

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

**YEARS ENDED JUNE 30, 2014 AND 2013**

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

**YEARS ENDED JUNE 30, 2014 AND 2013**

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## A MESSAGE FROM THE GENERAL MANAGER

Fiscal Year 2014 (FY14) presented some financial and operational challenges for Arizona Public Media (AZPM), but we met them head on. I'm pleased to report that many of the objectives identified in the 5-year strategic plan have been addressed, so much so, that working together with the Community Advisory Board and University leadership, we advanced the development of an incremental strategic plan a full year ahead of schedule.

It should be noted that in FY14, AZPM purchased and installed a massive Uninterruptible Power Supply (UPS) system as well as a diesel generator to ensure AZPM's continued broadcast operations in the event the UA campus experiences a power blackout. Our broadcast transmitters have long had backup power on-site; however, the broadcast operations center had been a point of vulnerability. Expenses related to construction for changes in the facility needed to accommodate the generator installation will be taken – or capitalized and depreciated – over 25 years. The result is that the total amount spent on this project does not appear in its entirety, causing the *Statement of Net Assets* to reflect higher-than-expected totals. As we enter another year of financial challenges, it's important to point this out.

AZPM continues to leverage existing resources in the most cost-effective manner possible as well as expand our member and major donor base, pursue additional underwriting relationships and seek out grant funds wherever appropriate. We're especially proud that our efforts in this area are not simply reactive to current fiscal realities, but reflective of our culture of responsibility as custodians of the precious financial resources provided to us through the generosity of contributors.

I'm very proud to report that AZPM's original production staff were recognized with 15 Rocky Mountain Emmy® awards this year in a variety of categories – a record number of wins for AZPM staff in a single year. In fact, AZPM staff received more nominations and awards than any other broadcaster in Southern Arizona and more than any other public broadcaster in the Rocky Mountain region. This achievement speaks to the quality work our incredibly talented staff provides for audiences every day.

AZPM continues to perform well in other areas, too. *PBS 6* consistently ranks among the top 10 PBS stations nationally for prime time viewership. In addition, *NPR 89.1* remains the #1 news/talk station in Tucson. It gives me immense satisfaction to know that our community regularly turns to AZPM's six television channels – *PBS 6*, *PBS Kids*, *WORLD*, *ReadyTV*, *Vme* and the UA Channel – as well as our three radio services – *NPR 89.1*, *Classical 90.5* and the *BBC World News* – to meet their viewing and listening needs and interests.

We're honored to bring our community award-winning PBS programs like the *PBS NewsHour*, *NOVA* and *Frontline*, as well as respected NPR programming, including *Morning Edition* and *All Things Considered*. AZPM's news staff, including a number of UA School of Journalism apprentices, also provide critical local reporting in 23 daily newscasts, including extensive coverage of the 2014 election, with *Your Vote 2014*.

AZPM is also the home for award-winning, high-quality educational children's programming such as *Sesame Street*, *Curious George* and *Arthur*. AZPM has been educating and entertaining kids for generations, which is why we like to call ourselves Southern Arizona's largest classroom.

Engaging the community at every level goes beyond our viewers and listeners. AZPM is a proud member of the University of Arizona family and we employ many students, giving them hands-on training in all aspects of broadcast operations and journalism, and mentoring them as they embark on their professional careers.

What does all of this mean? It's really very simple: AZPM educates, informs, inspires and connects our community by bringing people and ideas together. Thank you for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Gibson". The signature is written in a cursive, flowing style with a large initial "J".

Independent Auditors' Report

Board of Directors and Management  
Arizona Public Media  
Tucson, Arizona

We have audited the accompanying financial statements of Arizona Public Media, a division of The University of Arizona, as of and for the years ended June 30, 2014 and 2013, and the related notes to the 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 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 audits. We conducted our audits 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, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The message from the General Manager and statements of functional expenses by station are presented for purposes of additional analysis and are not a required part of the financial statements.

The statements of functional expenses by station are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 statements of functional expenses by station are fairly stated, in all material respects, in relation to the financial statements as a whole.

The message from the General Manager has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Beck Fleishman PC*

Tucson, Arizona  
November 24, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**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, 2014 and 2013.

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**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**CONDENSED FINANCIAL STATEMENT INFORMATION**

***Statement of Net Position***

A summarized comparison of AZPM's assets, liabilities and net position at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Assets		
Current assets	\$ 12,883,119	\$ 11,617,069
Noncurrent assets other than capital assets	725,048	548,669
Capital assets	<u>1,886,157</u>	<u>1,483,957</u>
Total assets	<u>15,494,324</u>	<u>13,649,695</u>
Liabilities		
Current liabilities	<u>680,201</u>	<u>605,229</u>
Net position		
Investment in capital assets	1,886,157	1,483,957
Restricted - nonexpendable	660,786	528,121
Restricted - expendable	146,075	252,265
Unrestricted	<u>12,121,105</u>	<u>10,780,123</u>
Total net position	<u>\$ 14,814,123</u>	<u>\$ 13,044,466</u>

For the year ended June 30, 2014, total net position increased by \$1,769,657, or 13.6%, which is mainly due to an increase in capital assets. An emergency generator was installed to ensure compliance with the Warning, Alert and Response Network Act of 2006. The scope of the project entailed a major electrical infrastructure upgrade of approximately \$417,000 to the building in which the station resides. Title to the building remains with the University of Arizona. In addition, there was an increase in overall revenue, while expenses remained fairly flat.

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 expenses fairly flat.

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**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**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, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Grants and contracts	\$ 21,433	\$ 4,060
Auxiliary enterprises	<u>398,466</u>	<u>412,864</u>
Total operating revenues	<u>419,899</u>	<u>416,924</u>
Operating expenses:		
Program services:		
Programming and production	5,845,531	5,896,406
Broadcasting	1,286,704	1,454,620
Public information and promotion	440,344	501,972
Support services:		
Management and general	1,151,218	1,184,870
Fundraising and membership development	<u>2,106,134</u>	<u>1,834,948</u>
Total operating expenses	<u>10,829,931</u>	<u>10,872,816</u>
Operating loss	<u>(10,410,032)</u>	<u>(10,455,892)</u>
Nonoperating revenues:		
General appropriation from U of A	2,621,447	2,853,088
Donated facilities and administrative support from U of A	1,814,465	1,794,561
Corporation for Public Broadcasting grants	1,403,122	1,409,649
Subscription and membership income	2,494,023	2,367,672
Business and underwriting	1,138,671	1,085,244
Other gifts and nonoperating revenues	<u>2,099,936</u>	<u>1,836,005</u>
	<u>11,571,664</u>	<u>11,346,219</u>
Capital grants, gifts and conveyances	<u>608,025</u>	<u>146,000</u>
Increase in net position	1,769,657	1,036,327
Net position, beginning of year	<u>13,044,466</u>	<u>12,008,139</u>
Net position, ending of year	<u>\$ 14,814,123</u>	<u>\$ 13,044,466</u>



**ARIZONA PUBLIC MEDIA  
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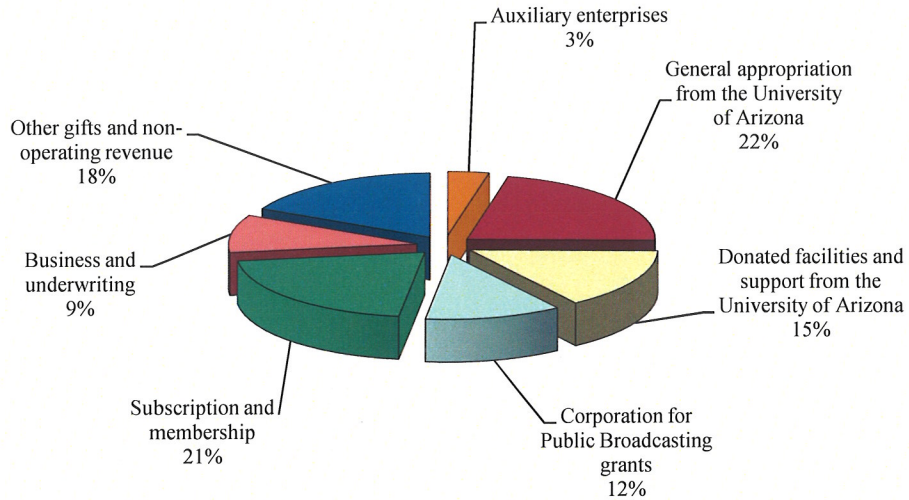
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

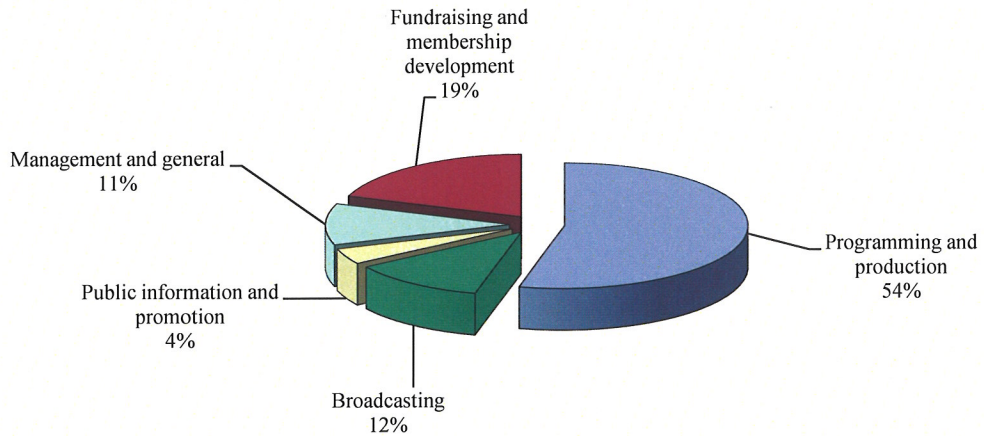
**CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)**

The following graphs illustrate the operating and nonoperating revenues and expenses for the year ended June 30, 2014.

**Operating and Nonoperating Revenues**



**Operating and Nonoperating Expenses**



ARIZONA PUBLIC MEDIA  
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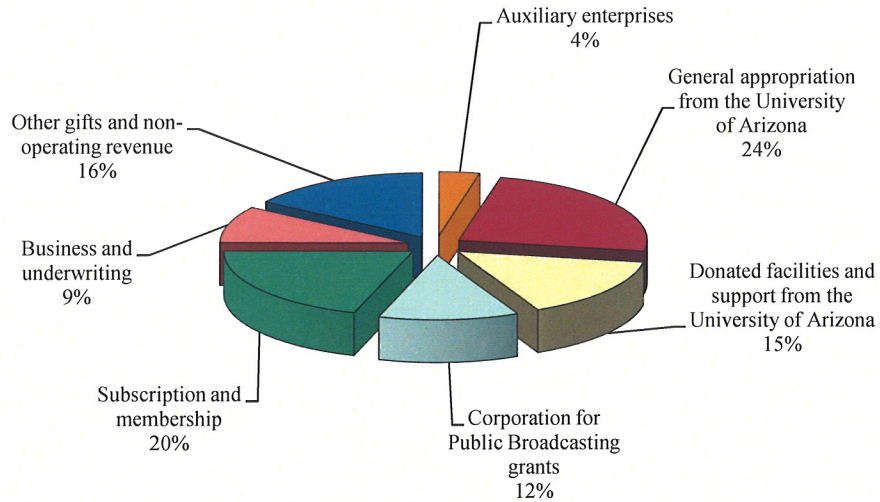
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

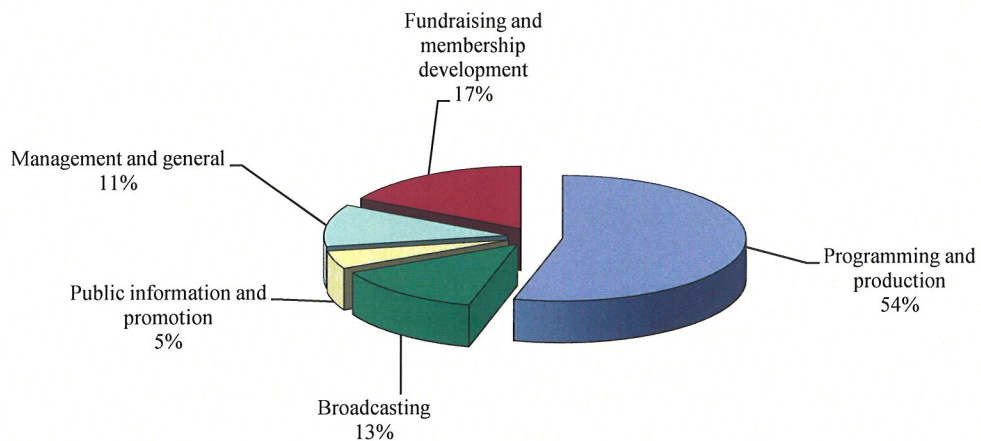
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

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

Operating and Nonoperating Revenues



Operating and Nonoperating Expenses



**ARIZONA PUBLIC MEDIA**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)**

**Operating revenues and expenses** - In fiscal year 2014, AZPM's operating revenues increased by \$2,975, or .7%, over fiscal year 2013. This increase was attributable to the variance in grant revenues.

In fiscal year 2014, operating expenses remained flat with a slight decrease of approximately \$42,885, or 0.4%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, decreased approximately \$280,419, or 3.6%, primarily due to negotiation of discounts with several television providers and altered television schedules so as to reduce program acquisition costs. Supporting services, which consist of management and general and fundraising and membership development expenses, increased approximately \$237,534, or 7.9%, primarily due to an increase in direct mail and fundraising costs.

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%.

**Nonoperating revenues** – In fiscal year 2014, nonoperating revenues increased approximately \$225,445, or 2.0%. The general appropriation from the University decreased approximately \$231,641, or 8.1%, primarily due to one-time salary savings realized in fiscal year 2013. Donated facilities and administrative support (indirect administrative support) provided by the University increased by \$19,904, or 1.1%, 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 \$6,527, or 0.5%. Subscription and membership revenue increased by \$126,351, or 5.3%, which is primarily due to a new sustainer giving campaign. Business and underwriting revenue increased \$53,427, or 4.9%, primarily due to an increase in radio marketing nationwide. Other gifts and nonoperating revenues increased by approximately \$263,931 or 14.4%, which is mainly due to an increase in investment revenue and increases to existing endowments and major giving.

In fiscal year 2013, nonoperating revenues 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.

**ARIZONA PUBLIC MEDIA**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**Capital Assets and Debt Analysis**

AZPM had \$1,886,157 and \$1,483,957 in capital assets, net of accumulated depreciation at June 30, 2014 and 2013. 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, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 11,950,089	\$ 10,986,186
Accounts receivable, net	779,778	556,628
Prepaid expenses	<u>153,252</u>	<u>74,255</u>
Total current assets	12,883,119	11,617,069
Capital assets, net	1,886,157	1,483,957
Endowment investments	660,786	528,121
Other assets	<u>64,262</u>	<u>20,548</u>
	<u>15,494,324</u>	<u>13,649,695</u>

**LIABILITIES AND NET POSITION**

Current liabilities:		
Accounts payable	161,930	213,174
Accrued expenses and other liabilities	492,041	372,966
Unearned revenue	<u>26,230</u>	<u>19,089</u>
Total current liabilities	<u>680,201</u>	<u>605,229</u>
Commitments and contingencies		
Net position:		
Investment in capital assets	1,886,157	1,483,957
Restricted:		
Nonexpendable - endowments	660,786	528,121
Expendable - station programs/projects	146,075	252,265
Unrestricted	<u>12,121,105</u>	<u>10,780,123</u>
Total net position	<u>\$ 14,814,123</u>	<u>\$ 13,044,466</u>

See notes to financial statements.

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Grants and contracts	\$ 21,433	\$ 4,060
Auxiliary enterprises	<u>398,466</u>	<u>412,864</u>
Total operating revenues	<u>419,899</u>	<u>416,924</u>
Operating expenses:		
Program services:		
Programming and production	5,845,531	5,896,406
Broadcasting	1,286,704	1,454,620
Public information and promotion	440,344	501,972
Support services:		
Management and general	1,151,218	1,184,870
Fundraising and membership development	<u>2,106,134</u>	<u>1,834,948</u>
Total operating expenses	<u>10,829,931</u>	<u>10,872,816</u>
Operating loss	<u>(10,410,032)</u>	<u>(10,455,892)</u>
Nonoperating revenues:		
General appropriation from U of A	2,621,447	2,853,088
Donated facilities and administrative support from U of A Corporation for Public Broadcasting grants	1,814,465	1,794,561
Subscription and membership income	1,403,122	1,409,649
Business and underwriting	2,494,023	2,367,672
Legacies and bequests	1,138,671	1,085,244
Other gifts and contributions	1,101,367	1,075,380
Investment income, net	86,095	9,528
Other nonoperating revenues	271,473	173,801
Nonoperating revenue	<u>641,001</u>	<u>577,296</u>
Nonoperating revenue	<u>11,571,664</u>	<u>11,346,219</u>
Increase in net position before capital additions	1,161,632	890,327
Capital grants, gifts and conveyances	<u>608,025</u>	<u>146,000</u>
Increase in net position	1,769,657	1,036,327
Net position, beginning of year	<u>13,044,466</u>	<u>12,008,139</u>
Net position, end of year	<u>\$ 14,814,123</u>	<u>\$ 13,044,466</u>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Cash flows from operating activities:		
Grants and contracts receipts	\$ 10,000	\$ 15,493
Auxiliary enterprise receipts	402,031	406,828
Payments for salaries, wages and benefits	(5,113,178)	(4,977,861)
Payments to suppliers	(3,563,200)	(3,470,287)
Net cash used in operating activities	(8,264,347)	(8,025,827)
Cash flows from noncapital financing activities:		
General appropriations from the U of A	2,621,447	2,853,089
Corporation for Public Broadcasting grants	1,403,122	1,409,649
Gifts and grants for other than capital purposes	5,169,134	5,113,228
Net cash provided by noncapital financing activities	9,193,703	9,375,966
Cash flows from capital financing activities:		
Capital grants and gifts received	608,025	146,000
Purchases of capital assets	(791,493)	(181,275)
Net cash used in capital financing activities	(183,468)	(35,275)
Cash flows from investing activities:		
Increase in fair value of cash equivalents	141,486	-
Interest and dividends on investments	76,529	76,307
Net cash provided by investing activities	218,015	76,307
Net increase in cash and cash equivalents	963,903	1,391,171
Cash and cash equivalents, beginning	10,986,186	9,595,015
Cash and cash equivalents, ending	\$ 11,950,089	\$ 10,986,186

See notes to financial statements.



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

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (10,410,032)</u>	<u>\$ (10,455,892)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	375,154	532,727
Donated facilities and administrative support	1,814,465	1,794,561
Investment fees	4,677	-
Changes in operating assets and liabilities:		
Accounts receivable	3,565	(6,035)
Prepaid expenses	(122,711)	-
Accounts payable	(37,107)	116,281
Accrued expenses and other liabilities	119,075	(18,902)
Unearned revenue	<u>(11,433)</u>	<u>11,433</u>
Net cash used in operating activities	<u><u>\$ (8,264,347)</u></u>	<u><u>\$ (8,025,827)</u></u>
Supplemental noncash transactions:		
Capital asset purchases included in accounts payable	\$ -	\$ 14,137
Unrealized gain in fair value of investments:		
Quasi-endowments, included in cash and cash equivalents held by the University of Arizona	141,486	70,963
Endowments	53,460	26,531

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

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 and, therefore, no additional note disclosures were 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, 2014 AND 2013**

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 the remaining amounts of net position, 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 gain (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, 2014 AND 2013**

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 \$74,000 and \$72,000 at June 30, 2014 and 2013.

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, 2014 and 2013. At June 30, 2014 and 2013, the external investment pool invests in a variety of asset classes, including common stocks, fixed income securities, foreign investments, private equity and hedge funds. At June 30, 2014 and 2013, 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, 2014 AND 2013**

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 2014, the expendable rate was established at 4% of the three-year average market value ended December 31, 2012.

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 2014, 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

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

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. Accordingly, these benefits are accrued as a liability in the financial statements for the maximum number of days. Upon termination or retirement, a set number of accrued vacation and compensatory hours will be paid to employees.

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 of Revenues, Expenses and Changes in Net Position as indirect administrative support and also as an expense. For the year ended June 30, 2014 and 2013, indirect support was calculated using the University's indirect rate modified to exclude certain cost components that do not benefit AZPM.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

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

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.

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.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2014 through November 24, 2014, 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 endowment investments:

The Organization's cash and cash equivalents and investments consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents		
Held by the University of Arizona	\$ 9,297,936	\$ 8,890,040
Held by the University of Arizona Foundation	<u>2,652,153</u>	<u>2,096,146</u>
	<u>\$11,950,089</u>	<u>\$10,986,186</u>
Endowment investments:		
Endowment held by the University of Arizona	\$ 93,891	\$ 64,051
Endowment held by the University of Arizona Foundation	<u>566,895</u>	<u>464,070</u>
	<u>\$ 660,786</u>	<u>\$ 528,121</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

2. Cash and cash equivalents and endowment investments (continued):

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:

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, 2014 and 2013, \$2,652,153 and \$2,096,146 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, 2014 and 2013, \$566,895 and \$464,070 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, 2014 AND 2013**

3. Accounts receivable, net:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2014 Total</u>	<u>2013 Total</u>
Subscription and membership	\$ 250,930	\$ 43,079	\$ 97,874	\$ 391,883	\$ 169,622
Underwriting and business	92,758	46,878	303,435	443,071	436,617
Auxiliary enterprises	<u>15,284</u>	<u>1,770</u>	<u>1,770</u>	<u>18,824</u>	<u>22,389</u>
	358,972	91,727	403,079	853,778	628,628
Less allowance for doubtful accounts	<u>48,080</u>	<u>7,920</u>	<u>18,000</u>	<u>74,000</u>	<u>72,000</u>
	<u>\$ 310,892</u>	<u>\$ 83,807</u>	<u>\$ 385,079</u>	<u>\$ 779,778</u>	<u>\$ 556,628</u>

4. Capital assets:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Transmission, antenna and tower	\$ 2,687,835	\$ 21,324	\$ -	\$ 2,709,159
Studio, equipment, FF&E	<u>5,903,975</u>	<u>756,030</u>	<u>(5,819)</u>	<u>6,654,186</u>
Total depreciable capital assets	<u>8,591,810</u>	<u>777,354</u>	<u>(5,819)</u>	<u>9,363,345</u>
Less accumulated depreciation:				
Transmission, antenna and tower	1,842,386	163,298	-	2,005,684
Studio, equipment, FF&E	<u>5,265,467</u>	<u>211,856</u>	<u>(5,819)</u>	<u>5,471,504</u>
Total accumulated depreciation	<u>7,107,853</u>	<u>375,154</u>	<u>(5,819)</u>	<u>7,477,188</u>
Capital assets, net	<u>\$ 1,483,957</u>	<u>\$ 402,200</u>	<u>\$ -</u>	<u>\$ 1,886,157</u>

	<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>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

4. Capital assets (continued):

Depreciation expense totaled \$375,154 and \$532,727 for the years ended June 30, 2014 and 2013. 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 \$259,519 and \$346,025 at June 30, 2014 and 2013. 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 position:

AZPM receives grants and funding from various sources to be used for operations, production and promotion of certain activities. A summary of the nonexpendable and expendable net position assets as of June 30, 2014 and 2013 is as follows:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2014 Total</u>	<u>2013 Total</u>
Nonexpendable endowments:					
Radio Production - NEA Challenge	\$ -	\$ 271,724	\$ 271,724	\$ 543,448	\$ 494,502
Bashevdir Endowment	8,213	-	-	8,213	7,202
Gordon Endowment	23,500	-	-	23,500	-
Shandell Endowment	<u>85,625</u>	<u>-</u>	<u>-</u>	<u>85,625</u>	<u>26,417</u>
	<u>117,338</u>	<u>271,724</u>	<u>271,724</u>	<u>660,786</u>	<u>528,121</u>
Expendable - station programs/projects:					
Mental Health Reporter	36,851	-	-	36,851	101,123
Local production	54,926	-	-	54,926	99,340
Great Voices Radio Series support	-	9,323	-	9,323	9,323
Program acquisition/production	5,000	1,762	1,762	8,524	6,028
Operational support excluding administrative costs	<u>36,451</u>	<u>-</u>	<u>-</u>	<u>36,451</u>	<u>36,451</u>
	<u>133,228</u>	<u>11,085</u>	<u>1,762</u>	<u>146,075</u>	<u>252,265</u>
	<u>\$ 250,566</u>	<u>\$ 282,809</u>	<u>\$ 273,486</u>	<u>\$ 806,861</u>	<u>\$ 780,386</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

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>2014 Total</u>	<u>2013 Total</u>
Interest and dividends	\$ 40,153	\$ 23,071	\$ 13,305	\$ 76,529	\$ 76,307
Net unrealized gains on investments	<u>102,587</u>	<u>58,583</u>	<u>33,774</u>	<u>194,944</u>	<u>97,494</u>
	<u>\$ 142,740</u>	<u>\$ 81,654</u>	<u>\$ 47,079</u>	<u>\$ 271,473</u>	<u>\$ 173,801</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 \$2,621,447 and \$2,853,088 for operation purposes for the years ended June 30, 2014 and 2013.

AZPM has been advised by the University that its general appropriation will be reduced by \$2,000,000 to be phased in evenly over the next 5 fiscal years. The reduction will commence on July 1, 2014.

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 \$1,814,465 and \$1,794,561 for the years ended June 30, 2014 and 2013.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

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 (800) 621-3778.

For the year ended June 30, 2014, active ASRS members were required to contribute at the actuarially determined rate of 11.54 percent (11.3 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 11.54 percent (10.70 percent for retirement, .60 percent for health insurance premium, and .24 percent for long-term disability) of the members' annual covered payroll. 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. 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 was \$185,148, \$174,231 and \$165,196 for the years ended June 30, 2014, 2013 and 2012.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

8. Retirement plans (continued):

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, 2014 and 2013, 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.

The Arizona State Legislature establishes the contribution rates for active plan members and the University. For the year ended June 30, 2014, 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 7.59 percent University contribution for the ASRS plan. 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 an 7.86 percent University contribution for the ASRS plan.

AZPM's retirement plan expense for the plan was \$126,792, \$122,349 and \$121,614 during the years ended June 30, 2014, 2013 and 2012.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

9. Individual station financial information:

**STATEMENTS OF NET POSITION**

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2014 combined total</u>	<u>2013 combined total</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents:					
Funds held (overdraft) by the U of A	\$ 7,793,215	\$ (183,554)	\$ 1,688,276	\$ 9,297,937	\$ 8,890,040
Funds held by the U of A Foundation	1,969,300	296,727	386,125	2,652,152	2,096,146
Accounts receivable, net	310,892	83,807	385,079	779,778	556,628
Prepaid expenses	112,797	18,851	21,604	153,252	74,255
Interfund eliminations (transfers between stations)	<u>(1,745,020)</u>	<u>1,006,143</u>	<u>738,877</u>	<u>-</u>	<u>-</u>
Total current assets	<u>8,441,184</u>	<u>1,221,974</u>	<u>3,219,961</u>	<u>12,883,119</u>	<u>11,617,069</u>
Capital assets, net	1,420,140	124,448	341,569	1,886,157	1,483,957
Endowment investments	117,338	271,724	271,724	660,786	528,121
Other assets	<u>64,262</u>	<u>-</u>	<u>-</u>	<u>64,262</u>	<u>20,548</u>
Total assets	<u>10,042,924</u>	<u>1,618,146</u>	<u>3,833,254</u>	<u>15,494,324</u>	<u>13,649,695</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	119,747	15,539	26,644	161,930	213,174
Accrued expenses and other liabilities	354,969	50,906	86,166	492,041	372,966
Unearned revenue	<u>23,679</u>	<u>900</u>	<u>1,651</u>	<u>26,230</u>	<u>19,089</u>
Total current liabilities	<u>498,395</u>	<u>67,345</u>	<u>114,461</u>	<u>680,201</u>	<u>605,229</u>
<b>Net position</b>					
Investment in capital assets	1,420,140	124,448	341,569	1,886,157	1,483,957
Restricted:					
Nonexpendable - endowments	117,338	271,724	271,724	660,786	528,121
Expendable - station programs/projects	133,228	11,085	1,762	146,075	252,265
Unrestricted	<u>7,873,823</u>	<u>1,143,544</u>	<u>3,103,738</u>	<u>12,121,105</u>	<u>10,780,123</u>
Total net position	<u>\$ 9,544,529</u>	<u>\$ 1,550,801</u>	<u>\$ 3,718,793</u>	<u>\$ 14,814,123</u>	<u>\$ 13,044,466</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2014 AND 2013**

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>2014 combined total</u>	<u>2013 combined total</u>
Operating revenues:					
Grants and contracts	\$ 21,433	\$ -	\$ -	\$ 21,433	\$ 4,060
Auxiliary enterprises	<u>341,428</u>	<u>28,522</u>	<u>28,516</u>	<u>398,466</u>	<u>412,864</u>
	<u>362,861</u>	<u>28,522</u>	<u>28,516</u>	<u>419,899</u>	<u>416,924</u>
Operating expenses:					
Program services:					
Programming and production	4,158,288	237,782	1,449,461	5,845,531	5,896,406
Broadcasting	1,123,191	84,448	79,065	1,286,704	1,454,620
Public information and promotion	262,093	77,337	100,914	440,344	501,972
Support services:					
Management and general	796,962	192,525	161,731	1,151,218	1,184,870
Fundraising and membership development	<u>1,222,854</u>	<u>291,765</u>	<u>591,515</u>	<u>2,106,134</u>	<u>1,834,948</u>
Total operating expenses	<u>7,563,388</u>	<u>883,857</u>	<u>2,382,686</u>	<u>10,829,931</u>	<u>10,872,816</u>
Operating loss	<u>(7,200,527)</u>	<u>(855,335)</u>	<u>(2,354,170)</u>	<u>(10,410,032)</u>	<u>(10,455,892)</u>
Nonoperating revenues:					
General appropriation from U of A	1,829,096	253,188	539,163	2,621,447	2,853,088
Donated facilities and administrative support from U of A Corporation for Public Broadcasting grants	1,258,620	150,308	405,537	1,814,465	1,794,561
Subscription and membership income	1,151,004	-	252,118	1,403,122	1,409,649
Business and underwriting	1,430,612	335,146	728,265	2,494,023	2,367,672
Legacies and bequests	230,460	81,322	826,889	1,138,671	1,085,244
Other gifts and contributions	767,759	114,392	219,216	1,101,367	1,075,380
Other gifts and contributions	86,095	-	-	86,095	9,528
Investment income, net	142,740	81,654	47,079	271,473	173,801
Other nonoperating revenues	<u>616,537</u>	<u>12,232</u>	<u>12,232</u>	<u>641,001</u>	<u>577,296</u>
Nonoperating revenue	<u>7,512,923</u>	<u>1,028,242</u>	<u>3,030,499</u>	<u>11,571,664</u>	<u>11,346,219</u>
Increase before capital additions	312,396	172,907	676,329	1,161,632	890,327
Capital grants, gifts and conveyances	<u>608,025</u>	<u>-</u>	<u>-</u>	<u>608,025</u>	<u>146,000</u>
Increase in net position	920,421	172,907	676,329	1,769,657	1,036,327
Net position, beginning 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>
Net position, end of year	<u>\$ 9,544,529</u>	<u>\$ 1,550,801</u>	<u>\$ 3,718,793</u>	<u>\$ 14,814,123</u>	<u>\$ 13,044,466</u>

## **Required Supplementary Information**



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

**STATEMENT OF FUNCTIONAL EXPENSES BY STATION**

**YEAR ENDED JUNE 30, 2014**

	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	
<b>KUAT - TV</b>								
Salaries	\$ 1,933,323	\$ 565,471	\$ 176,484	\$ 2,675,278	\$ 573,821	\$ 378,943	\$ 952,764	\$ 3,628,042
General operations	1,346,560	252,865	40,122	1,639,547	82,532	627,742	710,274	2,349,821
Travel and training	6,911	2,424	-	9,335	2,293	3,938	6,231	15,566
Indirect administration support	690,227	172,360	45,487	908,074	138,316	212,231	350,547	1,258,621
Depreciation	181,267	130,071	-	311,338	-	-	-	311,338
<b>Total KUAT - TV expenses</b>	<b>4,158,288</b>	<b>1,123,191</b>	<b>262,093</b>	<b>5,543,572</b>	<b>796,962</b>	<b>1,222,854</b>	<b>2,019,816</b>	<b>7,563,388</b>
<b>KUAT - FM</b>								
Salaries	96,482	58,354	55,004	209,840	129,451	165,531	294,982	504,822
General operations	87,756	8,826	8,911	105,493	28,667	74,557	103,224	208,717
Travel and training	75	107	-	182	994	1,040	2,034	2,216
Indirect administration support	38,706	14,130	13,422	66,258	33,413	50,637	84,050	150,308
Depreciation	14,763	3,031	-	17,794	-	-	-	17,794
<b>Total KUAT - FM expenses</b>	<b>237,782</b>	<b>84,448</b>	<b>77,337</b>	<b>399,567</b>	<b>192,525</b>	<b>291,765</b>	<b>484,290</b>	<b>883,857</b>
<b>KUAZ</b>								
Salaries	599,120	36,327	70,776	706,223	100,608	292,558	393,166	1,099,389
General operations	585,361	3,952	12,624	601,937	31,964	194,670	226,634	828,571
Travel and training	342	108	-	450	1,090	1,627	2,717	3,167
Indirect administration support	248,813	8,481	17,514	274,808	28,069	102,660	130,729	405,537
Depreciation	15,825	30,197	-	46,022	-	-	-	46,022
<b>Total KUAZ expenses</b>	<b>1,449,461</b>	<b>79,065</b>	<b>100,914</b>	<b>1,629,440</b>	<b>161,731</b>	<b>591,515</b>	<b>753,246</b>	<b>2,382,686</b>
	<b>\$ 5,845,531</b>	<b>\$ 1,286,704</b>	<b>\$ 440,344</b>	<b>\$ 7,572,579</b>	<b>\$ 1,151,218</b>	<b>\$ 2,106,134</b>	<b>\$ 3,257,352</b>	<b>\$ 10,829,931</b>

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

**STATEMENT OF FUNCTIONAL EXPENSES BY STATION**

**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	
<b>KUAT - TV</b>								
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
<b>Total KUAT - TV expenses</b>	<b>4,040,054</b>	<b>1,262,206</b>	<b>306,514</b>	<b>5,608,774</b>	<b>662,351</b>	<b>933,584</b>	<b>1,595,935</b>	<b>7,204,709</b>
<b>KUAT - FM</b>								
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
<b>Total KUAT - FM expenses</b>	<b>360,209</b>	<b>86,483</b>	<b>68,486</b>	<b>515,178</b>	<b>218,125</b>	<b>344,011</b>	<b>562,136</b>	<b>1,077,314</b>
<b>KUAZ</b>								
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
<b>Total KUAZ expenses</b>	<b>1,496,143</b>	<b>105,931</b>	<b>126,972</b>	<b>1,729,046</b>	<b>304,394</b>	<b>557,353</b>	<b>861,747</b>	<b>2,590,793</b>
	<b>\$ 5,896,406</b>	<b>\$ 1,454,620</b>	<b>\$ 501,972</b>	<b>\$ 7,852,998</b>	<b>\$ 1,184,870</b>	<b>\$ 1,834,948</b>	<b>\$ 3,019,818</b>	<b>\$ 10,872,816</b>