

**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, 2020 AND 2019**



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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, 2020 and 2019, 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 audit 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, 2020 and 2019, 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, 2020 and 2019, 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 13, 2021

REQUIRED SUPPLEMENTARY INFORMATION

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**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

This discussion and analysis introduces the financial statements and provides an overview of the Stations' financial activities for the years ended June 30, 2020 and 2019. Please read it in conjunction with the financial statements, which immediately follow.

FINANCIAL HIGHLIGHTS

- ◆ KJZZ- FM public radio is a listener supported community service providing listeners with a mix of news and information along with jazz music 24-hours a day.

KBAQ – FM public radio is a listener supported classical music station co-licensed to the Maricopa County Community Colleges and Arizona State University.

Sun Sounds of Arizona is a reading service providing news, information and entertainment to those who cannot read print due to a disability.

- ◆ Funding for KJZZ and KBAQ primarily comes from individual donations, grants and underwriting. Other sources include the Maricopa County Community College District and the Corporation for Public Broadcasting (CPB). Sun Sounds of Arizona is funded through support from the Maricopa County Community Colleges District, individual donations, and grants and from the State Department of Library, Archives and Public Records. All services benefit from fundraising events and car donation programs.
- ◆ Each year an annual strategic plan is produced and executed for each radio station in order to acquire revenue.

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, 2020 and 2019. 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, 2020 and 2019. 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, 2020 AND 2019**

- ◆ The statement of cash flows reflects the inflows and outflows of cash and cash equivalents for the years ended June 30, 2020 and 2019. 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 ended June 30, 2020 (FY2020) and 2019 (FY2019), comparative data is presented for the previous year ended June 30, 2018 (FY2018). 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**

	2020				2019	2018
	KJZZ	Sun Sounds	KBAQ	Total		
ASSETS						
Current Assets	\$ 1,270,416	\$ (117,146)	\$ 718,744	\$ 1,872,014	\$ 1,699,443	\$ 1,228,521
Capital Assets, Net	1,633,335	94,220	267,536	1,995,091	2,365,614	2,613,953
Total Assets	<u>2,903,751</u>	<u>(22,926)</u>	<u>986,280</u>	<u>3,867,105</u>	<u>4,065,057</u>	<u>3,842,474</u>
LIABILITIES						
Current Liabilities	<u>64,689</u>	<u>18,159</u>	<u>126,314</u>	<u>209,162</u>	<u>264,535</u>	<u>277,470</u>
NET POSITION						
Investment in Capital Assets	1,633,335	94,220	267,536	1,995,091	2,365,614	2,613,953
Unrestricted Net Position	<u>1,205,727</u>	<u>(135,305)</u>	<u>592,430</u>	<u>1,662,852</u>	<u>1,434,908</u>	<u>951,051</u>
Total Net Position	<u>\$ 2,839,062</u>	<u>\$ (41,085)</u>	<u>\$ 859,966</u>	<u>\$ 3,657,943</u>	<u>\$ 3,800,522</u>	<u>\$ 3,565,004</u>

The Stations' overall financial position decreased in FY2020, with total net position decreasing 4% from FY2019 to FY2020. Total current assets for the stations increased \$0.2 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.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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.

Capital assets at June 30, 2020 and 2019 totaled \$2.0 million and \$2.4 million, respectively, versus \$2.6 million in 2018. The net decrease in FY2020 was due to the net effect of current year depreciation expense and current year additions. The Stations had additions of \$30k and a decrease of \$20k in depreciation expense during FY2020. The net decrease in FY2019 was due to 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. Additional information on capital assets can be found in the Notes to Financial Statements – Note 2.A.2.

In FY2020, liabilities decreased \$55k from FY2019. Accounts payable decreased over FY2019 by \$73k due to the timing of payments at or near year-end and unearned revenue increased \$16k due to unspent restricted CPB funding.

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.

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**

	2020				2019	2018
	KJZZ	Sun Sounds	KBAQ	Total		
OPERATING REVENUES	\$ 3,990,393	\$ 104,228	\$ 920,874	\$ 5,015,495	\$ 3,833,726	\$ 3,730,801
OPERATING EXPENSES						
Education and General	12,269,502	415,927	3,188,539	15,873,968	14,471,391	14,263,064
Depreciation	252,688	45,714	100,397	398,799	419,164	343,554
Total Operating Expenses	<u>12,522,190</u>	<u>461,641</u>	<u>3,288,936</u>	<u>16,272,767</u>	<u>14,890,555</u>	<u>14,606,618</u>
OPERATING LOSS	(8,531,797)	(357,413)	(2,368,062)	(11,257,272)	(11,056,829)	(10,875,817)
NONOPERATING REVENUES	<u>8,764,397</u>	<u>151,882</u>	<u>2,198,414</u>	<u>11,114,693</u>	<u>11,292,347</u>	<u>10,612,025</u>
CHANGE IN NET POSITION	232,600	(205,531)	(169,648)	(142,579)	235,518	(263,792)
Net Position - Beginning of Year	<u>2,606,462</u>	<u>164,446</u>	<u>1,029,614</u>	<u>3,800,522</u>	<u>3,565,004</u>	<u>3,828,796</u>
NET POSITION - END OF YEAR	<u>\$ 2,839,062</u>	<u>\$ (41,085)</u>	<u>\$ 859,966</u>	<u>\$ 3,657,943</u>	<u>\$ 3,800,522</u>	<u>\$ 3,565,004</u>

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

The Stations show an operating loss in each of the three fiscal years, reflective of the fact that 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 \$1.2 million in FY2020 and a \$0.1 million increase in FY2019 compared to FY2018. Licensee appropriations are expenses paid on behalf of the stations by MCCCD 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 MCCCD and Arizona State University (ASU). In FY2020, operating revenues increased over the previous fiscal year due to a \$0.2 million decrease in general appropriations due to adjustments in personnel, net of an increase of a \$1.4 million in shared administrative support. Shared administrative support increased due to a change in the calculation of support based on guidance provided by the CPB.

Non-operating revenues, primarily comprised of listener donations, corporate underwriting, and private grants and contracts, showed a decrease of \$0.2 million in FY2020 largely due to a decrease in underwriting revenue. Friends of Public Radio Arizona transferred \$6.1 million to the Stations in FY2020 and FY2019. Friends of Public Radio Arizona is a non-profit 501c(3) organization that stewards revenues raised by the stations through listener donations, events and grants. Private grants and contracts increased \$82k, while private gifts remained relatively unchanged.

Non-operating 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 raised and then transferred by the Friends of Public Radio Arizona (FPRAZ). FPRAZ was able to distribute \$6.1 million to the Stations in FY2019 versus \$5.6 million in FY2018 (\$0.5 million increase). 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.

In FY2020 operating expenses increased \$1.4 million over the previous fiscal year largely due to the change in the calculation of the shared administrative support. Programming and production increased \$0.1 million, while management and general increased \$1.2 million. Depreciation expense saw a slight decrease due to certain assets that were disposed of as well as less depreciation on older equipment.

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.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Capital Assets

Capital assets at June 30, 2020, 2019, and 2018 totaled \$2.0 million, \$2.4 million, and \$2.6 million, respectively. The decrease in FY2020 and FY2019 was due to the net effect of additions and current year depreciation.

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

	2020	2019	2018
Land Improvements	\$ 674,500	\$ 714,269	\$ 754,043
Buildings and Improvements	1,090,829	1,297,603	1,504,376
Equipment	229,762	353,742	355,534
Total	<u>\$ 1,995,091</u>	<u>\$ 2,365,614</u>	<u>\$ 2,613,953</u>

Major capital asset activity during FY2020 and FY2019 were:

- ◆ FY2020 – Depreciation expense of \$398,799 and additions of only \$30,365
- ◆ 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

Economic Factors and Next Year's Budget

- ◆ There has been uncertainty in overall philanthropic giving due to COVID-19 this past year. Audience growth has remained steady as well as member retention and growth. We will continue to implement strategic outreach and fundraising practices to grow revenue.
- ◆ 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 us no reason 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 grant support.
- ◆ 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, 2020 AND 2019**

	2020		Combined Total
	KJZZ FM Radio	KBAQ FM Radio	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 665,922	\$ 633,463	\$ 1,299,385
Receivables (Net of Allowance):			
Underwriting	462,419	79,150	541,569
Other Assets	24,929	6,131	31,060
Total Current Assets	<u>1,153,270</u>	<u>718,744</u>	<u>1,872,014</u>
Noncurrent Assets:			
Capital Assets (Net):			
Depreciable	<u>1,727,555</u>	<u>267,536</u>	<u>1,995,091</u>
Total Assets	2,880,825	986,280	3,867,105
LIABILITIES			
Current Liabilities:			
Accounts Payable	26,530	2,135	28,665
Accrued Liabilities	3,470	530	4,000
Unearned Revenue	<u>52,848</u>	<u>123,649</u>	<u>176,497</u>
Total Current Liabilities	<u>82,848</u>	<u>126,314</u>	<u>209,162</u>
NET POSITION			
Investment in Capital Assets	1,727,555	267,536	1,995,091
Unrestricted	<u>1,070,422</u>	<u>592,430</u>	<u>1,662,852</u>
Total Net Position	<u>\$ 2,797,977</u>	<u>\$ 859,966</u>	<u>\$ 3,657,943</u>

See accompanying Notes to Basic Financial Statements.

2019		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 389,539	\$ 695,852	\$ 1,085,391
471,591	75,274	546,865
41,637	25,550	67,187
<u>902,767</u>	<u>796,676</u>	<u>1,699,443</u>
 2,010,144	 355,470	 2,365,614
 2,912,911	 1,152,146	 4,065,057
 84,027	 17,995	 102,022
1,778	325	2,103
56,198	104,212	160,410
<u>142,003</u>	<u>122,532</u>	<u>264,535</u>
 2,010,144	 355,470	 2,365,614
760,764	674,144	1,434,908
<u>\$ 2,770,908</u>	<u>\$ 1,029,614</u>	<u>\$ 3,800,522</u>

See accompanying Notes to Basic Financial Statements.

KJZZ - FM RADIO AND KBAQ - FM RADIO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
REVENUES			
Operating Revenues:			
Licensee Appropriations	\$ 359,846	\$ 84,567	\$ 444,413
Shared Administrative Support	3,734,775	836,307	4,571,082
Total Operating Revenues	<u>4,094,621</u>	<u>920,874</u>	<u>5,015,495</u>
EXPENSES			
Operating Expenses:			
Educational and General:			
Programming and Production	3,047,965	1,276,772	4,324,737
Program Information	333	-	333
Broadcasting	3,618,768	449,897	4,068,665
Management and General	4,281,414	966,853	5,248,267
Fundraising	1,736,949	495,017	2,231,966
Depreciation	298,402	100,397	398,799
Total Operating Expenses	<u>12,983,831</u>	<u>3,288,936</u>	<u>16,272,767</u>
OPERATING LOSS	(8,889,210)	(2,368,062)	(11,257,272)
NONOPERATING REVENUES (EXPENSES)			
Government Grants and Contracts	-	2,200	2,200
State Appropriations	-	323,812	323,812
Private Gifts	5,837,177	1,117,112	6,954,289
Private Grants and Contracts	759,961	292,686	1,052,647
Underwriting	2,313,838	464,693	2,778,531
Investment Income	-	-	-
Other Income	5,303	-	5,303
Gain (Loss) on Disposal of Capital Assets	-	(2,089)	(2,089)
Total Nonoperating Revenues	<u>8,916,279</u>	<u>2,198,414</u>	<u>11,114,693</u>
CHANGE IN NET POSITION	27,069	(169,648)	(142,579)
Net Position - Beginning of Year	<u>2,770,908</u>	<u>1,029,614</u>	<u>3,800,522</u>
NET POSITION - END OF YEAR	<u>\$ 2,797,977</u>	<u>\$ 859,966</u>	<u>\$ 3,657,943</u>

See accompanying Notes to Basic Financial Statements.

2019		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 509,084	\$ 134,435	\$ 643,519
<u>2,513,951</u>	<u>676,256</u>	<u>3,190,207</u>
3,023,035	810,691	3,833,726
3,086,756	1,159,902	4,246,658
29,025	-	29,025
3,517,600	343,051	3,860,651
3,139,299	867,935	4,007,234
1,800,396	527,427	2,327,823
320,793	98,371	419,164
<u>11,893,869</u>	<u>2,996,686</u>	<u>14,890,555</u>
(8,870,834)	(2,185,995)	(11,056,829)
-	-	-
-	323,817	323,817
6,022,442	930,614	6,953,056
675,538	294,234	969,772
2,405,273	615,135	3,020,408
5	-	5
31,835	-	31,835
(3,442)	(3,104)	(6,546)
<u>9,131,651</u>	<u>2,160,696</u>	<u>11,292,347</u>
260,817	(25,299)	235,518
<u>2,510,091</u>	<u>1,054,913</u>	<u>3,565,004</u>
<u>\$ 2,770,908</u>	<u>\$ 1,029,614</u>	<u>\$ 3,800,522</u>

See accompanying Notes to Basic Financial Statements.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Licensee Appropriations and Shared			
Administrative Support	\$ 4,094,621	\$ 920,874	\$ 5,015,495
Payments to Employees	(5,964,842)	(1,259,885)	(7,224,727)
Payments to Suppliers	(6,759,684)	(1,924,890)	(8,684,574)
Net Cash Used by Operating Activities	<u>(8,629,905)</u>	<u>(2,263,901)</u>	<u>(10,893,806)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government Grants and Contracts	-	2,200	2,200
Private Grants and Contracts	723,672	306,125	1,029,797
Private Gifts and Underwriting Received for Other than Capital Purposes	8,193,126	1,583,927	9,777,053
State Appropriations	-	323,812	323,812
Other Nonoperating Receipts	5,303	-	5,303
Net Cash Provided by Noncapital Financing Activities	<u>8,922,101</u>	<u>2,216,064</u>	<u>11,138,165</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(15,813)	(14,552)	(30,365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	276,383	(62,389)	213,994
Cash and Cash Equivalents - Beginning of Year	<u>389,539</u>	<u>695,852</u>	<u>1,085,391</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 665,922</u>	<u>\$ 633,463</u>	<u>\$ 1,299,385</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (8,889,210)	\$ (2,368,062)	\$ (11,257,272)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation Expense	298,402	100,397	398,799
Change in Assets and Liabilities:			
Other Assets	16,708	19,419	36,127
Accounts Payable	(57,497)	(15,860)	(73,357)
Other Liabilities	-	-	-
Accrued Liabilities	1,692	205	1,897
Net Cash Used by Operating Activities	<u>\$ (8,629,905)</u>	<u>\$ (2,263,901)</u>	<u>\$ (10,893,806)</u>

See accompanying Notes to Basic Financial Statements.

2019		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 2,939,119	\$ 810,691	\$ 3,749,810
(5,922,778)	(1,220,831)	(7,143,609)
<u>(5,608,542)</u>	<u>(1,683,273)</u>	<u>(7,291,815)</u>
(8,592,201)	(2,093,413)	(10,685,614)
10,001	-	10,001
676,771	294,986	971,757
8,342,767	1,533,351	9,876,118
-	323,817	323,817
<u>31,835</u>	<u>-</u>	<u>31,835</u>
9,061,374	2,152,154	11,213,528
(79,639)	(97,732)	(177,371)
<u>5</u>	<u>-</u>	<u>5</u>
389,539	(38,991)	350,548
<u>-</u>	<u>734,843</u>	<u>734,843</u>
<u>\$ 389,539</u>	<u>\$ 695,852</u>	<u>\$ 1,085,391</u>
\$ (8,870,834)	\$ (2,185,995)	\$ (11,056,829)
320,793	98,371	419,164
(22,149)	(19,099)	(41,248)
77,504	17,331	94,835
(83,916)	-	(83,916)
<u>(13,599)</u>	<u>(4,021)</u>	<u>(17,620)</u>
<u>\$ (8,592,201)</u>	<u>\$ (2,093,413)</u>	<u>\$ (10,685,614)</u>

See accompanying Notes to Basic Financial Statements.

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FRIENDS OF PUBLIC RADIO ARIZONA
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,284,565	\$ 2,696,854
Pledged Receivable	169,458	75,000
Inventory	8,586	9,393
Total Current Assets	2,462,609	2,781,247
NONCURRENT ASSETS		
Interest in Arizona Community Foundation Investment Pool	2,460,713	2,413,808
Property and Equipment	334,311	395,869
Total Noncurrent Assets	2,795,024	2,809,677
Total Assets	\$ 5,257,633	\$ 5,590,924
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,901	\$ 25,681
NET ASSETS		
Without Donor Restrictions	4,766,493	5,167,171
With Donor Restrictions	456,239	398,072
Total Net Assets	5,222,732	5,565,243
Total Liabilities and Net Assets	\$ 5,257,633	\$ 5,590,924

See accompanying Notes to Basic Financial Statements.

**FRIENDS OF PUBLIC RADIO ARIZONA
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2020**

	2020		
	Without Donor Restriction	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions and Donations	\$ 6,307,340	\$ 430,813	\$ 6,738,153
Donated Goods and Services	444,113	-	444,113
Investment Income, Net	95,653	-	95,653
Other Revenue	106,191	-	106,191
Change in Interest in Arizona Community Foundation Investment Pool	(39,669)	-	(39,669)
Special Events Revenue	\$ 206,600		
Less: Cost of Direct Benefit to Donors	<u>(106,518)</u>		
Total Net Special Events	100,082	-	100,082
Net Assets Released from Restriction	372,646	(372,646)	-
Total Revenues and Support	<u>7,386,356</u>	<u>58,167</u>	<u>7,444,523</u>
EXPENSES			
Program Services	6,761,433	-	6,761,433
Support Services	263,430	-	263,430
Fundraising	762,171	-	762,171
Total Expenses	<u>7,787,034</u>	<u>-</u>	<u>7,787,034</u>
CHANGE IN NET ASSETS	(400,678)	58,167	(342,511)
Net Assets - Beginning of Year	<u>5,167,171</u>	<u>398,072</u>	<u>5,565,243</u>
NET ASSETS - END OF YEAR	<u>\$ 4,766,493</u>	<u>\$ 456,239</u>	<u>\$ 5,222,732</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 Restriction	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions and Donations	\$ 6,186,716	\$ 319,837	\$ 6,506,553
Donated Goods and Services	549,683	-	549,683
Investment Income, Net	54,131	-	54,131
Other Revenue	105,210	-	105,210
Change in Interest in Arizona Community Foundation Investment Pool	22,118	-	22,118
Change in Interest in Maricopa County Community College District Foundation Investment Pool	-	-	-
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>
EXPENSES			
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>
CHANGE IN NET ASSETS	(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>
NET ASSETS - END OF YEAR	<u>\$ 5,167,171</u>	<u>\$ 398,072</u>	<u>\$ 5,565,243</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, 2020 AND 2019**

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, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

During the years ended June 30, 2020 and 2019, Friends distributed \$6,098,685 and \$6,099,917, 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, 2020 AND 2019**

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 \$22,677 and \$22,633 for KJZZ and an allowance of \$5,245 and \$4,045 for KBAQ was reported at June 30, 2020 and 2019, 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 Threshold</u>	<u>Depreciation Method</u>	<u>Estimated 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. 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.

5. 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.

6. 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.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash and Cash Equivalents

Deposits and investments at June 30, 2020 consist of the following:

	<u>KJZZ FM Radio</u>	<u>KBAQ FM Radio</u>	<u>Combined Total</u>
Deposits:			
Cash in Bank	<u>\$ 665,922</u>	<u>\$ 633,463</u>	<u>\$ 1,299,385</u>

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

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

The Stations do not have a formal policy with respect to custodial credit risk. The Stations did not hold any investments at June 30, 2020 or 2019.

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**KJZZ - FM RADIO AND KBAQ - FM RADIO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 and 2019 was as follows:

	2020			Ending Balances
	Beginning Balances	Increases	Decreases	
Depreciable Assets				
Land Improvements	\$ 782,606	\$ -	\$ -	\$ 782,606
Buildings and Improvements	4,338,042	-	-	4,338,042
Equipment	3,413,706	30,365	(153,890)	3,290,181
Total Depreciable Assets	8,534,354	30,365	(153,890)	8,410,829
Accumulated Depreciation				
Land Improvements	(68,337)	(39,769)	-	(108,106)
Buildings and Improvements	(3,040,439)	(206,774)	-	(3,247,213)
Equipment	(3,059,964)	(152,256)	151,801	(3,060,419)
Total Accumulated Depreciation	(6,168,740)	(398,799)	151,801	(6,415,738)
Net Depreciable Assets	2,365,614	(368,434)	(2,089)	1,995,091
Total Capital Assets	\$ 2,365,614	\$ (368,434)	\$ (2,089)	\$ 1,995,091
	2019			
	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Assets				
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
Accumulated Depreciation				
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	\$ 2,613,953	\$ (241,793)	\$ (6,546)	\$ 2,365,614

**KJZZ - FM RADIO AND KBAQ - FM RADIO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Unearned Revenues

Changes in unearned revenues for the year ended June 30, 2020 were as follows.

	<u>KJZZ FM Radio</u>	<u>KBAQ FM Radio</u>	<u>Combined Total</u>
Beginning Balance - July 1, 2019	\$ 56,198	\$ 104,212	\$ 160,410
Additions:			
Current Year Contributions and Grants	40,802	61,642	102,444
Deductions:			
Contributions and Grants Recognized as Revenue	(77,091)	(48,203)	(125,294)
Increase in Prepaid Underwriter Contributions	<u>32,939</u>	<u>5,998</u>	<u>38,937</u>
Ending Balance - June 30, 2020	<u>\$ 52,848</u>	<u>\$ 123,649</u>	<u>\$ 176,497</u>

Unearned revenues at June 30, 2020 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

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

	<u>KJZZ FM Radio</u>	<u>KBAQ FM Radio</u>	<u>Combined Total</u>
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 Recognized as Revenue	(54,965)	(62,941)	(117,906)
Decrease in Prepaid Underwriter Contributions	<u>(536)</u>	<u>-</u>	<u>(536)</u>
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.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 stations 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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 AND 2019**

NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2020 and 2019 consisted of a book balance of \$2,284,565 and \$2,696,854, respectively. The bank balances of \$2,286,052 and \$2,724,230, respectively, were each covered in the amount, of \$250,000 by federal depository insurance. The remaining \$2,036,052 and \$2,474,230, 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:

	2020			
	Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,460,713</u>	<u>\$ 2,460,713</u>
	2019			
	Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,413,808</u>	<u>\$ 2,413,808</u>

The Organization holds assets in an agreement with the Arizona Community Foundation. Under this agreement, 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 directors' approval and subject to the Organization advising that the distribution be made in accordance with the provisions of the agreement.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 consisted of the following:

	Board-Designated	
	2020	2019
Board Designated Endowment Net Assets - Beginning	\$ 2,413,808	\$ 2,354,707
Interest and Dividends	86,574	36,983
Change in Value in Arizona Community Foundation Investment Pool	<u>(39,669)</u>	<u>22,118</u>
Board Designated Endowment Net Assets - Ending	<u>\$ 2,460,713</u>	<u>\$ 2,413,808</u>

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

	2020	2019
	Arizona Community Foundation Investment Pool	Arizona Community Foundation Investment Pool
Balances - Beginning of Year	\$ 2,413,808	\$ 2,354,707
Investment Income	86,574	36,983
Change in Value	<u>(39,669)</u>	<u>22,118</u>
Balances - End of Year	<u>\$ 2,460,713</u>	<u>\$ 2,413,808</u>

**KJZZ - FM RADIO AND KBAQ - FM RADIO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 \$444,113 and \$549,683 of donated management and fundraising services during the years ended June 30, 2020 and 2019, 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 \$555,121 and \$525,060 from the auction of donated vehicles in 2020 and 2019, respectively.

The Organization also received \$14,553 and \$19,748 in donated auction items for its special events during the years ended June 30, 2020 and 2019, 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
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>KJZZ</u>	<u>KBAQ</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions and Donations	\$ 5,205,401	\$ 1,532,752	\$ 6,738,153
Donated Goods and Services	328,644	115,469	444,113
Investment Income, Net	70,783	24,870	95,653
Other Revenue	105,552	639	106,191
Change in Interest in Arizona Community Foundation Investment Pool	(29,355)	(10,314)	(39,669)
Special Events Revenue	103,300	103,300	206,600
Less: Cost of Direct Benefit to Donors	<u>(53,259)</u>	<u>(53,259)</u>	<u>(106,518)</u>
Total Revenues and Support	5,731,066	1,713,457	7,444,523
EXPENSES			
Distributions to Public Radio	5,299,286	799,400	6,098,686
Public Radio Program Production	390,445	12,436	402,881
Professional Fees	48,318	65,974	114,292
Advertising	3,318	1,166	4,484
Public Awareness	62,025	76,574	138,599
Membership	294,666	76,974	371,640
Donated Services	328,644	115,470	444,114
Conference, Conventions, and Meetings	4,901	904	5,805
Donations Processing and Bank Fees	83,398	26,623	110,021
Depreciation	61,558	-	61,558
Other	<u>30,261</u>	<u>4,693</u>	<u>34,954</u>
Total Expenses	<u>6,606,820</u>	<u>1,180,214</u>	<u>7,787,034</u>
CHANGE IN NET ASSETS	<u>\$ (875,754)</u>	<u>\$ 533,243</u>	<u>\$ (342,511)</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 Statement of Activities for Friends of Public Radio Arizona presented in the basic financial statements for the year ended June 30, 2020.

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