THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

RCM

REGIER CARR & MONROE, LLP, CPAs

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Foundation for Creative Broadcasting, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of The Foundation for Creative Broadcasting, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's 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 auditor's 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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for Creative Broadcasting, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Regier Carr & Monroe, L.L.P.

March 11, 2022
Tucson, Arizona

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 959,395	$ 776,255
Accounts receivable	16,445	13,920
Prepaid expenses and other current assets	19,878	4,622
Total current assets	995,718	794,797
INVESTMENTS		
Beneficial interest in community foundation	29,417	25,319
PROPERTY AND EQUIPMENT		
Land	11,160	11,160
Buildings and improvements	330,167	330,167
Furniture and equipment	62,102	62,102
Broadcast equipment	526,749	521,846
Construction in process	11,500	-
Total	941,678	925,275
Less accumulated depreciation	792,870	754,125
Total property and equipment, net	148,808	171,150
OTHER ASSETS	48,657	48,657
Total other assets	48,657	48,657
Total assets	$ 1,222,600	$ 1,039,923

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 15,422	$ 22,964
Accrued payroll and related taxes	3,006	1,735
Current portion of long-term debt - Paycheck Protection Program	-	24,519
Total current liabilities	18,428	49,218
LONG-TERM LIABILITIES		
Deferred rent	39,740	33,561
Long-term debt - Paycheck Protection Program	-	66,801
Total long-term liabilities	39,740	100,362
Total liabilities	58,168	149,580
NET ASSETS		
Without donor restrictions - other	623,120	846,848
Without donor restrictions - board designated	485,000	-
Total net assets without donor restrictions	1,108,120	846,848
With donor restrictions	56,312	43,495
Total net assets	1,164,432	890,343
Total liabilities and net assets	$ 1,222,600	$ 1,039,923

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Memberships	$ 442,137	$ -	$ 442,137
Underwriting	120,378	-	120,378
Fundraising events	6,959	-	6,959
Other program service revenue	660	-	660
Corporation for Public Broadcasting grants	74,413	27,481	101,894
American Rescue CPB grant	141,046	-	141,046
Other grant revenues	55,500	20,000	75,500
Paycheck Protection Program loan forgiveness	91,320	-	91,320
Barter transactions - services and supplies	25,911	-	25,911
Donations	147,800	-	147,800
Other income	4,594	-	4,594
Net assets released from restrictions	34,664	(34,664)	-
Total revenues	1,145,382	12,817	1,158,199
EXPENSES			
Program services			
Programming	513,820	-	513,820
Community events	54,214	-	54,214
Total program services	568,034	-	568,034
Supporting services			
Membership development and fundraising	135,195	-	135,195
Underwriting solicitation	99,274	-	99,274
Management and general	81,607	-	81,607
Total supporting services	316,076	-	316,076
Total expenses	884,110	-	884,110
CHANGE IN NET ASSETS	261,272	12,817	274,089
NET ASSETS, BEGINNING OF YEAR	846,848	43,495	890,343
NET ASSETS, END OF YEAR	$ 1,108,120	$ 56,312	$ 1,164,432

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Memberships	$ 433,629	$ -	$ 433,629
Underwriting	134,706	-	134,706
Capital campaign	-	2,700	2,700
Fundraising events	11,063	-	11,063
Other program service revenue	2,954	-	2,954
Corporation for Public Broadcasting grants	144,789	25,383	170,172
Other grant revenues	117,500	40,500	158,000
Barter transactions - services and supplies	51,635	-	51,635
Donations	142,543	-	142,543
Other income	4,860	-	4,860
Net assets released from restrictions	76,424	(76,424)	-
Total revenues	1,120,103	(7,841)	1,112,262
EXPENSES			
Program services			
Programming	509,270	-	509,270
Community events	54,012	-	54,012
Total program services	563,282	-	563,282
Supporting services			
Membership development and fundraising	141,348	-	141,348
Underwriting solicitation	125,684	-	125,684
Management and general	76,224	-	76,224
Total supporting services	343,256	-	343,256
Total expenses	906,538	-	906,538
CHANGE IN NET ASSETS	213,565	(7,841)	205,724
NET ASSET, BEGINNING OF YEAR	633,283	51,336	684,619
NET ASSETS, END OF YEAR	$ 846,848	$ 43,495	$ 890,343

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2021

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Supporting Services	Total
Personnel costs	$ 294,439	$ 8,836	$ 303,275	$ 89,102	$ 48,691	$ 25,140	$ 162,933	$ 466,208
Dues and subscriptions	947	283	1,230	1,260	584	615	2,459	3,689
Professional and contract services	21,550	6,540	28,090	5,740	4,475	21,119	31,334	59,424
Computer expense	543	1,000	1,543	119	14,328	1,000	15,447	16,990
Staff travel	23	23	46	21	-	-	21	67
Rent	123,889	-	123,889	-	-	-	-	123,889
Utilities	632	631	1,263	631	631	631	1,893	3,156
Repairs and maintenance	13,391	7,159	20,550	5,299	4,686	5,293	15,278	35,828
Insurance	2,907	4,865	7,772	2,906	2,906	5,644	11,456	19,228
Membership premiums	-	-	-	6,469	-	-	6,469	6,469
Printing	83	27	110	50	37	24	111	221
Program acquisition and supplies	31,142	-	31,142	-	-	-	-	31,142
Supplies	537	387	924	2,570	623	604	3,797	4,721

(continued)

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF FUNCTIONAL EXPENSES (continued)
For the Year Ended September 30, 2021

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Supporting Services	Total
Telephone and internet	5,091	2,842	7,933	2,153	1,002	2,152	5,307	13,240
Fundraising	-	-	-	1,758	-	-	1,758	1,758
Advertising and marketing	957	6,819	7,776	2,463	874	874	4,211	11,987
Miscellaneous	6,071	3,188	9,259	3,040	2,097	6,448	11,585	20,844
Interest and bank charges	3,958	3,955	7,913	3,955	3,955	3,955	11,865	19,778
Depreciation and amortization	7,660	7,659	15,319	7,659	7,659	8,108	23,426	38,745
Barter transactions - donated services and supplies	-	-	-	-	6,726	-	6,726	6,726
Total	$ 513,820	$ 54,214	$ 568,034	$ 135,195	$ 99,274	$ 81,607	$ 316,076	$ 884,110

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Supporting Services	Total
Personnel costs	$ 302,040	$ 9,064	$ 311,104	$ 91,402	$ 49,949	$ 25,789	$ 167,140	$ 478,244
Dues and subscriptions	1,076	321	1,397	1,431	663	698	2,792	4,189
Professional and contract services	19,951	6,054	26,005	5,314	4,143	19,552	29,009	55,014
Computer expense	744	1,369	2,113	164	19,621	1,369	21,154	23,267
Staff travel	890	891	1,781	817	-	-	817	2,598
Rent	117,381	-	117,381	-	-	-	-	117,381
Utilities	1,336	1,337	2,673	1,337	1,337	1,337	4,011	6,684
Repairs and maintenance	7,718	3,442	11,160	2,547	2,253	2,545	7,345	18,505
Insurance	2,514	4,212	6,726	2,516	2,516	4,886	9,918	16,644
Membership premiums	-	-	-	11,283	-	-	11,283	11,283
Printing	228	75	303	136	100	66	302	605
Program acquisition and supplies	29,473	-	29,473	-	-	-	-	29,473
Supplies	4,662	624	5,286	4,152	1,006	976	6,134	11,420

(continued)

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF FUNCTIONAL EXPENSES (continued)
For the Year Ended September 30, 2020

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Supporting Services	Total
Telephone and internet	4,796	2,676	7,472	2,028	944	2,026	4,998	12,470
Fundraising	173	514	687	1,239	174	174	1,587	2,274
Advertising and marketing	1,401	9,986	11,387	3,607	1,280	1,280	6,167	17,554
Miscellaneous	2,998	1,562	4,560	1,490	1,028	3,161	5,679	10,239
Interest and bank charges	3,692	3,688	7,380	3,688	3,688	3,688	11,064	18,444
Depreciation and amortization	8,197	8,197	16,394	8,197	8,197	8,677	25,071	41,465
Barter transactions - donated services and supplies	-	-	-	-	28,785	-	28,785	28,785
Total	$ 509,270	$ 54,012	$ 563,282	$ 141,348	$ 125,684	$ 76,224	$ 343,256	$ 906,538

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 274,089	$ 205,724
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	38,745	41,465
Forgiveness of PPP loan	(91,320)	
Increase (decrease) in cash from changes in:		
Accounts receivable	(2,525)	11,362
Prepaid expenses and other assets	(15,256)	2,469
Accounts payable	(7,542)	17,296
Accrued payroll and related taxes	1,271	(14,512)
Due to Corporation for Public Broadcasting	-	(9,050)
Deferred rent	6,179	7,707
Net cash provided by operating activities	203,641	262,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(16,403)	(1,098)
Investment in community foundation	(4,098)	(25,319)
Net cash (used in) investing activities	(20,501)	(26,417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	91,320
Net cash (used) provided by financing activities	-	91,320
Net increase in cash	183,140	327,364
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	776,255	448,891
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 959,395	$ 776,255

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Foundation for Creative Broadcasting, Inc. (the "Foundation") is a nonprofit organization whose stated purpose is to act as an educational foundation for the creative use of media; encouraging community access to media and promoting the development of art in media, primarily, but not limited to, noncommercial educational broadcasting. The Foundation operates a noncommercial community radio station in Tucson, Arizona (KXCI-FM 91.3). The Foundation's main sources of revenue include membership fees, underwriting, and grant revenue.

Basis of Accounting

The financial statements of the Foundation, have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Classification of Net Assets

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and investments with original maturities of three months or less. The Foundation maintains its cash balances in one financial institution. At September 30, 2021, the Foundation had approximately $705,000 of cash in excess of the Federal Deposit Insurance Corporation limits, however, management does not believe it is exposed to any significant credit risk on cash.

Investments

In accordance with accounting principles applicable to nonprofit organizations in the United States of America; investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included with the change in net assets.

Other assets

The Foundation capitalized a collection of Jazz records. Additions are capitalized at cost if purchased and at appraised or fair value if received by donation. Items received as promotions from record companies are not recorded in the financial statements. No depreciation or amortization is recorded on the collection.

The Foundation continually reviews its collections and may deaccession items. Proceeds from deaccessions are classified as net assets without donor restrictions, except when donor restrictions apply.

Property and Equipment

Property and equipment is stated at cost except for donated property, which is recorded at fair market value at the date of gift. Assets with an estimated useful life greater than one year and cost greater than $2,500 are capitalized. Depreciation is calculated using the straight-line method over the asset's estimated useful life.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciable asset classifications and the range of estimated lives are summarized below:

Asset classification	Life
Buildings and improvements	4 - 39 years
Furniture and equipment	3 - 7 years
Broadcast equipment	7 - 10 years

Grants

Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When the Foundation is notified as a recipient of these grants, the amounts are included as restricted revenue in the accompanying statements of activities.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding nearly 1,500 locally-owned and operated public television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying noncommercial public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and, thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. In addition, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported in the accompanying financial statements as increases in net assets with donor restrictions until satisfaction of the time and purpose restrictions, after which they are reported as a release from net assets with donor restrictions and an increase in net assets without donor restrictions.

Barter Transactions

Barter transactions are recorded as revenue and expense in the accompanying statements of activities at the estimated value of airtime exchanged in the transaction.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled $11,987 and $17,554 for the years ended September 30, 2021 and 2020, respectively.

In-Kind Contributions

Contributions of services are recognized as income if the services received (a) create or enhance non-financial assets or (b) requires specialized skills and would typically need to be purchased if not donated. Donated services are recorded at their fair values in the period received. Contributions of donated non-cash assets are recorded at fair values in the period received.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Other expenses that are common to several functions are allocated based on time and effort.

Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle- Fair Value Disclosure and Measurements

The Foundation has adopted provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2018-13, Fair Value Measurements: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements. This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements, as well as clarifying specific disclosure requirements. As a result of implementation, the Foundation noted the following impacts:

1. The policy for timing of transfers between levels was removed.
2. The valuation process for Level 3 fair value measurements was removed.
3. The changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period has been removed.
4. The previous rollforward for Level 3 fair value measurements has been modified to include only purchases, sales, transfers in and transfers out.

As of the year ended September 30, 2021, the Foundation had no investments that were at fair value using Level 3 Fair Value Measurement. Under the adopted provisions the Foundation adjusted the note disclosure to conform to the updated standards; however, these adjustments did not result in substantial change to the financial statement values.

Change in Accounting Principle—Revenue Recognition

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Foundation recognizes major categories of revenue as follows:

- Membership revenues are considered unrestricted support of the Foundation and are recognized as revenue in the period received. Members receive nominal benefits, including music products donated to the Foundation, T-shirts, and discounts at Foundation events, if any.

- The Foundation accepts/solicits people to donate their vehicles to them. The Foundation uses a third party (CARS Inc.) who sells the vehicle for the donor. CARS gives 80% of the sales proceeds to the Foundation and CARS retains the other 20% for their fee. CARS electronically deposits the money into the Foundation's bank account. The Foundation recognizes unrestricted revenue upon receipt of the deposits from CARS.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

- Contributions and grants received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

- Underwriting revenues are recognized when the spot is broadcast; underwriting receivables are written off when an account is deemed uncollectible.

Recent Accounting Pronouncements – Not Yet Adopted

- Leases

  In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending September 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

(continued)

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2021 and 2020, are comprised of the following:

	2021	2020
Membership	$ 2,629	$ 698
Underwriting and newsletter advertising	12,298	11,268
Other receivable	1,518	1,954
Total	$ 16,445	$ 13,920

The Foundation has determined that there should be no receivable recorded for Membership beyond the fiscal year end. Other receivables are written off when deemed uncollectible. The total loss if all parties fail to perform and collection efforts prove to be ineffective is the stated balance of $16,445 at September 30, 2021. The Foundation has no liens to reduce this credit risk. Management believes all outstanding accounts receivable to be collectible at September 30, 2021.

3. BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

The Foundation has a beneficial interest in an investment fund held by Community Foundation for Southern Arizona (CFSA). The beneficial interest was created in 2019 when the Foundation transferred $25,000 to CFSA. The Foundation shall receive annual distributions from the fund, based on the spending policy as established by CFSA.

The investment funds are in the possession of CFSA. CFSA administers and manages the investment fund. The beneficial interest in the investment fund is recorded at the estimated present value of the expected future cash flows from CFSA. The fair value is estimated to equal the fair market value of the beneficial interest of the associated investments held by CFSA.

4. INVESTMENTS

Investments, stated at fair value, consist of the following at September 30:

	2021	2020
CFSA	$ 29,417	$ 25,319

(continued)

4. INVESTMENTS (continued)

Investment income, which is included in other income in the statement of activities, consists of the following for the year ended September 30:

	2021	2020
Interest and dividend income	$ 910	$ 266
Realized and unrealized gain	3,444	383
Investment fees	(357)	(330)
Total investment income, net	$ 3,997	$ 319

5. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On May 4, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of $91,320. Under the terms of the agreement, the loan is unsecured, there are no payments due and interest does not accrue during the period from the loan date through the date the SBA determines the loan forgiveness amount. If applicable, interest will accrue at the rate of 1.0% per annum. The Foundation may apply for forgiveness of the total loan amount, by providing evidence that the loan proceeds were used to fund eligible costs, during either an eight or twenty-four week period, and that additional criteria for forgiveness have been met. Any amount not forgiven will be payable, in full including interest, on October 4, 2022. The Paycheck Protection Program Flexibility Act of 2020, which became law on June 5, 2020, allowed the Foundation to defer payment until July 2021.

The Foundation accounted for the PPP loan in accordance with FASB ASC 470, Debt and recorded the PPP loan as debt and will recognize a gain on extinguishment when the Foundation has been legally released as the primary obligor through forgiveness approval from the lender.

As a result, the Foundation applied for forgiveness and received notice on May 17, 2021 that the loan had been forgiven.

6. OPERATING LEASES

The Foundation leases tower facilities under an operating lease which was renegotiated during 2018 and expires July 2031. Under the original lease, the payments were amortized on a straight-line basis over the term of the lease, and the renegotiation reduced the rent escalation and resulted in a reduction in the deferred rent. At September 30, 2021, $39,740 was reported as a liability to accrue the lease expense on a straight-line basis ($33,561 for 2020).

(continued)

6. OPERATING LEASES (continued)

In 2014, the Foundation entered into a five-year agreement to lease space on an auxiliary broadcasting tower. The lease expired May 2019, and the Foundation had the option to renew the lease for three additional five-year periods. The monthly rent was $1,000 through May 2019, plus utility charges and taxes. Rent will increase by 5% at the beginning of each renewal period. As of September 30, 2021, the lease had not been renewed and was on a month-to-month basis.

In 2016, the Foundation entered into a five-year lease agreement for auxiliary broadcast studio space, located inside Hotel Congress in downtown Tucson. The lease expires June 2021, and the Foundation has the option to renew the lease for an additional five-year term. The monthly rent is $1,500 through June 2021, a portion of which is paid through in-kind underwriting services, with an initial six-month period of rent forgiveness.

Total lease expense for the years ended September 30, 2021 and 2020, was $123,889 and $117,381, respectively.

Future minimum lease payments are as follows:

Year Ended September 30	
2022	$ 65,951
2023	54,024
2024	55,645
2025	57,315
2026	59,034
Thereafter	381,563
Total	$ 673,532

7. FAIR VALUE MEASUREMENTS

U.S. Generally Accepted Accounting Principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

(continued)

7. **FAIR VALUE MEASUREMENTS** (continued)

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the

measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the assets (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

The music collection library valuation was valued as a level 2 valuation and was based on an appraisal which is periodically reviewed for impairment. These fair values are on a non-recurring basis. Management estimates these values to be reasonable.

Beneficial interest in community foundation held by CFSA is valued at the fair value measured at net asset value (NAV) of the underlying investments as reported by CFSA.

Fair value measurements were reported based on the following:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2021				
Other asset -Jazz records	$ 48,657	$ -	$ 48,657	$ -

(continued)

7. FAIR VALUE MEASUREMENTS (continued)

Other assets measured at NAV:	
Beneficial interest in funds held at CFSA	$ 29,417

	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020				
Other asset -Jazz records	$ 48,657	$ -	$ 48,657	$ -
Other assets measured at NAV:				
Beneficial interest in funds held at CFSA	$ 25,319			

The table below summarizes investments measured at fair value based on net asset value (NAV) as of September 30, 2020 and 2019, respectively:

September 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Beneficial interest in trusts held by CSFA	$ 29,417	$ -	See Note 3	See Note 3

September 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Beneficial interest in trusts held by CSFA	$ 25,319	$ -	See Note 3	See Note 3

(continued)

8. COMMITMENTS AND CONTINGENCIES

During the year ended September 30, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of many businesses and organizations. These forced closures could negatively impact the Foundation's revenue and costs. While the closures and limitations are expected to be temporary, the duration of the disruption and related financial impact cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread, the impact could have a material adverse effect on the Foundation's financial position, activities and cash flow.

9. NET ASSETS

Net assets without donor restrictions for the following purposes at September 30:

Year Ended September 30,	2021	2020
Undesignated	$ 623,640	$ 846,848
Board designated:		
Cash reserve	185,000	-
Repair and replacement	50,000	-
Opportunities	250,000	-
	485,000	-
Total	$ 1,108,640	$ 846,848

Donor restricted activity consists of various funds raised and expensed during the years ended September 30, 2021 and 2020. Donor restricted net asset balances at year end consist of the following:

Year Ended September 30,	2021	2020
Studio Upgrade	$ 12,410	$ 18,435
Roof Repair and Replacement Project	32,059	7,060
Education	11,843	18,000
Total	$ 56,312	$ 43,495

(continued)

9. NET ASSETS (continued)

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of Purpose Restrictions	2021	2020
CSG- National Programming	$ 27,481	$ 25,383
Studio Upgrade	6,026	7,725
Capital Campaign	-	33,316
Education	1,157	10,000
Total	$ 34,664	$ 76,424

10. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at September 30, 2021:

Financial assets at year-end:	2021	2020
Cash and cash equivalents	$ 959,915	$ 776,255
Accounts receivable	16,445	13,920
Total financial assets	976,360	790,175
Less amounts not available to be used within one year		
Net assets with donor restrictions	56,312	43,495
Financial assets available to meet general expenditures over the next twelve months	$ 920,048	$ 746,680

As part of the Foundation's liquidity plan, the financial assets are structured to be available as general expenditures, liabilities and other obligations become due. Cash in excess of daily requirements is invested in a money market account. The receivables are subject to implied time restrictions but accounts are expected to be collected within one year.

11. SUBSEQUENT EVENTS

Subsequent to year end, the Foundation received the benefits from a donor's estate. The value of the estate was approximately $45,000.

Management has evaluated subsequent events through March 11, 2022, the date the financial statements were available to be issued.