

**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, 2017 AND 2016**

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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 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, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Stations' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stations' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 KJZZ – FM Radio and KBAQ – FM Radio and the discretely presented component unit as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 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 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**

Phoenix, Arizona  
February 9, 2018

## **Required Supplementary Information**

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**KJZZ – FM RADIO AND KBAQ – FM RADIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

This discussion and analysis introduces the financial statements and provides an overview of the Stations’ financial activities for the years ended June 30, 2017 and 2016. 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. Management’s focus on a development strategy based on multiple contacts with donors in a variety of scenarios to empower additional giving continues to yield improvements in membership revenue. In particular, KBAQ has reached the million dollar membership revenue mark for the first time in its history.
- ◆ Nationwide audience rating measurement tools used by KBAQ reveal strong audience growth for KBAQ, including an increase in Average Quarter Hour Listenership to 7700 listeners during the last half of FY2017 – a sixty-seven percent increase over the same period in the prior year.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**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, 2017 and 2016. 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, 2017 and 2016. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount – which is shown on the Statement of Net Position, described above.
- ◆ The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the years ended June 30, 2017 and 2016. It shows various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the Statement of Net Position, described above. In addition, this statement reconciles cash flows from operating activities to operating income/(loss) on the Statement of Revenues, Expenses, and Changes in Net Position, described above.

Although the primary focus of this document is on the results of activity for years ending June 30, 2017 (FY2017) and June 30, 2016 (FY2016), comparative data is presented for the previous year ending June 30, 2015 (FY2015). This Management’s Discussion and Analysis (MD&A) uses the prior year as a reference point in illustrating issues and trends for determining whether the Stations’ financial health may have improved or deteriorated.

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

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

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

	2017				2016	2015
	KJZZ	Sun Sounds	KBAQ	Total		
<b>ASSETS</b>						
Current Assets	\$ 764,841	\$ (68,906)	\$ 825,617	\$ 1,521,552	\$ 693,800	\$ 1,464,725
Capital Assets, Net	2,088,002	250,682	356,554	2,695,238	1,899,699	1,883,665
Total Assets	2,852,843	181,776	1,182,171	4,216,790	2,593,499	3,348,390
<b>LIABILITIES</b>						
Current Liabilities	215,199	38,575	134,220	387,994	375,884	231,501
<b>NET POSITION</b>						
Investment in Capital Assets	2,088,002	250,682	356,554	2,695,238	1,899,699	1,883,665
Unrestricted Net Position	549,642	(107,481)	691,397	1,133,558	317,916	1,233,224
Total Net Position	\$ 2,637,644	\$ 143,201	\$ 1,047,951	\$ 3,828,796	\$ 2,217,615	\$ 3,116,889

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

The Stations’ overall financial position decreased in FY2016, with total net position decreasing 27 percent from FY2015 to FY2016. Total current assets for the stations decreased \$0.8 million. The decrease was due to a reduction in cash and cash equivalents. The cash decrease of \$0.8 million was primarily due to a combination of factors, including the timing of cash transfers to the stations from the Friends of Public Radio (a component unit of this audit), additional expenses involved in bringing the KJZZ Mexico City News Bureau online, and major advertising campaign costs for KBAQ.

Capital assets at June 30, 2017 and 2016 totaled \$2.7 million and \$1.9 million, respectively, versus \$1.9 million in 2015. The net increase in capital assets of approximately \$0.8 million was the net effect of completing the replacement of the transmission towers noted above (\$1.2 million), \$0.4 million in donated assets, and depreciation expense of \$0.4 million in FY2017. Additional information on capital assets can be found in the Notes to Financial Statements – Note 2.A.2

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

In FY2016, liabilities increased \$0.1 million due to the net effect of a recorded short-term borrowing with Maricopa County Community College District in the amount of \$0.3 million less a reduction in accounts payable of approximately \$60,000 due to normal fluctuations in liabilities that occur from year to year.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

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**

	2017				2016	2015
	KJZZ	Sun Sounds	KBAQ	Total		
Operating Revenues	\$ 2,985,791	\$ -	\$ 612,263	\$ 3,598,054	\$ 3,058,596	\$ 2,696,592
Operating Expenses:						
Education and General	11,376,490	515,064	2,448,205	14,339,759	12,781,311	11,236,431
Depreciation	233,926	57,702	80,301	371,929	247,742	346,554
Total Operating Expenses	<u>11,610,416</u>	<u>572,766</u>	<u>2,528,506</u>	<u>14,711,688</u>	<u>13,029,053</u>	<u>11,582,985</u>
Operating Loss	(8,624,625)	(572,766)	(1,916,243)	(11,113,634)	(9,970,457)	(8,886,393)
Nonoperating Revenues	<u>9,605,639</u>	<u>264,747</u>	<u>2,477,971</u>	<u>12,348,357</u>	<u>8,908,475</u>	<u>8,776,595</u>
Change in Net Position Before Capital Contributions	981,014	(308,019)	561,728	1,234,723	(1,061,982)	(109,798)
Capital Contribution	<u>376,458</u>	<u>-</u>	<u>-</u>	<u>376,458</u>	<u>162,708</u>	<u>104,652</u>
Change in Net Position	1,357,472	(308,019)	561,728	1,611,181	(899,274)	(5,146)
Net Position - Beginning of Year	1,280,172	451,220	486,223	2,217,615	3,116,889	3,122,035
Net Position - End of Year	<u>\$ 2,637,644</u>	<u>\$ 143,201</u>	<u>\$ 1,047,951</u>	<u>\$ 3,828,796</u>	<u>\$ 2,217,615</u>	<u>\$ 3,116,889</u>

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

Operating revenues, including licensee appropriations and shared administrative support, reported an increase of just over \$0.5 million in FY2017 and a \$0.4 million increase in FY2016 vs FY2015. Licensee appropriations are expenses paid on behalf of the stations by MCCC 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 MCCC and ASU. In FY2017, operating revenues increased due to an increase in the shared administrative support. This increase was due to an increase in cost directly benefitting the Stations and thus recorded as expenses of the Stations, which are directly offset by contributions from the licensees.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

Nonoperating revenues, primarily comprised of listener donations, corporate underwriting, and private grants and contracts, showed an increase of \$3.4 million in FY2017 largely due to an increase in contributions from Friends of Public Radio (Friends). Friends contributed \$7.5 million to the Stations in FY2017 versus \$3.9 million in FY2016 (\$3.6 million increase) with the increase primarily due to funding requirements for the District’s South Mountain Transmission Tower. Friends of Public Radio is a nonprofit organization organized to provide funding to support the Stations through listener donations. The \$3.6 million increase was offset by a decrease of \$0.2 million in listener donations paid directly to KBAQ – FM Radio.

In FY2016, nonoperating revenues increased due to the net effect of a \$0.1 million increase in state appropriations, a \$0.2 million decrease in private gifts and a \$0.2 million increase in private grants and contracts. Underwriting remained relatively unchanged between FY2016 and FY2015. The increase in the state appropriations (provided by Arizona State University) resulted from pay raises to Arizona State University employees working at KBAQ. The changes in private gifts, private grants, and contracts was due to the marginal fluctuation of grants and contract cycles.

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

In FY2016 operating expenses increased \$1.4 million. The increase was due to an increase of \$0.5 million in programming and production, an increase of \$0.5 million in broadcasting, an increase of \$0.6 million in management and general and a decrease of \$0.1 million in depreciation expense. The increases were due to investments in the KJZZ news team and its programming staff, as well as additional investments in broadcast technology to maintain operations. The decrease in depreciation expense was due to certain building improvements and equipment being fully depreciated.

**Capital Assets**

Capital assets at June 30, 2017, 2016 and 2015 totaled \$2.7 million, \$1.9 million and \$1.9 million, respectively. The increase reflects the completion of the radio tower project during FY2017.

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

	2017	2016	2015
Land Improvements	\$ 766,365	\$ 9,919	\$ 9,397
Buildings and Improvements	1,713,265	1,436,527	1,547,862
Equipment	203,493	263,275	326,406
Construction in Progress	12,115	189,978	-
	<u>\$ 2,695,238</u>	<u>\$ 1,899,699</u>	<u>\$ 1,883,665</u>

Major capital asset activity during FY2017 and FY2016 were:

- ◆ FY2016 – \$163,000 radio tower contribution and depreciation expense.
- ◆ FY2017 – Completion of the radio tower in the amount of \$0.8 million.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

- ◆ We will continue to operate in a period of cautious optimism, particularly with regard to KBAQ. Membership and audience growth resulting from additional investments in community engagement, programming, and marketing activities are evidence of a new, emerging, audience for classical music on the radio. Underwriting support will need to increase to reflect audience growth.
- ◆ Operating support from the Corporation for Public Broadcasting is expected to remain constant during the coming year. However, with the pending changes in the federal administration, there is reason to believe that there will be efforts to reduce or eliminate funding for the CPB. Any sustained budget cuts, eliminations, or sequestrations throughout FY2018 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 be reduced, as the District and its colleges continue to operate under fiscal constraints due to the elimination of state support for the District.

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

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

**REQUESTS FOR INFORMATION**

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

## **Basic Financial Statements**

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
STATEMENTS OF NET POSITION  
JUNE 30, 2017 AND 2016**

	2017		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 277,999	\$ 757,049	\$ 1,035,048
Receivables (Net of Allowance):			
Private Grants Receivable	113,959	-	113,959
Underwriting Receivable	278,677	59,852	338,529
Other Assets	25,300	8,716	34,016
Total Current Assets	<u>695,935</u>	<u>825,617</u>	<u>1,521,552</u>
Noncurrent Assets:			
Capital Assets (Net):			
Nondepreciable	12,115	-	12,115
Depreciable	2,326,569	356,554	2,683,123
Total Noncurrent Assets	<u>2,338,684</u>	<u>356,554</u>	<u>2,695,238</u>
Total Assets	3,034,619	1,182,171	4,216,790
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	253,774	32,000	285,774
Accrued Liabilities	-	-	-
Due to MCCCCD	-	-	-
Unearned Revenue	-	102,220	102,220
Total Current Liabilities	<u>253,774</u>	<u>134,220</u>	<u>387,994</u>
<b>NET POSITION</b>			
Investment in Capital Assets	2,338,684	356,554	2,695,238
Unrestricted	442,161	691,397	1,133,558
Total Net Position	<u>\$ 2,780,845</u>	<u>\$ 1,047,951</u>	<u>\$ 3,828,796</u>

See accompanying Notes to Financial Statements.



2016		
<u>KJZZ FM Radio</u>	<u>KBAQ FM Radio</u>	<u>Combined Total</u>
\$ 58,501	\$ 174,415	\$ 232,916
51,160	-	51,160
310,182	69,955	380,137
27,436	2,151	29,587
<u>447,279</u>	<u>246,521</u>	<u>693,800</u>
189,978	-	189,978
<u>1,355,861</u>	<u>353,860</u>	<u>1,709,721</u>
<u>1,545,839</u>	<u>353,860</u>	<u>1,899,699</u>
1,993,118	600,381	2,593,499
1,483	594	2,077
8,841	-	8,841
251,249	-	251,249
153	113,564	113,717
<u>261,726</u>	<u>114,158</u>	<u>375,884</u>
1,545,839	353,860	1,899,699
185,553	132,363	317,916
<u>\$ 1,731,392</u>	<u>\$ 486,223</u>	<u>\$ 2,217,615</u>

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		Combined Total
	KJZZ FM Radio	KBAQ FM Radio	
<b>REVENUES</b>			
Operating Revenues:			
Licensee Appropriations	\$ 644,346	\$ 84,519	\$ 728,865
Shared Administrative Support	2,341,445	527,744	2,869,189
Total Operating Revenues	<u>2,985,791</u>	<u>612,263</u>	<u>3,598,054</u>
<b>EXPENSES</b>			
Operating Expenses:			
Educational and General:			
Programming and Production	3,682,925	912,219	4,595,144
Program Information	43,308	-	43,308
Broadcasting	3,628,428	425,904	4,054,332
Management and General	3,046,811	664,796	3,711,607
Fundraising	1,490,082	445,286	1,935,368
Depreciation	291,628	80,301	371,929
Total Operating Expenses	<u>12,183,182</u>	<u>2,528,506</u>	<u>14,711,688</u>
Operating Loss	(9,197,391)	(1,916,243)	(11,113,634)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Government Grants and Contracts	97,000	-	97,000
State Appropriations	-	323,817	323,817
Private Gifts	6,697,632	1,320,612	8,018,244
Private Grants and Contracts	858,657	213,633	1,072,290
Underwriting	2,181,258	619,254	2,800,512
Investment Income	156	655	811
Other Income	35,683	-	35,683
Total Nonoperating Revenues/(Expenses)	<u>9,870,386</u>	<u>2,477,971</u>	<u>12,348,357</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION</b>			
	672,995	561,728	1,234,723
Capital Contribution	<u>376,458</u>	<u>-</u>	<u>376,458</u>
<b>CHANGE IN NET POSITION</b>	1,049,453	561,728	1,611,181
Net Position - Beginning of Year	<u>1,731,392</u>	<u>486,223</u>	<u>2,217,615</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,780,845</u>	<u>\$ 1,047,951</u>	<u>\$ 3,828,796</u>

See accompanying Notes to Financial Statements.

2016		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 755,089	\$ 87,994	\$ 843,083
1,752,477	463,036	2,215,513
<u>2,507,566</u>	<u>551,030</u>	<u>3,058,596</u>
3,331,061	1,067,997	4,399,058
39,979	-	39,979
2,979,197	361,374	3,340,571
2,532,987	603,593	3,136,580
1,438,378	426,745	1,865,123
167,405	80,337	247,742
<u>10,489,007</u>	<u>2,540,046</u>	<u>13,029,053</u>
(7,981,441)	(1,989,016)	(9,970,457)
97,000	-	97,000
-	441,654	441,654
4,021,002	456,351	4,477,353
866,285	174,627	1,040,912
2,144,915	703,657	2,848,572
187	35	222
2,056	706	2,762
<u>7,131,445</u>	<u>1,777,030</u>	<u>8,908,475</u>
(849,996)	(211,986)	(1,061,982)
162,708	-	162,708
(687,288)	(211,986)	(899,274)
<u>2,418,680</u>	<u>698,209</u>	<u>3,116,889</u>
<u>\$ 1,731,392</u>	<u>\$ 486,223</u>	<u>\$ 2,217,615</u>

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Licensee Appropriations and Shared Administrative Support	\$ 2,734,542	\$ 612,263	\$ 3,346,805
Payments to Employees	(5,801,163)	(1,014,245)	(6,815,408)
Payments to Suppliers	(5,844,175)	(1,409,119)	(7,253,294)
Net Cash Used by Operating Activities	<u>(8,910,796)</u>	<u>(1,811,101)</u>	<u>(10,721,897)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Government Grants and Contracts	97,000	-	97,000
Private Grants and Contracts	795,858	202,289	998,147
Private Gifts and Underwriting Received for Other than Capital Purposes	8,910,242	1,949,969	10,860,211
State Appropriations	-	323,817	323,817
Other Nonoperating Receipts	35,683	-	35,683
Net Cash Provided by Noncapital Financing Activities	<u>9,838,783</u>	<u>2,476,075</u>	<u>12,314,858</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(708,645)	(82,995)	(791,640)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	<u>156</u>	<u>655</u>	<u>811</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	219,498	582,634	802,132
Cash and Cash Equivalents - Beginning of Year	<u>58,501</u>	<u>174,415</u>	<u>232,916</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 277,999</u>	<u>\$ 757,049</u>	<u>\$ 1,035,048</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating Loss	\$ (9,197,391)	\$ (1,916,243)	\$ (11,113,634)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation Expense	291,628	80,301	371,929
Loss on Disposal of Capital Assets	630	-	630
Change in Assets and Liabilities:			
Other Assets	2,136	(6,565)	(4,429)
Accounts Payable	252,291	31,406	283,697
Other Liabilities	(251,249)	-	(251,249)
Accrued Liabilities	(8,841)	-	(8,841)
Net Cash Used by Operating Activities	<u>\$ (8,910,796)</u>	<u>\$ (1,811,101)</u>	<u>\$ (10,721,897)</u>
<b>NONCASH ACTIVITIES</b>			
Donated Capital Assets	<u>\$ 376,458</u>	<u>\$ -</u>	<u>\$ 376,458</u>

See accompanying Notes to Financial Statements.

2016		
KJZZ FM Radio	KBAQ FM Radio	Combined Total
\$ 2,507,566	\$ 551,030	\$ 3,058,596
(4,569,279)	(965,321)	(5,534,600)
<u>(5,560,788)</u>	<u>(1,506,582)</u>	<u>(7,067,370)</u>
(7,622,501)	(1,920,873)	(9,543,374)
97,000	-	97,000
745,110	212,898	958,008
6,149,382	1,178,266	7,327,648
-	441,654	441,654
<u>2,056</u>	<u>706</u>	<u>2,762</u>
6,993,548	1,833,524	8,827,072
(81,915)	(19,153)	(101,068)
<u>187</u>	<u>35</u>	<u>222</u>
(710,681)	(106,467)	(817,148)
<u>769,182</u>	<u>280,882</u>	<u>1,050,064</u>
<u>\$ 58,501</u>	<u>\$ 174,415</u>	<u>\$ 232,916</u>
\$ (7,981,441)	\$ (1,989,016)	\$ (9,970,457)
167,405	80,337	247,742
-	-	-
(20,210)	(388)	(20,598)
(48,345)	(11,806)	(60,151)
251,249	-	251,249
<u>8,841</u>	<u>-</u>	<u>8,841</u>
<u>\$ (7,622,501)</u>	<u>\$ (1,920,873)</u>	<u>\$ (9,543,374)</u>
<u>\$ 162,708</u>	<u>\$ -</u>	<u>\$ 162,708</u>

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**FRIENDS OF PUBLIC RADIO ARIZONA  
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT  
JUNE 30, 2017 AND 2016**

<b>ASSETS</b>	2017	2016
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,064,919	\$ 2,451,076
Due from Foundation	79,887	-
Accounts Receivable	12,101	5,385
Total Current Assets	2,156,907	2,456,461
<b>NONCURRENT ASSETS</b>		
Interest in Arizona Community Foundation Investment Pool	2,242,253	2,008,216
Interest in Maricopa County Community College District Foundation Investment Pool	2,371,177	6,108,021
Property and Equipment	483,355	278,729
Total Noncurrent Assets	5,096,785	8,394,966
 Total Assets	 \$ 7,253,692	 \$ 10,851,427
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 78,992	\$ 46,632
Deferred Revenue	20,700	10,962
Total Current Liabilities	99,692	57,594
<b>NET ASSETS</b>		
Unrestricted	6,776,328	9,720,453
Temporarily Restricted	377,672	1,073,380
Total Net Assets	7,154,000	10,793,833
 Total Liabilities and Net Assets	 \$ 7,253,692	 \$ 10,851,427

See accompanying Notes to Financial Statements.

**FRIENDS OF PUBLIC RADIO ARIZONA  
STATEMENTS OF ACTIVITIES – COMPONENT UNIT  
YEARS ENDED JUNE 30, 2017 AND 2016**

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

See accompanying Notes to Financial Statements.



2016

	Unrestricted	Temporarily Restricted	Total
	\$ 4,585,328	\$ 789,586	\$ 5,374,914
	426,571	-	426,571
	441,856	-	441,856
	41,232	-	41,232
	(135,058)	-	(135,058)
	(288,756)	-	(288,756)
1,205			
(312)			
	893	-	893
\$ 356,227			
(203,909)			
	152,318	-	152,318
	336,503	(336,503)	-
	<u>5,560,887</u>	<u>453,083</u>	<u>6,013,970</u>
	4,661,838	-	4,661,838
	316,656	-	316,656
	743,883	-	743,883
	<u>5,722,377</u>	<u>-</u>	<u>5,722,377</u>
	(161,490)	453,083	291,593
	<u>9,881,943</u>	<u>620,297</u>	<u>10,502,240</u>
	<u>\$ 9,720,453</u>	<u>\$ 1,073,380</u>	<u>\$ 10,793,833</u>

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**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 (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 generally accepted accounting principles for public colleges and universities.

During the year ended June 30, 2017 and 2016, Friends distributed \$7,542,317 and \$3,891,588, 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. 14<sup>th</sup> Street, Tempe, AZ 85281.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 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 FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

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

**1. Deposits and Investments (Continued)**

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.

**2. Receivables**

All receivables are shown net of allowance for uncollectibles. An allowance of \$9,286 and \$14,170 for KJZZ and an allowance of \$2,191 and \$2,211 for KBAQ was reported at June 30, 2017 and 2016, 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	3-7 Years

**4. Due to MCCCC**

The Stations’ cash is pooled with the Maricopa County Community College District (MCCCC), except for the Stations’ investment in the LGIP. The due to MCCCC represents short-term borrowings within the pool to eliminate the deficit cash balance at year-end.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

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

**5. Net Position**

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

**6. Income Taxes**

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

**7. Pension Expense**

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

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**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash and Cash Equivalents**

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

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

Deposits and investments at June 30, 2016 consist of the following:

	<u>KJZZ FM Radio</u>	<u>KBAQ FM Radio</u>	<u>Combined Total</u>
Deposits:			
Cash in Bank	\$ -	\$ 148,499	\$ 148,499
Investments:			
State Treasurer's Investment Pool	<u>58,501</u>	<u>25,916</u>	<u>84,417</u>
Total Cash and Cash Equivalents	<u>\$ 58,501</u>	<u>\$ 174,415</u>	<u>\$ 232,916</u>

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, 2017 and 2016, 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.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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, 2017 and 2016 was as follows:

	2017			
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Nondepreciable Assets</b>				
Construction in Progress	\$ 189,978	\$ 588,412	\$ (766,275)	\$ 12,115
<b>Depreciable Assets</b>				
Land Improvements	16,331	766,275	-	782,606
Buildings and Improvements	3,809,348	528,672	(663)	4,337,357
Equipment	3,270,407	51,014	(41,985)	3,279,436
Total Depreciable Assets	7,096,086	1,345,961	(42,648)	8,399,399
<b>Accumulated Depreciation</b>				
Land Improvements	(6,412)	(9,829)	-	(16,241)
Buildings and Improvements	(2,372,821)	(251,304)	33	(2,624,092)
Equipment	(3,007,132)	(110,796)	41,985	(3,075,943)
Total Accumulated Depreciation	(5,386,365)	(371,929)	42,018	(5,716,276)
Net Depreciable Assets	1,709,721	974,032	(630)	2,683,123
Total Capital Assets	<u>\$ 1,899,699</u>	<u>\$ 1,562,444</u>	<u>\$ (766,905)</u>	<u>\$ 2,695,238</u>
	2016			
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Nondepreciable Assets</b>				
Construction in Progress	\$ -	\$ 189,978	\$ -	\$ 189,978
<b>Depreciable Assets</b>				
Land Improvements	14,996	1,335	-	16,331
Buildings and Improvements	3,803,248	6,100	-	3,809,348
Equipment	3,224,877	66,363	(20,833)	3,270,407
Total Depreciable Assets	7,043,121	73,798	(20,833)	7,096,086
<b>Accumulated Depreciation</b>				
Land Improvements	(5,599)	(813)	-	(6,412)
Buildings and Improvements	(2,255,386)	(117,435)	-	(2,372,821)
Equipment	(2,898,471)	(129,494)	20,833	(3,007,132)
Total Accumulated Depreciation	(5,159,456)	(247,742)	20,833	(5,386,365)
Net Depreciable Assets	1,883,665	(173,944)	-	1,709,721
Total Capital Assets	<u>\$ 1,883,665</u>	<u>\$ 16,034</u>	<u>\$ -</u>	<u>\$ 1,899,699</u>



**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**B. Unearned Revenues**

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

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

Unearned revenues at June 30, 2017 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

Changes in unearned revenues for the year ended June 30, 2016 were as follows.

	2016		
	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Beginning Balance, July 1, 2015	\$ 93,201	\$ 76,072	\$ 169,273
Additions:			
Current Year Contributions and Grants	599,981	212,898	812,879
Deductions:			
Contributions and Grants Recognized as Revenue	(669,996)	(174,627)	(844,623)
Decrease in Prepaid Underwriter Contributions	(23,033)	(779)	(23,812)
Ending balance, June 30, 2016	<u>\$ 153</u>	<u>\$ 113,564</u>	<u>\$ 113,717</u>

Unearned revenues at June 30, 2016 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

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

**A. Summary of Significant Accounting Policies**

**1. Nature of Operations**

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

**2. Basis of Accounting**

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

**3. Financial Statement Presentation**

The Organization follows 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.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

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

**4. Restricted Support**

Support is recognized when received. Support that is restricted by the donor/grantor is reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support that is permanently restricted by the donor/grantor is reported as an increase in permanently restricted net assets. The organization had no permanently restricted net assets at June 30, 2017 and 2016.

**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:

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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.

**B. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2017 and 2016 consisted of a book balance of \$2,064,919 and \$2,451,076, respectively. The bank balances of \$3,497,876 and \$2,881,917, respectively were each covered in the amount, of \$250,000 by federal depository insurance. The remaining \$3,247,876 and \$2,631,917, respectively, was uninsured and uncollateralized.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 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, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool	\$ -	\$ -	\$ 2,242,253	\$ 2,242,253
Interest in Maricopa County Community College District Foundation Investment Pool	-	-	2,371,177	2,371,177
Total	\$ -	\$ -	\$ 4,613,430	\$ 4,613,430
	2016			
	Level 1	Level 2	Level 3	Total
Interest in Arizona Community Foundation Investment Pool	\$ -	\$ -	\$ 2,008,216	\$ 2,008,216
Interest in Maricopa County Community College District Foundation Investment Pool	-	-	6,108,021	6,108,021
Total	\$ -	\$ -	\$ 8,116,237	\$ 8,116,237

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 of the respective agreements.

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 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, 2017 and 2016 consisted of the following:

	2017	2016
	Unrestricted Board Designated	Unrestricted Board Designated
Board Designated Endowment Net Assets - Beginning	\$ 8,116,237	\$ 8,098,883
Contributions and Fund Transfers	(3,898,880)	55,130
Realized Gain	294,648	274,396
Interest and Dividends	103,687	163,230
Change in Interest in Arizona Community Foundation Investment Pool	(60,559)	(135,058)
Change in Interest in Maricopa County Community College District Foundation Investment Pool	180,423	(288,756)
Management Fees	(42,239)	(51,588)
Board Designated Endowment Net Assets - Ending	<u>\$ 4,693,317</u>	<u>\$ 8,116,237</u>

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, 2017:

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

**KJZZ – FM RADIO AND KBAQ – FM RADIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

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

Level 3 Assets and Liabilities

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended June 30, 2016:

	2016		Total
	Arizona Community Foundation Investment Pool	Maricopa County Community College District Foundation Investment Pool	
Balances at July 1, 2015	\$ 2,000,383	\$ 6,098,500	\$ 8,098,883
Purchases	55,130	-	55,130
Realized Gain	77,240	197,156	274,396
Interest and Dividends	27,010	136,220	163,230
Change in Value	(135,058)	(288,756)	(423,814)
Fees	(16,489)	(35,099)	(51,588)
Balances at June 30, 2016	<u>\$ 2,008,216</u>	<u>\$ 6,108,021</u>	<u>\$ 8,116,237</u>

**D. Donated Goods and Services**

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

The Organization received \$493,092 and \$426,971 of donated management and fundraising services during the year ended June 30, 2017 and 2016, 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 \$382,073 and \$352,337 from the auction of donated vehicles in 2017 and 2016, respectively.

The Organization also received \$14,033 and \$13,170 in donated auction items for its special events during the year ended June 30, 2017 and 2016, respectively. These donations are included in special event revenue and expenses on the statement of activities.

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Management and Audit Committee  
KJZZ – FM Radio and KBAQ – FM Radio  
Tempe, Arizona

We have audited the financial statements of the business-type activities and the discretely presented component units of KJZZ – FM Radio and KBAQ – FM Radio (Stations) for the years ended June 30, 2017 and 2016, and have issued our report thereon dated February 9, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KJZZ – FM Radio and KBAQ – FM Radio are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Stations during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives and remaining useful lives of capital assets is based on an analysis of the assets' condition and the Stations' previous experience. We evaluated the key factors and assumptions used to develop the useful lives and remaining useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as whole.
- Management's estimate of the allowance for doubtful accounts is based on an analysis of the aged receivable balance and the Stations' previous experience in collecting delinquent or outstanding receivables. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining they are reasonable in relation to the financial statements taken as a whole.

- Management’s calculation of the shared administrative support allocation is based on square footage of building use and time spent to allocate overhead and salary expenses to the Stations. We evaluated and tested the calculation of these allocations in determining they were reasonable in relation to the financial statements taken as a whole.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing our audit. The audit was delayed as a result of a number of adjustments that were required by management during and subsequent to our audit fieldwork.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### **Corrected misstatements**

The following material misstatements were detected as a result of audit procedures and were corrected by management:

During the audit, it was noted that a number of account balances did not reconcile to supporting schedules, contracts and analytics. It was noted that a number of account balances required adjustment. The adjustments were proposed and subsequently recorded by management; however, the required adjustments were discovered as a result of audit procedures.

#### **Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. No such disagreements arose during our audit.

#### **Management representations**

We have requested certain representations from management that are included in the management representation letter dated February 9, 2018.

#### **Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Stations’ financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Stations' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other audit findings or issues***

We have provided a separate letter to you dated February 9, 2018, communicating internal control related matters identified during the audit.

***Audits of group financial statements***

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

***Limitations on the group audit***

There were no restrictions on our access to information of components or other limitations on the group audit.

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

This information is intended solely for the use of the audit committee and management of KJZZ – FM Radio and KBAQ – FM Radio and is not intended to be and should not be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 9, 2018



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Audit Committee and Management  
KJZZ – FM Radio and KBAQ – FM Radio  
Tempe, Arizona

In planning and performing our audit of the financial statements of KJZZ – FM Radio and KBAQ – FM Radio (Stations) as of and for the years ended June 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Stations' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Stations' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

### **Material weakness**

We consider the following deficiency in the Station's internal control to be a material weakness.

During the audit, a number of account balances did not reconcile to supporting schedules, contracts and/or analytics performed as audit procedures: After discussing the variances with management, it was discovered that material adjustments were necessary to properly state assets, liabilities, revenues and expenses. All adjustments were discovered by audit procedures, proposed by us and subsequently recorded by management.

Adjustments proposed as a result of audit procedures included: material adjustments to capital assets to properly reflect activity (additions, deletions and depreciation expense) and the ending balance of capital assets at year-end; material adjustments to reverse expenses accrued twice in error; material audit adjustments to correct the recording of shared administrative support; and material audit adjustments to correctly record grant revenues and expenses.

We recommend management review its current internal control procedures, specifically related to the year-end close-out and review of the year-end financial statements. In the current year, management had staff turnover that directly affected its preparation for the year-end audit of the financial statements. In future audits, management should complete a review of the annual financial statements, perform analytical procedures over year account balances and reconcile significant account balances prior to audit fieldwork.

Additionally, the Stations represent a department within the college. Because separate financial statements are required by the Corporation for Public Broadcasting, management should consider its future approach to account for the activity of the Stations. Currently, the Stations are maintained in a separate department; however, as part of management's financial statement preparation, numerous post-closing entries are necessary to record activity that is not included at the departmental level of the financial statements. The number of post-closing entries provides an opportunity for an error to go undetected and uncorrected.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Station personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

\* \* \*

This communication is intended solely for the information and use of management, the audit committee, and others within the Stations, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 9, 2018

## INDEPENDENT ACCOUNTANTS' REPORT

Audit Committee and Management  
KBAQ – FM Radio Station  
Tempe, Arizona

We have examined management of KBAQ – FM Radio's (Station) assertion that the Station's electronically submitted Schedule of Non-Federal Financial Support (NFFS) to the Corporation of Public Broadcasting complied with CPB's fiscal year 2017 Financial Reporting Guidelines governing the amounts reported as NFFS (specified requirements) for the fiscal year ended June 30, 2017. The Stations' management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Station's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Station's compliance with specified requirements.

In our opinion, management's assertion that KBAQ – FM Radio complied with CPB's fiscal year 2017 Financial Reporting Guidelines governing the amounts reported as NFFS, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Audit Committee, management and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
February 9, 2018



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## **INDEPENDENT ACCOUNTANTS' REPORT**

Audit Committee and Management  
KJZZ – FM Radio Station  
Tempe, Arizona

We have examined management of KJZZ – FM Radio's (Station) assertion that the Station's electronically submitted Schedule of Non-Federal Financial Support (NFFS) to the Corporation of Public Broadcasting complied with CPB's fiscal year 2017 Financial Reporting Guidelines governing the amounts reported as NFFS (specified requirements) for the fiscal year ended June 30, 2017. The Stations' management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Station's compliance with the specified requirements based on our examination.

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Our examination does not provide a legal determination on the Station's compliance with specified requirements.

In our opinion, management's assertion that KJZZ – FM Radio complied with CPB's fiscal year 2017 Financial Reporting Guidelines governing the amounts reported as NFFS, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Audit Committee, management and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
February 9, 2018