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)
YEAR ENDED JUNE 30, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities 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 year ended June 30, 2015, and the related notes to the 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 audit. We conducted our audit 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit KJZZ – FM Radio and KBAQ – FM Radio as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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 on pages 3 through 8 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

CliftonLarsonAllen LLP

Phoenix, Arizona
November 18, 2015

KJZZ – FM RADIO AND KBAQ – FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

This discussion and analysis introduces the financial statements and provides an overview of the Stations' financial activities for the year ended June 30, 2015. 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, fund raising events, experiential learning programming, car donations, and corporate underwriters continue to provide a majority of the funding for all services.

- Economic recovery for Arizona, as with the rest of the country, continues to be slow and steady, with a principal challenge proving to be in wage growth. Continued lack of consumer confidence, combined with the emerging refugee crisis in Europe and the Middle East, creates a challenging environment for charitable giving to the nonprofit sector here in the United States. The Stations have succeeded in generating additional membership revenue during the past year and corporate support continues its trend to provide modest improvement over the prior year.

- KJZZ and KBAQ have continued with intensified on-air, off-air, and major giving fundraising strategies. Deploying new, focused management and on-air production strategies, the stations are now experiencing improvements in membership revenue trends – particularly with regard to sustained giving. During FY 2015, the percentage of sustaining members who give monthly instead of annually (one-time gifts) now exceeds sixty percent.

- Nationwide audience rating measurement tools used by KBAQ reveal a national downward trend for public radio music formats - particularly for jazz and classical music. Through the efforts of the Director of Audience Research and external consultants, KBAQ has succeeded in developing strategies for mitigating the effects of this national trend on the KBAQ audience. FY 2015 ended with KBAQ regularly attaining an audience share of 1.1% with a daily cumulative audience of 45,000 listeners.

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, 2015. 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 year ended June 30, 2015. 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 year ended June 30, 2015. 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 year ending June 30, 2015 (FY2015), comparative data is presented for the previous year ending June 30, 2014 (FY2014). 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.

Table A-1
Statement of Net Position

	2015					
	KJZZ	Sun Sounds	KBAQ	Total	2014	Variance
ASSETS						
Current Assets	$ 1,050,197	$ 42,891	$ 371,637	$ 1,464,725	$ 1,274,728	14.9%
Capital Assets, Net	1,060,222	408,399	415,044	1,883,665	2,029,576	-7.2%
Total Assets	2,110,419	451,290	786,681	3,348,390	3,304,304	1.3%
LIABILITIES						
Current Liabilities	142,959	70	88,472	231,501	182,269	27.0%
NET POSITION						
Investment in Capital Assets	1,060,222	408,399	415,044	1,883,665	2,029,576	-7.2%
Unrestricted Net Position	907,238	42,821	283,165	1,233,224	1,092,459	12.9%
Total Net Position	$ 1,967,460	$ 451,220	$ 698,209	$ 3,116,889	$ 3,122,035	-0.2%

The Stations' overall financial position decreased in FY2015, with total net position decreasing less than 1 percent from 2014 to 2015. Total current assets for the stations increased $0.2 million. The increase was the net effect of a $0.2 million increase in cash and a slight increase in receivables. The cash increase of $0.2 million was primarily due to increased membership support for KJZZ. The net increase in receivables was due to increases in underwriting revenue compared to the prior year.

Capital assets at June 30, 2015 and 2014 totaled $1.9 million and $2.0 million, respectively. The net decrease in capital assets of approximately $0.1 million was the net effect of current year additions in the amount of $0.2 million (including $0.1 million in donated equipment from Rio Salado College) and current year depreciation expense of $0.3 million. Additional information on capital assets can be found in the Notes to Financial Statements – Note 2.A.2.

Current liabilities increased $49,000 due to normal minor fluctuations in liabilities that occur from year to year.

The condensed financial information on the following page 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

	2015					
	KJZZ	Sun Sounds	KBAQ	Total	2014	Variance
Operating Revenues	$ 2,195,092	$ -	$ 501,500	$ 2,696,592	$ 2,695,279	0.0%
Operating Expenses:						
Education and General	8,395,895	576,313	2,264,223	11,236,431	10,896,847	3.1%
Depreciation	157,778	72,502	116,274	346,554	363,433	-4.6%
Total Operating Expenses	8,553,673	648,815	2,380,497	11,582,985	11,260,280	2.9%
Operating Loss	(6,358,581)	(648,815)	(1,878,997)	(8,886,393)	(8,565,001)	3.8%
Nonoperating Revenues	6,454,993	626,718	1,694,884	8,776,595	8,542,402	2.7%
Change in Net Position Before Capital Contributions	96,412	(22,097)	(184,113)	(109,798)	(22,599)	385.9%
Capital Contribution	104,652	-	-	104,652	447,721	N/A
Change in Net Position	201,064	(22,097)	(184,113)	(5,146)	425,122	-101.2%
Net Position June 30, 2014	1,766,396	473,317	882,322	3,122,035	2,696,913	15.8%
Net Position June 30, 2015	$ 1,967,460	$ 451,220	$ 698,209	$ 3,116,889	$ 3,122,035	-0.2%

The Stations show an operating loss, 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, remained relatively unchanged between FY2015 and FY2014. 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 MCCCD. Revenues are recognized in an amount equal to expenses through contributions from the College.

Nonoperating revenues, primarily comprised of listener donations, corporate underwriting, and private grants and contracts, showed a moderate increase of $0.2 million. The increase is largely due to the net effect of an increase in private gifts of $0.2 million, an increase in private grants and contracts of $0.1 million and various decreases in nonoperating revenues. The increases in private gifts and grants are due to increased efforts to secure extramural funding. Corporate underwriting remained relatively unchanged, with a slight decrease, due to the continued challenges of operating an underwriting effort in an increasingly fragmented media marketing environment.

Operating expenses increased $0.3 million. The increase was due to an increase of $0.1 million in programming and production, an increase of $0.3 million in broadcasting, and a decrease of $0.1 million in management and general. The increases were due to increased investments in the news and programming departments to build audience share. The decrease in management and general was due to a combination of personnel attrition, fluctuations in utility costs, and division-wide efforts at cost containment.

Capital Assets

Capital assets at June 30, 2015 and 2014 totaled $1.9 million and $2.0 million, respectively. Reductions reflect the net effect of the completion of the KJZZ newsroom refurbishment and depreciation. Depreciation expense for fiscal year ended June 30, 2015 did not significantly change from the previous fiscal year.

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

	2015	2014	Variance
Land Improvements	$ 9,397	$ 547	1617.9%
Buildings and Improvements	1,547,862	1,729,336	-10.5%
Equipment	326,406	295,793	10.3%
Construction in Progress	-	3,900	N/A
	$ 1,883,665	$ 2,029,576	-7.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- We will continue to operate in a period of cautious optimism, particularly with regard to KBAQ. While hopeful that changes in the Stations' programming strategy will continue to yield additional membership and corporate support, we are cognizant of the fact that changes in national trends for listening to public radio music formats may require additional investments in community engagement, programming, and marketing activities to build a new, emerging, audience for classical music on the radio.

- During FY 2015, KJZZ launched both a Science and Technology Desk, as well as a Business Desk. While both enhancements are being funded primarily with grant support, we will be challenged to continue finding stable, long-term public service revenue to establish long-term sustainability.

- Operating support from the Corporation for Public Broadcasting is expected to remain constant during the coming year, though the continued use of Federal continuing resolutions adds a significant level of uncertainty to the equation. Any sustained budget cuts or sequestrations throughout FY2016 will most likely adversely 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 expected to remain as stable as conditions allow.

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.

KJZZ – FM RADIO AND KBAQ – FM RADIO
STATEMENTS OF NET POSITION
JUNE 30, 2015

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 769,182	$ 280,882	$ 1,050,064
Receivables (Net of Allowance):			
Underwriting Receivable	316,680	88,992	405,672
Other Assets	7,226	1,763	8,989
Total Current Assets	1,093,088	371,637	1,464,725
Noncurrent Assets:			
Capital Assets (Net):			
Depreciable	1,468,621	415,044	1,883,665
Total Assets	2,561,709	786,681	3,348,390
LIABILITIES			
Current Liabilities:			
Accounts Payable	49,828	12,400	62,228
Unearned Revenue	93,201	76,072	169,273
Total Current Liabilities	143,029	88,472	231,501
NET POSITION			
Investment in Capital Assets	1,468,621	415,044	1,883,665
Unrestricted	950,059	283,165	1,233,224
Total Net Position	$ 2,418,680	$ 698,209	$ 3,116,889

See accompanying Notes to Financial Statements.

FRIENDS OF PUBLIC RADIO ARIZONA
STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2015

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 2,442,503
NONCURRENT ASSETS	
Interest in Arizona Community Foundation Investment Pool	2,000,383
Interest in Maricopa County Community College District Foundation Investment Pool	6,098,500
Total Noncurrent Assets	8,098,883
Total Assets	$ 10,541,386

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 23,426
Deferred Revenue	15,720
Total Current Liabilities	39,146
NET ASSETS	
Unrestricted	9,881,943
Temporarily Restricted	620,297
Total Net Assets	10,502,240
Total Liabilities and Net Assets	$ 10,541,386

See accompanying Notes to Financial Statements.

KJZZ – FM RADIO AND KBAQ – FM RADIO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
REVENUES			
Operating Revenues:			
Licensee Appropriations	$ 788,519	$ 94,710	$ 883,229
Shared Administrative Support	1,406,573	406,790	1,813,363
Total Operating Revenues	2,195,092	501,500	2,696,592
EXPENSES			
Operating Expenses:			
Educational and General:			
Programming and Production	2,924,344	990,022	3,914,366
Program Information	78,814	-	78,814
Broadcasting	2,494,133	316,936	2,811,069
Management and General	1,996,263	540,640	2,536,903
Fundraising	1,478,654	416,625	1,895,279
Depreciation	230,280	116,274	346,554
Total Operating Expenses	9,202,488	2,380,497	11,582,985
Operating Loss	(7,007,396)	(1,878,997)	(8,886,393)
NONOPERATING REVENUES (EXPENSES)			
Government Grants and Contracts	97,000	-	97,000
State Appropriations	-	330,664	330,664
Private Gifts	4,296,430	389,256	4,685,686
Private Grants and Contracts	646,801	178,798	825,599
Underwriting	2,047,642	798,044	2,845,686
Investment Income	41	1,820	1,861
Other Income	4,333	-	4,333
Loss on Disposal of Capital Assets	(10,536)	(3,698)	(14,234)
Total Nonoperating Revenues/(Expenses)	7,081,711	1,694,884	8,776,595
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION	74,315	(184,113)	(109,798)
Capital Contribution	104,652	-	104,652
CHANGE IN NET POSITION	178,967	(184,113)	(5,146)
Net Position - Beginning of Year	2,239,713	882,322	3,122,035
NET POSITION - END OF YEAR	$ 2,418,680	$ 698,209	$ 3,116,889

See accompanying Notes to Financial Statements.

FRIENDS OF PUBLIC RADIO ARIZONA
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2015

		Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT				
Contributions and Donations		$ 3,815,596	$ 462,265	$ 4,277,861
Donated Goods and Services		784,180	-	784,180
Investment Income		418,842	-	418,842
Other Revenue		25,112	-	25,112
Change in Interest in Arizona Community Foundation Investment Pool		(27,700)	-	(27,700)
Change in interest in Maricopa County Community College District Foundation Investment Pool		(305,932)	-	(305,932)
Special Events Revenue	$ 322,121			
Less: Cost of Direct Benefit to Donors	(81,698)			
		240,423	-	240,423
Net Assets Released From Restriction		175,205	(175,205)	-
Total Revenues and Support		5,125,726	287,060	5,412,786
EXPENSES				
Program Services		4,138,773	-	4,138,773
Support Services		276,139	-	276,139
Fundraising		649,032	-	649,032
Total Expenses		5,063,944	-	5,063,944
CHANGE IN NET ASSETS		61,782	287,060	348,842
Net Assets - Beginning of Year		9,820,161	333,237	10,153,398
NET ASSETS - END OF YEAR		$ 9,881,943	$ 620,297	$ 10,502,240

See accompanying Notes to Financial Statements.

KJZZ – FM RADIO AND KBAQ – FM RADIO
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Licensee Appropriations	$ 2,195,092	$ 501,500	$ 2,696,592
Payments to Employees	(3,712,739)	(901,246)	(4,613,985)
Payments to Suppliers	(5,280,475)	(1,344,868)	(6,625,343)
Net Cash Used by Operating Activities	(6,798,122)	(1,744,614)	(8,542,736)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Government Grants and Contracts	97,000	-	97,000
Private Grants and Contracts	716,816	221,985	938,801
Private Gifts and Underwriting Received for Other than Capital Purposes	6,294,489	1,161,519	7,456,008
State Appropriations	-	330,664	330,664
Other Nonoperating Receipts	4,333	-	4,333
Net Cash Provided by Noncapital Financing Activities	7,112,638	1,714,168	8,826,806
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(98,416)	(11,809)	(110,225)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	41	1,820	1,861
NET INCREASE (DECREASE) IN CASH	216,141	(40,435)	175,706
Cash and Cash Equivalents - Beginning of Year	553,041	321,317	874,358
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 769,182	$ 280,882	$ 1,050,064

(Continued)

See accompanying Notes to Financial Statements.

KJZZ – FM RADIO AND KBAQ – FM RADIO
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2015

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	$ (7,007,396)	$ (1,878,997)	$ (8,886,393)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation Expense	230,280	116,274	346,554
Change in Assets and Liabilities:			
Other Assets	16,635	7,284	23,919
Accounts Payable	18,499	10,825	29,324
Accrued Liabilities	(56,140)	-	(56,140)
Net Cash Used by Operating Activities	$ (6,798,122)	$ (1,744,614)	$ (8,542,736)

NONCASH ACTIVITIES

During the fiscal year, KJZZ – FM Radio received $104,652 in donated capital assets.

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. 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 (District) 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 (District). The District provides administrative and other financial support to the Stations. The Stations' financial statements include those portions of the District'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 the District. 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 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 the District 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 not-for-profit 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 generally accepted accounting principles for public colleges and universities.

During the year ended June 30, 2015, Friends distributed $3,724,785 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, AZ 85281.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-fiduciary activities of the Stations. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Stations had no governmental activities during the fiscal year.

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.

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.

The State Board of Deposit provides oversight for the State Treasurer's investment pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares. The Stations' investments in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

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 $9,967 for KJZZ and an allowance of $2,670 for KBAQ was reported at June 30, 2015.

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 fair market 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. 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 two categories.

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 (College) 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 the College.

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash and Cash Equivalents

Deposits and investments at June 30, 2015 consist of the following:

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Deposits:			
Cash in Bank	$ 726,411	$ 255,706	$ 982,117
Investments:			
State Treasurer's Investment Pool	42,771	25,176	67,947
Total Cash and Cash Equivalents	$ 769,182	$ 280,882	$ 1,050,064

The Stations do not have a formal policy with respect to custodial credit risk; however, all stations' investments are made through the State Treasurer's Investment Pool, and thereby follow the policies of that agency.

Investments

At June 30, 2015, the Stations' investments are reported at fair value. The Stations' investment in the State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio; however, the Stations' portion is not identified with specific investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the Stations will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. All securities purchased are required to be delivered to the Stations' custodial bank or held by an independent third-party financial institution in the name of the Stations. Additionally, the Stations' personnel are not affiliated or related to investment brokers or custodians in accordance with state statutes. Accordingly, the Stations have limited exposure to custodial credit risk.

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 year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Assets				
Construction in Progress	$ 3,900	$ -	$ (3,900)	$ -
Depreciable Assets				
Land Improvements	5,396	9,600	-	14,996
Buildings and Improvements	3,803,248	-	-	3,803,248
Equipment	3,263,538	205,277	(243,938)	3,224,877
Total Depreciable Assets	7,072,182	214,877	(243,938)	7,043,121
Accumulated Depreciation				
Land Improvements	(4,849)	(750)	-	(5,599)
Buildings and Improvements	(2,073,912)	(181,474)	-	(2,255,386)
Equipment	(2,967,745)	(164,330)	233,604	(2,898,471)
Total Accumulated Depreciation	(5,046,506)	(346,554)	233,604	(5,159,456)
Depreciable Assets	2,025,676	(131,677)	(10,334)	1,883,665
Total Capital Assets	$ 2,029,576	$ (131,677)	$ (14,234)	$ 1,883,665

3. Construction Commitments

KJZZ – FM Radio and KBAQ – FM Radio has an active construction project at June 30, 2015. At fiscal year-end, the commitment with contractors was as follows:

Project	Spent-to-Date	Remaining Commitment
Replacement of South Mountain Broadcast Tower	$ -	$ 688,469

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Unearned Revenues

Changes in unearned revenues for the year ended June 30, 2015 were as follows.

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Beginning Balance, July 1, 2014	$ 40,994	$ 52,231	$ 93,225
Additions:			
Current Year Contributions and Grants	716,816	221,986	938,802
Deductions:			
Contributions and Grants Recognized as Revenue	(646,801)	(178,799)	(825,600)
Decrease in Prepaid Underwriter Contributions	(17,808)	(19,346)	(37,154)
Ending balance, June 30, 2015	$ 93,201	$ 76,072	$ 169,273

Unearned revenues at June 30, 2015 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

NOTE 3 CONTINGENCIES

In December 2012, the Stations were notified by the Corporation for Broadcasting (CPB) that KBAQ-FM Radio was not meeting the Audience Service Criteria (ASC) adopted by the public radio system. As a result, CPB placed KBAQ-FM Radio on a transition plan. The transition plan is a five year plan in which a 25 percent restriction is placed on the use of the Community Service Grant (CSG) received from CPB in years one and two (FY13 and FY 14) to be used for special projects designed to help the Station return to compliance. In years three and four (FY 15 and FY 16), if the Station has not returned to compliance, the Station will receive a 50 percent reduction in CSG funding each fiscal year. If in year five (FY 17) the Station has not returned to compliance, KBAQ-FM Radio will be removed from the CSG program.

The Station met the ASC requirements for FY14 and CPB removed restrictions on the CSG funding. However, CPB will evaluate the Station each of the next four years. If the Station fails to meet the ASC during those years, CPB will return the Station to the transition plan.

NOTE 4 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 generally accepted accounting principles 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 generally accepted accounting principles.

NOTE 4 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, 2015.

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.

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 consists of three levels of inputs that may be used to measure fair value as follows:

NOTE 4 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.

B. Cash and Cash Equivalents

Cash and cash equivalents consisted of a book balance of $2,442,503 and bank balances of $2,429,446, of which $250,000 was insured by federal depository insurance. The remaining $2,179,446 was uninsured and uncollaterized.

NOTE 4 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

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 4.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, 2015:

	Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool	$ -	$ -	$ 2,000,383	$ 2,000,383
Interest in Maricopa County Community College District Foundation Investment Pool	-	-	6,098,500	6,098,500
Total	$ -	$ -	$ 8,098,883	$ 8,098,883

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.

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 the respective agreements.

NOTE 4 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

C. Fair Value Measurements (Continued)

The board designated endowments net assets and activity for the year ended June 30, 2015 consisted of the following:

	Unrestricted Board Designated
Board Designated Endowment Net Assets - Beginning	$ 8,063,978
Contributions	4,999
Realized Gain	261,189
Interest and Dividends	154,213
Change in Interest in Arizona Community Foundation Investment Pool	(27,700)
Change in Interest in Maricopa County Community College District Foundation Investment Pool	(305,932)
Management Fees	(51,864)
Board Designated Endowment Net Assets - Ending	$ 8,098,883

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, 2015:

	Arizona Community Foundation Investment Pool	Maricopa County Community College District Foundation Investment Pool	Total
Balances at July 1, 2014	$ 1,941,418	$ 6,122,560	$ 8,063,978
Purchases	4,999	-	4,999
Realized Gain	73,864	187,325	261,189
Interest and Dividends	23,999	130,214	154,213
Change in Value	(27,700)	(305,932)	(333,632)
Fees	(16,197)	(35,667)	(51,864)
Balances at June 30, 2015	$ 2,000,383	$ 6,098,500	$ 8,098,883

NOTE 4 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 generally accepted accounting principles have not been satisfied.

The Organization received $392,497 of donated management and fundraising services during the year ended June 30, 2015 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 $391,683 from the auction of donated vehicles.

The Organization also received $19,082 in donated auction items for its special events. These donations are included in special event revenue and expenses on the statement of activities.