

**KAWC-FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**ARIZONA WESTERN COLLEGE**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**KAWC-FM RADIO  
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY  
ARIZONA WESTERN COLLEGE  
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## INDEPENDENT AUDITORS' REPORT

The District Governing Board  
Yuma/LaPaz County 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, and the changes in its financial position and its cash flows for the year 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  
February 9, 2018

**KAWC-FM RADIO  
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ARIZONA WESTERN COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

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, 2016 and June 30, 2017. 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, 2017. 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, 2017. 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, 2017. 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, 2017. 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, 2017 AND 2016**

**Condensed Financial Statements:**

Condensed Statement of Net Position  
As of June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current Assets	\$ 29,086	\$ 4,984	\$ 34,118
Capital Assets, Net	187,655	212,091	237,121
Total Assets	<u>216,741</u>	<u>217,075</u>	<u>271,239</u>
Current Liabilities:			
Accounts Payable	2,775	8,816	6,582
Accrued Liabilities	1,735	1,208	-
Unearned Revenue	12,358	9,680	2,829
Total Current Liabilities	<u>16,868</u>	<u>19,704</u>	<u>9,411</u>
Net Position:			
Investment in Capital Assets	187,655	212,091	237,121
Unrestricted	12,218	(14,720)	24,707
Total Net Position	<u>\$ 199,873</u>	<u>\$ 197,371</u>	<u>\$ 261,828</u>

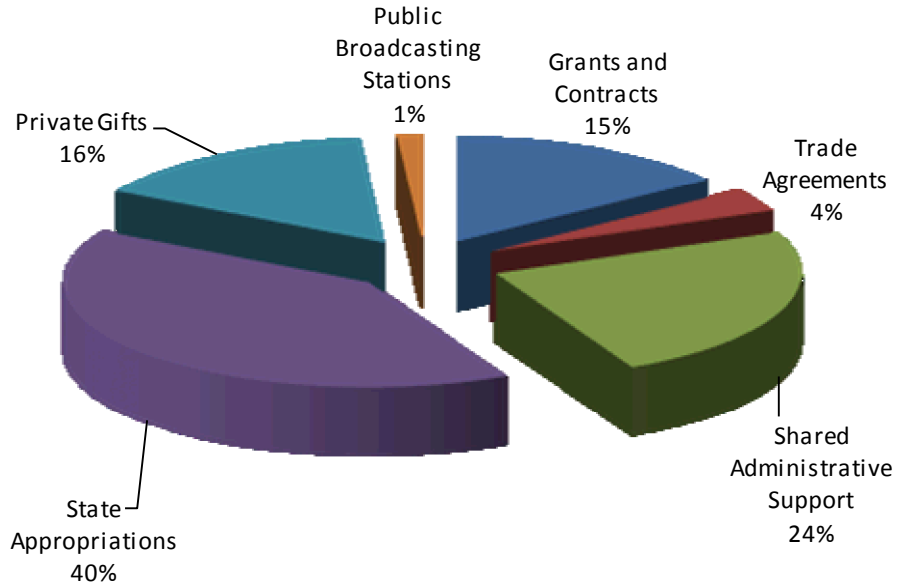
**KAWC-FM RADIO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017 AND 2016**

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

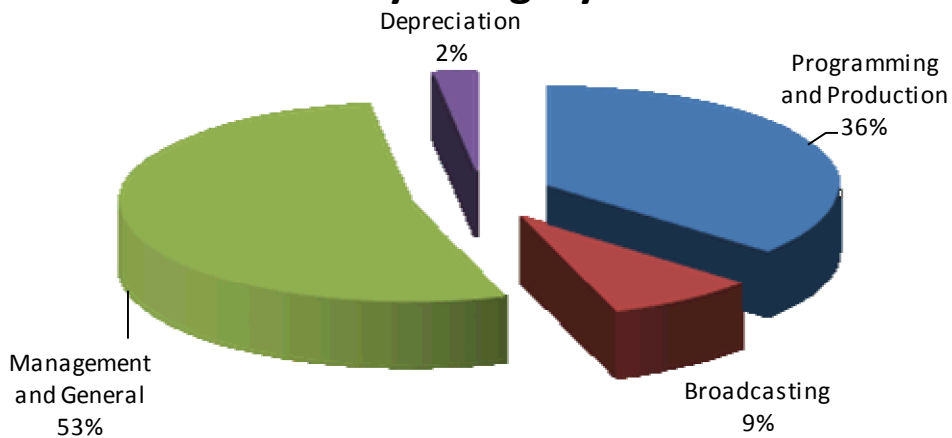
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>			
Operating:			
Grants and Contracts	\$ 156,676	\$ 154,866	\$ 156,946
Trade Agreements	37,350	34,632	44,760
Shared Administrative Support	251,444	260,517	233,248
Nonoperating:			
State Appropriations	423,302	454,473	428,310
Private Gifts	162,360	118,002	164,245
Public Broadcasting Stations	13,372	24,714	-
Total Revenues	<u>1,044,504</u>	<u>1,047,204</u>	<u>1,027,509</u>
<b>Expenses</b>			
Operating:			
Education and General:			
Programming and Production	378,918	400,591	361,316
Broadcasting	87,470	135,368	138,030
Management and General	551,178	550,672	488,926
Depreciation	24,436	25,030	17,603
Total Expenses	<u>1,042,002</u>	<u>1,111,661</u>	<u>1,005,875</u>
Increase (Decrease) in Net Position	2,502	(64,457)	21,634
Net Position, Beginning of Year	<u>197,371</u>	<u>261,828</u>	<u>240,194</u>
Net Position, End of Year	<u>\$ 199,873</u>	<u>\$ 197,371</u>	<u>\$ 261,828</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**Percent of 2017 Revenues by Source**



**Percent of 2017 Operating Expenses  
by Category**





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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**Financial Highlights and Analysis:**

**Statement of Net Position**

The Station's overall financial position increased in FY 2017. Total Net Position increased \$2,502 from FY 2016 to FY 2017. The increase was largely due to an increase in revenues from private gifts and a reduction in syndicated program acquisition costs.

**Statement of Revenues, Expenses, and Changes in Net Position**

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

Total revenues for the Station decreased \$2,700 from FY 2016 to FY 2017. The following revenue sources make up the overall decrease.

- Increase of \$1,810 in grants and contracts from FY 2016 to FY 2017.
- Increase of \$2,718 in trade agreements.
- Decrease of \$9,073 in support from Arizona Western College.
- Decrease of \$31,171 in State Appropriations.
- Increase of \$44,358 in private gifts driven by additional fundraising efforts.
- Decrease of \$11,342 in public broadcasting stations.

Total expenses decreased \$69,659 from FY 2016 to FY 2017. The following expense categories make up the overall decrease.

- Decrease of \$21,673 in program and production.
- Decrease of \$47,898 in broadcasting costs related to one-time upgrade costs incurred in the prior year.
- Increase of \$506 in management and general.
- Decrease of \$596 in depreciation.

**Capital Assets Administration:**

The Station's capital assets as of June 30, 2017 totaled \$187,655 (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 13% decrease due primarily to the disposal of unused equipment.

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Current Factors Having Probable Future Financial Significance:

KAWC has seen a positive response to our development team's new emphasis on the monthly giving program. We have an above-industry-average number of contributors who have chosen to have their support deducted automatically from their credit card each month. This change has required an adjustment to our on air pledge strategy. We now spend less time interrupting programming, with more revenues coming in to support our efforts. Our underwriting support is finally approaching the levels we experienced before the great recession. It appears that Yuma area businesses are finally feeling confident enough to spend funds building their brands through public radio underwriting. We are hoping this turnaround will be bolstered by our efforts to reach out to business owners in our new service area in La Paz County, Arizona.

In addition, we are taking advantage of the FCC's AM Revitalization program by adding an FM translator to our AM1320 station in Yuma. Our licensee, Arizona Western College has contributed funds to pay for the construction of the new translator, along with a grant to pay for salaries and equipment to bring on a new, student-centered approach to programming the re-branded service. It is our hope that the new service will bring in new listeners and new supporters, both in terms of memberships and underwriters. We expect to have the new service up and running before the final quarter of FY18.

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.

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**STATEMENTS OF NET POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 29,086	\$ 4,984
Total Current Assets	29,086	4,984
<b>NONCURRENT ASSETS</b>		
Capital Assets (Net)	187,655	212,091
Total Assets	216,741	217,075
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	2,775	8,816
Accrued Liabilities	1,735	1,208
Unearned Revenue	12,358	9,680
Total Current Assets	16,868	19,704
<b>NET POSITION</b>		
Investment in Capital Assets	187,655	212,091
Unrestricted	12,218	(14,720)
Total Net Position	\$ 199,873	\$ 197,371

See accompanying Notes to Basic Financial Statements.

**KAWC-FM RADIO**  
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**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>REVENUES</b>		
Operating Revenues:		
Grants and Contracts	\$ 156,676	\$ 154,866
Trade Agreements	37,350	34,632
Shared Administrative Support	251,444	260,517
Total Operating Revenues	445,470	450,015
<b>EXPENSES</b>		
Operating Expenses:		
Programming and Production	378,918	400,591
Broadcasting	87,470	135,368
Management and General	551,178	550,672
Depreciation	24,436	25,030
Total Operating Expenses	1,042,002	1,111,661
Operating Loss	(596,532)	(661,646)
<b>NONOPERATING REVENUES</b>		
State Appropriations	423,302	454,473
Private Gifts	162,360	118,002
Public Broadcasting Stations	13,372	24,714
Total Nonoperating Revenues	599,034	597,189
<b>CHANGE IN NET POSITION</b>	2,502	(64,457)
Net Position - Beginning of Year	197,371	261,828
<b>NET POSITION - END OF YEAR</b>	\$ 199,873	\$ 197,371

See accompanying Notes to Basic Financial Statements.

**KAWC-FM RADIO**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Private Grants and Contracts	\$ 196,704	\$ 189,498
Payments to Employees	(213,167)	(180,051)
Payments to Suppliers	(558,469)	(635,770)
Net Cash Used by Operating Activities	(574,932)	(626,323)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Gifts and Grants Received for Other than Capital Purposes	162,360	118,002
Public Broadcasting Stations	13,372	24,714
Other Nonoperating Receipts	423,302	454,473
Net Cash Provided by Noncapital Financing Activities	599,034	597,189
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	24,102	(29,134)
Cash and Equivalents - Beginning of Year	4,984	34,118
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	\$ 29,086	\$ 4,984
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (596,532)	\$ (661,646)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	24,436	25,030
Change in Assets and Liabilities:		
Accrued Liabilities	527	1,208
Accounts Payable	(6,041)	2,234
Unearned Revenues	2,678	6,851
Net Cash Used by Operating Activities	\$ (574,932)	\$ (626,323)
<b>NONCASH OPERATING ACTIVITIES</b>		
Shared Administrative Support	\$ 251,444	\$ 260,517

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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/LaPaz 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, 2017 AND 2016**

**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 Bank of America.

**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 fair market 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:

Antenna	10 years
Buildings	15-40 years
Equipment	5 years

**3. Net Position**

In the basic financial statements, net position is reported in three categories: net position invested in capital assets; restricted net position; 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. Restricted net position account for the portion of net position restricted by parties outside the Station. Unrestricted net position is the remaining net position not included in the previous two categories.

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**JUNE 30, 2017 AND 2016**

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2017 consist of the following:

**Deposits** - At June 30, 2017 and 2016, the Station's deposits were \$29,086 and \$4,984, 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 344,110	\$ -	\$ (25,852)	\$ 318,258
Buildings	195,789	-	-	195,789
Total	<u>539,899</u>	<u>-</u>	<u>(25,852)</u>	<u>514,047</u>
Less Accumulated Depreciation:				
Equipment	281,308	19,541	(25,852)	274,997
Buildings	46,500	4,895	-	51,395
Total Accumulated Depreciation	<u>327,808</u>	<u>24,436</u>	<u>(25,852)</u>	<u>326,392</u>
Capital Assets, Net	<u>\$ 212,091</u>	<u>\$ (24,436)</u>	<u>\$ -</u>	<u>\$ 187,655</u>

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 377,990	\$ -	\$ (33,880)	\$ 344,110
Buildings	195,789	-	-	195,789
Total	<u>573,779</u>	<u>-</u>	<u>-</u>	<u>539,899</u>
Less Accumulated Depreciation:				
Equipment	295,053	20,135	(33,880)	281,308
Buildings	41,605	4,895	-	46,500
Total Accumulated Depreciation	<u>336,658</u>	<u>25,030</u>	<u>-</u>	<u>327,808</u>
Capital Assets, Net	<u>\$ 237,121</u>	<u>\$ (25,030)</u>	<u>\$ -</u>	<u>\$ 212,091</u>