

KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

The District Governing Board
Yuma/La Paz Counties Community College District
Arizona Western College
Yuma, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of KAWC-FM Radio (Station), a public telecommunications entity operated by Arizona Western College (District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 entity'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 entity'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 KAWC-FM Radio as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of KAWC-FM Radio are intended to present the financial position, the changes in the financial position, and the cash flows of only that portion of Arizona Western College that is attributable to the transactions of KAWC-FM Radio. They do not purport to, and do not, present fairly the financial position of Arizona Western College, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 24, 2020

KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 AND 2019

This discussion and analysis introduces the basic financial statements and provides an overview of KAWC-FM Radio's (the Station's) financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements:

The Station's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for-profit organization. The basic financial statements consist of the following:

The Statement of Net Position reflects the financial position of the Station at June 30, 2020. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net position. Net position is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the Station. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of operations and other changes for the year ended June 30, 2020. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net position amount to the ending net position amount, which is shown on the Statement of Net Position described above.

The Statement of Cash Flows presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2020. 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 described above. In addition, this statement reconciles cash flows from operating activities to operating income/loss on the Statement of Revenues, Expenses, and Changes in Net Position described above.

The primary focus of this document is on the results of activity for the fiscal year ended June 30, 2020. This Management's Discussion and Analysis (MD&A) uses prior fiscal year for comparison purposes which illustrates where the Station's financial performance may have changed.

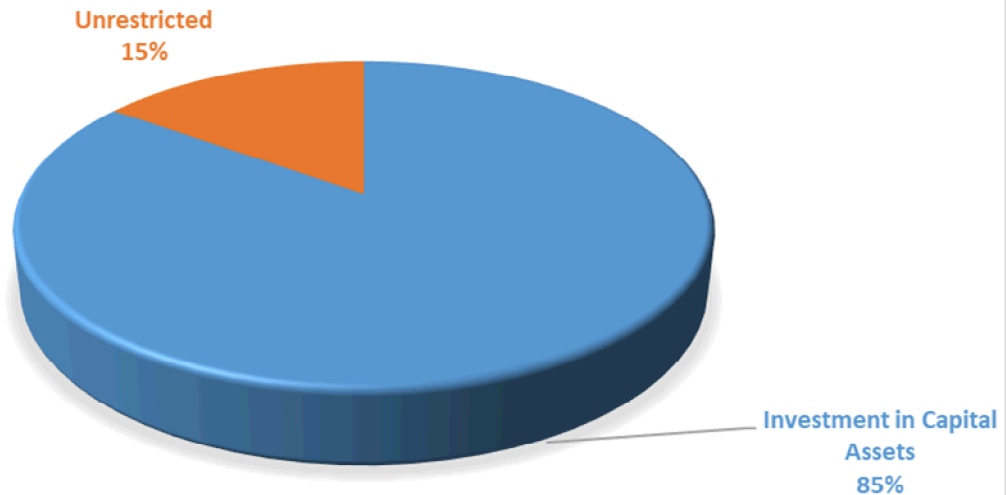
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 AND 2019

Condensed Financial Statements:

Condensed Statement of Net Position
As of June 30,

	2020	2019	2018
Assets			
Current Assets	\$ 140,460	\$ 4,542	\$ 22,535
Capital Assets, Net	129,711	144,130	165,000
Total Assets	<u>270,171</u>	<u>148,672</u>	<u>187,535</u>
Current Liabilities			
Accounts Payable	1,960	4,052	12,460
Accrued Liabilities	3,351	2,041	751
Unearned Revenue	112,136	13,211	6,660
Total Current Liabilities	<u>117,447</u>	<u>19,304</u>	<u>19,871</u>
Net Position			
Investment in Capital Assets	129,711	144,130	165,000
Unrestricted	23,013	(14,762)	2,664
Total Net Position	<u>\$ 152,724</u>	<u>\$ 129,368</u>	<u>\$ 167,664</u>

COMPOSITION OF NET POSITION FOR 2020



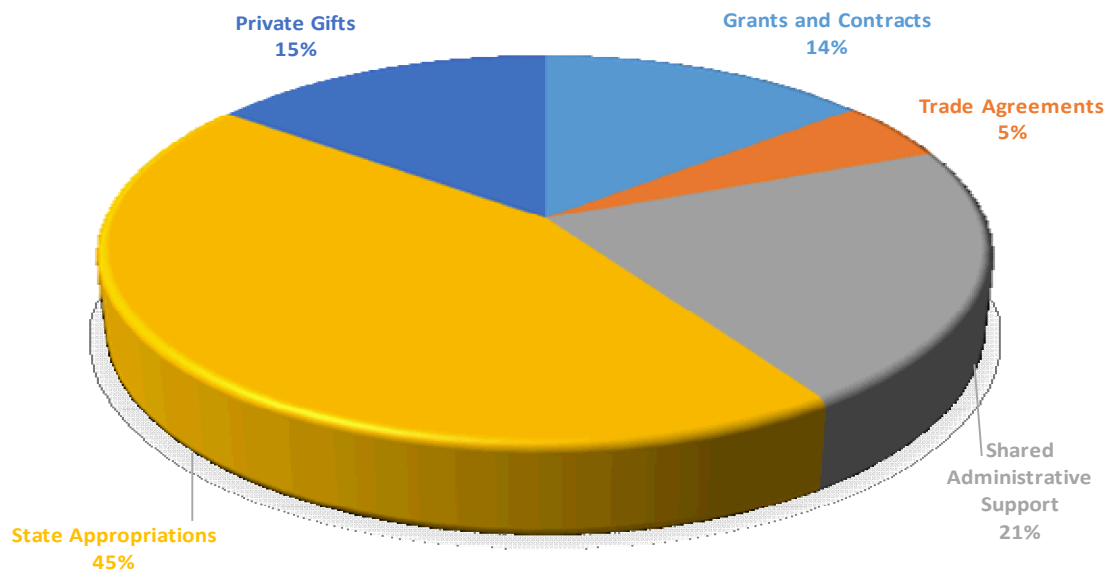
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 AND 2019

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30,

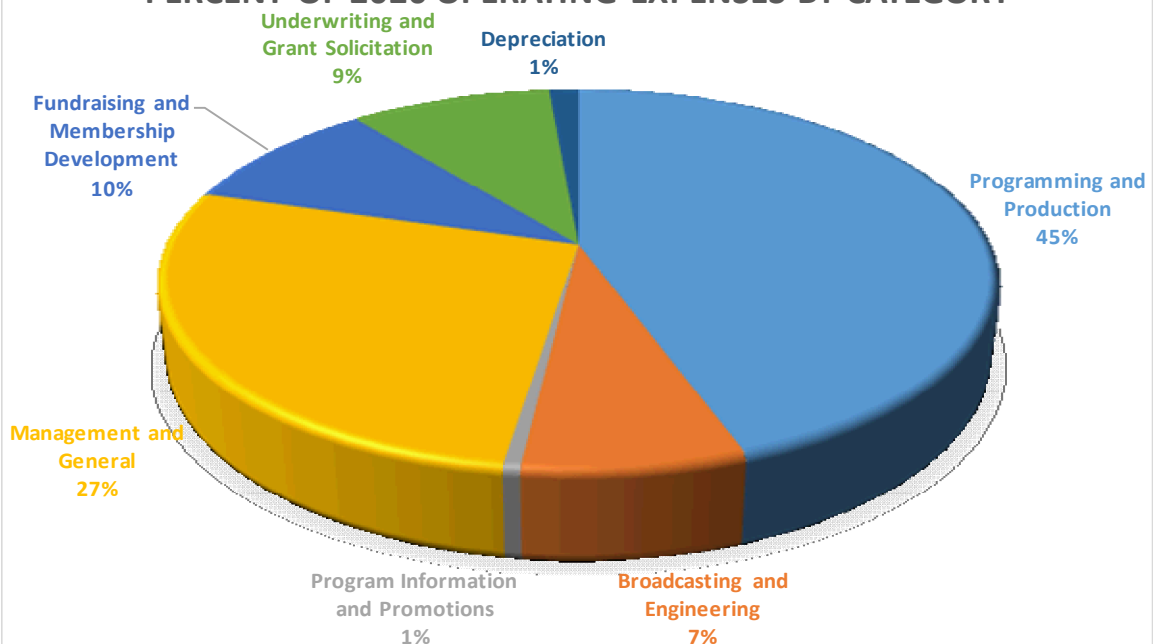
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
Operating:			
Grants and Contracts	\$ 153,108	\$ 152,001	\$ 152,303
Trade Agreements	54,302	36,689	21,501
Shared Administrative Support	233,765	260,591	283,211
Nonoperating:			
State Appropriations	483,647	455,363	469,502
Private Gifts	159,395	133,800	147,014
Total Revenues	<u>1,084,217</u>	<u>1,038,444</u>	<u>1,073,531</u>
Expenses			
Operating:			
Education and General:			
Programming and Production	472,551	499,466	430,238
Broadcasting and Engineering	77,534	85,073	53,062
Program Information and Promotions	6,032	21,483	-
Management and General	289,221	321,484	599,785
Fundraising and Membership Development	102,392	62,730	-
Underwriting and Grant Solicitation	98,712	65,634	-
Depreciation	14,419	20,870	22,655
Total Expenses	<u>1,060,861</u>	<u>1,076,740</u>	<u>1,105,740</u>
Increase (Decrease) in Net Position	23,356	(38,296)	(32,209)
Net Position - Beginning of Year	129,368	167,664	199,873
Net Position - End of Year	<u><u>\$ 152,724</u></u>	<u><u>\$ 129,368</u></u>	<u><u>\$ 167,664</u></u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 AND 2019

PERCENT OF 2020 REVENUES BY SOURCE



PERCENT OF 2020 OPERATING EXPENSES BY CATEGORY



**KAWC-FM RADIO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 AND 2019**

Financial Highlights and Analysis:

Statement of Net Position

The Station's overall financial position increased in FY 2020. Total Net Position increased \$23,356 from FY 2019 to FY 2020. The increase was mainly due to increased private gifts.

Statement of Revenues, Expenses, and Changes in Net Position

The Station has five major revenue sources. These are state appropriations (through Arizona Western College) private gifts, trade agreements, contracts and grants, and shared administrative support.

Total revenues for the Station increased \$45,773 from FY 2019 to FY 2020. The following revenue sources make up the overall increase.

- Increase of \$1,107 in grants and contracts.
- Increase of \$17,613 in trade agreements.
- Decrease of \$26,826 in shared administrative support.
- Increase of \$28,284 in State Appropriations.
- Increase of \$25,595 in private gifts.

Total expenses decreased \$15,879 from FY 2019 to FY 2020. The following expense categories make up the overall decrease.

- Decrease of \$26,915 in Programming and Production as a result of the end of the Innovation Fund grant for Border Radio Interns and negotiation for lower costs for some nationally syndicated programs.
- Decrease of \$7,539 in Broadcasting and Engineering due to the Station not adding any new transmitters or translators during the year.
- Decrease of \$15,451 in Program Information and Promotions due to the Station not being able to use the promotional trade agreements due to the pandemic shutdown.
- Decrease of \$32,263 in Management & General primarily due to the new CPB method of calculating shared administrative support.
- Increase of \$39,662 in Fundraising and Membership Development due to the outreach project hosting the StoryCorps mobile studio in Yuma for over a month.
- Increase of \$33,078 in Underwriting and Grant Solicitation due to the Station having a full year of salary for the underwriting sales representative.
- Decrease of \$6,451 in depreciation.

Capital Assets Administration:

The Station's capital assets as of June 30, 2020 totaled \$129,711 (net of accumulated depreciation). Capital assets include antenna, buildings, and equipment. The net change in the Station's capital assets for the current year was 10% decrease due to depreciation of the station's assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 AND 2019**

Current Factors Having Probable Future Financial Significance:

In FY2021, KAWC/KOFA will be dealing with an unprecedented pandemic along with an economic recession. It is very difficult to predict the impact of these two crises on our Station's financial position.

The 50th Anniversary events planned for this calendar year were cancelled. The pledge drives were changed to reduce the number of people in the studios at any one time. The primary plan is to hold on to most of our CARES Act revenue to cover any shortcomings in our development efforts. So far, we are holding on to our underwriting support.

The Station has grown its audience through online services including the new mobile device application. We are working to figure out how to generate revenues from our online products.

The Station is also investigating the possibility of expanding music service (Border Radio) into La Paz County Arizona if the FCC opens a filing window for new NCE stations.

We were able to expand our newsroom with support of a Report for America grant that is paying part of the salary for a new reporter helping us cover our minority community.

This discussion and analysis is designed to provide a general overview of KAWC-FM Radio's finances for all those with an interest in such matters. Questions concerning any of the information provided in these financial statements or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, P.O. Box 929, Yuma, Arizona 85366.

KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 136,513	\$ 4,542
Prepaid Expenses	3,947	-
Total Current Assets	<u>140,460</u>	<u>4,542</u>
NONCURRENT ASSETS		
Capital Assets, Net	<u>129,711</u>	<u>144,130</u>
Total Assets	270,171	148,672
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	1,960	4,052
Accrued Liabilities	3,351	2,041
Unearned Revenue	<u>112,136</u>	<u>13,211</u>
Total Current Assets	<u>117,447</u>	<u>19,304</u>
NET POSITION		
Investment in Capital Assets	129,711	144,130
Unrestricted	<u>23,013</u>	<u>(14,762)</u>
Total Net Position	<u><u>\$ 152,724</u></u>	<u><u>\$ 129,368</u></u>

See accompanying Notes to Basic Financial Statements.

KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Operating Revenues:		
Grants and Contracts	\$ 153,108	\$ 152,001
Trade Agreements	54,302	36,689
Shared Administrative Support	233,765	260,591
Total Operating Revenues	<u>441,175</u>	<u>449,281</u>
EXPENSES		
Operating Expenses:		
Programming and Production	472,551	499,466
Broadcasting and Engineering	77,534	85,073
Program Information and Promotions	6,032	21,483
Management and General	289,221	321,484
Fundraising and Membership Development	102,392	62,730
Underwriting and Grant Solicitation	98,712	65,634
Depreciation	14,419	20,870
Total Operating Expenses	<u>1,060,861</u>	<u>1,076,740</u>
OPERATING LOSS	(619,686)	(627,459)
NONOPERATING REVENUES		
State Appropriations	483,647	455,363
Private Gifts	159,395	133,800
Total Nonoperating Revenues	<u>643,042</u>	<u>589,163</u>
CHANGE IN NET POSITION	23,356	(38,296)
Net Position - Beginning of Year	<u>129,368</u>	<u>167,664</u>
NET POSITION - END OF YEAR	<u><u>\$ 152,724</u></u>	<u><u>\$ 129,368</u></u>

See accompanying Notes to Basic Financial Statements.

KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Private Grants and Contracts	\$ 306,335	\$ 195,241
Payments to Employees	(262,134)	(217,159)
Payments to Suppliers	(555,272)	(585,238)
Net Cash Used by Operating Activities	(511,071)	(607,156)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts and Grants Received for Other than Capital Purposes	159,395	133,800
Other Nonoperating Receipts	483,647	455,363
Net Cash Provided by Noncapital Financing Activities	643,042	589,163
NET CHANGE IN CASH AND CASH EQUIVALENTS	131,971	(17,993)
Cash and Equivalents - Beginning of Year	4,542	22,535
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 136,513</u>	<u>\$ 4,542</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (619,686)	\$ (627,459)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	14,419	20,870
Change in Assets and Liabilities:		
Prepaid Items	(3,947)	-
Accrued Liabilities	1,310	1,290
Accounts Payable	(2,092)	(8,408)
Unearned Revenues	98,925	6,551
Net Cash Used by Operating Activities	<u>\$ (511,071)</u>	<u>\$ (607,156)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Shared Administrative Support	<u>\$ 233,765</u>	<u>\$ 260,591</u>

See accompanying Notes to Basic Financial Statements.

**KAWC-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of KAWC-FM Radio (the Station) 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 Station's more significant accounting policies follows.

A. Reporting Entity

The Station is a departmental operation, not a component unit, of the Yuma/La Paz County Community College District (District) in Yuma, Arizona, under a license granted by the Federal Communications Commission. The District provides administrative and other financial support to the Station. The Station's financial statements include those portions of the District's Restricted Fund for which the Station has financial accountability. Financial accountability for the Station remains with the District.

B. Basic Financial Statements

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses, and changes in net position) report information on all of the nonfiduciary activities of the Station. 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 Station had no governmental activities or component units during the fiscal year.

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

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

The Station distinguishes 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 Station's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Trade agreements, other than agreements with the District, are recognized as revenue at the estimated fair market value at the date of the agreement.

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

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

The Station's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash held by JPMorgan Chase Bank.

2. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the basic financial statements. Capital assets are defined by the Station as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings	15 to 40 years
Equipment	5 years

3. Net Position

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

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2020 consist of the following:

Deposits - At June 30, 2020 and 2019, the Station's deposits were \$136,513 and \$4,542, respectively. The Station does not have a formal policy with respect to custodial risk for deposits.

2. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 318,258	\$ -	\$ -	\$ 318,258
Buildings	195,789	-	-	195,789
Total	514,047	-	-	514,047
Less Accumulated Depreciation:				
Equipment	308,732	9,524	-	318,256
Buildings	61,185	4,895	-	66,080
Total Accumulated Depreciation	369,917	14,419	-	384,336
Capital Assets, Net	<u>\$ 144,130</u>	<u>\$ (14,419)</u>	<u>\$ -</u>	<u>\$ 129,711</u>

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 318,258	\$ -	\$ -	\$ 318,258
Buildings	195,789	-	-	195,789
Total	514,047	-	-	514,047
Less Accumulated Depreciation:				
Equipment	292,757	15,975	-	308,732
Buildings	56,290	4,895	-	61,185
Total Accumulated Depreciation	349,047	20,870	-	369,917
Capital Assets, Net	<u>\$ 165,000</u>	<u>\$ (20,870)</u>	<u>\$ -</u>	<u>\$ 144,130</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 OTHER INFORMATION

A. Risk Management

The Station is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Station carries commercial insurance for all such risks of loss, including workers' compensation, employees' health, and accident insurance. Settled claims resulting from these risks have not exceed commercial insurance coverage in any of the past three fiscal years.

B. Uncertainties

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Station is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated and is still developing.

