

**FINANCIAL STATEMENTS OF
KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
YEAR ENDED JUNE 30, 2010**

**KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
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YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of KJZZ - FM Radio and KBAQ - FM Radio (Stations), public telecommunications entities operated by Maricopa County Community College District (District), as of and for the year ended June 30, 2010, and the discretely presented component unit, Friends of Public Radio Arizona, as of June 30, 2010 and for the 18 month period January 1, 2009 through June 30, 2010, which collectively comprise the Stations' financial statements as listed in the table of contents. These financial statements are the responsibility of the Stations' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Stations' financial statements are intended to present the financial position and results of operations and cash flows of only those portions of the Maricopa County Community College District's Restricted Fund that are attributable to the Stations' transactions and the discretely presented component unit, Friends of Public Radio Arizona for the period January 1, 2009 through June 30, 2010.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of KJZZ - FM Radio and KBAQ - FM Radio as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended and the discretely presented component unit, as of and for the 18 month period then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 3 – 7 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
February 22, 2011

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

This discussion and analysis introduces the financial statements and provides an overview of the Stations' financial activities for the year ended June 30, 2010. Please read it in conjunction with the financial statements, which immediately follow.

FINANCIAL HIGHLIGHTS

- ◆ KJZZ – FM Radio, and by extension, its Sun Sounds Radio Reading Service, provide listeners with 24 daily hours of news, information, and music (acoustic jazz). KBAQ – FM Radio broadcasts 24 hours of classical music and arts information. KJZZ - FM Radio and KBAQ - FM Radio are an open broadcast operation, while Sun Sounds uses a specialized delivery system to reach an audience of print-disabled individuals.
- ◆ Major funding sources for KJZZ and Sun Sounds include government sources such as MCCCDC, the Corporation for Public Broadcasting (CPB), and the State Department of Library, Archives, and Public Records. Major funding sources for KBAQ include the two institutional licensees (MCCCDC and Arizona State University), and CPB. Private donors and corporate underwriters continue to provide a majority of the funding to all the stations.
- ◆ Friends of Public Radio Arizona (FPRAZ), a 501(c)(3) entity, exists solely to support the activities of KJZZ and KBAQ. During FY2010, it was decided that membership fundraising activities would be conducted by FPRAZ in order to maximize fundraising effectiveness. As a result, revenue is generated on behalf of KJZZ and KBAQ through FPRAZ with distributions made to the Stations and remaining funds invested per the FPRAZ Governing Board. With this change in relationship, FPRAZ was determined to be a component unit to the Stations and as such, the financial statements of FPRAZ have been discretely presented in the attached financial statements for the Stations (see Notes to Financial Statements – Note 1 for additional details). Revenues generated on behalf of the Stations by FPRAZ will not be recorded by the Stations until distributed to the Stations.
- ◆ Arizona continues to find itself at the epicenter of the national economic recession. According to Joseph S. Tracy, Executive Vice President of the Federal Reserve Bank, “House prices in Arizona and Florida, two of the housing boom states, declined by 8 percent [over the past year]. Distressed sales as a fraction of all repeat-sales increased to more than 40 percent after having declined into the low 30s earlier in the year. Some housing economists are forecasting house prices to fall by 10 percent or more this [coming] year.” Complicating the situation is the fact that the state’s dire budget crisis is really two-fold: Brookings Mountain West cites Arizona’s massive cyclical deficit -- plus a gargantuan structural deficit. The effects of this depressed economic environment in both the housing and government sectors have adversely affected the ability of individuals to make contributions to the stations.
- ◆ Businesses adversely affected by the economic downturn have been unable to continue underwriting support at levels that the stations have previously enjoyed. In responding to this continued downward economic trajectory, KJZZ and KBAQ have intensified on-air fundraising strategies. Deploying new, focused, management and on-air production strategies, the stations are beginning to see improvements in membership revenue trends – particularly with regard to sustained giving.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

FINANCIAL HIGHLIGHTS (CONTINUED)

- ◆ KBAQ implemented new and more accurate audience ratings measurement tools that came online during the past fiscal year. These tools demonstrated that two-thirds of KBAQ's listening audience is over 65 years of age, a demographic which tends to be undesirable for most corporate underwriters. This determination of KBAQ's listeners resulted in a decline in corporate underwriting during FY2010. To work towards lowering the median age of the KBAQ listener, a consultant has been retained to work on music and presentation elements with the goal of creating a broader demographic that will ultimately be more desirable to potential KBAQ underwriters.

OVERVIEW OF THE FINANCIAL STATEMENTS

Beginning in FY 2002, KJZZ - FM Radio and KBAQ - FM Radio (the Stations), operated by the Maricopa County Community College District (MCCCD), were required to present annual financial statements in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The financial statements consist of the following:

- ◆ The Statement of Net Assets reflects the financial position of KJZZ - FM Radio and KBAQ - FM Radio and Sun Sounds Radio Stations at June 30, 2010. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets.
- ◆ The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2010. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on the Statement of Net Assets, described above.
- ◆ The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2010. It shows various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the Statement of Net Assets, described above. In addition, this statement reconciles cash flows from operating activities to operating income/(loss) on the Statement of Revenues, Expenses, and Changes in Net Assets, described above.

Although the primary focus of this document is on the results of activity for year ending June 30, 2010, comparative data is presented for the previous year ending June 30, 2009. This Management's Discussion and Analysis (MD&A) uses the prior year as a reference point in illustrating issues and trends for determining whether the Stations' financial health may have improved or deteriorated.

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

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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

	2010				2009	Variance
	KJZZ	Sun Sounds	KBAQ	Total		
ASSETS						
Current Assets	\$ 5,118,558	\$ (265,995)	\$ 743,468	\$ 5,596,031	\$ 9,111,256	-38.6%
Capital Assets, Net	1,015,977	693,477	1,018,241	2,727,695	2,539,406	7.4%
Total Assets	<u>6,134,535</u>	<u>427,482</u>	<u>1,761,709</u>	<u>8,323,726</u>	<u>11,650,662</u>	-28.6%
LIABILITIES						
Current Liabilities	<u>385,865</u>	<u>14,681</u>	<u>86,227</u>	<u>486,773</u>	<u>303,281</u>	60.5%
NET ASSETS						
Invested in Capital Assets	1,015,977	693,477	1,018,241	2,727,695	2,539,406	7.4%
Unrestricted Net Assets	<u>4,759,686</u>	<u>(307,669)</u>	<u>657,241</u>	<u>5,109,258</u>	<u>8,807,975</u>	-42.0%
Total Net Assets	<u><u>\$ 5,775,663</u></u>	<u><u>\$ 385,808</u></u>	<u><u>\$ 1,675,482</u></u>	<u><u>\$ 7,836,953</u></u>	<u><u>\$ 11,347,381</u></u>	-30.9%

The Stations' overall financial position declined in fiscal year 2010, with total net assets decreasing \$3.5 million from fiscal year 2008-09 (FY2009) to FY2010. Total current assets for the stations decreased by \$3.5 million, with most of the decline attributed to cash. The decline primarily results from the decision that membership fundraising activities would be conducted through FPRAZ in order to maximize fundraising effectiveness, resulting in investments and cash held by FPRAZ rather than the Stations. Additionally, there was a decline in overall net assets due to economic conditions. See Financial Highlights for more information. Total current liabilities for the station increased by approximately \$183,000, with most attributable to an increase in deferred revenues for the year.

The condensed financial information on the following page highlights the main categories of the Statement of Revenues, Expenses, and Changes in Net Assets. Depreciation expense is recorded in accordance with the adoption of the full accrual basis of accounting. The construction and acquisition of capital assets, although budgeted and tracked as an expenditure in the accounting system, is not reflected as an expense in these statements. Rather, such transactions are capitalized and reported in net assets – with the systematic allocation of such costs (depreciation) expensed over the useful lives of the assets constructed or acquired.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

**Table A-2
Changes in Net Assets**

	2010				2009	Variance
	KJZZ	Sun Sounds	KBAQ	Total		
Operating Revenues	\$ 2,205,391	\$ 114,168	\$ 906,042	\$ 3,225,601	\$ 3,080,222	4.7%
Operating Expenses:						
Education and General	5,761,152	855,316	2,787,473	9,403,941	8,246,661	14.0%
Depreciation	175,621	54,048	103,248	332,917	320,358	3.9%
Total Operating Expenses	<u>5,936,773</u>	<u>909,364</u>	<u>2,890,721</u>	<u>9,736,858</u>	<u>8,567,019</u>	13.7%
Operating Loss	(3,731,382)	(795,196)	(1,984,679)	(6,511,257)	(5,486,797)	18.7%
Nonoperating Revenues	<u>1,766,457</u>	<u>301,733</u>	<u>932,639</u>	<u>3,000,829</u>	<u>6,105,327</u>	-50.8%
Change in Net Assets	(1,964,925)	(493,463)	(1,052,040)	(3,510,428)	618,530	-667.5%
Net Assets, June 30, 2009	7,740,588	879,271	2,727,522	11,347,381	10,728,851	5.8%
Net Assets, June 30, 2010	<u>\$ 5,775,663</u>	<u>\$ 385,808</u>	<u>\$ 1,675,482</u>	<u>\$ 7,836,953</u>	<u>\$ 11,347,381</u>	-30.9%

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

Operating expenses increased almost 14% from the previous year. KJZZ management and general costs increased nearly \$543,000, with almost \$400,000 of that increase due to employee salaries which in 2009 were covered by Rio Salado Community College. KJZZ programming and production costs increased approximately \$242,000, due primarily to increases in program acquisition costs both from national and local producers.

Non-operating revenues, primarily comprised of listener donations and corporate underwriting, showed a decrease of \$3.1 million. The decline primarily results from the decision that membership fundraising activities would be conducted through FPRAZ in order to maximize fundraising effectiveness, resulting in revenues reported by FPRAZ rather than the Stations. Revenues collected and reported by FPRAZ will not be reported by the Stations until distributed by FPRAZ. Additionally, there was a decline in overall revenues due to economic conditions. Underwriting had a \$462,000 decrease in FY2010 mostly attributable to the economic climate. See Financial Highlights for more information.

Capital Assets

Capital assets at June 30, 2010 and 2009 totaled \$2.7 million and \$2.5 million, respectively. The net increase in capital assets of approximately \$188,000 was largely attributed to KBAQ capital asset additions relating to a new transmitter for the digital conversion project.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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

	2010	2009
Land Improvements	\$ 1,627	\$ 1,896
Buildings and Improvements	1,947,320	2,112,543
Equipment	685,308	357,092
Construction in Progress	93,440	67,875
	\$ 2,727,695	\$ 2,539,406

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- ◆ We will continue to operate in a cautious fashion, particularly with regard to KBAQ. While hopeful that changes in the station's programming strategy will soon yield additional membership and corporate support, we are prepared to cut expenditures to match revenues.
- ◆ The award of a \$1.35 million grant at the end of FY2010 from the Corporation for Public Broadcasting for KJZZ to create a Local Journalism Center should have a significant effect on audience growth – and, subsequently, on membership and underwriting revenue. This Local Journalism Center grant doubles the size of the KJZZ news team, establishing full-time news personnel in San Antonio, Las Cruces, Flagstaff, Tucson, Las Vegas, and San Diego. We anticipate that this increased reportorial activity will have a positive impact on audience growth – and on listener-sensitive income.
- ◆ Operating support from the Corporation for Public Broadcasting is expected to have little change during the coming year.
- ◆ Support from our parent institution, Rio Salado College, is expected to remain as stable as conditions allow.
- ◆ The membership department has been restructured to employ a new and experienced staff of development professionals who will be able to raise membership support more efficiently. Also, management will work with the team to establish goals and periodically review revenue metrics.

We have now completed a full year of activities as the Rio Salado College "Division of Public Service," which includes KJZZ, KBAQ, Sun Sounds, and MCTV. Although MCTV is now part of this division, there is no impact to the radio station financials as it will be accounted for separately.

- ◆ All of the Division's operating units now have a budget plan for the coming fiscal year; this is a new approach to budget management for the Division, and promises to yield more current, timely information to management and staff.
- ◆ In 2010, Dr. Chris Bustamante was appointed as President of Rio Salado College, replacing Dr. Linda Thor. As the direct supervisor of the Dean of the Division of Public Service (who also serves as General Manager for the radio stations), Dr. Bustamante has been exceedingly supportive of the stations, and continues to monitor all aspects of its operations.

REQUESTS FOR INFORMATION

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

**KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2010**

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,540,579	\$ 630,233	\$ 5,170,812
Receivables (Net of Allowance):			
Private Grants	26,520	-	26,520
Underwriting Receivable	247,388	90,087	337,475
Other Assets	38,076	23,148	61,224
Total Current Assets	4,852,563	743,468	5,596,031
Noncurrent Assets:			
Capital Assets (Net)			
Depreciable	93,440	-	93,440
Nondepreciable	1,616,014	1,018,241	2,634,255
Total Noncurrent Assets	1,709,454	1,018,241	2,727,695
Total Assets	6,562,017	1,761,709	8,323,726
LIABILITIES			
Current Liabilities:			
Accounts Payable	23,520	9,702	33,222
Accrued Liabilities	42,622	11,581	54,203
Unearned Revenue	334,404	64,944	399,348
Total Current Liabilities	400,546	86,227	486,773
NET ASSETS			
Invested in Capital Assets	1,709,454	1,018,241	2,727,695
Unrestricted	4,452,017	657,241	5,109,258
Total Net Assets	\$ 6,161,471	\$ 1,675,482	\$ 7,836,953

See accompanying Notes to Financial Statements.

**FRIENDS OF PUBLIC RADIO ARIZONA
STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2010**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,295,393
Accounts Receivable	5,253
Prepaid Items	7
Total Current Assets	1,300,653

NONCURRENT ASSETS

Interest in Arizona Community Foundation Investment Pool	285,497
Interest in Maricopa County Community District Foundation	1,056,081
Total Noncurrent Assets	1,341,578

Total Assets	\$ 2,642,231
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 12,398
Deferred Revenue	1,500
Total Current Liabilities	13,898

NET ASSETS

Unrestricted	2,593,078
Temporary Restricted	35,255
Total Net Assets	2,628,333
Total Liabilities and Net Assets	\$ 2,642,231

See accompanying Notes to Financial Statements.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
REVENUES			
Operating Revenues:			
Tuition and Fees	\$ 627,142	\$ 142,923	\$ 770,065
Government Grants and Contracts	91,916	-	91,916
Private Grants and Contracts	581,170	329,079	910,249
Donated Administrative Support	1,019,231	434,040	1,453,271
Other Operating Revenues	100	-	100
Total Operating Revenues	<u>2,319,559</u>	<u>906,042</u>	<u>3,225,601</u>
EXPENSES			
Operating Expenses:			
Educational and General:			
Programming and Production	3,177,361	1,210,395	4,387,756
Program Information	190,943	-	190,943
Broadcasting	675,197	348,873	1,024,070
Management and General	1,663,541	621,565	2,285,106
Fundraising	909,426	606,640	1,516,066
Depreciation	229,669	103,248	332,917
Total Operating Expenses	<u>6,846,137</u>	<u>2,890,721</u>	<u>9,736,858</u>
Operating Loss	(4,526,578)	(1,984,679)	(6,511,257)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	-	299,064	299,064
Private Gifts	489,689	41,242	530,931
Underwriting	1,572,491	568,490	2,140,981
Investment Income	3,510	1,337	4,847
Other Income	-	1,506	1,506
Gain on Sale of Capital Assets	2,500	21,000	23,500
Total Nonoperating Revenues	<u>2,068,190</u>	<u>932,639</u>	<u>3,000,829</u>
CHANGE IN NET ASSETS	(2,458,388)	(1,052,040)	(3,510,428)
Net Assets - Beginning of year	<u>8,619,859</u>	<u>2,727,522</u>	<u>11,347,381</u>
NET ASSETS - END OF YEAR	<u>\$ 6,161,471</u>	<u>\$ 1,675,482</u>	<u>\$ 7,836,953</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF PUBLIC RADIO ARIZONA
STATEMENT OF ACTIVITIES – COMPONENT UNIT
EIGHTEEN MONTHS ENDED – JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Underwriting from Foundations	\$ 79,458	\$ -	\$ 79,458
Contributions and Donations	2,304,856	46,330	2,351,186
Donated Goods and Services	238,677	-	238,677
Investment Income	49,492	-	49,492
Other Revenue	2,451	-	2,451
Change in Interest in Arizona Community Foundation Investment Pool	47,667	-	47,667
Sales	164,106		
Less: Cost of Goods Sold	<u>(293,080)</u>		
	(128,974)	-	(128,974)
Special Events Revenue	333,847		
Less: Cost of Direct Benefit to Donors	<u>(89,858)</u>		
	243,989	-	243,989
Net Assets Released From Restriction	<u>89,241</u>	<u>(89,241)</u>	-
Total Revenues and Support	<u>2,926,857</u>	<u>(42,911)</u>	<u>2,883,946</u>
EXPENSES			
Program Services	253,401	-	253,401
Support Services	131,638	-	131,638
Fundraising	<u>315,849</u>	-	<u>315,849</u>
Total Expenses	<u>700,888</u>	-	<u>700,888</u>
CHANGE IN NET ASSETS	2,225,969	(42,911)	2,183,058
Net Assets - Beginning of Year	<u>367,109</u>	<u>78,166</u>	<u>445,275</u>
NET ASSETS - END OF YEAR	<u>\$ 2,593,078</u>	<u>\$ 35,255</u>	<u>\$ 2,628,333</u>

See accompanying Notes to Financial Statements.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	\$ 627,142	\$ 142,923	\$ 770,065
Grants and Contracts	91,916	-	91,916
Private Grants and Contracts	780,978	305,726	1,086,704
Payments to Employees	(2,755,197)	(1,225,194)	(3,980,391)
Payments to Suppliers	(2,621,362)	(1,070,703)	(3,692,065)
Other Receipts	100	-	100
Net Cash Used by Operating Activities	<u>(3,876,423)</u>	<u>(1,847,248)</u>	<u>(5,723,671)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Gifts, Underwriting and Other Receipts Received for Other than Capital Purposes	2,017,388	578,138	2,595,526
State Appropriations	-	299,064	299,064
Other Non-operating Receipts	-	1,506	1,506
Net Cash Provided by Noncapital Financing Activities	<u>2,017,388</u>	<u>878,708</u>	<u>2,896,096</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Capital Assets	2,500	21,000	23,500
Purchase of Capital Assets	(154,164)	(367,042)	(521,206)
Net Cash Used by Capital and Related Financing Activities	<u>(151,664)</u>	<u>(346,042)</u>	<u>(497,706)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	<u>6,513</u>	<u>2,499</u>	<u>9,012</u>
NET DECREASE IN CASH	(2,004,186)	(1,312,083)	(3,316,269)
Cash and Cash Equivalents - Beginning of Year	<u>6,544,765</u>	<u>1,942,316</u>	<u>8,487,081</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,540,579</u>	<u>\$ 630,233</u>	<u>\$ 5,170,812</u>

(Continued)

**KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED (USED) BY OPERATING
ACTIVITIES**

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Operating Loss	\$ (4,526,578)	\$ (1,984,679)	\$ (6,511,257)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	229,669	103,248	332,917
Change in Assets and Liabilities:			
Receivables (Net of Allowance)	10,980	-	10,980
Other Assets	220,898	39,299	260,197
Accounts Payable	(40,264)	6,656	(33,608)
Accrued Liabilities	40,044	11,581	51,625
Unearned Revenue	188,828	(23,353)	165,475
Net Cash Used by Operating Activities	<u>\$ (3,876,423)</u>	<u>\$ (1,847,248)</u>	<u>\$ (5,723,671)</u>

Noncash and Investing Activities

During the fiscal year, KJZZ-FM Radio received \$1,019,231 and KBAQ-FM Radio received \$434,040 in donated administrative support recorded as a revenue and an expense.

**KJZZ - FM RADIO AND KBAQ - FM RADIO
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of KJZZ - FM Radio and KBAQ - FM Radio (the Stations) conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the Stations' more significant accounting policies follows.

A. Reporting Entity

The Stations are a departmental operation, not a component unit, of the Maricopa County Community College District (District) in Phoenix, Arizona, under a license granted by the Federal Communications Commission. The District provides administrative and other financial support to the Stations. The Stations' financial statements include those portions of the District's Restricted Fund for which the Stations have financial accountability, including the accounts of an affiliated broadcast service, Sun Sounds. Sun Sounds is a radio reading service for the blind produced by the Stations. Financial accountability for the Stations remains with the District. The accompanying financial statements present the activities of the Stations (the primary government) and their discretely presented component unit, the Friends of Public Radio Arizona (Friends).

Friends is a legally separate, 501(c)(3) non-profit organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the Stations. Although the District does not control the timing or amount of receipts from Friends, Friends' restricted resources can only be used by, or for the benefit of, the Stations or their constituents. Consequently, Friends is considered a component unit of the Stations and is discretely presented in the Stations' financial statements.

For financial reporting purposes, Friends follows Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Friends' financial information included in the Stations' financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the Stations. For financial reporting purposes, only the Friends' statements of financial position and activities are included in the Stations' financial statements as required by generally accepted accounting principles for public colleges and universities. As of June 30, 2010, Friends has a June 30 year-end. Prior to this date, Friends had a December 31 year-end. Due to the transition to a different year end, the accompanying financial statements for Friends include an 18-month period.

During the 18 months ended June 30, 2010, Friends distributed \$98,748 (\$50,912 from current revenues and \$47,836 from prior revenues) to the Stations for both restricted and unrestricted purposes. Additionally, Friends paid a total of \$15,210 in direct expenses on behalf of the Stations. Complete financial statements for Friends can be obtained from the Friends Office at 2323 W. 14th Street, Tempe, AZ 85281.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Statements

The financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the non-fiduciary activities of the Stations. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Stations had no governmental activities during the fiscal year.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Although KJZZ - FM Radio and KBAQ - FM Radio have the option to apply FASB pronouncements issued after that date to their business-type activities, KJZZ - FM Radio and KBAQ - FM Radio have chosen not to do so.

The Stations distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Stations' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Underwriting revenue is reported as nonoperating revenue due to the nature of the underwriting revenue largely representing corporate contributions rather than fees for advertising campaigns.

When both restricted and unrestricted resources are available for use, it is the Stations' policy to use restricted resources first, then unrestricted resources as they are needed.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

The Stations' cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Arizona Revised Statutes (A.R.S.) authorize the Stations to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

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

2. Receivables

All receivables are shown net of allowance for uncollectibles.

3. Capital Assets

Capital assets of the Stations consist of land improvements, buildings and improvements, and equipment. Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. Major outlays for assets or improvements to assets are capitalized as projects are constructed. These are categorized as construction in progress until completed, at which time they are reclassified to the appropriate asset type. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

Asset Category	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	N/A	N/A	N/A
Buildings and Improvements	\$ 100,000	Straight-Line	40 Years
Land Improvements	5,000	Straight-Line	20 Years
Equipment	5,000	Straight-Line	3-7 Years

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

4. Net Assets

In the financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because the Stations report all Stations' assets which make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Stations. Unrestricted net assets are the remaining net assets not included in the previous two categories.

5. Income Taxes

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

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash and Cash Equivalents

Deposits and investments at June 30, 2010 consist of the following:

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Deposits:			
Cash in Bank	\$ 774,516	\$ 56,378	\$ 830,894
Investments:			
State Treasurer's Investment Pool	3,766,063	573,855	4,339,918
Total Cash and Cash Equivalents	\$ 4,540,579	\$ 630,233	\$ 5,170,812

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

Investments

At June 30, 2010, the Stations' investments are reported at fair value. The Stations' investment in the State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio; however, the Stations' portion is not identified with specific investments.

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NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Cash and Cash Equivalents (Continued)

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

2. Capital Assets

Combined capital asset activity for KJZZ - FM Radio and KBAQ - FM Radio for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Assets				
Construction in Progress	\$ 67,875	\$ 25,565	\$ -	\$ 93,440
Depreciable Assets				
Land Improvements	5,396	-	-	5,396
Buildings and Improvements	3,355,527	-	-	3,355,527
Equipment	2,805,853	528,357	(207,252)	3,126,958
Total Depreciable Assets	6,166,776	528,357	(207,252)	6,487,881
Accumulated Depreciation				
Land Improvements	(3,500)	(269)	-	(3,769)
Buildings and Improvements	(1,242,984)	(165,223)	-	(1,408,207)
Equipment	(2,448,761)	(167,425)	174,536	(2,441,650)
Total Accumulated Depreciation	(3,695,245)	(332,917)	174,536	(3,853,626)
Depreciable Assets	2,471,531	195,440	(32,716)	2,634,255
Total Capital Assets	<u>\$ 2,539,406</u>	<u>\$ 221,005</u>	<u>\$ (32,716)</u>	<u>\$ 2,727,695</u>

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NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Unearned Revenues

Changes in unearned revenues for the year ended June 30, 2010 were as follows.

	KJZZ FM Radio	KBAQ FM Radio	Combined Total
Beginning Balance, July 1, 2009	\$ 145,576	\$ 88,297	\$ 233,873
Additions:			
Current Year Contributions and Grants	836,366	188,574	1,024,940
Deductions:			
Contributions and Grants Recognized as Revenue	(638,266)	(205,503)	(843,769)
Decrease in Prepaid Underwriter Contributions	(9,272)	(6,424)	(15,696)
Ending balance, June 30, 2010	<u>\$ 334,404</u>	<u>\$ 64,944</u>	<u>\$ 399,348</u>

Unearned revenues at June 30, 2010 consist of unexpended grants and unearned underwriting contributions for programs not yet broadcast.

NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

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

A. Summary of Significant Accounting Policies

1. Nature of Operations

Friends of Public Radio Arizona's (Organization) mission is to assure the future vitality and excellence of the Phoenix community's public radio and to broaden public radio support. Funding for the Organization is provided through individual donations and fundraising. During the year, the Organization changed its year end to a fiscal year ending June 30, 2010.

2. Basis of Accounting

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

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NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Presentation

The Organization follows generally accepted accounting principles. Net assets and Revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted

Net assets that are not subject to donor imposed stipulations.

Temporarily restricted

Net assets subject to donor imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted

Net assets subject to donor imposed stipulations that they be maintained permanently by The Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Grants from governmental agencies which are restricted are reflected as unrestricted revenue since these funds are received and spent during the same year as permitted generally accepted accounting principles.

4. Restricted Support

Support is recognized when received. Support that is restricted by the donor/grantor is reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support that is permanently restricted by the donor/grantor is reported as an increase in permanently restricted net assets.

5. Special Events

The Organization conducts several special events to raise funds for the benefit of the Phoenix community's public radio. Special event revenue consists of event attendance fees and sales of goods at events. Cost of direct benefits to donors is the cost incurred by the Organization to provide goods and services to donors at the events.

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NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

A. Summary of Significant Accounting Policies (Continued)

6. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Effective January 1, 2009, the Organization adopted a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on the Organization's financial statements.

The Organization files as a tax-exempt organization. As of June 30, 2010, the Organization's fiscal year 2007 through 2009 tax returns are open for examination by the IRS.

7. Cash Equivalents

Cash equivalents consist of short term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

8. Fair Value of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level II – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

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NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

A. Summary of Significant Accounting Policies (Continued)

8. Fair Value of Financial Instruments (Continued)

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

9. Functional Allocation of Expenses

Donated services are allocated based on job descriptions and the best estimates of management. Expenses, other than donated services, which are not directly identifiable by program or supporting service, are allocated based on the best estimate of management.

10. Risks and Uncertainties

The Organization invests in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of activities. Subsequent to year-end, there continues to be fluctuations in the fair market value of investments due to changes in market conditions and other factors.

B. Cash and Cash Equivalents

Cash and cash equivalents consisted of a book balance of \$1,295,343 and a bank balance of \$1,312,195 of which was \$250,000 was insured by federal depository insurance. The remaining \$1,062,195 was uninsured and uncollateralized.

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NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

C. Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest in Maricopa County Community District Foundation Investment Pool	\$ -	\$ -	\$ 1,056,081	\$ 1,056,081
Interest in Arizona Community Foundation Investment Pool	-	-	285,497	285,497
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,578</u>	<u>\$ 1,341,578</u>

The Organization has monies held and administered by the Maricopa County Community District Foundation and Arizona Community Foundation to enhance investment return opportunity and as a means of holding the Organization's unrestricted net assets. Under the agreements with the Maricopa County Community District Foundation and Arizona Community Foundation, the funds will remain at the Maricopa County Community District Foundation and Arizona Community Foundation as endowment funds. The funds are stated at fair value, which was determined based on quoted market prices.

As both the resource provider (the transferor of assets to the Maricopa County Community District Foundation and Arizona Community Foundation) and as the self-named beneficiary, Friends of Public Radio Arizona recognizes the funds held by the Maricopa County Community District Foundation and Arizona Community Foundation as community foundation holdings and classifies the fund in long-term assets. The Maricopa County Community District Foundation and Arizona Community Foundation hold these assets in a board advised fund with the income and principal available for distribution to the Organization subject to the Organization's Board of Director's approval and subject to the Organization advising that the distribution be made in accordance with the provisions of accounting standards.

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NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

C. Fair Value Measurements (Continued)

Level 3 Assets and Liabilities

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the eighteen months ended June 30, 2010:

Balances at January 1, 2009	\$ 204,268
Contributions	1,050,867
Change in Value	86,443
Balances at June 30, 2010	<u>\$ 1,341,578</u>

D. Donated Goods and Services

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

The Organization received \$167,333 of donated management and fundraising services during the eighteen months ended June 30, 2010 that is included in revenues and expenses in the statement of activities. The value of donated inventory was obtained using estimated fair market values at the time of donation. The value of donated services was obtained using the personnel costs from the organization that provided the personnel.

E. Related Party Transaction

In the prior year, the Organization entered into a contract with a limited liability partnership, which is partially owned by a board member of the Organization. The contract was for the purchase of advertising in the Organization's magazine publication and sponsorship for one of the Organization's special events. Under the terms of the contract, the Organization recognized \$27,000 in revenue during the eighteen months ended June 30, 2010. Of the \$27,000, \$9,000 was recorded as a receivable at December 31, 2009 and was received by the Organization by June 30, 2010.

The Organization also made a short-term operating loan of \$10,000 to Sun Sounds of Arizona, an organization related by common board members. The loan had a zero interest rate and was outstanding for approximately 20 days during the eighteen months ended June 30, 2010.

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NOTE 3 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

F. Endowment Fund

The Organization has board designated endowment funds established for the purpose of providing an operating cash reserve. As required by U.S. generally accepted accounting principles, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original designated amount. The Organization reinvests earnings on the fund back into the endowment. In addition, management fees are deducted from the fund. The fund is spendable based on appropriations from the Board. The Board has deposited the fund with the Arizona Community Foundation for an interest in the Arizona Community Foundation Investment Pool.

The endowment net assets and activity for the eighteen months ended June 30, 2010 consisted of the following:

	Unrestricted Board Designated
Endowment Net Assets - Beginning	\$ 204,268
Purchase of Interest in Maricopa County Community Foundation Investment Pool	1,013,782
Purchase of Interest in Arizona Community Foundation Investment Pool	37,085
Change in Interest in Maricopa County Community Foundation Investment Pool	42,299
Change in Interest in Arizona Community Foundation Investment Pool	44,144
Endowment Net Assets - Ending	\$ 1,341,578