

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

YEARS ENDED JUNE 30, 2013 AND 2012

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
YEARS ENDED JUNE 30, 2013 AND 2012

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A MESSAGE FROM THE GENERAL MANAGER

In Fiscal Year 2013, Arizona Public Media® (AZPM) remained strategically focused on the tactical portion of its five-year strategic plan, which is designed to position the organization for the future in a rapidly evolving and highly competitive media environment, and strengthen its connection to the community and the University of Arizona.

PBS 6 continues to outperform the average for PBS stations, regularly ranking among the top 10 PBS stations nationally for prime time viewership. *Classical 90.5* and *NPR 89.1* posted significant audience growth this summer with *NPR 89.1* attracting larger summer audiences than ever before.

AZPM's original television productions were again recognized with more Emmy® Award nominations than any other television station in Tucson. These nominations illustrate just some of the achievements of AZPM's talented staff, and the in-depth stories they produce. Among the original productions completed this year were *Voter Stories*, an on-air campaign designed to get out the vote, and *Arizona's Dust Bowl: Lessons Lost*, which was among the top 5 most-viewed television programs this year.

Classical 90.5 continued its production of the weekly *Community Concerts* series. This year, in collaboration with the Tucson Symphony Orchestra, AZPM produced and broadcast 13 *Classical* and *MasterWorks* performances from TSO's 2012-13 season for *Classical 90.5* radio audiences.

AZPM launched a new portal for news reporting, *news.azpm.org*, to reach new audiences through the unique stories posted on AZPM's websites and shared through social media platforms. *AZ PBS LearningMedia* (<http://az.pbslearningmedia.org>) continued to provide free online access to the extensive media resources of PBS for classroom teachers, home schoolers and students. Utilization this year grew by 106% over the previous year and more than 5,300 educators in Southern Arizona now utilize this service.

The current economic and political climate breeds uncertainties with regard to ongoing government support. Management continues to address economic challenges by working diligently and responsibly to continue to provide high quality public media services and educational opportunities for students and the University. For much of FY'13 the implications of the federal sequestration hung over AZPM as it did for many federal grant recipients. AZPM used cost controls to offset a wide range of potential federal grant reductions.

AZPM's long-term strategies to address grant funding challenges include working to increase underwriting revenue, further developing major and planned giving programs, and broadening its membership base. AZPM continues to streamline operations in order to maximize efficiencies, reduce expenditures, and to provide new and revitalized program services to the community and University. We are especially proud that our efforts in this area are not simply reactive to current market conditions, but reflective of our culture of responsibility, as custodians of precious financial resources provided to us through the generosity of our donors, corporate underwriters, and the University of Arizona.

AZPM proudly upholds its mission as a unit of the University of Arizona to educate, inform, inspire, and connect our community by bringing people and ideas together.

Sincerely yours,



¹ Trac Media Services



BEACHFLEISCHMAN

Independent Auditors' Report

Board of Directors
Arizona Public Media
Tucson, Arizona

We have audited the accompanying financial statements of Arizona Public Media a division of The University of Arizona which comprise the statements of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards established by the AICPA Auditing Standards Board. 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 Organization's 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 Organization's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Public Media as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Other Matters

Audited by other auditors

The financial statements of Arizona Public Media as of June 30, 2012, were audited by other auditors whose report dated November 26, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

U.S. generally accepted auditing standards require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Message from the general manager

The message from the General Manager, as listed in the table of contents, is supplementary information presented for purposes of additional analysis. We did not audit such information and express no opinion on it.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 32 and 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Tucson, Arizona
December 5, 2013

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2013 AND 2012

Introduction and Reporting Entity

The following discussion and analysis provides an overview of the financial position and activities of Arizona Public Media (AZPM), a division of the University of Arizona (the University or U of A) for the years ended June 30, 2013 and 2012.

This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section.

USING THE FINANCIAL STATEMENTS

The financial statements include three statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the financial position of AZPM at the end of the fiscal year and includes all assets and liabilities of AZPM. Assets and liabilities are classified as either current or noncurrent. Current liabilities are obligations that will be paid within one year of the statement date. Current assets are those resources available to satisfy current liabilities. The difference between total assets and total liabilities, referred to as net position, is one indicator of the financial condition of AZPM. Generally, assets and liabilities are measured using current values. One notable exception is capital assets, which are stated at historic cost less an allowance for depreciation.

The Statement of Revenues, Expenses and Changes in Net Position provides information about AZPM's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net asset categories are reported, including capital contributions and additions or reductions to endowments. As a University licensee, general appropriations from the University, along with contributions and investment income are considered nonoperating revenues. Therefore, as a result of these standards, AZPM will typically appear to operate at a loss. By comparison, the total change in net position is a better indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents during the year. It shows the 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. 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.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

CONDENSED FINANCIAL STATEMENT INFORMATION

Statement of Net Position

A summarized comparison of AZPM's assets, liabilities and net position at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 11,617,069	\$ 10,173,324
Noncurrent assets other than capital assets	548,669	517,114
Capital assets	<u>1,483,957</u>	<u>1,857,546</u>
Total assets	<u>13,649,695</u>	<u>12,547,984</u>
Liabilities		
Current liabilities	<u>605,229</u>	<u>539,845</u>
Net position		
Investment in capital assets	1,483,957	1,857,546
Restricted - nonexpendable	528,121	501,591
Restricted - expendable	252,265	392,410
Unrestricted	<u>10,780,123</u>	<u>9,256,592</u>
Total net position	<u>\$ 13,044,466</u>	<u>\$ 12,008,139</u>

For the year ended June 30, 2013, total net position increased by \$1,036,327, or 8.6%, which is mainly due to an increase in overall revenue, while holding expense fairly flat.

For the year ended June 30, 2012, total net position increased by \$38,269, or 0.3%.

Current assets consist primarily of cash and cash equivalents, short term investments, receivables and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued liabilities and unearned revenue. Current assets are sufficient to meet current obligations.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Position

A summarized comparison of AZPM's operations for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Grants and contracts	\$ 4,060	\$ 17,500
Auxiliary enterprises	<u>412,864</u>	<u>406,578</u>
Total operating revenues	<u>416,924</u>	<u>424,078</u>
Operating expenses:		
Program services:		
Programming and production	5,896,406	5,477,808
Broadcasting	1,454,620	1,729,052
Public information and promotion	501,972	583,707
Support services:		
Management and general	1,184,870	1,182,734
Fundraising and membership development	<u>1,834,948</u>	<u>1,759,660</u>
Total operating expenses	<u>10,872,816</u>	<u>10,732,961</u>
Operating loss	<u>(10,455,892)</u>	<u>(10,308,883)</u>
Nonoperating revenues:		
General appropriation from U of A	2,853,088	2,409,079
Donated facilities and administrative support from U of A	1,794,561	1,768,707
Corporation for Public Broadcasting grants	1,409,649	1,452,433
Subscription and membership income	2,367,672	2,319,945
Business and underwriting	1,085,244	959,513
Other gifts and nonoperating revenues	<u>1,836,005</u>	<u>1,238,974</u>
	11,346,219	10,148,651
Capital grants, gifts and conveyances	<u>146,000</u>	<u>198,501</u>
Increase in net position	1,036,327	38,269
Net position, beginning of year	<u>12,008,139</u>	<u>11,969,870</u>
Net position, ending of year	<u>\$ 13,044,466</u>	<u>\$ 12,008,139</u>

**ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)**

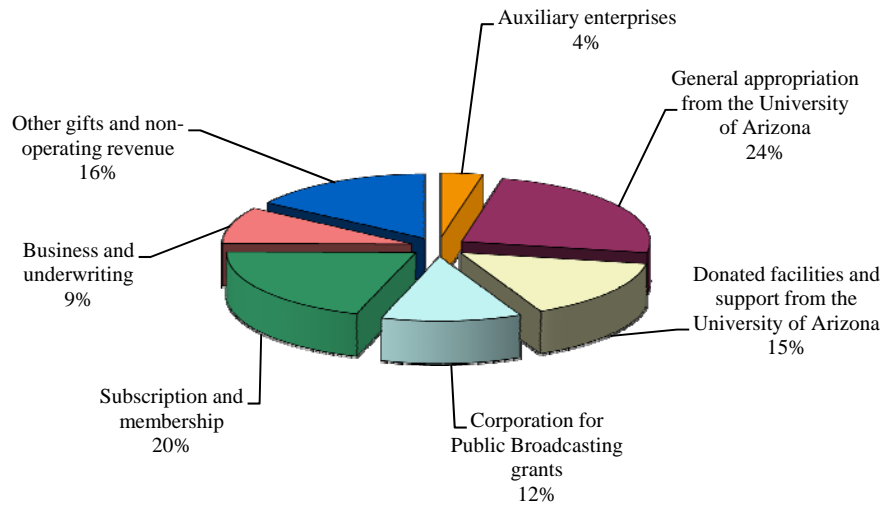
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

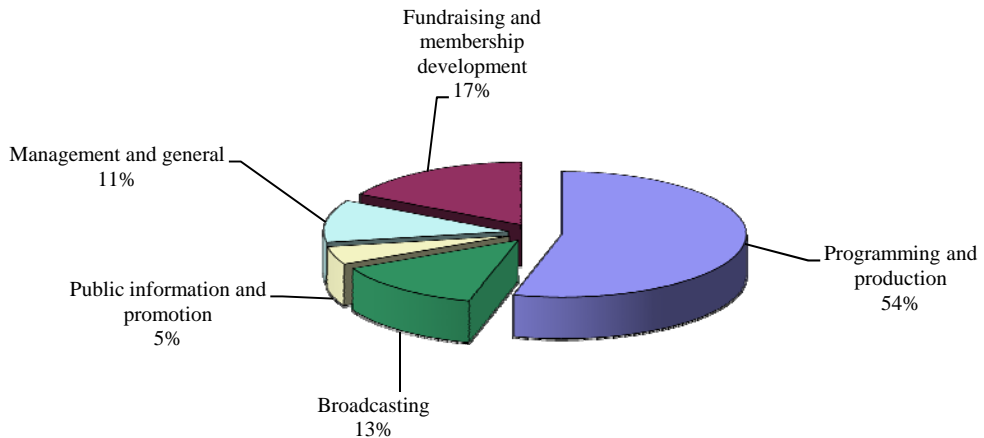
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2013.

Operating and Non-operating Revenues



Operating and Non-operating Expenses



**ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)**

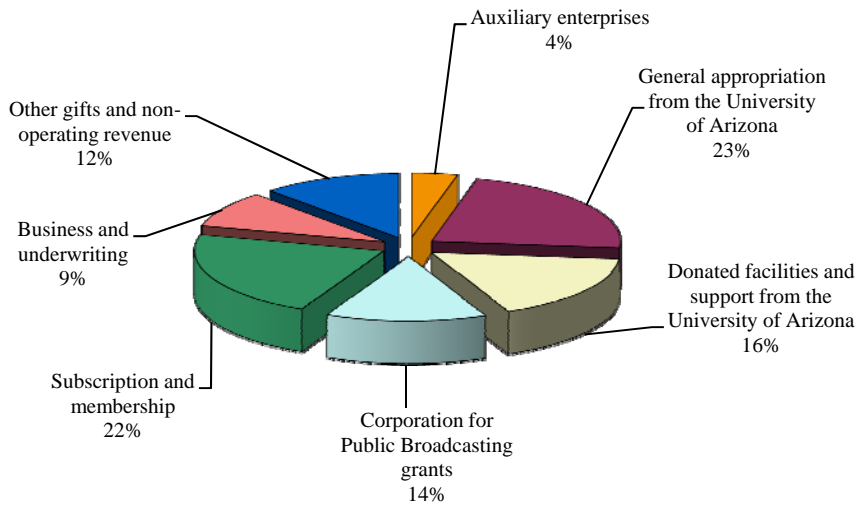
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

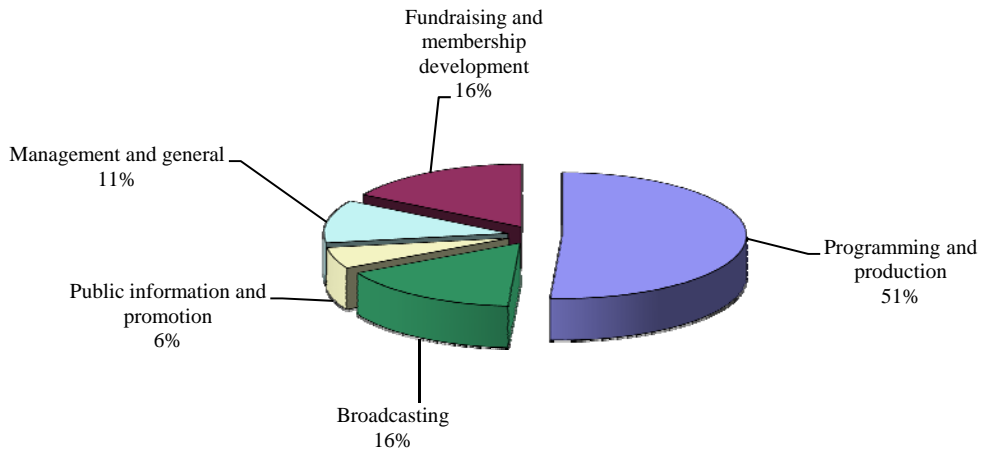
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2012.

Operating and Non-operating Revenues



Operating and Non-operating Expenses



ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

Operating revenues and expenses - In fiscal year 2013, AZPM's operating revenues decreased by \$7,154, or 1.7%, over fiscal year 2012. This decrease was attributable to the variance in grant revenues.

In fiscal year 2012, AZPM's operating revenues increased by \$27,541, or 7.0%, over fiscal year 2011. This increase was mainly attributable to receiving grant funding which we did not have in fiscal year 2011 and a slight increase in outside production.

In fiscal year 2013, operating expenses increased approximately \$139,854, or 1.3%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, increased approximately \$62,431, or 0.8%. Supporting services, which consist of management and general and fundraising and membership development expenses, increased approximately \$77,424 or 2.6%.

In fiscal year 2012, operating expenses increased approximately \$559,197, or 5.5%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, decreased approximately \$519,955, or 7.2%, primarily due to an increase in our broadcasting expense which was due to tower repair and a variety of signal expansion and frequency reassignment feasibility studies. Supporting services, which consist of management and general and fundraising and membership development expenses, increased approximately \$39,242 or 1.4%.

Nonoperating revenues – In fiscal year 2013, nonoperating revenue increased approximately \$1,197,568, or 11.8%. The general appropriation from the University increased approximately \$444,009, or 18.4%, primarily due to utilization of salary savings. Donated facilities and administrative support (indirect administrative support) provided by the University increased by \$25,854, or 1.5%, which is the result of an increase in direct costs. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants decreased by \$42,784, or 2.9% due to sequestration reductions. Subscription and membership revenue increased by \$47,727, or 2.1%, which is due to economic recovery. Business and underwriting revenue increased \$125,731, or 13.1%, primarily due to an increase in underwriting contracts. Other gifts and nonoperating revenues increased by approximately \$597,031 or 48.2%, which is mainly due to an increase in bequest and major giving revenue.

In fiscal year 2012, nonoperating revenue decreased approximately \$151,880, or 1.5%. The general appropriation from the University decreased approximately \$128,289, or 5.1%, primarily due to a fluctuation of salaries assigned to those funds. Donated facilities and administrative support (indirect administrative support) provided by the University increased by \$93,086, or 5.6%, which is the result of an increase in direct costs. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants decreased by \$2,464, or 0.2%. Subscription and membership revenue decreased by \$158,482, or 6.4%, which is due to the effect of the economy on giving. Business and underwriting revenue increased \$9,947, or 1.1%. Other gifts and nonoperating revenues increased by approximately \$34,322 or 2.9%.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

Capital Assets and Debt Analysis

AZPM had \$1,483,957 and \$1,857,546 in capital assets, net of accumulated depreciation at June 30, 2013 and 2012. Title to these assets resides with the University, which allocates custody of the assets to AZPM for its operational needs.

AZPM does not separately issue long-term debt and is not currently engaged in any long-term financing transactions.

Contacting AZPM

This management report is designed to provide a general overview of AZPM's finances and to show AZPM's accountability for the revenue it received. If you have other questions on this report or need additional information, contact the Chief Financial Officer at Arizona Public Media, P.O. Box 210067, Tucson, AZ 85721 or call (520)-621-KUAT.

Basic Financial Statements

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF NET POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 10,986,186	\$ 9,595,015
Accounts receivable, net	556,628	512,567
Prepaid expenses	<u>74,255</u>	<u>65,742</u>
Total current assets	11,617,069	10,173,324
Capital assets, net	1,483,957	1,857,546
Endowments	528,121	501,591
Other assets	<u>20,548</u>	<u>15,523</u>
	<u>13,649,695</u>	<u>12,547,984</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	213,174	130,463
Accrued expenses and other liabilities	372,966	388,865
Unearned revenue	<u>19,089</u>	<u>20,517</u>
Total current liabilities	<u>605,229</u>	<u>539,845</u>
Commitments and contingencies		
Net position:		
Investment in capital assets	1,483,957	1,857,546
Restricted:		
Nonexpendable - endowments	528,121	501,591
Expendable - station programs/projects	252,265	193,909
Expendable - capital projects		198,501
Unrestricted	<u>10,780,123</u>	<u>9,256,592</u>
	<u>\$ 13,044,466</u>	<u>\$ 12,008,139</u>

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2013

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Grants and contracts	\$ 4,060	\$ 17,500
Auxiliary enterprises	<u>412,864</u>	<u>406,578</u>
Total operating revenues	<u>416,924</u>	<u>424,078</u>
Operating expenses:		
Program services:		
Programming and production	5,896,406	5,477,808
Broadcasting	1,454,620	1,729,052
Public information and promotion	501,972	583,707
Support services:		
Management and general	1,184,870	1,182,734
Fundraising and membership development	<u>1,834,948</u>	<u>1,759,660</u>
Total operating expenses	<u>10,872,816</u>	<u>10,732,961</u>
Operating loss	<u>(10,455,892)</u>	<u>(10,308,883)</u>
Nonoperating revenues:		
General appropriation from U of A	2,853,088	2,409,079
Donated facilities and administrative support from U of A Corporation for Public Broadcasting grants	1,794,561	1,768,707
Subscription and membership income	1,409,649	1,452,433
Business and underwriting	2,367,672	2,319,945
Legacies and bequests	1,085,244	959,513
Other gifts and contributions	1,075,380	766,887
Investment income (loss), net	9,528	12,823
Other nonoperating revenues	173,801	(29,798)
Nonoperating revenue	<u>577,296</u>	<u>489,062</u>
Nonoperating revenue	<u>11,346,219</u>	<u>10,148,651</u>
Capital grants, gifts and conveyances	<u>146,000</u>	<u>198,501</u>
Increase in net position	1,036,327	38,269
Net position, beginning of year	<u>12,008,139</u>	<u>11,969,870</u>
Net position, end of year	<u>\$ 13,044,466</u>	<u>\$ 12,008,139</u>

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Grants and contracts receipts	\$ 15,493	\$ 17,500
Payments for salaries, wages and benefits	(4,977,861)	(4,891,504)
Payments to suppliers	(3,470,287)	(3,520,977)
Auxiliary enterprise receipts	<u>406,828</u>	<u>423,466</u>
Net cash used in operating activities	<u>(8,025,827)</u>	<u>(7,971,515)</u>
Cash flows from noncapital financing activities:		
General appropriations from the U of A	2,853,089	2,409,079
Corporation for Public Broadcasting grants	1,409,649	1,452,433
Gifts and grants for other than capital purposes	<u>5,113,228</u>	<u>4,571,176</u>
Net cash provided by noncapital financing activities	<u>9,375,966</u>	<u>8,432,688</u>
Cash flows from capital financing activities:		
Capital grants and gifts received	146,000	198,501
Purchases of capital assets	<u>(181,275)</u>	<u>(210,209)</u>
Net cash used in capital financing activities	<u>(35,275)</u>	<u>(11,708)</u>
Cash flows from investing activities:		
Gains on quasi-endowment		(103,449)
Interest and dividends on investments	<u>76,307</u>	<u>73,651</u>
Net cash provided by (used in) investing activities	<u>76,307</u>	<u>(29,798)</u>
Net increase in cash and cash equivalents	1,391,171	419,667
Cash and cash equivalents, beginning	<u>9,595,015</u>	<u>9,175,348</u>
Cash and cash equivalents, ending	<u>\$ 10,986,186</u>	<u>\$ 9,595,015</u>

See notes to financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (10,455,892)</u>	<u>\$ (10,308,883)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	532,727	534,332
Donated facilities and administrative support	1,794,561	1,768,707
Changes in operating assets and liabilities:		
Accounts receivable	(6,035)	91,291
Prepaid expenses		83,954
Accounts payable	116,281	(9,693)
Accrued expenses and other liabilities	(18,902)	(125,539)
Unearned revenue	<u>11,433</u>	<u>(5,684)</u>
Net cash used in operating activities	<u>\$ (8,025,827)</u>	<u>\$ (7,971,515)</u>
Supplemental noncash transactions:		
Capital asset purchases included in accounts payable	\$ 14,137	\$ 36,273
Unrealized gain (loss) in fair value of investments:		
Quasi-endowments, included in cash and cash equivalents held by the University of Arizona	70,963	(80,503)
Endowments	26,531	(22,946)

See notes to financial statements.

ARIZONA PUBLIC MEDIA
(A Division to the University of Arizona)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of organization and summary of significant accounting policies:

Description of business:

The accounting policies of Arizona Public Media (AZPM or the Organization) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental colleges and universities engaged in business-type activities as promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Reporting Guidelines published by the Corporation for Public Broadcasting (CPB), unless those pronouncements conflict with GASB pronouncements.

For the year ended June 30, 2013, AZPM implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which had no material effect on fiscal year 2013 or 2012 and therefore, no additional note disclosures are required.

Reporting entity:

Arizona Public Media is a division of the University of Arizona (the University or U of A), which functions as a public communications entity. KUAT-TV, KUAT-FM and KUAZ/KUAZ-FM (the Stations) are licensed by the Federal Communication Commission (FCC) as noncommercial, educational broadcasting stations. For financial statement purposes, KUAT-TV includes KUAT-TV, KUAS-TV, KUAT-DT, KUAS-DT and also provides a production and distribution service, which operates an Education Broadband Service (EBS) and a Multipoint Distribution System (MDS) in conjunction with satellite, microwave and internet services to provide instructional programming services.

The financial statements include all funds directly controlled by Arizona Public Media. Fiscal responsibility remains with the University of Arizona.

Basis of accounting:

The basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of AZPM are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. All interdepartmental activity is eliminated.

Financial statement presentation:

The financial statements include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of organization and summary of significant accounting policies (continued):

Financial statement presentation (continued):

The Statements of Net Position provide information about the assets, liabilities and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external restrictions or availability of assets to satisfy obligations. Investment in capital assets represents the cost of capital assets, net of accumulated depreciation. Nonexpendable restricted net position represents gifts received for endowment purposes, the corpus of which may not be expended. Expendable restricted net position represent grants, contracts, gifts and other resources that have been externally restricted for specific purposes. Unrestricted net position includes all other position amounts, including those that have been designated by management to be used for other than general operating purposes.

The Statements of Revenues, Expenses and Changes in Net Position provide information about AZPM's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating and all changes in net position are reported, including capital contributions and additions to endowments. Generally, revenues generated by AZPM for services are considered to be operating revenues. Other revenues, such as University appropriations and gifts, are not considered generated from operations and are reported as nonoperating revenues. Operating expenses include the loss on disposal of capital assets.

The Statements of Cash Flows provide information about AZPM's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital financing or investing activities.

Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization's cash and cash equivalents are held by the University and by the University of Arizona Foundation (Foundation).

Funds held by the University of Arizona:

The University acts as collection and disbursement agent on behalf of AZPM. Funds held by the University represent the excess of cash collected over cash disbursed and are due on demand. Therefore, these amounts are considered cash and cash equivalents for purposes of reporting cash flows.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of organization and summary of significant accounting policies (continued):

Funds held by the University of Arizona (continued):

Under Arizona state law and Board of Regents' policies, the University may invest its pooled operating funds in collateralized time certificates of deposit and repurchase agreements with commercial banks, United States treasury securities and other federal agency securities or in the government investment pool administered by the State Treasurer's office. Cash amounts held in excess of federal depository insurance limits are otherwise collateralized by U.S. government obligations held by an agent of the bank in the name of the State of Arizona.

Funds held by the University of Arizona Foundation:

Amounts on deposit with the Foundation are cash collected and invested for AZPM by the Foundation. The balance is due to AZPM on demand. Therefore, these amounts are considered cash and cash equivalents for purposes of reporting cash flows.

The Foundation invests such funds in a combination of fixed income securities, government obligations, treasury obligations, cash and cash equivalents, and other federal agency obligations in order to achieve a diversified portfolio.

Accounts receivable:

Accounts receivable consist primarily of pledge receivables and are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend on are substantially met. Unconditional promises to give are recorded at net realizable value.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific doubtful accounts and the aging of accounts receivable. Receivables are written off when deemed uncollectible. The Organization has recorded allowances for doubtful accounts of \$72,000 and \$76,000 at June 30, 2013 and 2012.

Endowment investments:

Endowment assets have been donated to AZPM and are permanently restricted by the donor. Endowment assets are held and invested by the Foundation in external investment pool at June 30, 2013 and 2012. At June 30, 2013 and 2012, the external investment pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. At June 30, 2013 and 2012, the weighted average maturity of investments was approximately four years. The investment pools are not rated.

Investments are carried at fair value and realized and unrealized gains and losses are reflected as nonoperating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of organization and summary of significant accounting policies (continued):

Endowment investments (continued):

The following is the spending policy for investments held at the University: Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. The Foundation's Investments Committee is responsible for oversight of the Pool. For fiscal year 2013, the expendable rate was established at 4% of the three-year average market value ended December 31, 2010.

The following is the spending policy for investments held at the Foundation: The Foundation's policy is to payout a percentage of the average fair value of the corpus of an endowment at the calendar year-end of the three previous years. When determining the spending rate for endowment funds, the Investment Committee considers actual return on the investments, current payout rate, payout rates established by other university endowments and general economic conditions. For fiscal year 2013, the expendable rate was established at 4%.

Capital assets:

Capital assets, which include transmission, antenna, tower, studio, equipment and furniture, fixtures and equipment are reported in the financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Transmission, antenna and tower	15 years
Studio, equipment and furniture, fixtures and equipment (FF&E)	7 years

Estimated useful lives of assets outside of the above classes are based on their estimated useful lives. Interest is capitalized in connection with the construction of major facilities. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

Compensated absences:

Compensated absences and compensatory time is earned at rates dependent on the length of employment and can be accumulated to a specified maximum number of days. Upon termination or retirement, a set number of accrued vacation and compensatory hours will be paid to employees. Accordingly, these benefits are accrued as a liability in the financial statements.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of organization and summary of significant accounting policies (continued):

Revenues and support recognition:

Federal grants, contracts and appropriations and nongovernmental grants and contracts are accounted for as exchange transactions and are recorded as operating revenue when earned. Advances in excess of costs incurred under grants and contracts are deferred and recognized as revenue when the related expense is incurred.

Auxiliary enterprise revenue results mainly from the sale of production services, lease of broadcast rights and video sales of programming. In addition, AZPM leases certain excess capacity EBS and MDS frequencies and other spectrum to third-parties. All such revenue is reported as operating revenue when services have been provided or products have been shipped.

As a division of the University of Arizona, AZPM receives an annual appropriation from the University. The appropriation is reported as nonoperating revenue in the year appropriated.

Subscription and membership income are considered unconditional promises to give and are reported as unrestricted nonoperating revenue in the period the pledge is made. An allowance is made for uncollectible accounts.

Revenue related to program underwriting is recognized as unrestricted nonoperating revenue in the period the agreement is executed.

Other gifts received for the purpose of supporting programming costs are recognized as nonoperating revenue in the period the promise to give is made. CPB funding is contingent on certain performance factors and, as a result, is recognized as unrestricted nonoperating revenue in the year received. Other gifts are considered to be unrestricted unless specifically restricted by the donor. AZPM records donor-restricted gifts that have not been expended in the current year as restricted net assets.

Indirect administrative support from the University consists of allocated institutional support incurred by various other divisions of the University for which AZPM receives benefits. The fair value of this support is recognized in the Statements Revenues, Expenses and Changes in Net Position as indirect administrative support and also as an expense. For the year ended June 30, 2013 and 2012, indirect support was calculated using the University's indirect rate modified to exclude certain cost components that do not benefit AZPM.

Functional allocation of expenses:

Expenses that can be identified with a specific program of supporting service are charged directly to the program according to their natural expense classification. Costs incurred that share a common purpose are allocated based on total personnel costs or other systematic bases.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of organization and summary of significant accounting policies (continued):

Income taxes:

The University has received approval for federal tax-exempt status from the Internal Revenue Service and is also exempt from state income taxes. Accordingly, no provision is made for corporate income taxes in the accompanying financial statements. Management is not aware of any matters which would cause the University or AZPM to lose its tax-exempt status.

Reclassification:

The 2012 financial statements have been reclassified to conform to the 2013 financial statement classification. The reclassifications had no effect on net position at June 30, 2012 and no effect on the change in net position for the year then ended.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2013 through December 5, 2013, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Cash and cash equivalents and investments:

The Organization's cash and cash equivalents and investments consist of the following at June 30, 2013 and 2012:

	2013	2012
Cash and cash equivalents		
Held by the University of Arizona	\$ 8,890,040	\$ 7,819,716
Held by the University of Arizona Foundation	2,096,146	1,775,299
	\$10,986,186	\$ 9,595,015
Investments:		
Endowment held by the University of Arizona	\$ 64,051	\$ 60,865
Endowment held by the University of Arizona Foundation	464,070	440,726
	\$ 528,121	\$ 501,591

AZPM's cash and investments held with the Foundation represent a portion of the Foundation's investment pool portfolio; however, AZPM's portion is not identified with specific investments. The University of Arizona Foundation's pool invests in U.S. Treasury, U.S. agencies, commercial paper, corporate bonds and equities. A summary of the University's risk policies for deposits and investments follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

2. Cash and investments (continued):

Interest rate risk:

The University's investment policy for the operating funds limits a significant proportion, although not a fixed percentage, of the portfolio to authorized securities with maturities of one year or less. Also, the maximum maturity of any fixed rate issue may not exceed five years and the final maturity of any floating rate issue may not exceed five years. The capital projects and endowment funds portfolios have no such limitation.

Credit risk:

With regard to credit risk, University policy mirrors that of the Board of Regents in that it restricts investment of the operating and capital projects funds to be collateralized certificates of deposit and repurchase agreements, United States Treasury securities and other federal agency securities or the State Treasurer's investment pool. University policy also dictates that government debt securities must be used to collateralize certificates of deposit and repurchase agreements to conform to statute. When investing endowment funds, University policy requires corporate bonds and notes to be of investment grade quality, rated Baa or higher by Moody's Investor Service, at the time of purchase.

Custodial credit risk deposits:

In the case of deposits, this is the risk that in the event of bank failure, AZPM's deposits may not be returned to it. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or the Board, the University does not have a policy that specifically addresses custodial credit risk. As of June 30, 2013 and 2012, \$2,096,146 and \$1,775,299, of AZPM's bank balances with the University of Arizona Foundation was exposed to custodial credit risk because the amounts were not insured or collateralized.

Custodial risk, investments:

For an investment, this is the risk that in the event of failure of the counterparty, AZPM will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University policy requires collateralization for all certificates of deposit and repurchase agreements held in the Controller's demand deposit account. Beyond this requirement and those established by Statute or the Board, the University does not have a policy that specifically addresses custodial credit risk. AZPM's investments are pooled with the University of Arizona Foundation's investments. As of June 30, 2013 and 2012, \$464,070 and \$440,726, of AZPM's investments are exposed to custodial credit risk in that separate pertinent identifying information has not been obtained from the Foundation.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

3. Accounts receivable:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2013</u> <u>Total</u>	<u>2012</u> <u>Total</u>
Subscription and membership	\$ 109,334	\$ 18,443	\$ 41,845	\$ 169,622	\$ 148,865
Underwriting and business	106,850	39,312	290,455	436,617	416,663
Auxiliary enterprises	<u>9,042</u>	<u>6,611</u>	<u>6,736</u>	<u>22,389</u>	<u>23,039</u>
Less allowance for doubtful accounts	<u>46,800</u>	<u>7,700</u>	<u>17,500</u>	<u>72,000</u>	<u>76,000</u>
	<u>\$ 178,426</u>	<u>\$ 56,666</u>	<u>\$ 321,536</u>	<u>\$ 556,628</u>	<u>\$ 512,567</u>

4. Capital assets:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Transmission, antenna and tower	\$ 2,687,835	\$ -	\$ -	\$ 2,687,835
Studio, equipment, FF&E	<u>5,777,067</u>	<u>159,138</u>	<u>(32,230)</u>	<u>5,903,975</u>
Total depreciable capital assets	<u>8,464,902</u>	<u>159,138</u>	<u>(32,230)</u>	<u>8,591,810</u>
Less accumulated depreciation:				
Transmission, antenna and tower	1,678,786	163,600	-	1,842,386
Studio, equipment, FF&E	<u>4,928,570</u>	<u>369,127</u>	<u>(32,230)</u>	<u>5,265,467</u>
Total accumulated depreciation	<u>6,607,356</u>	<u>532,727</u>	<u>(32,230)</u>	<u>7,107,853</u>
Capital assets, net	<u>\$ 1,857,546</u>	<u>\$ (373,589)</u>	<u>\$ -</u>	<u>\$ 1,483,957</u>

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Transmission, antenna and tower	\$ 2,653,038	\$ 34,797	\$ -	\$ 2,687,835
Studio, equipment, FF&E	<u>5,759,378</u>	<u>211,685</u>	<u>(193,996)</u>	<u>5,777,067</u>
Total depreciable capital assets	<u>8,412,416</u>	<u>246,482</u>	<u>(193,996)</u>	<u>8,464,902</u>
Less accumulated depreciation				
Transmission, antenna and tower	1,515,186	163,600	-	1,678,786
Studio, equipment, FF&E	<u>4,751,834</u>	<u>370,732</u>	<u>(193,996)</u>	<u>4,928,570</u>
Total accumulated depreciation	<u>6,267,020</u>	<u>534,332</u>	<u>(193,996)</u>	<u>6,607,356</u>
Capital assets, net	<u>\$ 2,145,396</u>	<u>\$ (287,850)</u>	<u>\$ -</u>	<u>\$ 1,857,546</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

4. Capital assets (continued):

Depreciation expense totaled \$532,727 and \$534,332 for the years ended June 30, 2013 and 2012. AZPM has purchased transmission and studio assets with grants from the Public Telecommunications Facilities Program (PTFP) with an original cost of \$3,429,665 and with a net book value of \$346,025 and \$610,049 at June 30, 2013 and 2012. PTFP funded assets are subject to a 10 year lien from the date of project completion. The PTFP has the ability to seize the assets if not used in accordance with the grant agreement.

5. Restrictions on net assets:

AZPM receives grants and funding from various sources to be used for operations, production and promotion of certain activities. A summary of the non-expendable and expendable net assets as of June 30, 2013 and 2012 is as follows:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2013 Total</u>	<u>2012 Total</u>
Nonexpendable endowments:					
Radio Production - NEA Challenge	\$ -	\$ 247,251	\$ 247,251	\$ 494,502	\$ 469,904
Bashevin Endowment	7,202	-	-	7,202	6,584
Shandell Endowment	<u>26,417</u>	<u>-</u>	<u>-</u>	<u>26,417</u>	<u>25,103</u>
	<u>33,619</u>	<u>247,251</u>	<u>247,251</u>	<u>528,121</u>	<u>501,591</u>
Expendable - station programs/projects:					
Mental Health Reporter	101,123	-	-	101,123	-
Ready to learn support	-	-	-	-	2,347
Local production	99,340	-	-	99,340	71,723
Desert Speaks/local production support	-	-	-	-	71,046
Great Voices Radio Series support	-	9,323	-	9,323	9,323
Program acquisition/production	5,000	514	514	6,028	3,019
Operational support excluding administrative costs	<u>36,451</u>	<u>-</u>	<u>-</u>	<u>36,451</u>	<u>36,451</u>
Total station programs/projects	<u>241,914</u>	<u>9,837</u>	<u>514</u>	<u>252,265</u>	<u>193,909</u>
Capital project	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,501</u>
	<u>241,914</u>	<u>9,837</u>	<u>514</u>	<u>252,265</u>	<u>392,410</u>
	<u>\$ 275,533</u>	<u>\$ 257,088</u>	<u>\$ 247,765</u>	<u>\$ 780,386</u>	<u>\$ 894,001</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

6. Investment income:

A summary of investment income by station at June 30 is as follows:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2013 Total</u>	<u>2012 Total</u>
Interest and dividends	\$ 39,772	\$ 23,092	\$ 13,443	\$ 76,307	\$ 73,651
Net unrealized gains (losses) on investments	<u>51,077</u>	<u>29,443</u>	<u>16,974</u>	<u>97,494</u>	<u>(103,449)</u>
	<u>\$ 90,849</u>	<u>\$ 52,535</u>	<u>\$ 30,417</u>	<u>\$ 173,801</u>	<u>\$ (29,798)</u>

7. Related party transactions:

AZPM receives a portion of its revenues and support from the University in the form of a general appropriation totaling \$2,853,089 and \$2,409,079 for operation purposes for the years ended June 30, 2013 and 2012.

AZPM receives administrative support from the University in the form of legal services, accounting services, use of facilities, repairs and maintenance, and other administrative support. In addition, facilities not directly related to AZPM stations are owned by the University and used by AZPM. The value of the indirect support is calculated based on the Other Sponsored Activities Method developed by the Corporation for Public Broadcasting. The indirect support, recorded in nonoperating revenues, totaled \$1,794,561 and \$1,768,707 for the years ended June 30, 2013 and 2012.

8. Retirement plans:

As part of the University, AZPM participates in one cost-sharing multiple-employer defined benefit pension plan and four defined contribution pension plans.

Defined Benefit Plan:

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers employees of the state of Arizona, including University employees, and employees of participating political subdivisions and school districts. Benefits are established by State statute. The ASRS provides retirement, death, and survivor benefits through its Retirement Fund; health insurance premium benefits (i.e., a monthly subsidy) through its Health Benefit Supplement Fund; and long-term disability benefits through its Long-Term Disability Fund. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. The ASRS issues a publicly available comprehensive annual financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, PO Box 33910, Phoenix, Arizona 85067-3910, or by calling (602) 240-2000 or

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

8. Retirement plans (continued):

Defined Benefit Plan (continued):

(800) 621-3778.

For the year ended June 30, 2013, active ASRS members were required to contribute at the actuarially determined rate of 11.14 percent (10.9 percent retirement and .24 percent long-term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, .65 percent for health insurance premium, and .24 percent for long-term disability) of the members' annual covered payroll. For the year ended June 30, 2012, active ASRS members were required to contribute at the actuarially determined rate of 10.74 percent (10.5 percent retirement and .24 percent long-term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 10.74 percent (9.87 percent for retirement, .63 percent for health insurance premium, and .24 percent for long-term disability) of the members' annual covered payroll. For the year ended June 30, 2011, active ASRS members were required to contribute at the actuarially determined rate of 9.85 percent (9.6 percent retirement and .25 percent long-term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, .59 percent for health insurance premium, and .25 percent for long-term disability) of the members' annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates.

AZPM's retirement plan expense for this plan approximated \$174,231, \$165,196 and \$136,041 for the years ended June 30, 2013, 2012 and 2011.

Defined Contribution Plans:

In accordance with ARS §15-1628, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the years ended June 30, 2013 and 2012, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. In addition, employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; University contributions vest after five years of full-time employment.

Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity company.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

8. Retirement plans (continued):

Defined Contribution Plans(continued):

The Arizona State Legislature establishes the contribution rates for active plan members and the University. For the year ended June 30, 2013, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.00 percent member contribution and a 7.65 percent University contribution for the ASRS plan. For the year ended June 30, 2012, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.26 percent member contribution and a 7.86 percent University contribution for the ASRS plan. For the year ended June 30, 2011, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.40 percent member contribution and an 7.84 percent University contribution for the ASRS plan.

AZPM's retirement plan expense for the plan approximated \$122,349, \$121,614 and \$127,971 during the years ended June 30, 2013, 2012 and 2011.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

9. Individual station financial information:

STATEMENTS OF NET POSITION

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2013 combined total</u>	<u>2012 combined total</u>
Assets					
Current assets:					
Cash and cash equivalents:					
Funds held by the U of A	\$ 5,791,399	\$ 753,862	\$ 2,344,779	\$ 8,890,040	\$ 7,819,716
Funds held by the U of A Foundation	1,532,005	252,694	311,447	2,096,146	1,775,299
Accounts receivable, net	178,426	56,666	321,536	556,628	512,567
Prepaid expenses	70,157	960	3,138	74,255	65,742
Interfund eliminations (transfers between stations)	<u>377,432</u>	<u>24,372</u>	<u>(401,804)</u>		
Total current assets	<u>7,949,419</u>	<u>1,088,554</u>	<u>2,579,096</u>	<u>11,617,069</u>	<u>10,173,324</u>
Capital assets, net	979,879	118,702	385,376	1,483,957	1,857,546
Endowments	33,619	247,251	247,251	528,121	501,591
Other assets	<u>20,548</u>			<u>20,548</u>	<u>15,523</u>
	<u>1,034,046</u>	<u>365,953</u>	<u>632,627</u>	<u>2,032,626</u>	<u>2,374,660</u>
	<u>\$ 8,983,465</u>	<u>\$ 1,454,507</u>	<u>\$ 3,211,723</u>	<u>\$13,649,695</u>	<u>\$ 12,547,984</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 111,992	\$ 43,197	\$ 57,985	\$ 213,174	\$ 130,463
Accrued expenses and other liabilities	235,932	33,401	103,633	372,966	388,865
Unearned revenue	<u>11,433</u>	<u>15</u>	<u>7,641</u>	<u>19,089</u>	<u>20,517</u>
Total current liabilities	<u>359,357</u>	<u>76,613</u>	<u>169,259</u>	<u>605,229</u>	<u>539,845</u>
Net position					
Net investment in capital assets	979,879	118,702	385,376	1,483,957	1,857,546
Restricted:					
Nonexpendable - endowments	33,619	247,251	247,251	528,121	501,591
Expendable:					
Station programs/projects	241,914	9,837	514	252,265	193,909
Capital projects					198,501
Unrestricted	<u>7,368,696</u>	<u>1,002,104</u>	<u>2,409,323</u>	<u>10,780,123</u>	<u>9,256,592</u>
Total net position	<u>\$ 8,624,108</u>	<u>\$ 1,377,894</u>	<u>\$ 3,042,464</u>	<u>\$13,044,466</u>	<u>\$ 12,008,139</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

9. Individual station financial information (continued):

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2013 combined total</u>	<u>2012 combined total</u>
Operating revenues:					
Grants and contracts	\$ 4,060			\$ 4,060	\$ 17,500
Auxiliary enterprises	<u>380,633</u>	<u>\$ 16,052</u>	<u>\$ 16,179</u>	<u>412,864</u>	<u>406,578</u>
	<u>384,693</u>	<u>16,052</u>	<u>16,179</u>	<u>416,924</u>	<u>424,078</u>
Operating expenses:					
Program services:					
Programming and production	4,040,054	360,209	1,496,143	5,896,406	5,477,808
Broadcasting	1,262,206	86,483	105,931	1,454,620	1,729,052
Public information and promotion	306,514	68,486	126,972	501,972	583,707
Support services:					
Management and general	662,351	218,125	304,394	1,184,870	1,182,734
Fundraising and membership development	<u>933,584</u>	<u>344,011</u>	<u>557,353</u>	<u>1,834,948</u>	<u>1,759,660</u>
Total operating expenses	<u>7,204,709</u>	<u>1,077,314</u>	<u>2,590,793</u>	<u>10,872,816</u>	<u>10,732,961</u>
Operating loss	<u>(6,820,016)</u>	<u>(1,061,262)</u>	<u>(2,574,614)</u>	<u>(10,455,892)</u>	<u>(10,308,883)</u>
Nonoperating revenues:					
General appropriation from U of A	1,893,809	307,114	652,165	2,853,088	2,409,079
Donated facilities and administrative support from U of A	1,165,116	189,538	439,907	1,794,561	1,768,707
Corporation for Public Broadcasting grants	1,085,676		323,973	1,409,649	1,452,433
Subscription and membership income	1,476,741	262,703	628,228	2,367,672	2,319,945
Business and underwriting	268,185	61,017	756,042	1,085,244	959,513
Legacies and bequests	579,206	139,588	356,586	1,075,380	766,887
Other gifts and contributions	7,778	550	1,200	9,528	12,823
Investment income (loss), net	90,850	52,534	30,417	173,801	(29,798)
Other nonoperating revenues	<u>554,394</u>	<u>11,451</u>	<u>11,451</u>	<u>577,296</u>	<u>489,062</u>
	<u>7,121,755</u>	<u>1,024,495</u>	<u>3,199,969</u>	<u>11,346,219</u>	<u>10,148,651</u>
Capital grants, gifts and conveyances	<u>146,000</u>			<u>146,000</u>	<u>198,501</u>
Increase (decrease) in net position	447,739	(36,767)	625,355	1,036,327	38,269
Net position, beginning of year	<u>8,176,369</u>	<u>1,414,661</u>	<u>2,417,109</u>	<u>12,008,139</u>	<u>11,969,870</u>
Net position, end of year	<u>\$ 8,624,108</u>	<u>\$ 1,377,894</u>	<u>\$ 3,042,464</u>	<u>\$ 13,044,466</u>	<u>\$ 12,008,139</u>

Required Supplementary Information

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services			Total expenses
	Programming and production	Broadcasting	Public info and promotion	Total program services	Management and general	Fundraising and membership development	Total supporting services	
KUAT - TV								
Salaries	\$ 1,648,892	\$ 651,324	\$ 194,504	\$ 2,494,720	\$ 458,438	\$ 316,262	\$ 774,700	\$ 3,269,420
General operations	1,466,948	178,433	62,295	1,707,676	93,228	460,744	553,972	2,261,648
Travel and training	6,169	1,614	147	7,930	3,572	5,603	9,175	17,105
Indirect administration support	557,709	299,751	49,568	907,028	107,113	150,975	258,088	1,165,116
Depreciation	360,336	131,084		491,420				491,420
Total KUAT - TV expenses	4,040,054	1,262,206	306,514	5,608,774	662,351	933,584	1,595,935	7,204,709
KUAT - FM								
Salaries	137,029	59,821	55,994	252,844	130,011	127,757	257,768	510,612
General operations	157,077	9,417	(3,032)	163,462	49,192	154,635	203,827	367,289
Travel and training	74		87	161	1,279	2,251	3,530	3,691
Indirect administration support	62,165	14,925	15,437	92,527	37,643	59,368	97,011	189,538
Depreciation	3,864	2,320		6,184				6,184
Total KUAT - FM expenses	360,209	86,483	68,486	515,178	218,125	344,011	562,136	1,077,314
KUAZ								
Salaries	616,124	36,781	69,835	722,740	199,773	256,414	456,187	1,178,927
General operations	618,792	20,820	38,794	678,406	51,235	200,892	252,127	930,533
Travel and training	189		197	386	1,279	4,638	5,917	6,303
Indirect administration support	256,112	18,133	18,146	292,391	52,107	95,409	147,516	439,907
Depreciation	4,926	30,197		35,123				35,123
Total KUAZ expenses	1,496,143	105,931	126,972	1,729,046	304,394	557,353	861,747	2,590,793
	\$ 5,896,406	\$ 1,454,620	\$ 501,972	\$ 7,852,998	\$ 1,184,870	\$ 1,834,948	\$ 3,019,818	\$ 10,872,816

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Program Services				Supporting Services			Total expenses
	Programming and production	Broadcasting	Public info and promotion	Total program services	Management and general	Fundraising and membership development	Total supporting services	
KUAT - TV								
Salaries	\$ 1,906,937	\$ 626,356	\$ 157,549	\$ 2,690,842	\$ 491,306	\$ 258,434	\$ 749,740	\$ 3,440,582
General operations	1,043,939	580,133	147,703	1,771,775	147,339	408,657	555,996	2,327,771
Travel and training	9,074	2,682	698	12,454	3,116	1,679	4,795	17,249
Indirect administration support	672,313	192,295	44,063	908,671	145,622	160,168	305,790	1,214,461
Depreciation	367,125	131,083	-	498,208	-	-	-	498,208
Total KUAT - TV expenses	3,999,388	1,532,549	350,013	5,881,950	787,383	828,938	1,616,321	7,498,271
KUAT - FM								
Salaries	129,961	47,589	66,011	243,561	104,941	131,281	236,222	479,783
General operations	126,767	32,384	22,462	181,613	60,163	179,461	239,624	421,237
Travel and training	141	17,125	404	17,670	859	1,030	1,889	19,559
Indirect administration support	68,591	-	15,426	84,017	24,914	63,375	88,289	172,306
Depreciation	1,273	2,319	-	3,592	-	-	-	3,592
Total KUAT - FM expenses	326,733	99,417	104,303	530,453	190,877	375,147	566,024	1,096,477
KUAZ								
Salaries	430,035	36,410	67,004	533,449	108,543	238,402	346,945	880,394
General Operations	525,883	10,438	43,429	579,750	63,465	213,613	277,078	856,828
Travel and training	1,111	-	514	1,625	899	1,120	2,019	3,644
Indirect administration support	192,323	20,041	18,444	230,808	31,567	102,440	134,007	364,815
Depreciation	2,335	30,197	-	32,532	-	-	-	32,532
Total KUAZ expenses	1,151,687	97,086	129,391	1,378,164	204,474	555,575	760,049	2,138,213
	\$ 5,477,808	\$ 1,729,052	\$ 583,707	\$ 7,790,567	\$ 1,182,734	\$ 1,759,660	\$ 2,942,394	\$ 10,732,961