

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

YEARS ENDED JUNE 30, 2018 AND 2017

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(A Division of the University of Arizona)
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From the AZPM Director and General Manager

Thank you for helping Arizona Public Media (AZPM) achieve another strong and successful year. In Fiscal Year 2018 (FY '18), AZPM continued to our commitment to build a better Southern Arizona. As we now look toward 2019, AZPM's first broadcast station *KUAT Channel 6*, today known simply as *PBS 6*, will celebrate 60 years of service. For the past six decades, AZPM has measured success by the value it provides and the impact it creates.

Last January, in partnership with the Community Foundation for Southern Arizona, AZPM produced and hosted the latest in its *Community Interactive* series. This live, interactive community conversation focused on arts and culture in Southern Arizona and was moderated by *PBS NewsHour* Arts Correspondent Jeffrey Brown. This summer, AZPM continued that conversation by creating *Spotlight on the Arts*. Hosted by Mark McLemore, *Spotlight on the Arts* is a series of casual conversations with local artists and community arts leaders in advance of openings, exhibitions, and cultural events.

PBS 6 continues to be Tucson's most decorated television station. AZPM staff have been recognized with 45 individual Rocky Mountain Regional Emmy® Awards over the last four years. In April 2018, AZPM was honored with seven Regional Edward R. Murrow Awards by the Radio Television Digital News Association.

In January, *PBS 6* debuted *Arizona 360*. Hosted by veteran journalist Lorraine Rivera, the 30-minute, weekly program is broadcast throughout Arizona. Each week, *Arizona 360* features a variety of perspectives on a single issue that directly affects people in our state.

Preceding the 2018 midterm elections, AZPM hosted three debates between candidates for the seats for Governor, Congressional District 2, and Congressional District 3. AZPM's *Your Vote 2018* initiative provided audiences with ongoing, unbiased, informational, and in-depth political coverage, while also strengthening partnerships with other regional media outlets.

NPR 89.1 continues to be the top news/talk format radio station in Southern Arizona and remains a trusted source of information. AZPM launched *KUAS-FM 88.9/Sierra Vista*, which now provides greatly-improved NPR programming to audiences in Sierra Vista, and first-time over-the-air NPR service to Douglas, Bisbee, and surrounding communities.

This fall, *NPR 89.1* launched a new weekly public affairs show *The Buzz*, hosted by Christopher Conover, which delves into local politics, the environment, arts, culture, and innovation and discoveries made at the University of Arizona.

AZPM's original TV productions continue to garner national attention. *OSIRIS-REx: Countdown to Launch*, which premiered in 2016, is being distributed worldwide by American Public Television. Last October, *PBS 6* debuted the original documentary *Not Broken*, which introduced audiences to seven young people living with mental illness. This September, PBS distributed the documentary for broadcast to member stations across the country.

Earlier this year, AZPM development staff received the 2018 PBS Philanthropy Award for "...major gifts fundraising efforts that strengthen a station's financial sustainability."

As Arizona Public Media embarks on its 60th anniversary year, we remain committed to envisioning a community in which ideas abound, knowledge is sought, and learning never ends. Thank you for your support.

Sincerely,

A handwritten signature in black ink that reads "Jack Gibson". The signature is written in a cursive, flowing style with a large initial "J" and "G".

Jack Gibson
Director and General Manager

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, 2018 and 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, in 2018 Arizona Public Media adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as amended by GASB Statement No. 85, Omnibus 2017. Our opinion is not modified with respect to this matter.

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the plan, therefore, the provisions of GASB Statements No.75 and 85 were not applied to the prior period. The cumulative effects of applying the provisions of GASB Statements No. 75 and 85 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of AZPM's proportionate share of the net pension liability, schedule of pension contributions, and schedule of AZPM's proportionate share of the total OPEB liability, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 were derived from and relate 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 auditing standards generally accepted in the United States of America. 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.

Beach Fleischman PC

Tucson, Arizona
November 30, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017.

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, deferred outflows, liabilities and deferred inflows 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 deferred outflows and total liabilities and deferred inflows, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

CONDENSED FINANCIAL STATEMENT INFORMATION

Statement of Net Position

A summarized comparison of AZPM's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and 2017 is as follows:

	2018	2017 As restated*
Assets		
Current assets	\$ 18,676,839	\$ 17,373,080
Noncurrent assets other than capital assets	3,567,519	3,220,199
Capital assets	1,908,833	1,554,543
Total assets	24,153,191	22,147,822
Total deferred outflows of resources	545,569	972,477 *
Liabilities		
Current liabilities	822,483	993,472
Noncurrent liabilities	6,012,405	6,615,919 *
Total liabilities	6,834,888	7,609,391 *
Total deferred inflows of resources	320,507	663,465
Net position		
Investment in capital assets	1,908,833	1,554,543
Restricted - nonexpendable	2,009,807	1,718,741
Restricted - expendable	216,312	227,814
Unrestricted	13,136,088	11,346,345 *
Total net position	\$ 17,271,040	\$ 14,847,443 *

* AZPM implemented GASB Statement No. 75 in fiscal year 2018. The implementation of GASB Statement No. 75 resulted in a restatement of AZPM's beginning net position from fiscal year 2017 of \$(1,245,741), which is reflected in the comparative table shown above.

For the year ended June 30, 2018, total net position increased by \$2,423,597, or 16.3%, which is mainly due to operating and nonoperating revenues exceeding expenses during the year.

For the year ended June 30, 2017, total net position increased by \$2,061,330, or 14.7%, which is mainly due to an increase in Legacies and Bequests and Capital gifts. In addition, there was an increase to endowments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Statement of Net Position (Continued)

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.

Statement of Revenues, Expenses and Changes in Net Position

A summarized comparison of AZPM's operations for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017 As restated*
	<u>2018</u>	<u>As restated*</u>
Operating revenues:		
Grants and contracts	\$ 17,500	\$ 96,637
Auxiliary enterprises	<u>1,147,081</u>	<u>875,624</u>
Total operating revenues	<u>1,164,581</u>	<u>972,261</u>
Operating expenses:		
Program services:		
Programming and production	5,993,235	6,211,742
Broadcasting	1,292,261	1,427,156
Public information and promotion	496,807	617,367
Support services:		
Management and general	981,712	1,164,128
Fundraising and membership development	<u>2,332,387</u>	<u>2,549,056</u>
Total operating expenses	<u>11,096,402</u>	<u>11,969,449</u>
Operating loss	<u>(9,931,821)</u>	<u>(10,997,188)</u>
Nonoperating revenues:		
General appropriation from U of A	1,261,354	1,697,662
Donated facilities and administrative support from U of A	1,458,116	1,492,333
Corporation for Public Broadcasting grants	1,515,015	1,614,376
Subscription and membership income	3,707,941	3,548,435
Business and underwriting	1,466,561	1,313,152
Other gifts and nonoperating revenues	<u>2,698,412</u>	<u>3,244,696</u>
	<u>12,107,399</u>	<u>12,910,654</u>
Increase in net position before capital items	2,175,578	1,913,466
Capital grants, gifts and conveyances	<u>248,019</u>	<u>147,864</u>
Increase in net position	<u>2,423,597</u>	<u>2,061,330</u>
Net position, end of year	<u>\$ 17,271,040</u>	<u>\$ 16,093,184</u> *

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

YEARS ENDED JUNE 30, 2018 AND 2017

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

* AZPM implemented GASB Statement No. 75 in fiscal year 2018. The implementation of GASB Statement No. 75 resulted in a restatement of AZPM's beginning net position from fiscal year 2017 of \$(1,245,741), which is reflected in the comparative table shown above.

Operating revenues and expenses - In fiscal year 2018, AZPM's operating revenues increased by \$192,320 or 19.8% over fiscal year 2017 which is due to a fully recognized re-negotiated contract for leasing EBS Spectrum from the station.

In fiscal year 2017, AZPM's operating revenues increased by \$598,937 or 160% over fiscal year 2016 which is due to a re-negotiated contract for leasing EBS Spectrum from the station.

In fiscal year 2018, operating expenses decreased by \$873,047 or 7.3%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, decreased approximately \$473,962, or 5.7%, primarily due to a reduction in pension, programming and paid advertising expenses. Supporting services, which consist of management and general and fundraising and membership development expenses, decreased approximately \$399,085, or 10.7%, primarily due to a decrease in pension and legal expenses related to the building of the Sierra Vista Tower and minor building improvements that were completed in fiscal year 2017.

In fiscal year 2017, operating expenses decreased by \$1,047,087 or 9.6%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, increased approximately \$649,640, or 8.5%, primarily due to an increase in salaries which relates to additional positions and some reallocation of expenses which support cross platform efforts in production. Supporting services, which consist of management and general and fundraising and membership development expenses, increased approximately \$397,447, or 12.0%, due to an increase in positions as well to the reallocation of expenses.

Nonoperating revenues – In fiscal year 2018, nonoperating revenue decreased approximately \$803,255, or 6.2%. The general appropriation from the University decreased approximately \$436,308, or 25.7%, primarily due to the final year of the University reductions. Donated facilities and administrative support (indirect administrative support) provided by the University decreased by \$34,217, or 2.2%, which is the result of a decrease in direct expenses. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants decreased by \$99,361, or 6.2%. Subscription and membership revenue increased by \$159,506, or 4.5%, which is primarily due to continued growth of the sustainer giving campaign and successful pledge drives. Business and underwriting revenue increased \$153,409, or 11.7%, primarily due to an increase in underwriting contracts. Other gifts and nonoperating revenues decreased by approximately \$546,284 or 16.8%, which is mainly due to several large bequests that were received in fiscal year 2017.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

In fiscal year 2017, nonoperating revenue increased approximately \$874,055, or 7.3%. The general appropriation from the University decreased approximately \$216,683, or 11.3%, primarily due to the fourth year of five of the University reductions. Donated facilities and administrative support (indirect administrative support) provided by the University decreased by \$255,172, or 14.6%, which is the result of a change in the calculation of station direct expenses to match the base of the licensee. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants increased by \$85,673, or 5.6%. Subscription and membership revenue increased by \$369,554, or 11.6%, which is primarily due to continued growth of the sustainer giving campaign and successful pledge drives. Business and underwriting revenue decreased \$2,891, or .22%, primarily due to a slight decrease in underwriting contracts. Other gifts and nonoperating revenues increased by approximately \$893,574 or 38.0%, which is mainly due to several large bequests.

Capital Assets and Debt Analysis

AZPM had \$1,908,833 and \$1,554,543 in capital assets, net of accumulated depreciation at *June 30, 2018* and 2017. 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.

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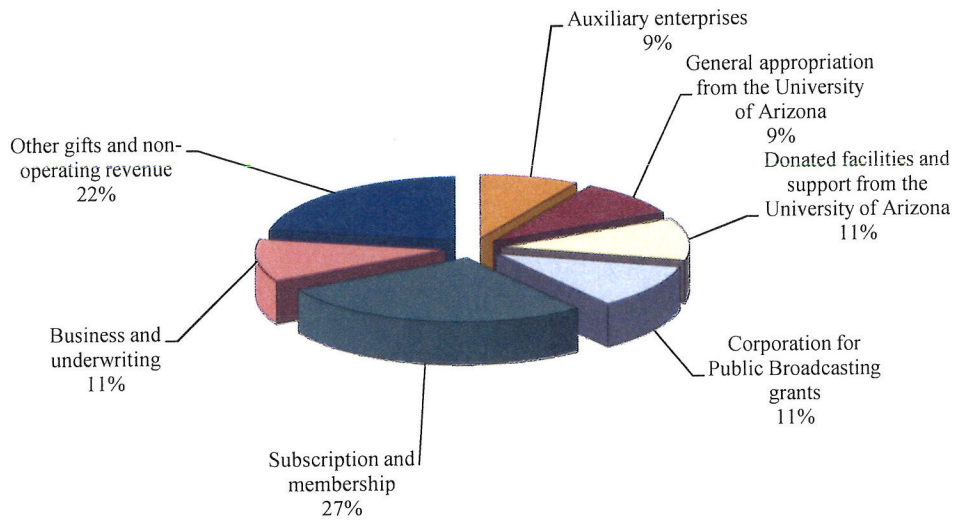
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

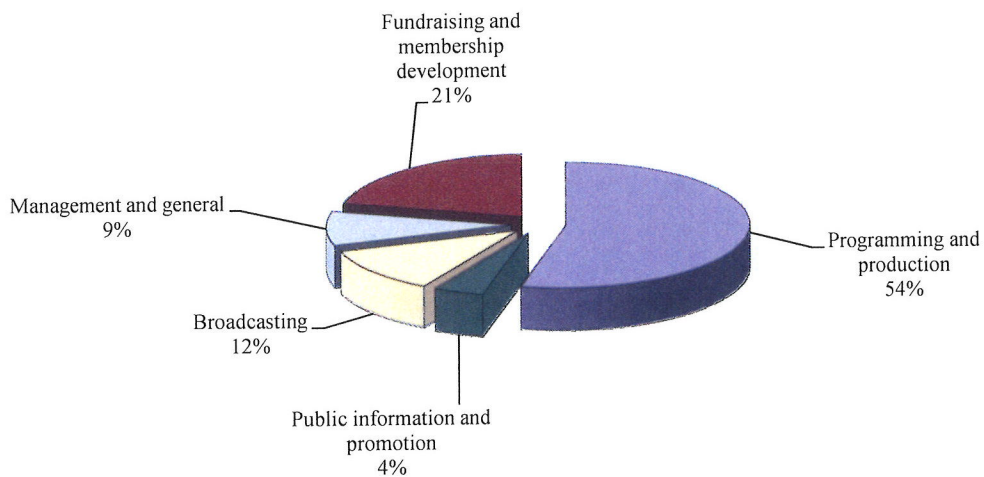
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2018.

Operating and Non-operating Revenues



Operating and Non-operating Expenses



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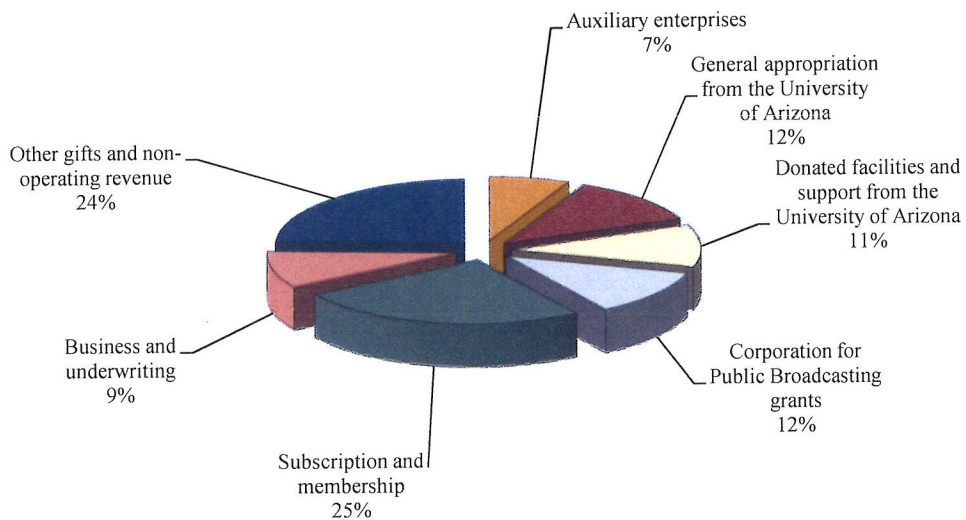
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

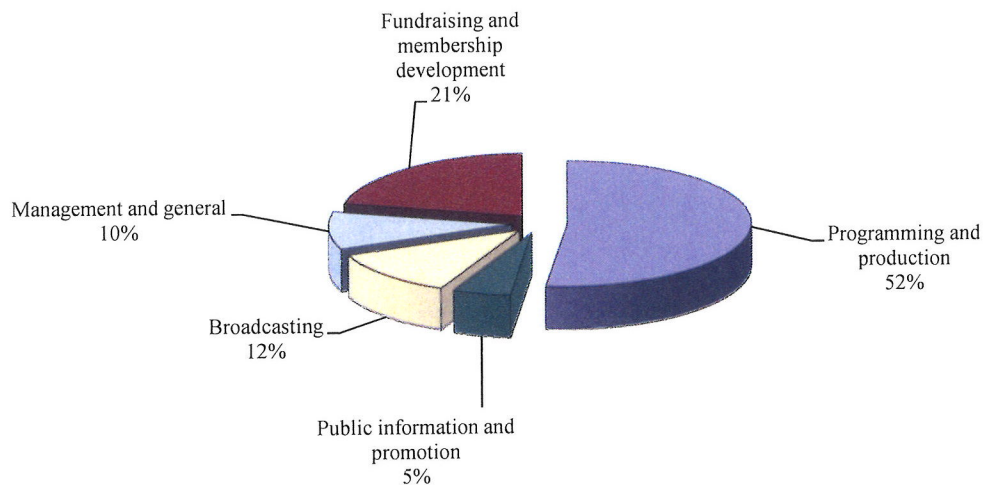
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2017.

Operating and Non-operating Revenues



Operating and Non-operating Expenses



Basic Financial Statements

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

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	\$ 17,112,782	\$ 15,835,525
Accounts receivable, net	1,308,218	1,200,449
Prepaid expenses	255,839	337,106
Total current assets	18,676,839	17,373,080
Capital assets, net	1,908,833	1,554,543
Endowment investments	3,510,175	3,171,334
Other assets	57,344	48,865
Total assets	24,153,191	22,147,822
Deferred outflows of resources:		
Deferred outflows related to pensions	545,569	910,330
Deferred outflows related to OPEB	55,694	-
Total deferred outflows of resources	601,263	910,330
Total assets and deferred outflows of resources	24,754,454	23,058,152
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable	127,030	247,470
Accrued expenses and other liabilities	597,595	617,384
Unearned revenue	83,333	111,648
Current portion of defined contribution plans liability	14,525	16,970
Total current liabilities	822,483	993,472
Defined contribution plans liability, net of current portion	20,362	33,561
Net pension liability	4,718,852	4,920,007
Net OPEB liability	1,273,191	354,463
Total liabilities	6,834,888	6,301,503
Deferred inflows of resources:		
Deferred inflows related to pensions	320,507	663,465
Deferred inflows related to OPEB	328,019	-
Total deferred inflows of resources	648,526	663,465
Commitments and contingencies		
Net position:		
Investment in capital assets	1,908,833	1,554,543
Restricted:		
Nonexpendable - endowments	2,009,807	1,718,741
Expendable - station programs/projects	216,312	227,814
Unrestricted	13,136,088	12,592,086
Total net position	17,271,040	16,093,184
Total liabilities, deferred inflows of resources, and net position	\$ 24,754,454	\$ 23,058,152

See notes to financial statements.

ARIZONA PUBLIC MEDIA
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Grants and contracts	\$ 17,500	\$ 96,637
Auxiliary enterprises	<u>1,147,081</u>	<u>875,624</u>
Total operating revenues	<u>1,164,581</u>	<u>972,261</u>
Operating expenses:		
Program services:		
Programming and production	5,993,235	6,211,742
Broadcasting	1,292,261	1,427,156
Public information and promotion	496,807	617,367
Support services:		
Management and general	981,712	1,164,128
Fundraising and membership development	<u>2,332,387</u>	<u>2,549,056</u>
Total operating expenses	<u>11,096,402</u>	<u>11,969,449</u>
Operating loss	<u>(9,931,821)</u>	<u>(10,997,188)</u>
Nonoperating revenues (losses):		
General appropriation from U of A	1,261,354	1,697,662
Donated facilities and administrative support from U of A	1,458,116	1,492,333
Corporation for Public Broadcasting grants	1,515,015	1,614,376
Subscription and membership income	3,707,941	3,548,435
Business and underwriting	1,466,561	1,313,152
Legacies and bequests	1,726,981	2,504,170
Other gifts and contributions	265,000	45,023
Investment income, net	270,635	266,028
Other nonoperating revenues	<u>435,796</u>	<u>429,475</u>
Nonoperating revenues	<u>12,107,399</u>	<u>12,910,654</u>
Increase in net position before capital additions	2,175,578	1,913,466
Capital grants, gifts and conveyances	<u>248,019</u>	<u>147,864</u>
Increase in net position	2,423,597	2,061,330
Net position, beginning of year, as restated	<u>14,847,443</u>	<u>14,031,854</u>
Net position, end of year	<u>\$ 17,271,040</u>	<u>\$ 16,093,184</u>

See notes to financial statements.

ARIZONA PUBLIC MEDIA
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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Grants and contracts receipts	\$ 17,500	\$ 96,637
Auxiliary enterprise receipts	1,160,122	857,203
Payments for salaries, wages and benefits	(5,380,759)	(5,366,583)
Payments to suppliers	<u>(4,293,119)</u>	<u>(4,117,852)</u>
Net cash used in operating activities	<u>(8,496,256)</u>	<u>(8,530,595)</u>
Cash flows from noncapital financing activities:		
General appropriations from the U of A	1,261,355	1,697,662
Corporation for Public Broadcasting grants	1,515,015	1,614,376
Gifts and grants for other than capital purposes	<u>7,248,146</u>	<u>7,794,927</u>
Net cash provided by noncapital financing activities	<u>10,024,516</u>	<u>11,106,965</u>
Cash flows from capital financing activities:		
Capital grants and gifts received	248,019	147,864
Purchases of capital assets	<u>(664,139)</u>	<u>(433,523)</u>
Net cash used in capital financing activities	<u>(416,120)</u>	<u>(285,659)</u>
Cash flows from investing activities:		
Interest and dividends on investments	<u>165,117</u>	<u>139,771</u>
Net cash provided by investing activities	<u>165,117</u>	<u>139,771</u>
Net increase in cash and cash equivalents	1,277,257	2,430,482
Cash and cash equivalents, beginning	<u>15,835,525</u>	<u>13,405,043</u>
Cash and cash equivalents, ending	<u>\$ 17,112,782</u>	<u>\$ 15,835,525</u>

See notes to financial statements.

ARIZONA PUBLIC MEDIA
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STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (9,931,821)</u>	<u>\$ (10,997,188)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	309,849	408,300
Donated facilities and administrative support	1,458,116	1,492,333
Changes in operating assets and liabilities:		
Accounts receivable	13,040	(18,421)
Prepaid expenses	72,788	28,865
Accounts payable	(120,440)	110,983
Accrued expenses and other liabilities	(19,789)	43,413
Net defined contribution plans liability	(15,644)	3,846
Unearned revenue	(28,315)	102,653
Deferred outflows of resources related to pensions	364,761	(427,325)
Deferred inflows of resources related to pensions	(342,958)	246,194
Net pension liability	(201,155)	320,182
Deferred outflows of resources related to OPEB	6,453	-
Deferred inflows of resources related to OPEB	328,019	-
Net OPEB liability	<u>(389,160)</u>	<u>155,570</u>
Total adjustments	<u>1,435,565</u>	<u>2,466,593</u>
Net cash used in operating activities	<u>\$ (8,496,256)</u>	<u>\$ (8,530,595)</u>
Supplemental noncash transactions:		
Unrealized net gains in fair value of investments:		
Quasi-endowments	\$ 47,773	\$ 58,162
Endowments	57,745	68,095

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 accounting principles generally accepted in the United States of America (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.

During the year ended June 30, 2018, AZPM implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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, and 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.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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

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.

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.

The Statements of Net Position provide information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Deferred outflows/inflows of resources are resources that will be consumed or acquired in a future reporting period. 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.

Cash and cash equivalents:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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

Funds held by the University of Arizona:

The University acts as a 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.

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. Arizona Revised Statutes requires collateral for deposits at 102 percent of all deposits of the University not covered by federal deposit insurance.

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.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the commingled funds and qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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

Accounts receivable (continued):

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 \$198,000 and \$172,000 at June 30, 2018 and 2017.

Endowment investments:

Endowment assets have been donated to AZPM and are permanently restricted by the donor. Endowment assets are held and invested by the University and Foundation in an external investment pool at June 30, 2018 and 2017. At June 30, 2018 and 2017, 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, 2018 and 2017, 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.

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 2018, the expendable rate was established at 4% of the three-year average market value ended December 31, 2016.

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 payout 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 2018, the payout rate was established at 4%.

Capital assets, net:

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.

ARIZONA PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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

Capital assets, net (continued):

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)	5 - 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. 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.

Deferred outflows and inflows of resources:

The Statements of Net Position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Postemployment benefits:

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's investments are reported at fair value.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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 position.

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 donated facilities and administrative support from the U of A and also as an expense. For the year ended June 30, 2018 and 2017, 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.

ARIZONA PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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

Income taxes:

The University is tax exempt as an integral part of the State of Arizona and exempt from federal income tax when engaging in activities related to the exempt purpose of state colleges and universities to include: research and discovery, teaching and learning, outreach and public service, and fostering national or international amateur sports competition. However, the University is not exempt from income tax imposed on activities which are substantially unrelated to those exempt purposes. Management is not aware of any activities conducted by AZPM that are subject to unrelated business income tax. Accordingly, no provision is made for income taxes in the accompanying financial statements.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2018 through November 30, 2018, 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. Change in accounting principle:

AZPM's net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*.

Net position, as previously reported, June 30, 2017	\$ 16,093,184
Adjustments - implementation of GASB 75	
Net OPEB liability	(1,307,888)
Deferred outflows - organization contributions made during fiscal year 2017	<u>62,147</u>
	<u>(1,245,741)</u>
Net position, as restated, July 1, 2017	<u>\$ 14,847,443</u>

AZPM determined the restatement of all prior periods was not practical and presented the cumulative effect of applying this Statement as a restatement of beginning net position as of July 1, 2017. Balances as of June 30, 2017 and for the year then ended were not restated. Due to AZPM electing to use a measurement date as of June 30, 2017 for its net OPEB liability, no accounting valuation report was prepared for the measurement date of June 30, 2016. Therefore, all of the information needed to restate the prior year data is not readily available.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

3. Cash and cash equivalents and endowment investments:

The Organization's cash and cash equivalents and investments consist of the following at June 30, 2018 and 2017:

	2018	2017
Cash and cash equivalents		
Held by the University of Arizona	\$ 11,670,571	\$ 11,213,055
Held by the University of Arizona Foundation	5,442,211	4,622,470
	\$ 17,112,782	\$ 15,835,525
Endowment investments:		
Endowment held by the University of Arizona	\$ 1,594,377	\$ 1,543,609
Endowment held by the University of Arizona Foundation	1,915,798	1,627,725
	\$ 3,510,175	\$ 3,171,334

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, mutual funds, certificates of deposit, and corporate bonds and equities. A summary of the University's risk policies for deposits and investments follows:

Interest rate risk:

The University does not have a formal policy for interest rate risk.

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. University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller's demand account. Beyond this requirement and those established by Statue or the Board, the University does not have a policy that specifically addresses custodial risk.

Credit risk:

With regard to credit risk, University policy restricts investment of the operating funds to certificates of deposit and collateralized repurchase agreements, United States Treasury securities, federal agency securities, investment grade corporate bonds or the government investment pool administered by the State Treasurer's Office. When investing operating funds, University policy requires corporate bonds and notes to be of investment grade quality, rated Baa or higher by Moody's Investors Service, at the time of purchase.

ARIZONA PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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

Credit risk (continued):

The University does not have a formal policy that specifically addresses credit risk over endowment funds. AZPM endowment funds are held in the Foundation's Endowment Pool, which is not rated. The Foundation's Investment Committee manages the credit risk of the Pool's investments.

Concentration of credit risk:

Other than U. S. Treasury securities and other federal agency securities, which can represent greater than 5% of total investments, University policy limits investment in a single issuer to 5% or less of the fair value of the total portfolio. Except for U. S. Treasury securities, the University does not have an investment in any single issuer that exceeds 5% of the overall portfolio.

4. Fair value measurements:

The Organization measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

Other investments at fair value - Investments for which fair value is measured using the practical expedient, net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited party interest, without quoted prices.

ARIZONA PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

4. Fair value measurements (continued):

At June 30, 2018, the fair value of assets measured on a recurring basis is as follows:

	<u>Fair value</u>	<u>Other investments at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Endowment held by University of Arizona	\$ 1,594,377	\$ 1,594,377	\$ -	-	-
Endowment held by the University of Arizona Foundation	<u>1,915,798</u>	<u>1,915,798</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,510,175</u>	<u>\$ 3,510,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2017, the fair value of assets measured on a recurring basis is as follows:

	<u>Fair value</u>	<u>Other investments at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Endowment held by University of Arizona	\$ 1,543,609	\$ 1,543,609	\$ -	-	-
Endowment held by the University of Arizona Foundation	<u>1,627,725</u>	<u>1,627,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,171,334</u>	<u>\$ 3,171,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of a participant's portion in the University of Arizona and University of Arizona Foundation's investment pools approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. The investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. There are no unfunded commitments or redemption restrictions related to these investments.

The University of Arizona and University of Arizona Foundation's investment pool invests primarily in U.S. Treasury, U.S. agencies, mutual funds, certificates of deposit, and corporate bonds and equities.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

5. Accounts receivable, net:

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2018 Total	June 30, 2017 Total
Subscription and membership	\$ 586,520	\$ 97,390	\$ 231,223	\$ 915,133	\$ 831,860
Underwriting and business	156,053	35,368	381,047	572,468	510,254
Auxiliary enterprises	16,315	1,123	1,179	18,617	30,335
	<u>758,888</u>	<u>133,881</u>	<u>613,449</u>	<u>1,506,218</u>	<u>1,372,449</u>
Less allowance for doubtful accounts	<u>125,160</u>	<u>18,960</u>	<u>53,880</u>	<u>198,000</u>	<u>172,000</u>
	<u>\$ 633,728</u>	<u>\$ 114,921</u>	<u>\$ 559,569</u>	<u>\$ 1,308,218</u>	<u>\$ 1,200,449</u>

6. Capital assets, net:

	June 30, 2017	Additions	Retirements	June 30, 2018
Transmission, antenna and tower	\$ 2,777,595	\$ 232,034	\$ -	\$ 3,009,629
Studio, equipment, FF&E	<u>6,949,829</u>	<u>432,105</u>	<u>(15,796)</u>	<u>7,366,138</u>
Total depreciable capital assets	<u>9,727,424</u>	<u>664,139</u>	<u>(15,796)</u>	<u>10,375,767</u>
Less accumulated depreciation:				
Transmission, antenna and tower	2,507,410	55,137	-	2,562,547
Studio, equipment, FF&E	<u>5,665,471</u>	<u>254,712</u>	<u>(15,796)</u>	<u>5,904,387</u>
Total accumulated depreciation	<u>8,172,881</u>	<u>309,849</u>	<u>(15,796)</u>	<u>8,466,934</u>
Capital assets, net	<u>\$ 1,554,543</u>	<u>\$ 354,290</u>	<u>\$ -</u>	<u>\$ 1,908,833</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Transmission, antenna and tower	\$ 2,777,595	\$ -	\$ -	\$ 2,777,595
Studio, equipment, FF&E	<u>6,576,496</u>	<u>433,523</u>	<u>(60,190)</u>	<u>6,949,829</u>
Total depreciable capital assets	<u>9,354,091</u>	<u>433,523</u>	<u>(60,190)</u>	<u>9,727,424</u>
Less accumulated depreciation				
Transmission, antenna and tower	2,338,266	169,144	-	2,507,410
Studio, equipment, FF&E	<u>5,486,505</u>	<u>239,156</u>	<u>(60,190)</u>	<u>5,665,471</u>
Total accumulated depreciation	<u>7,824,771</u>	<u>408,300</u>	<u>(60,190)</u>	<u>8,172,881</u>
Capital assets, net	<u>\$ 1,529,320</u>	<u>\$ 25,223</u>	<u>\$ -</u>	<u>\$ 1,554,543</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

6. Capital assets, net (continued):

Depreciation expense totaled \$309,849 and \$408,300 for the years ended June 30, 2018 and 2017 and has been included in program services. 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 \$0 at June 30, 2018 and 2017. 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.

7. 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 restricted net position as of June 30, 2018 and 2017 is as follows:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>June 30, 2018 Total</u>	<u>June 30, 2017 Total</u>
Nonexpendable endowments:					
Radio Production - NEA Challenge	\$ -	\$ 260,043	\$ 260,043	\$ 520,086	\$ 503,526
Bashevdir Endowment	9,211	-	-	9,211	8,581
Gordon Endowment	26,644	-	-	26,644	25,796
Shandell Endowment	844,928	-	-	844,928	818,025
Raney Endowment	138,947	69,473	69,473	277,893	269,046
Hildebrand Endowment	-	124,141	-	124,141	83,316
Schmidt Endowment	5,397	2,699	2,699	10,795	10,451
Smith Endowment	-	102,109	-	102,109	-
Leedy Endowment	<u>61,100</u>	<u>9,400</u>	<u>23,500</u>	<u>94,000</u>	<u>-</u>
	<u>1,086,227</u>	<u>567,865</u>	<u>355,715</u>	<u>2,009,807</u>	<u>1,718,741</u>
Expendable - station programs/projects:					
Mental Health Reporter	72,860	-	-	72,860	67,176
Local production	75,242	1,000	2,500	78,742	98,508
Great Voices Radio Series support	-	9,323	-	9,323	9,323
Program acquisition/production	5,000	6,968	6,968	18,936	16,356
Operational support excluding administrative costs	<u>36,451</u>	<u>-</u>	<u>-</u>	<u>36,451</u>	<u>36,451</u>
	<u>189,553</u>	<u>17,291</u>	<u>9,468</u>	<u>216,312</u>	<u>227,814</u>
	<u>\$ 1,275,780</u>	<u>\$ 585,156</u>	<u>\$ 365,183</u>	<u>\$ 2,226,119</u>	<u>\$ 1,946,555</u>

ARIZONA PUBLIC MEDIA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

8. Investment income (loss), net:

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

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>June 30, 2018 Total</u>	<u>June 30, 2017 Total</u>
Interest and dividends	\$ 110,060	\$ 33,427	\$ 21,630	\$ 165,117	\$ 139,771
Net unrealized gain (loss)	<u>66,062</u>	<u>25,731</u>	<u>13,725</u>	<u>105,518</u>	<u>126,257</u>
	<u>\$ 176,122</u>	<u>\$ 59,158</u>	<u>\$ 35,355</u>	<u>\$ 270,635</u>	<u>\$ 266,028</u>

9. Related party transactions:

AZPM receives a portion of its revenues and support from the University in the form of a general appropriation for operation purposes totaling \$1,261,354 and \$1,697,662 for the years ended June 30, 2018 and 2017.

AZPM has been advised by the University that its general appropriation will be reduced by \$2,000,000 to be phased in evenly over 5 fiscal years. The reduction commenced on July 1, 2014. AZPM has been notified that the final fiscal year of general appropriation reductions will be suspended.

AZPM receives administrative support from the University in the form of legal and 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 indirect support value is calculated based on the Other Sponsored Activities Method developed by the Corporation for Public Broadcasting. The indirect support, recorded in nonoperating revenues, totaled \$1,458,116 and \$1,492,333 for the years ended June 30, 2018 and 2017.

10. Contingencies:

AZPM is subject to audit by its funding agencies. During 2018, AZPM was audited by CPB for the period from July 1, 2014 to June 30, 2016. The outcome of the audit resulted in an immaterial refund due to CPB. Contingent liabilities to other funding agencies, if any, have not been determined at June 30, 2018 and 2017. AZPM's management believes that no such liabilities exist at June 30, 2018 and 2017.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

11. Retirement plans:

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

Defined benefit plan:

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan. Full benefit eligible Classified Staff are required, and full benefit eligible AZPM professionals have the option to participate in the ASRS defined benefit plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting www.azasrs.gov.

Benefits provided - The ASRS provides retirement and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*with actuarially reduced benefits

Retirement benefits for members, who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013 are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

11. Retirement plans (continued):

Defined benefit plan (continued):

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

For the years ended June 30, 2018 and 2017, active ASRS members were required by statute to contribute at the following actuarially determined rates on members' annual covered payroll:

	2018	2017
Employee contribution rate	11.34 %	11.34 %
Employer contribution rate	10.90 %	10.78 %

In addition, the University/AZPM was required by statute to contribute for retired members who worked for the University/AZPM in positions that would typically be filled by an employee who contributes to the ASRS. For the years ended June 30, 2018 and 2017, the actuarial determined rates on retired members' annual covered payroll were as follows:

	2018	2017
Employer contribution rate	9.26 %	9.17 %

AZPM's contributions to the pension plan for the year ended June 30, 2018 and 2017 were \$306,738 and \$335,382.

Pension liability - At June 30, 2018 and 2017, AZPM reported a liability of \$4,718,852 and \$4,920,007 for its proportionate share of the ASRS' net pension liability. The 2018 net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016 to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption related to changes in loads for future potential permanent benefits increases. AZPM's proportion of the net pension liability was based on AZPM's actual contributions to the plan relative to the total of the University's contributions. The University's contributions for the years measured as of June 30, 2017 and 2016 was 3.84% and 3.85% of the total of all participating employer's contributions (decrease of 0.01%). AZPM's proportion measured as of June 30, 2017 and 2016 was 0.79% of the total University's contribution.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

11. Retirement plans (continued):

Defined benefit plan (continued):

Pension expense and deferred outflows/inflows of resources - For the years ended June 30, 2018 and 2017, AZPM recognized pension expense for ASRS of \$179,352 and \$139,051. At June 30, 2018 and 2017, AZPM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 141,496	\$ 29,898	\$ 338,459
Net difference between projected and actual earnings on pension plan investments	33,880	-	533,163	-
Changes in assumptions	204,951	141,102	-	260,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	37,909	11,887	64,696
Contributions subsequent to the measurement date	<u>306,738</u>	<u>-</u>	<u>335,382</u>	<u>-</u>
	<u>\$ 545,569</u>	<u>\$ 320,507</u>	<u>\$ 910,330</u>	<u>\$ 663,465</u>

The \$306,738 reported as deferred outflows of resources related to ASRS pensions resulting from AZPM's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Years ending
June 30,

2019	\$ (218,055)
2020	187,913
2021	57,013
2022	(108,547)
2023	-

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

11. Retirement plans (continued):

Defined benefit plan (continued):

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Equity	58 %	6.73 %
Fixed income	25 %	3.70 %
Real estate	10 %	4.25 %
Multi-asset class	5 %	3.41 %
Commodities	2 %	3.84 %
	<u>100 %</u>	

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

11. Retirement plans (continued):

Defined benefit plan (continued):

Discount rate - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the AZPM's proportionate share of the ASRS net pension liability to changes in the discount rate - The following table presents the AZPM's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what AZPM's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
AZPM's proportionate share of the net pension liability	<u>\$ 6,056,727</u>	<u>\$ 4,718,852</u>	<u>\$ 3,600,940</u>

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Defined contribution plans:

Plan description - 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 year ended June 30, 2018 and 2017, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. 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. Non-vested contributions held by the University earn interest. 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 companies.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

11. Retirement plans (continued):

Defined contribution plans (continued):

Funding policy - The Arizona State Legislature establishes the contribution rates for active plan members and the University/AZPM. For the years ended June 30, 2018 and 2017, plan members and the University/AZPM were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension liability - At June 30, 2018 and 2017, AZPM reported a liability of \$34,887 and \$50,531 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University/AZPM contributions are retained by the University/AZPM.

Pension expense - For the years ended June 30, 2018 and 2017, AZPM recognized pension expense for Defined Contribution Plans of \$63,492 and \$58,330. For the years ended June 30, 2018 and 2017, no forfeitures were utilized to reduce AZPM's pension expense.

12. Other post-employment benefits (OPEB):

Other postemployment benefits (OPEB) provided as part of University/AZPM employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit postemployment plan as well as the ASRS sponsored cost-sharing, multi-employer defined benefit plan for the Long-Term Disability Fund and the Health Benefit Supplement Fund. Although an ASRS net OPEB asset has been recorded at June 30, 2018, this plan has not been further disclosed due to the relative insignificance to AZPM's financial statements.

Changes in AZPM's OPEB obligation during the year ended June 30, 2018 was as follows:

	2018
Beginning balance, as restated	\$ 1,662,351
Increases	-
Decreases	(389,160)
Ending balance	\$ 1,273,191

Due to the implementation of GASB Statement No. 75, AZPM's beginning OPEB liability and net position were restated from 2017. Information needed to show certain comparative amounts for 2017 is not readily available.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

12. Other post-employment benefits (OPEB) (continued):

Arizona Department of Administration:

Plan description - The Arizona Department of Administration (ADOA) administers a single-employer defined benefit post-employment plan that provides medical and accident benefits to retired State employees, including University/AZPM employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis that is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State. ADOA does not issue a separate, publicly available financial report.

A portion of the ADOA plan's implicit rate subsidy represents an obligation to the University/AZPM for its proportionate share of the total OPEB liability. The total OPEB liability is allocated to the University, and to AZPM, based on its percentage of contributions to the ADOA medical and dental plans.

Benefits Provided - The ADOA provides medical and accident benefits to retired State employees and their dependents. Dental and vision benefits are also available, but are not valued as there is no implicit subsidization in the retiree rates.

Funding policy - The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the total OPEB liability.

OPEB Liability - At June 30, 2018 and 2017, AZPM reported a liability of \$1,276,549 and \$1,662,351 for its proportionate share of the ADOA's total OPEB liability. The 2018 total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date. The total OPEB liability as of June 30, 2017, reflects the following changes of benefit terms and actuarial assumptions:

- A limit was placed on the out-of-pocket maximum for the EPO health insurance option and copays were increased for all health insurance options.
- The discount rate increased due to changes in the bond index.
- Per capita costs and contributions and related trend rates were updated to reflect updated experience.
- Assumed retirement rates, turnover rates, disability incidence rates, and mortality rates for healthy and disabled lives were updated to be the same as those used for ASRS' annual actuarial valuation.

The University's proportion measured as of June 30, 2017 and 2016, was 19.20 percent. AZPM's proportion measured as of June 30, 2017 and 2016, was .79% of the total University's contribution.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

12. Other post-employment benefits (OPEB) (continued):

Arizona Department of Administration (continued):

OPEB Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2018, AZPM recognized negative OPEB expense for ADOA of \$10,636. At June 30, 2018, University reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 30,245
Changes in assumptions	-	284,751
Benefit payments subsequent to the measurement date	38,958	-
	\$ 38,958	\$ 314,996

The \$38,958 reported as deferred outflows of resources related to ADOA OPEB resulting from AZPM's benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ADOA OPEB will be recognized in OPEB expense as follows:

Years ending <u>June 30,</u>	
2019	\$ (49,066)
2020	(49,066)
2021	(49,066)
2022	(49,066)
2023	(49,066)
Thereafter	(69,676)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

12. Other post-employment benefits (OPEB) (continued):

Arizona Department of Administration (continued):

Actuarial assumptions - The significant actuarial assumptions used to measure ADOA's total OPEB liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Salary increase	2.70% to 7.20% varying by years of service
Discount rate	3.58%
Healthcare cost trend rates:	
Medical (pre-65)	6.50% graded to 4.50% by 0.50%
Medical (post-65)	4.50%
Prescription drug	9% graded to 4.50% by 0.50%
Administrative costs	3%
Contribution trend rates	7% graded to 4.50% by 0.50%
Mortality rates:	
Employees	RP-2014 Employee Mortality Tables projected generationally from 2014 with 1% improvement per year
Healthy retirees and spouses	2017 State Retirees of Arizona Mortality Tables projected generationally from 2017 with 1% improvement per year
Disable retirees	RP-2014 Disabled Retiree Mortality Tables projected generationally from 2014 with 1% improvement per year

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Discount rate - The discount rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond index.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

12. Other post-employment benefits (OPEB) (continued):

Arizona Department of Administration (continued):

Sensitivity of the AZPM's proportionate share of the ADOA's total OPEB liability - The following table presents the AZPM's proportionate share of the total OPEB liability calculated using the discount rate of 3.58 percent, as well as what AZPM's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	<u>1% decrease (2.58%)</u>	<u>Current discount rate (3.58%)</u>	<u>1% increase (4.58%)</u>
AZPM's proportionate share of the total OPEB liability	<u>\$ 1,499,974</u>	<u>\$ 1,276,549</u>	<u>\$ 1,100,211</u>

The following table presents the University's proportionate share of the total OPEB liability calculated using the healthcare cost and contribution trend rates stated above, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost and contribution trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	<u>1% decrease in trend rates</u>	<u>Current trend rate</u>	<u>1% increase in trend rates</u>
AZPM's proportionate share of the total OPEB liability	<u>\$ 1,074,200</u>	<u>\$ 1,276,549</u>	<u>\$ 1,539,302</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

13. Individual station financial information:

	STATEMENTS OF NET POSITION			June 30, 2018	June 30, 2017
	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>combined total</u>	<u>combined total</u>
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents:					
Funds held by the U of A	\$ 8,423,209	\$ 1,109,867	\$ 2,137,495	\$ 11,670,571	\$ 11,213,055
Funds held by the U of A Foundation	3,711,299	686,966	1,043,946	5,442,211	4,622,470
Accounts receivable, net	633,728	114,921	559,569	1,308,218	1,200,449
Prepaid expenses	236,118	7,454	12,267	255,839	337,106
Interfund eliminations (transfers between stations)	<u>(1,131,037)</u>	<u>(1,426,070)</u>	<u>2,557,107</u>	<u>-</u>	<u>-</u>
Total current assets	11,873,317	493,138	6,310,384	18,676,839	17,373,080
Capital assets, net	1,044,612	351,388	512,833	1,908,833	1,554,543
Endowment investments	2,125,306	930,323	454,546	3,510,175	3,171,334
Other assets	<u>56,854</u>	<u>-</u>	<u>490</u>	<u>57,344</u>	<u>48,865</u>
Total assets	15,100,089	1,774,849	7,278,253	24,153,191	22,147,822
Deferred outflows of resources:					
Deferred outflows related to pensions/OPEB	<u>384,499</u>	<u>89,509</u>	<u>127,255</u>	<u>601,263</u>	<u>910,330</u>
Total assets and deferred outflows of resources	<u>15,484,588</u>	<u>1,864,358</u>	<u>7,405,508</u>	<u>24,754,454</u>	<u>23,058,152</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

13. Individual station financial information (continued):

STATEMENTS OF NET POSITION (CONTINUED)

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>June 30, 2018 combined total</u>	<u>June 30, 2017 combined total</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	\$ 100,680	\$ 7,501	\$ 18,849	\$ 127,030	\$ 247,470
Accrued expenses and other liabilities	388,914	87,866	120,815	597,595	617,384
Unearned revenue	83,333	-	-	83,333	111,648
Current portion of defined contribution plans liability	<u>9,296</u>	<u>2,179</u>	<u>3,050</u>	<u>14,525</u>	<u>16,970</u>
Total current liabilities	582,223	97,546	142,714	822,483	993,472
Defined contribution plans liability, net of current portions	13,032	3,054	4,276	20,362	33,561
Net pension liability	3,020,065	707,828	990,959	4,718,852	4,920,007
Net OPEB liability	<u>814,842</u>	<u>190,978</u>	<u>267,371</u>	<u>1,273,191</u>	<u>354,463</u>
Total liabilities	4,430,162	999,406	1,405,320	6,834,888	6,301,503
Deferred inflows of resources:					
Deferred inflows related to pensions/OPEB	<u>415,058</u>	<u>97,277</u>	<u>136,191</u>	<u>648,526</u>	<u>663,465</u>
Total liabilities and deferred inflows of resources	<u>4,845,220</u>	<u>1,096,683</u>	<u>1,541,511</u>	<u>7,483,414</u>	<u>6,964,968</u>
Net position					
Investment in capital assets	1,044,612	351,388	512,833	1,908,833	1,554,543
Restricted:					
Nonexpendable - endowments	1,086,227	567,865	355,715	2,009,807	1,718,741
Expendable - station programs/projects	189,553	17,291	9,468	216,312	227,814
Unrestricted	<u>8,318,976</u>	<u>(168,869)</u>	<u>4,985,981</u>	<u>13,136,088</u>	<u>12,592,086</u>
Total net position	<u>\$ 10,639,368</u>	<u>\$ 767,675</u>	<u>\$ 5,863,997</u>	<u>\$ 17,271,040</u>	<u>\$ 16,093,184</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

13. 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>June 30, 2018 combined total</u>	<u>June 30, 2017 combined total</u>
Operating revenues:					
Grants and contracts	\$ 17,500	\$ -	\$ -	\$ 17,500	\$ 96,637
Auxiliary enterprises	<u>1,109,671</u>	<u>18,705</u>	<u>18,705</u>	<u>1,147,081</u>	<u>875,624</u>
	<u>1,127,171</u>	<u>18,705</u>	<u>18,705</u>	<u>1,164,581</u>	<u>972,261</u>
Operating expenses:					
Program services:					
Programming and production	4,009,136	526,908	1,457,191	5,993,235	6,211,742
Broadcasting	1,088,437	96,916	106,908	1,292,261	1,427,156
Public information and promotion	307,448	93,072	96,287	496,807	617,367
Support services:					
Management and general	605,579	179,673	196,460	981,712	1,164,128
Fundraising and membership development	<u>1,176,622</u>	<u>468,420</u>	<u>687,345</u>	<u>2,332,387</u>	<u>2,549,056</u>
Total operating expenses	<u>7,187,222</u>	<u>1,364,989</u>	<u>2,544,191</u>	<u>11,096,402</u>	<u>11,969,449</u>
Operating loss	<u>(6,060,051)</u>	<u>(1,346,284)</u>	<u>(2,525,486)</u>	<u>(9,931,821)</u>	<u>(10,997,188)</u>
Nonoperating revenues (losses):					
General appropriation from U of A	697,598	240,706	323,050	1,261,354	1,697,662
Donated facilities and administrative support from U of A	962,080	178,878	317,158	1,458,116	1,492,333
Corporation for Public Broadcasting grants	1,228,347	-	286,668	1,515,015	1,614,376
Subscription and membership income	2,319,178	387,874	1,000,889	3,707,941	3,548,435
Business and underwriting	370,696	121,047	974,818	1,466,561	1,313,152
Legacies and bequests	1,188,834	165,061	373,086	1,726,981	2,504,170
Other gifts and contributions	65,000	175,000	25,000	265,000	45,023
Investment income (loss), net	176,122	59,158	35,355	270,635	266,028
Other nonoperating revenues	<u>354,182</u>	<u>40,807</u>	<u>40,807</u>	<u>435,796</u>	<u>429,475</u>
Nonoperating revenues (losses)	<u>7,362,037</u>	<u>1,368,531</u>	<u>3,376,831</u>	<u>12,107,399</u>	<u>12,910,654</u>
Increase (decrease) before capital additions	1,301,986	22,247	851,345	2,175,578	1,913,466
Capital grants, gifts and conveyances	<u>142,019</u>	<u>53,000</u>	<u>53,000</u>	<u>248,019</u>	<u>147,864</u>
Increase (decrease) in net position	1,444,005	75,247	904,345	2,423,597	2,061,330
Net position, beginning of year, as restated	<u>9,195,363</u>	<u>692,428</u>	<u>4,959,652</u>	<u>14,847,443</u>	<u>14,031,854</u>
Net position, end of year	<u>\$ 10,639,368</u>	<u>\$ 767,675</u>	<u>\$ 5,863,997</u>	<u>\$ 17,271,040</u>	<u>\$ 16,093,184</u>

Required Supplementary Information

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

SCHEDULE OF AZPM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - ARIZONA STATE RETIREMENT SYSTEM

YEAR ENDED JUNE 30, 2018
(schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting fiscal year (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
AZPM's proportion of the University's net pension liability	0.7885 %	0.7914 %	0.7561 %	0.8218 %	- %	- %	- %	- %	- %	- %
AZPM's proportionate share of the net pension liability	4,718,852	4,920,007	4,599,825	4,789,299	-	-	-	-	-	-
AZPM's covered payroll	2,963,899	2,865,148	2,832,105	2,791,097	-	-	-	-	-	-
AZPM's proportionate share of the net pension liability as a percentage of its covered payroll	159 %	172 %	162 %	172 %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total pension liability	70 %	67 %	68 %	69 %	- %	- %	- %	- %	- %	- %

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

SCHEDULE OF PENSION CONTRIBUTIONS - ARIZONA STATE RETIREMENT SYSTEM

YEAR ENDED JUNE 30, 2018

(schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 306,738	\$ 335,382	\$ 308,270	\$ 297,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	<u>306,738</u>	<u>335,382</u>	<u>308,270</u>	<u>297,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
AZPM's covered payroll	\$ 2,822,075	\$ 2,963,899	\$ 2,865,148	\$ 2,832,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	10.87 %	11.32 %	10.76 %	10.51 %	- %	- %	- %	- %	- %	- %

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

SCHEDULE OF AZPM'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY - ARIZONA DEPARTMENT OF ADMINISTRATION

YEAR ENDED JUNE 30, 2018
(schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting fiscal year (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
AZPM's proportion of the total OPEB liability	0.15 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
AZPM's proportionate share of the total OPEB liability	1,276,549	-	-	-	-	-	-	-	-	-
AZPM's covered-employee payroll	3,797,191	-	-	-	-	-	-	-	-	-
AZPM's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	34 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

* There are no dedicated assets at this time to offset the total OPEB liability.

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

STATEMENT OF FUNCTIONAL EXPENSES BY STATION

YEAR ENDED JUNE 30, 2018

	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	\$ 1,731,862	\$ 480,267	\$ 215,170	\$ 2,427,299	\$ 432,994	\$ 390,134	\$ 823,128	\$ 3,250,427
General operations	1,547,672	448,140	47,396	2,043,208	85,286	623,702	708,988	2,752,196
Travel and training	6,424	2,652	2,510	11,586	3,839	626	4,465	16,051
Indirect administration support	525,258	148,829	42,372	716,459	83,460	162,160	245,620	962,079
Depreciation	197,920	8,549	-	206,469	-	-	-	206,469
Total KUAT - TV expenses	4,009,136	1,088,437	307,448	5,405,021	605,579	1,176,622	1,782,201	7,187,222
KUAT - FM								
Salaries	313,934	58,707	59,307	431,948	129,865	201,292	331,157	763,105
General operations	118,086	17,997	20,405	156,488	24,638	203,734	228,372	384,860
Travel and training	1,936	-	853	2,789	1,025	446	1,471	4,260
Indirect administration support	67,370	11,908	12,507	91,785	24,145	62,948	87,093	178,878
Depreciation	25,582	8,304	-	33,886	-	-	-	33,886
Total KUAT - FM expenses	526,908	96,916	93,072	716,896	179,673	468,420	648,093	1,364,989
KUAZ								
Salaries	542,394	52,614	61,402	656,410	140,595	300,748	441,343	1,097,753
General operations	697,380	7,214	21,692	726,286	29,302	297,943	327,245	1,053,531
Travel and training	3,453	-	853	4,306	1,385	563	1,948	6,254
Indirect administration support	182,755	8,795	12,340	203,890	25,178	88,091	113,269	317,159
Depreciation	31,209	38,285	-	69,494	-	-	-	69,494
Total KUAZ expenses	1,457,191	106,908	96,287	1,660,386	196,460	687,345	883,805	2,544,191
	\$ 5,993,235	\$ 1,292,261	\$ 496,807	\$ 7,782,303	\$ 981,712	\$ 2,332,387	\$ 3,314,099	\$ 11,096,402

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

STATEMENT OF FUNCTIONAL EXPENSES BY STATION

YEAR ENDED JUNE 30, 2017

	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	\$ 1,730,492	\$ 589,056	\$ 330,251	\$ 2,649,799	\$ 552,211	\$ 441,737	\$ 993,948	\$ 3,643,747
General operations	1,623,008	355,247	54,757	2,033,012	98,453	701,641	800,094	2,833,106
Travel and training	16,270	5,344	33	21,647	4,697	3,125	7,822	29,469
Indirect administration support	508,046	143,174	58,051	709,271	98,806	172,854	271,660	980,931
Depreciation	<u>193,446</u>	<u>130,643</u>	<u>-</u>	<u>324,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,089</u>
Total KUAT - TV expenses	<u>4,071,262</u>	<u>1,223,464</u>	<u>443,092</u>	<u>5,737,818</u>	<u>754,167</u>	<u>1,319,357</u>	<u>2,073,524</u>	<u>7,811,342</u>
KUAT - FM								
Salaries	323,928	67,026	51,460	442,414	135,090	229,380	364,470	806,884
General operations	142,741	7,786	22,612	173,139	28,694	192,087	220,781	393,920
Travel and training	739	-	33	772	1,299	1,864	3,163	3,935
Indirect administration support	67,720	10,839	10,737	89,296	23,918	61,333	85,251	174,547
Depreciation	<u>22,452</u>	<u>8,304</u>	<u>-</u>	<u>30,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,756</u>
Total KUAT - FM expenses	<u>557,580</u>	<u>93,955</u>	<u>84,842</u>	<u>736,377</u>	<u>189,001</u>	<u>484,664</u>	<u>673,665</u>	<u>1,410,042</u>
KUAZ								
Salaries	657,356	62,264	53,727	773,347	158,988	325,497	484,485	1,257,832
General operations	704,828	7,333	24,493	736,654	32,652	322,630	355,282	1,091,936
Travel and training	2,486	-	33	2,519	1,698	3,770	5,468	7,987
Indirect administration support	194,972	9,943	11,180	216,095	27,622	93,138	120,760	336,855
Depreciation	<u>23,258</u>	<u>30,197</u>	<u>-</u>	<u>53,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,455</u>
Total KUAZ expenses	<u>1,582,900</u>	<u>109,737</u>	<u>89,433</u>	<u>1,782,070</u>	<u>220,960</u>	<u>745,035</u>	<u>965,995</u>	<u>2,748,065</u>
	<u>\$ 6,211,742</u>	<u>\$ 1,427,156</u>	<u>\$ 617,367</u>	<u>\$ 8,256,265</u>	<u>\$ 1,164,128</u>	<u>\$ 2,549,056</u>	<u>\$ 3,713,184</u>	<u>\$ 11,969,449</u>