

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

FINANCIAL STATEMENTS
June 30, 2011 and 2010

TABLE OF CONTENTS

	<u>PAGE</u>
A MESSAGE FROM THE GENERAL MANAGER	1
ORGANIZATIONAL PROFILE	2
ECONOMIC OUTLOOK	3
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
 FINANCIAL STATEMENTS	
Statements of Net Assets	12
Statements of Revenues, Expenses, and Changes in Net Assets	13
Statements of Cash Flows.....	14
Notes to Financial Statements.....	16
 SUPPLEMENTAL SCHEDULE	
Schedules of Operating Functional Expenses	30

A MESSAGE FROM THE GENERAL MANAGER

Fiscal year 2011 provided many exciting growth opportunities for Arizona Public Media (AZPM). Management and staff implemented the tactical portion of the five-year strategic plan that will position AZPM for the future in a rapidly evolving media environment. **We are six-months underway and are energized by the results we are beginning to see and hear.**

NPR 89.1 FM/1550 AM, achieved its highest audience share ever in Spring 2011, continues to be ranked the #1 news/talk format station in Tucson, and fourth overall in the competitive morning drive-time. The station increased its audience share by 51.5 percent over the same period the previous year.*

At a time when many radio stations are moving away from classic music due to audience erosion, Classical 90.5 is adding new programs like *From the Top*, producing local concerts and artist interviews, and increased its audience share by 52.3 percent over the same period the previous year.*

Our flagship television service PBS-HD6, continues to rank among the most-watched public stations in the country, routinely placing in the Top 5 for primetime viewership. Our PBS Kids channel now attracts roughly one-third of all daytime viewing of PBS-HD 6.

Original program production is at the core of our strategic plan and in FY'11 several productions were distributed to audiences beyond Arizona. AZPM launched *Arizona Week*, the first-ever statewide weekly public affairs program, which airs in both Tucson and Phoenix on Friday evenings, and again on Sunday morning in Tucson. The 19th and final season of *The Desert Speaks* was produced and distributed nationally. In collaboration with The UA Museum of Art, *Secrets of the Divine: the Altarpieces of Ciudad Rodrigo*, premiered nationally on PBS World on Easter Sunday and was carried on the majority of PBS stations. AZPM staff were recognized with 30 Emmy® Award nominations – more than any other television station in Tucson and more than any other public station in the Rocky Mountain region.

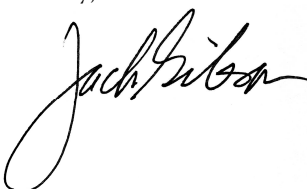
Locally, our Emmy® Award-winning TV news magazine *Arizona Illustrated* hosted one thousand guests this past fiscal year, covering topics from cancer support to solar power and sustainable housing. On KUAZ, our weekly radio newsmagazine *Arizona Spotlight* hosted 232 guests. And our weekly series *Arizona Week*, which launched mid-way through the fiscal year, hosted 81 guests in its first six-months.

Online and new media continues to flourish, reaching new audiences wherever and whenever they're ready. AZPM.org achieved its largest number of simultaneous online viewers to date during the streaming of the *Together We Thrive* event in the aftermath of the January 8th 2011 tragic shootings in Tucson. The AZPM Facebook page boasts more active fans than any other public broadcasting entity in the state.

Educational outreach and community engagement was strong with events like the monthly, *Story Time* at the UA Bookstore, which featured PBS characters like *Cat in the Hat* and *Clifford*. The radio feature, *Teachers' Voices*, reaches the community every Friday with inspirational stories featuring the stories and voices of educators, administrators and students.

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

Sincerely,



*Source RCC from data © 2011 Arbitron, Inc. Metro AQH 12+ Spring 2011

ORGANIZATIONAL PROFILE

In the tradition of the University of Arizona's mission as a land grant institution, Arizona Public Media (AZPM) is an educational, broadcast and production resource of the University, consisting of six public television services, three public radio services and a growing number of educational services available online.

KUAT and KUAS are television stations affiliated with the Public Broadcasting Service (PBS) and broadcast via two digital transmitters strategically located to cover a broad portion of southeastern Arizona. Both stations provide a constant stream of PBS high-definition (HD) programming 24 hours a day, seven days a week, in addition to offering two discrete standard definition (SD) program services, *Create* and *V-me* on KUAT, and *PBS Kids* and *PBS World* on KUAS. Tucson's two major cable television providers offer their subscribers all AZPM program TV offerings.

AZPM manages and operates the *UA Channel*, a cable television service of both Cox and Comcast, featuring a mix of PBS titles, community programs, lectures, and events from the campus of the University of Arizona.

AZPM also offers radio services, including classical station KUAT-FM, which broadcasts via its main transmitter and five translators throughout Southern Arizona. KUAT-FM provides classical music 24 hours a day, interspersed with local news.

Sister stations KUAZ-AM and KUAZ-FM provide national news and public affairs programming throughout the day from National Public Radio (NPR). KUAZ-HD2 provides a Spanish language public radio service featuring *Ahora*, an offering from NPR and Radio Nederland along with programming from *Radio Bilingue*.

While the AM station is limited to sunrise-to-sunset operations, KUAZ-FM broadcasts 24 hours a day and has one FM translator in Sierra Vista. In the evenings the station provides jazz music programming, followed in the early morning hours by the overnight world news service of the British Broadcasting Corporation (BBC).

Our local radio news team provides multiple news breaks, feature stories and other reports of interest throughout each weekday. AZPM also produces a regular weekly NPR-style newsmagazine series called *Arizona Spotlight*, which focuses on issues of local and regional interest.

In FY'11, AZPM received construction permits from the Federal Communication Commission (FCC) for two new full-power public radio stations, which will be used to extend the NPR program services. One station is to be built and licensed to Pima, Arizona, in Graham County, and the second was granted a "conditional construction permit" based on receiving Mexican government concurrence, for a station to be built in Sierra Vista, Arizona. AZPM will have three years in which to complete construction and installation of transmission equipment to make these stations operational.

Online & New Media has developed a content management system that gives individual staff members control over the content they wish to publish online, greatly increasing the number of visitors and contributors to our websites. *PlayPBS* makes many full length episodes from PBS and AZPM available for viewing online anytime.

AZPM's Production Services department supports the University of Arizona's academic mission and the educational mandate of public broadcasting through the production and distribution of lectures from the campus for community learning opportunities. The department manages the production resources of the entire organization, including the television and radio studios, remote production resources, video production classrooms, satellite uplinks, microwave connections, Internet streaming, and educational video channels.

ECONOMIC OUTLOOK

AZPM management believes the organization continues to be reasonably well positioned to carry on in its mission to "...inform, inspire, and connect the community by bringing people and ideas together," while providing distinctive, high-quality educational program services via the public media assets based at the University of Arizona. This year, management implemented the tactical portion of its strategic plan, which is designed to position AZPM optimally for the future, while addressing the immediate challenges of the financial health of the organization.

Organizational progress continued in FY'11 with regard to AZPM's ability to generate net revenue from individual donors and production services activities, in less than ideal economic circumstances. Corporate support (underwriting) continued to trend down (albeit slightly), as small businesses and UA units were forced to reduce operating (and marketing) expenses.

Gift revenue continues to be the leading source of the organization's funding, with individual gifts in the form of memberships and major gifts up 8.6% over FY'10. With the digital TV and radio transitions now completed, the organization's capital focus will move to address the immediate needs of the strategic plan centered on original content production. Near-term capital priorities include addressing radio production technology and workspaces, the longer term need of a new facility to support expanded production activities for all platforms, and an endowment to ensure the long-term future of original program services. AZPM remains dependent on general appropriations from the University of Arizona and grants from the Corporation for Public Broadcasting for general operations.

AZPM is ultimately subject to the same economic variables that affect other public media entities (especially competition from local non-profit organizations for philanthropic support) and the general business climate as it relates to corporate underwriting, making it difficult to project future outcomes. As the economy improves, the organization should begin to reap the benefits of its current efforts to build the bases of its revenue centers. Management is well aware of the challenges ahead and is working diligently and responsibly to continue to provide high quality public media services and educational opportunities for students and the University.

AZPM continues to face potentially significant economic challenges as an operating unit of a financially distressed educational institution. We are pleased with the continuing efforts to streamline operations in order to maximize efficiencies, reduce expenditures, and to provide new and vital program services to the community and University. We are especially proud that our efforts in this area are not simply reactive to current market conditions, but reflective of our culture of responsibility as custodians of precious financial resources provided to us through the generosity of our donors, corporate underwriters, and the University of Arizona.

Independent Auditor's Report

Arizona Public Media
The University of Arizona
Tucson, Arizona

We have audited the accompanying statements of net assets of Arizona Public Media ("AZPM"), a division of The University of Arizona (the "University"), as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of AZPM's management. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

The Message from the General Manager on page 1, the Organizational Profile on page 2 and the Economic Outlook on page 3 is supplementary information presented for purposes of additional analysis. We did not audit such information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on page 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Tucson, Arizona
November 23, 2011

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010

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, 2011 and 2010. Information for the year ended June 30, 2009, is also provided for comparative purposes.

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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the financial position of AZPM at the end of the fiscal year and includes all assets and liabilities of AZPM. Assets and liabilities are classified as either current or non-current. Current liabilities are obligations that will be paid within one year of the statement date. Current assets are those resources available to satisfy current liabilities. The difference between total assets and total liabilities, referred to as net assets, 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 Assets provides information about AZPM's financial activities during the year. Revenues and expenses are classified as either operating or non-operating, 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 non-operating revenues. Therefore, as a result of these standards, AZPM will typically appear to operate at a loss. By comparison, the total change in net assets 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 Assets. 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.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010

CONDENSED FINANCIAL STATEMENT INFORMATION

Statement of Net Assets

A summarized comparison of AZPM's assets, liabilities and net assets at June 30, 2011, 2010, and 2009, is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current assets	\$ 9,936,620	\$ 8,854,770	\$ 8,510,817
Non-current assets other than capital assets	532,342	460,434	452,894
Capital assets	<u>2,145,396</u>	<u>2,619,592</u>	<u>2,412,244</u>
Total assets	<u>12,614,358</u>	<u>11,934,796</u>	<u>11,375,955</u>
Liabilities			
Current liabilities	644,488	619,932	701,099
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>644,488</u>	<u>619,932</u>	<u>701,099</u>
Net assets			
Invested in capital assets	2,145,396	2,619,592	2,412,244
Restricted – nonexpendable	524,537	453,584	437,008
Restricted – expendable	318,914	203,385	228,962
Unrestricted	<u>8,981,023</u>	<u>8,038,303</u>	<u>7,596,642</u>
Total net assets	<u>\$11,969,870</u>	<u>\$11,314,864</u>	<u>\$10,674,856</u>

For the year ended June 30, 2011, total net assets increased by \$655,006, or 5.8%, which is mainly due to an increased cash balance as a result of an increase in overall revenue, a favorable return on investments, and an addition of a new endowment.

For the year ended June 30, 2010, total net assets increased by \$640,008, or 6.0%, which is mainly due to an increased cash balance as a result of reduced expenditures and an increase in capital assets.

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 deferred revenue. Current assets are sufficient to meet current obligations.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Assets

A summarized comparison of AZPM's operations for the years ended June 30, 2011, 2010, and 2009, is as follows:

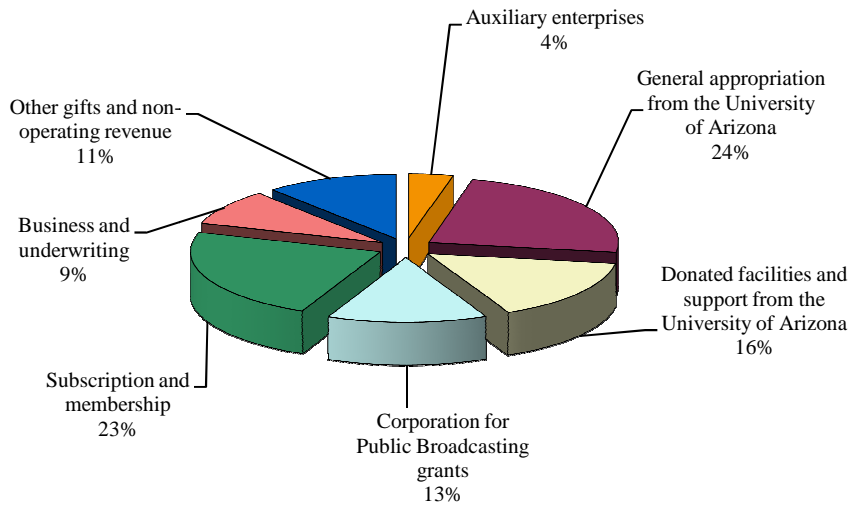
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues			
Grants and contracts	\$ -	\$ 18,500	\$ 1,500
Auxiliary enterprises	<u>396,537</u>	<u>454,327</u>	<u>791,237</u>
Total operating revenues	<u>396,537</u>	<u>472,827</u>	<u>792,737</u>
Operating expenses			
Program services:			
Programming and production	5,426,295	5,321,989	6,060,557
Broadcasting	1,415,352	1,432,822	1,817,227
Public information and promotion	428,965	585,603	502,549
Support services:			
Management and general	1,103,480	838,810	894,296
Fundraising and membership development	<u>1,799,672</u>	<u>1,903,176</u>	<u>1,916,063</u>
Total operating expenses	<u>10,173,764</u>	<u>10,082,400</u>	<u>11,190,692</u>
Operating loss	<u>(9,777,227)</u>	<u>(9,609,573)</u>	<u>(10,397,955)</u>
Non-operating revenues			
General appropriation from the U of A	2,537,368	2,445,252	2,610,262
Donated facilities and administrative			
Support from the U of A	1,675,621	1,619,487	1,797,065
Corporation for Public Broadcasting grants	1,454,897	1,403,848	1,255,393
Subscription and membership	2,478,427	2,347,162	2,358,233
Business and underwriting	949,566	805,048	1,129,750
Other gifts and non-operating revenues	<u>1,204,652</u>	<u>1,198,237</u>	<u>853,725</u>
Net non-operating revenues	<u>10,300,531</u>	<u>9,819,034</u>	<u>10,004,428</u>
Capital grants, gifts, and conveyances	<u>131,702</u>	<u>430,547</u>	<u>-</u>
Increase (decrease) in net assets	655,006	640,008	(393,527)
Net assets – beginning of year	<u>11,314,864</u>	<u>10,674,856</u>	<u>11,068,383</u>
Net assets – end of year	<u>\$ 11,969,870</u>	<u>\$ 11,314,864</u>	<u>\$ 10,674,856</u>

**ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010**

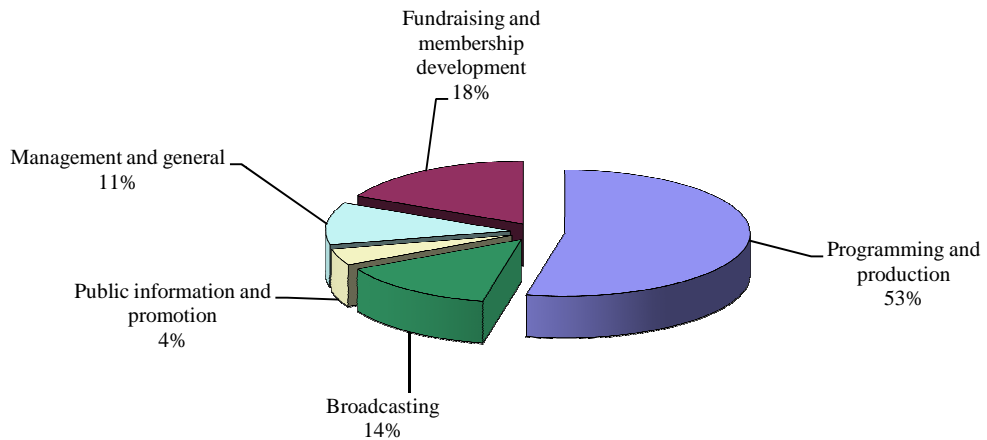
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2011.

Operating and Non-operating Revenues



Operating and Non-operating Expenses

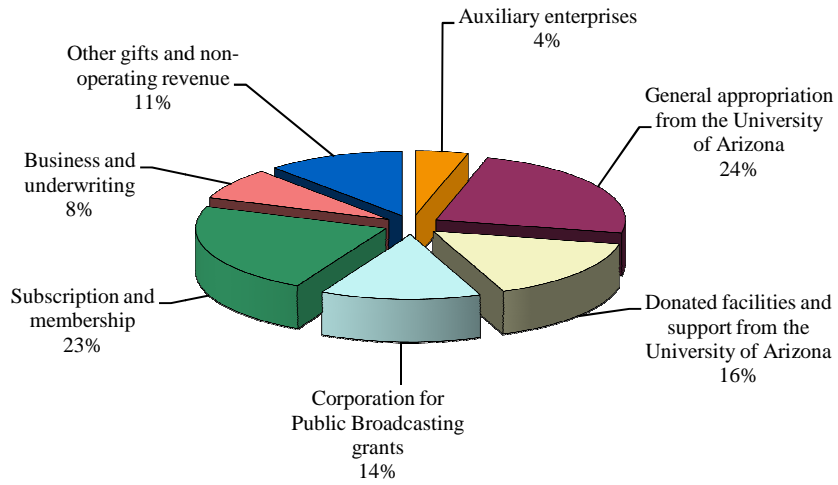


**ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010**

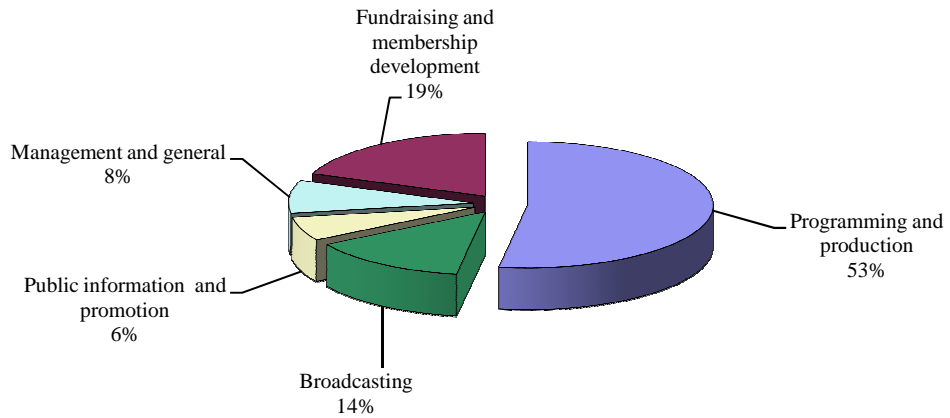
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2010.

Operating and Non-operating Revenues



Operating and Non-operating Expenses



ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Operating revenues and expenses - In fiscal year 2011, AZPM's operating revenues decreased by \$76,290, or 16.1%, over fiscal year 2010. This decrease was attributable to the last insurance recovery received in 2010 for the repair the to the Digital tower that suffered a lighting strike in August 2007 which was included in auxiliary enterprise revenues.

In fiscal year 2010, AZPM's operating revenues decreased by approximately \$319,910, or 40.3%, over fiscal year 2009. This decrease was attributable to the one time insurance recovery for the repair to the Digital tower that increased fiscal year 2009 revenues.

In fiscal year 2011, operating expenses increased approximately \$91,364, or 0.9%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, decreased approximately \$69,802, or 1.0%. Supporting services, which consist of management and general and fundraising and membership development expenses, increased approximately \$161,166 or 5.9%, primarily due to remodel of an unutilized studio into a production news room.

In fiscal year 2010, operating expenses decreased approximately \$1,108,292, or 9.9%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, decreased approximately \$1,039,919, or 12.4%, primarily due to the one time tower repair costs that increased fiscal year 2009 expenditures. Supporting services, which consist of management and general and fundraising and membership development expenses, decreased approximately \$68,373 or 2.4%, primarily due to cost management strategies.

Non-operating revenues – In fiscal year 2011, non-operating revenue increased approximately \$481,497, or 4.9%. The general appropriation from the University increased approximately \$92,116, or 3.8%, primarily due to utilization of one time salary savings. Donated facilities and administrative support (indirect administrative support) provided by the University increased by \$56,134, or 3.5%, which is the result of an increase in direct costs. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants increased by \$51,049, or 3.6% due to one time fiscal stabilization grants. Subscription and membership revenue increased by \$131,265, or 5.6%, which is due to successful membership campaigns. Business and underwriting revenue increased \$144,518, or 18.0%, primarily due to an increase in underwriting contracts. Other gifts and non-operating revenues increased by approximately \$6,415 or 0.5%.

In fiscal year 2010, non-operating revenue decreased approximately \$185,394, or 1.8%. The general appropriation from the University decreased approximately \$165,010, or 6.3%. Donated facilities and administrative support (indirect administrative support) provided by the University decreased by \$177,578, or 9.8%, which is the result of a decrease in direct costs. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants increased by \$148,455, or 11.8% due to one time fiscal stabilization grants. Other gifts and non-operating revenues increased by approximately \$344,512, or 40.3% due to change in fair value of investments.

**ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 and 2010**

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Capital Assets and Debt Analysis

AZPM had \$2,145,396 and \$2,619,592 in capital assets, net of accumulated depreciation at June 30, 2011 and 2010, respectively. 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.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents		
Held by the University of Arizona	\$ 7,644,464	\$ 6,911,118
Held by the University of Arizona Foundation	1,530,884	1,207,907
Accounts receivable, net	542,176	491,274
Government grants receivable	61,682	115,780
Prepaid expenses	<u>157,414</u>	<u>128,691</u>
Total current assets	<u>9,936,620</u>	<u>8,854,770</u>
NON-CURRENT ASSETS		
Endowment investments	524,537	453,584
Prepaid expenses	7,805	6,850
Capital assets, net	<u>2,145,396</u>	<u>2,619,592</u>
Total non-current assets	<u>2,677,738</u>	<u>3,080,026</u>
TOTAL ASSETS	<u>12,614,358</u>	<u>11,934,796</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	103,883	48,358
Accrued payroll and benefits	254,138	247,193
Accrued compensated absences	260,266	298,790
Deferred revenue and deposits	<u>26,201</u>	<u>25,591</u>
Total current liabilities	<u>644,488</u>	<u>619,932</u>
NET ASSETS		
Invested in capital assets	2,145,396	2,619,592
Restricted for:		
Nonexpendable - endowments	524,537	453,584
Expendable - station programs and capital projects	318,914	203,385
Unrestricted	<u>8,981,023</u>	<u>8,038,303</u>
Total net assets	<u>\$ 11,969,870</u>	<u>\$ 11,314,864</u>

The accompanying notes are an integral part of the financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Federal grants, contracts and appropriations	\$ -	\$ 18,500
Auxiliary enterprises	<u>396,537</u>	<u>454,327</u>
Total operating revenues	<u>396,537</u>	<u>472,827</u>
OPERATING EXPENSES		
Program services:		
Programming and production	5,426,295	5,321,989
Broadcasting	1,415,352	1,432,822
Public information and promotion	428,965	585,603
Supporting services:		
Management and general	1,103,480	838,810
Fundraising and membership development	<u>1,799,672</u>	<u>1,903,176</u>
Total operating expenses	<u>10,173,764</u>	<u>10,082,400</u>
Operating loss	<u>(9,777,227)</u>	<u>(9,609,573)</u>
NON-OPERATING REVENUE (EXPENSE)		
General appropriation from the U of A	2,537,368	2,445,252
Donated facilities and administrative support from the U of A	1,675,621	1,619,487
Corporation for Public Broadcasting grants	1,454,897	1,403,848
Subscription and membership income	2,478,427	2,347,162
Business and underwriting	949,566	805,048
Legacies and bequests	467,253	558,583
Other gifts and contributions	24,377	45,548
In-kind contributions	-	21,257
Investment income	256,829	174,268
Other non-operating revenues	464,762	402,587
Other non-operating expenses	<u>(8,569)</u>	<u>(4,006)</u>
Net non-operating revenue	<u>10,300,531</u>	<u>9,819,034</u>
Capital grants, gifts, and conveyances	<u>131,702</u>	<u>430,547</u>
INCREASE IN NET ASSETS	655,006	640,008
NET ASSETS, BEGINNING OF YEAR	<u>11,314,864</u>	<u>10,674,856</u>
NET ASSETS, END OF YEAR	<u>\$ 11,969,870</u>	<u>\$ 11,314,864</u>

The accompanying notes are an integral part of the financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contracts receipts	\$ -	\$ (132,347)
Payments for salaries, wages and benefits	(4,605,207)	(4,761,587)
Payments to suppliers	(3,385,594)	(2,979,657)
Auxiliary enterprise receipts	<u>397,696</u>	<u>438,381</u>
Net cash used in operating activities	<u>(7,593,105)</u>	<u>(7,435,210)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
General appropriations from the U of A	2,537,368	2,445,252
Corporation for public broadcasting grants	1,454,897	1,403,848
Gifts and grants for other than capital purposes	<u>4,259,334</u>	<u>4,142,354</u>
Net cash provided by non-capital financing activities	<u>8,251,599</u>	<u>7,991,454</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	185,800	430,547
Purchases of capital assets	<u>(44,800)</u>	<u>(753,073)</u>
Net cash provided by (used in) capital financing activities	<u>141,000</u>	<u>(322,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments, net	173,513	87,076
Interest and dividends on investments	<u>83,316</u>	<u>87,192</u>
Net cash provided by investing activities	<u>256,829</u>	<u>174,268</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,056,323	407,986
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,119,025</u>	<u>7,711,039</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,175,348</u>	<u>\$ 8,119,025</u>

Continued

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (9,777,227)	\$ (9,609,573)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	510,427	562,976
Donated facilities and administrative support	1,675,621	1,619,487
Effects of changes in operating assets and liabilities:		
Accounts, grants, and bequests receivable	3,196	114,709
Prepaid expenses	(29,678)	(41,642)
Accounts payable	55,525	(62,644)
Accrued payroll, benefits and compensated absences	(31,579)	(2,697)
Deferred revenue and deposits	610	(15,826)
	<u>610</u>	<u>(15,826)</u>
Net cash used in operating activities	<u>\$ (7,593,105)</u>	<u>\$ (7,435,210)</u>
 SUPPLEMENTAL NON-CASH TRANSACTIONS		
Loss on disposal of capital assets	\$ (8,569)	\$ (4,006)
In-kind contribution of capital assets	\$ -	\$ 21,257
Unrealized gain in fair value of investments:		
Quasi-endowments, included in cash and cash equivalents held by the University of Arizona	\$ 126,474	\$ 70,769
Endowments	\$ 47,040	\$ 16,307

The accompanying notes are an integral part of the financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Arizona Public Media (“AZPM”) is a division of the University of Arizona (the “University”), 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 non-commercial, educational broadcasting stations. For financial statement purposes, KUAT-TV includes KUAT-TV, KUAS-TV, KUAT-DT, KUAS-DT and also provides a production and distribution service, which operates an Education Broadband Service (“EBS”) and a Multipoint Distribution System (“MDS”) in conjunction with satellite, microwave, and internet services to provide instructional programming services.

Basis of Presentation

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

The financial statements are presented in accordance with 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”). AZPM follows Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, Accounting Research Bulletins, and the Financial Reporting Guidelines published by the Corporation for Public Broadcasting (“CPB”), unless those pronouncements conflict with GASB pronouncements.

For the year ended June 30, 2011, the University and AZPM implemented the provisions of GASB Statement No. 59, *Financial Instruments Omnibus*. GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 had no effect on fiscal year 2011 financial statement amounts and therefore no additional note disclosures were required.

For the year ended June 30, 2010, the University and AZPM implemented the provisions of GASB Statements No. 51, *Accounting and Financial Reporting for Intangible Assets*, and No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No 51 establishes standards for accounting and financial reporting for intangible assets for all state and local governments. GASB Statement No. 53 establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments. The implementation of GASB Statement Nos. 51 and 53 had no effect on fiscal year 2010 financial statement amounts and therefore no additional note disclosures were required.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

- The Statement of Net Assets provides information about the assets, liabilities, and net assets of AZPM at June 30. Assets and liabilities are classified as either current or non-current. Current liabilities are obligations that will be paid within one year of the statement date and current assets are those resources available to satisfy current liabilities. Net assets are the residual amounts and are classified according to external donor restrictions and availability of assets to satisfy obligations. Invested in capital assets represents capital assets less accumulated depreciation. Nonexpendable restricted net assets are gifts received for endowment purposes, the corpus of which may not be expended. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all the other net assets, including those that have been designated by management to be used for other than general operating purposes.
- The Statement of Revenues, Expenses, and Changes in Net Assets provides information about AZPM's financial activities during the year. Revenues and expenses are classified as either operating or non-operating, and all changes in net assets 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 non-operating revenues. Operating expenses include the loss on disposal of capital assets.
- The Statement of Cash Flows provides 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, non-capital financing, capital financing, or investing activities.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. AZPM eliminates all internal activity.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments held by the University and the University of Arizona Foundation (the "Foundation").

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held by the University of Arizona

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

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

Funds Held by the University of Arizona Foundation

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

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

Endowment Investments

Endowment assets have been donated to AZPM and are permanently restricted by the donor. Endowment assets are held and invested by the Foundation, as of June 30, 2011 and by the University and the Foundation as of June 30, 2010. With respect to AZPM, these investments represent external investment pools. As of June 30, 2011, the external investment pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. As of June 30, 2010, the investment pools include investments in various stocks, bonds, fixed income securities, real estate, and commodities. As of June 30, 2011 and 2010, the weighted average maturity of investments was approximately 5 years for the University and approximately 4 years for the Foundation. The investment pools are not rated.

Investments are carried at fair value, and realized and unrealized gains and losses are reflected as non-operating revenues and expenses in the statements of revenues, expenses, and changes in net assets.

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 2011, the expendable rate was established at 4.0% of the three - year average market value ending December 31, 2009.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investments (Continued)

The following is the spending policy for investments held at the Foundation: The Foundation's policy is to payout a percentage of the average fair value of the corpus of an endowment at the calendar year-end of the three previous years. When determining the spending rate for endowment funds, the Investment Committee considers actual return on the investments, current payout rate, payout rates established by other university endowments, and general economic conditions. For fiscal year 2011, the expendable rate was established at 4.0%.

Capital Assets

Capital assets equal to or greater than \$5,000 are recorded at cost or, in the case of gifts, at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

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

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

Revenue Recognition

Federal grants, contracts and appropriations, and non-governmental 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 non-operating revenue in the year appropriated.

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

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

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Other gifts received for the purpose of supporting programming costs, including amounts from the Corporation for Public Broadcasting, are recognized as non-operating revenue in the period the promise to give is made. CPB funding is expended in the year following receipt for budgetary purposes. Other gifts are considered to be unrestricted unless specifically restricted by the donor. AZPM records donor-restricted gifts that have not been expended in the current year as restricted net assets.

Deferred Revenue

Prepayments of underwriting contracts are recorded as deferred revenue and amortized to revenue over the term of the agreement.

Functional Allocation of Expenses

The costs of various program services and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets. Accordingly, certain costs have been allocated among program and supporting services based on total personnel costs or other systematic bases.

Prepaid Expenses

Prepaid expenses include dues and program broadcast rights. These costs are amortized on a straight-line basis over the period of the agreement.

Net Assets

AZPM has both restricted and unrestricted resources available for most programs. Restricted resources are externally restricted for a specific purpose and primarily include specific grants and contributions. AZPM's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

Tax Status

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

NOTE 2 – DEPOSITS AND INVESTMENTS

At June 30, 2011 and 2010, the AZPM deposits totaling \$9,175,348 and \$8,119,025, respectively, were held by both the University and University of Arizona Foundation. At June 30, 2011 and 2010, AZPM's investments totaling \$524,537 (with the Foundation) and \$453,584 (\$58,578 with the University and \$395,006 with the Foundation), respectively, were pooled with University of Arizona Foundation investments.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The University of Arizona Foundation invests in U.S. Treasury, U.S. agencies, commercial paper, corporate bonds, and equities. A summary of the University's risk policies for deposits and investments follows:

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of bank failure, AZPM's deposits may not be returned to it. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or the Board, the University does not have a policy that specifically addresses custodial credit risk. As of June 30, 2011 and 2010, \$1,530,884 and \$1,207,907, respectively, of AZPM's bank balances with the University of Arizona Foundation was exposed to custodial credit risk because the amounts were not insured or collateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that in the event of failure of the counterparty, AZPM will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University policy requires collateralization for all certificates of deposit and repurchase agreements held in the Controller's demand deposit account. Beyond this requirement and those established by Statute or the Board, the University does not have a policy that specifically addresses custodial credit risk. AZPM's investments are pooled with the University of Arizona Foundation's investments. As of June 30, 2011 and 2010, \$460,281 and \$395,006, respectively, of AZPM's investments are exposed to custodial credit risk in that separate pertinent identifying information has not been obtained from the University of Arizona Foundation.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – INDIVIDUAL STATION FINANCIAL INFORMATION

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2011 Combined Total</u>	<u>2010 Combined Total</u>
Assets					
Current assets:					
Cash and cash equivalents					
Funds held by the U of A	\$ 5,370,123	\$ 876,062	\$ 1,398,279	\$ 7,644,464	\$ 6,911,118
Funds held by the U of A Foundation	1,033,775	229,382	267,727	1,530,884	1,207,907
Accounts receivable (net of allowances of \$83,000 in 2011 and \$97,000 in 2010)	203,555	40,035	298,586	542,176	491,274
Government grants receivable	61,682	-	-	61,682	115,780
Prepaid expenses	46,553	9,482	101,379	157,414	128,691
Interfund eliminations (transfers between stations)	<u>341,624</u>	<u>198,457</u>	<u>(540,081)</u>	<u>-</u>	<u>-</u>
Total current assets	<u>7,057,312</u>	<u>1,353,418</u>	<u>1,525,890</u>	<u>9,936,620</u>	<u>8,854,770</u>
Non-current assets:					
Endowment investments	28,199	248,169	248,169	524,537	453,584
Prepaid expenses	7,805	-	-	7,805	6,850
Capital asses being depreciated, net	<u>1,781,793</u>	<u>2,127</u>	<u>361,476</u>	<u>2,145,396</u>	<u>2,619,592</u>
Total non-current assets	<u>1,817,797</u>	<u>250,296</u>	<u>609,645</u>	<u>2,677,738</u>	<u>3,080,026</u>
Total assets	8,875,109	1,603,714	2,135,535	12,614,358	11,934,796
Liabilities					
Current liabilities:					
Accounts payable	66,520	11,780	25,583	103,883	48,358
Accrued payroll and benefits	176,515	28,037	49,586	254,138	247,193
Accrued compensated absences	190,730	27,195	42,341	260,266	298,790
Deferred revenue and deposits	<u>-</u>	<u>621</u>	<u>25,580</u>	<u>26,201</u>	<u>25,591</u>
Total current liabilities	433,765	67,633	143,090	644,488	619,932
Noncurrent liabilities					
Deferred revenue and deposits	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	433,765	67,633	143,090	644,488	619,932
Net assets					
Invested in capital assets, net of related debt and depreciation	1,781,793	2,127	361,476	2,145,396	2,619,592
Restricted for:					
Nonexpendable – endowments	28,199	248,169	248,169	524,537	453,584
Expendable					
Station programs/projects	193,866	14,185	4,863	212,914	203,385
Capital projects	106,000	-	-	106,000	-
Unrestricted	<u>6,331,486</u>	<u>1,271,600</u>	<u>1,377,937</u>	<u>8,981,023</u>	<u>8,038,303</u>
Total net assets	<u>\$ 8,441,344</u>	<u>\$ 1,536,081</u>	<u>\$ 1,992,445</u>	<u>\$ 11,969,870</u>	<u>\$ 11,314,864</u>

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – INDIVIDUAL STATION FINANCIAL INFORMATION (CONTINUED)

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2011 Combined Total</u>	<u>2010 Combined Total</u>
Operating revenues					
Federal grants, contracts and appropriations	\$ -	\$ -	\$ -	\$ -	\$ 18,500
Auxiliary enterprises	<u>375,556</u>	<u>10,490</u>	<u>10,491</u>	<u>396,537</u>	<u>454,327</u>
Total operating revenues	<u>375,556</u>	<u>10,490</u>	<u>10,491</u>	<u>396,537</u>	<u>472,827</u>
Operating expenses					
Program services:					
Programming and production	3,992,685	413,369	1,020,241	5,426,295	5,321,989
Broadcasting	1,175,961	103,058	136,333	1,415,352	1,432,822
Public information and promotion	238,567	92,777	97,621	428,965	585,603
Supporting services:					
Management and general	786,958	149,640	166,882	1,103,480	838,810
Fundraising and membership development	<u>876,627</u>	<u>380,965</u>	<u>542,080</u>	<u>1,799,672</u>	<u>1,903,176</u>
Total operating expenses	<u>7,070,798</u>	<u>1,139,809</u>	<u>1,963,157</u>	<u>10,173,764</u>	<u>10,082,400</u>
Operating loss	<u>(6,695,242)</u>	<u>(1,129,319)</u>	<u>(1,952,666)</u>	<u>(9,777,227)</u>	<u>(9,609,573)</u>
Non-operating revenues (expenses)					
General appropriation from U of A	1,841,996	279,048	416,324	2,537,368	2,445,252
Donated facilities and administrative support from U of A	1,142,451	197,855	335,315	1,675,621	1,619,487
Corporation for Public Broadcasting grants	1,108,063	-	346,834	1,454,897	1,403,848
Subscription and membership income	1,540,085	327,130	611,212	2,478,427	2,347,162
Business and underwriting	302,380	58,969	588,217	949,566	805,048
Legacies and bequests	274,182	83,608	109,463	467,253	558,583
Other gifts and contributions	24,377	-	-	24,377	45,548
In-kind contributions	-	-	-	-	21,257
Investment income	130,585	79,517	46,727	256,829	174,268
Other non-operating revenues	404,734	30,014	30,014	464,762	402,587
Other non-operating expenses	<u>(8,569)</u>	<u>-</u>	<u>-</u>	<u>(8,569)</u>	<u>(4,006)</u>
Net non-operating revenues	<u>6,760,284</u>	<u>1,056,141</u>	<u>2,484,106</u>	<u>10,300,531</u>	<u>9,819,034</u>
Capital grants, gifts and conveyances	<u>131,702</u>	<u>-</u>	<u>-</u>	<u>131,702</u>	<u>430,547</u>
Increase in net assets	196,744	(73,178)	531,440	655,006	640,008
Net assets					
Net assets, beginning of year	<u>8,244,600</u>	<u>1,609,259</u>	<u>1,461,005</u>	<u>11,314,864</u>	<u>10,674,856</u>
Net assets, end of year	<u>\$ 8,441,344</u>	<u>\$ 1,536,081</u>	<u>\$ 1,992,445</u>	<u>\$ 11,969,870</u>	<u>\$ 11,314,864</u>

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 – ACCOUNTS RECEIVABLE

A summary of accounts receivable by station at June 30 is as follows:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2011 Total</u>	<u>2010 Total</u>
Subscription and membership, net	\$ 37,217	\$ 7,690	\$ 11,849	\$ 56,756	\$ 2,519
Underwriting and business	150,885	31,714	286,105	468,704	470,879
Auxiliary enterprises	<u>15,453</u>	<u>631</u>	<u>632</u>	<u>16,716</u>	<u>17,876</u>
	<u>\$ 203,555</u>	<u>\$ 40,035</u>	<u>\$ 298,586</u>	<u>\$ 542,176</u>	<u>\$ 491,274</u>

NOTE 5 – RELATED PARTY TRANSACTIONS

Arizona Public Media is a division of the University that operates public television and radio stations. The accompanying financial statements include only the transactions specific to AZPM and do not include other transactions of the University.

AZPM receives a portion of its revenues and support from the University in the form of a general appropriation totaling \$2,537,368 and \$2,445,252 for operation purposes for the years ended June 30, 2011 and 2010, respectively.

AZPM receives administrative support from the University in the form of legal services, accounting services, use of facilities, repairs and maintenance, and other administrative support. In addition, facilities not directly related to AZPM stations are owned by the University and used by AZPM. The value of the indirect support is calculated based on the Other Sponsored Activities Method developed by the Corporation for Public Broadcasting. The indirect support, recorded in non-operating revenues, totaled \$1,675,621 and \$1,619,487 for the years ended June 30, 2011 and 2010, respectively.

In addition, the University and the Foundation hold cash and investments for the benefit of AZPM. These funds are due on demand.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 – CAPITAL ASSETS

A presentation of AZPM's capital assets at June 30 is as follows:

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>June 30, 2011</u>
Transmission, antenna, and tower	\$ 2,936,313	\$ -	\$ (283,275)	\$ 2,653,038
Studio, equipment, FF&E	<u>5,995,599</u>	<u>44,800</u>	<u>(281,021)</u>	<u>5,759,378</u>
Total depreciable capital assets	<u>8,931,912</u>	<u>44,800</u>	<u>(564,296)</u>	<u>8,412,416</u>
Less: accumulated depreciation				
Transmission, antenna, and tower	1,627,012	162,880	(274,706)	1,515,186
Studio, equipment, FF&E	<u>4,685,308</u>	<u>347,547</u>	<u>(281,021)</u>	<u>4,751,834</u>
Total accumulated depreciation	<u>6,312,320</u>	<u>510,427</u>	<u>(555,727)</u>	<u>6,267,020</u>
Capital assets, net	<u>\$ 2,619,592</u>	<u>\$ (465,627)</u>	<u>\$ (8,569)</u>	<u>\$ 2,145,396</u>
	Beginning Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>June 30, 2010</u>
Transmission, antenna, and tower	\$ 2,747,141	\$ 197,756	\$ (8,584)	\$ 2,936,313
Studio, equipment, FF&E	<u>5,599,955</u>	<u>576,574</u>	<u>(180,930)</u>	<u>5,995,599</u>
Total depreciable capital assets	<u>8,347,096</u>	<u>774,330</u>	<u>(189,514)</u>	<u>8,931,912</u>
Less: accumulated depreciation				
Transmission, antenna, and tower	1,474,439	157,724	(5,151)	1,627,012
Studio, equipment, FF&E	<u>4,460,413</u>	<u>405,252</u>	<u>(180,357)</u>	<u>4,685,308</u>
Total accumulated depreciation	<u>5,934,852</u>	<u>562,976</u>	<u>(185,508)</u>	<u>6,312,320</u>
Capital assets, net	<u>\$ 2,412,244</u>	<u>\$ 211,354</u>	<u>\$ (4,006)</u>	<u>\$ 2,619,592</u>

Depreciation expense totaled \$510,427 and \$562,976 for the years ended June 30, 2011 and 2010, respectively. 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 \$844,088. 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.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 7 – RETIREMENT PLANS

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

Defined Benefit Plan

Plan Description. The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers employees of the state of Arizona, including University employees, and employees of participating political subdivisions and school districts. Benefits are established by State statute. The ASRS provides retirement, death, and survivor benefits through its Retirement Fund; health insurance premium benefits (i.e., a monthly subsidy) through its Health Benefit Supplement Fund; and long-term disability benefits through its Long-Term Disability Fund. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. The ASRS issues a publicly available comprehensive annual financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, PO Box 33910, Phoenix, Arizona 85067-3910, or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy. For the year ended June 30, 2011, active ASRS members were required to contribute at the actuarially determined rate of 9.85 percent (9.60 percent retirement and .25 percent long-term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, .59 percent for health insurance premium, and .25 percent for long-term disability) of the members' annual covered payroll. For the year ended June 30, 2010, active ASRS members were required to contribute at the actuarially determined rate of 9.40 percent (9.00 percent retirement and .40 percent long-term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, .66 percent for health insurance premium, and .40 percent for long-term disability) of the members' annual covered payroll. For the year ended June 30, 2009, active ASRS members were required to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and .50 percent long-term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, .96 percent for health insurance premium, and .50 percent for long-term disability) of the members' annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates.

AZPM's retirement plan expense for this plan approximated \$136,041, \$133,368, and \$153,412 for the years ended June 30, 2011, 2010, and 2009, respectively.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 7 – RETIREMENT PLANS (CONTINUED)

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 years ended June 30, 2011 and 2010, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. In addition, employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; University contributions vest after five years of full-time employment.

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

Funding Policy. The Arizona State Legislature establishes the contribution rates for active plan members and the University. For the year ended June 30, 2011, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.40 percent member contribution and an 7.84 percent University contribution for the ASRS plan. For the year ended June 30, 2010, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.40 percent member contribution and an 8.06 percent University contribution for the ASRS plan. For the year ended June 30, 2009, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.50 percent member contribution and an 8.46 percent University contribution for the ASRS plan.

AZPM's retirement plan expense for the plan approximated \$127,971, \$139,204, and \$136,616 for the years ended June 30, 2011, 2010, and 2009, respectively.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 8 – RESTRICTIONS ON NET ASSETS

AZPM receives grants and funding from various sources to be used for operations, production, and promotion of certain activities. A summary of the temporarily restricted and permanently restricted net assets as of June 30 is as follows:

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2011 Total</u>	<u>2010 Total</u>
Non-expendable – endowments:					
Radio Production NEA challenge	\$ -	\$ 248,169	\$ 248,169	\$ 496,338	\$ 447,801
Bashevin Endowment	6,687	-	-	6,687	5,783
Shandell Endowment	<u>21,512</u>	<u>-</u>	<u>-</u>	<u>21,512</u>	<u>-</u>
	<u>28,199</u>	<u>248,169</u>	<u>248,169</u>	<u>524,537</u>	<u>453,584</u>
Expendable – station programs/projects:					
Ready to Learn support	2,347	-	-	2,347	(2,919)
Desert Speaks support	65,592	-	-	65,592	60,695
Desert Speaks/local production support	84,476	-	-	84,476	97,057
Great Voices Radio Series support	-	9,323	-	9,323	9,323
Program acquisition/production	5,000	4,862	4,863	14,725	2,778
Operational support excluding administrative costs	<u>36,451</u>	<u>-</u>	<u>-</u>	<u>36,451</u>	<u>36,451</u>
Total station programs/projects	193,866	14,185	4,863	212,914	203,385
Capital project	<u>106,000</u>	<u>-</u>	<u>-</u>	<u>106,000</u>	<u>-</u>
Total station programs and capital projects	<u>299,866</u>	<u>14,185</u>	<u>4,863</u>	<u>318,914</u>	<u>203,385</u>
	<u>\$ 328,065</u>	<u>\$ 262,354</u>	<u>\$ 253,032</u>	<u>\$ 843,451</u>	<u>\$ 656,969</u>

NOTE 9 – INVESTMENT INCOME

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

	<u>KUAT-TV</u>	<u>KUAT-FM</u>	<u>KUAZ</u>	<u>2011 Total</u>	<u>2010 Total</u>
Interest and dividends	\$ 44,492	\$ 24,695	\$ 14,128	\$ 83,316	\$ 87,192
Net realized gain (loss) on investments	-	-	-	-	-
Net unrealized gain on investments	<u>86,093</u>	<u>54,822</u>	<u>32,599</u>	<u>173,513</u>	<u>87,076</u>
	<u>\$ 130,585</u>	<u>\$ 79,517</u>	<u>\$ 46,727</u>	<u>\$ 256,829</u>	<u>\$ 174,268</u>

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL SCHEDULE

**ARIZONA PUBLIC MEDIA
SCHEDULES OF OPERATING FUNCTIONAL EXPENSES
Year Ending June 30, 2011**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>2011</u>	<u>2010</u>
	<u>Programming and Production</u>	<u>Broadcasting</u>	<u>Public Info and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Membership Development</u>	<u>Total Supporting Services</u>	<u>Combined Total Expenses</u>	<u>Combined Total Expenses</u>
KUAT - TV									
Salaries	\$ 1,564,744	\$ 655,422	\$ 114,396	\$ 2,334,562	\$ 415,439	\$ 299,927	\$ 715,366	\$ 3,049,928	\$ 3,177,744
General operations	1,445,784	202,251	82,319	1,730,354	232,661	424,005	656,666	2,387,020	1,969,940
Travel and training	6,185	4,712	402	11,299	1,871	2,023	3,894	15,193	23,117
Indirect administration support	632,449	180,893	41,450	854,792	136,987	150,672	287,659	1,142,451	1,060,014
Depreciation	343,523	132,683	-	476,206	-	-	-	476,206	528,768
Total KUAT-TV expenses	<u>3,992,685</u>	<u>1,175,961</u>	<u>238,567</u>	<u>5,407,213</u>	<u>786,958</u>	<u>876,627</u>	<u>1,663,585</u>	<u>7,070,798</u>	<u>6,759,583</u>
KUAT - FM									
Salaries	219,559	74,181	54,170	347,910	79,038	145,176	224,214	572,124	604,560
General operations	120,590	10,991	22,438	154,019	44,313	168,522	212,835	366,854	328,863
Travel and training	98	-	57	155	267	1,073	1,340	1,495	2,216
Indirect administration support	71,641	17,886	16,112	105,639	26,022	66,194	92,216	197,855	191,807
Depreciation	1,481	-	-	1,481	-	-	-	1,481	5,206
Total KUAT-FM expenses	<u>413,369</u>	<u>103,058</u>	<u>92,777</u>	<u>609,204</u>	<u>149,640</u>	<u>380,965</u>	<u>530,605</u>	<u>1,139,809</u>	<u>1,132,652</u>
KUAZ									
Salaries	451,104	70,553	57,893	579,550	87,280	246,221	333,501	913,051	962,997
General operations	388,918	17,163	22,696	428,777	50,286	200,528	250,814	679,591	828,180
Travel and training	905	-	80	985	301	1,174	1,475	2,460	2,320
Indirect administration support	176,771	18,420	16,952	212,143	29,015	94,157	123,172	335,315	367,666
Depreciation	2,543	30,197	-	32,740	-	-	-	32,740	29,002
Total KUAZ expenses	<u>1,020,241</u>	<u>136,333</u>	<u>97,621</u>	<u>1,254,195</u>	<u>166,882</u>	<u>542,080</u>	<u>708,962</u>	<u>1,963,157</u>	<u>2,190,165</u>
TOTAL EXPENSES	<u>\$ 5,426,295</u>	<u>\$ 1,415,352</u>	<u>\$ 428,965</u>	<u>\$ 7,270,612</u>	<u>\$ 1,103,480</u>	<u>\$ 1,799,672</u>	<u>\$ 2,903,152</u>	<u>\$ 10,173,764</u>	<u>\$ 10,082,400</u>