ FM Radio	KBAQ FM Radio	Combined 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 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.

Changes in unearned revenues for the year ended June 30, 2017 were as follows.

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Beginning Balance - July 1, 2016	\$ 153	\$ 113,564	\$ 113,717
Additions:			
Current Year Contributions and Grants	432,553	54,916	487,469
Deductions:			
Contributions and Grants Recognized as Revenue	(432,553)	(66,260)	(498,813)
Decrease in Prepaid Underwriter Contributions	(153)	-	(153)
Ending Balance - June 30, 2017	<u>\$ -</u>	<u>\$ 102,220</u>	<u>\$ 102,220</u>

Unearned revenues at June 30, 2017 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, 2018 AND 2017**

**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. 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:

Unrestricted

Net assets that are not subject to donor imposed stipulations.

Temporarily restricted

Net assets subject to donor imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted

Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Grants from governmental agencies which are restricted are reflected as unrestricted revenue since these funds are received and spent during the same year as permitted by accounting principles generally accepted in the United States of America.



**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

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

**4. Restricted Support**

Support is recognized when received. Support that is restricted by the donor/grantor is reported as an increase in unrestricted net assets 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 temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support that is permanently restricted by the donor/grantor is reported as an increase in permanently restricted net assets. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

**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.

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

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

**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:

*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, 2018 AND 2017**

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

**B. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2018 and 2017 consisted of a book balance of \$3,592,914 and \$2,064,919, respectively. The bank balances of \$3,886,158 and \$3,497,876, respectively were each covered in the amount, of \$250,000 by federal depository insurance. The remaining \$3,636,158 and \$3,247,876, 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, 2018 and 2017:

		2018			
		Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool		\$ -	\$ -	\$ 2,354,707	\$ 2,354,707
		2017			
		Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool		\$ -	\$ -	\$ 2,242,253	\$ 2,242,253
Interest in Maricopa County Community College District Foundation Investment Pool		-	-	2,371,177	2,371,177
Total		\$ -	\$ -	\$ 4,613,430	\$ 4,613,430

The Organization has monies held and administered by the Maricopa County Community College District Foundation and Arizona Community Foundation to enhance investment return opportunity and as a means of holding the Organization's unrestricted net assets. Under the agreements with the Maricopa County Community College District Foundation and Arizona Community Foundation, the funds will remain at the Maricopa County Community College District Foundation and Arizona Community Foundation as endowment funds. The funds are stated at fair value, which was determined based on quoted market prices.

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.

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

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

As both the resource provider (the transferor of assets to the Maricopa County Community College District Foundation and Arizona Community Foundation) and as the self-named beneficiary, Friends of Public Radio Arizona recognizes the funds held by the Maricopa County Community College District Foundation and Arizona Community Foundation as community foundation holdings and classifies the fund in long-term assets. The Maricopa County Community College District Foundation and Arizona Community Foundation hold 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 respective agreements.

The board designated endowments net assets and activity for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
	Unrestricted Board Designated	Unrestricted Board Designated
Board Designated Endowment Net Assets - Beginning	\$ 4,613,430	\$ 8,116,237
Contributions and Fund Transfers	(2,412,227)	(3,898,880)
Realized Gain	82,521	294,648
Interest and Dividends	37,411	103,687
Change in Interest in Arizona Community Foundation Investment Pool	28,735	(60,559)
Change in Interest in Maricopa County Community College District Foundation Investment Pool	26,796	180,423
Due from Foundation	-	(79,887)
Management Fees	(21,959)	(42,239)
Board Designated Endowment Net Assets - Ending	<u>\$ 2,354,707</u>	<u>\$ 4,613,430</u>

**KJZZ - FM RADIO AND KBAQ - FM RADIO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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 Community Foundation Investment Pool	Maricopa County Community College District Foundation 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>

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, 2017:

	Arizona Community Foundation Investment Pool	Maricopa County Community College District Foundation Investment Pool	Total
Balances - July 1, 2016	\$ 2,008,216	\$ 6,108,021	\$ 8,116,237
Purchases	-	(3,898,880)	(3,898,880)
Realized Gain	285,073	9,575	294,648
Interest and Dividends	29,705	73,982	103,687
Change in Value	(60,559)	180,423	119,864
Fees	(20,182)	(22,057)	(42,239)
Due from Foundation	-	(79,887)	(79,887)
Balances - June 30, 2017	<u>\$ 2,242,253</u>	<u>\$ 2,371,177</u>	<u>\$ 4,613,430</u>

**KJZZ - FM RADIO AND KBAQ - FM RADIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 3   DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**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 \$564,486 and \$493,092 of donated management and fundraising services during the years ended June 30, 2018 and 2017, 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 \$494,756 and \$382,073 from the auction of donated vehicles in 2018 and 2017, respectively.

The Organization also received \$19,354 and \$14,033 in donated auction items for its special events during the years ended June 30, 2018 and 2017, respectively. These donations are included in special event revenue and expenses on the statement of activities.