THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

RCM

REGIER CARR & MONROE, LLP, CPAs

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Foundation for Creative Broadcasting, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Foundation for Creative Broadcasting, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Foundation for Creative Broadcasting, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation for Creative Broadcasting, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

(continued)

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation for Creative Broadcasting, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation for Creative Broadcasting, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Regier Carr & Monroe, L.L.P.

February 7, 2023
Tucson, Arizona

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 954,312	$ 959,395
Accounts receivable	27,694	16,445
Prepaid expenses and other current assets	13,100	19,878
Total current assets	995,106	995,718
INVESTMENTS		
Beneficial interest in community foundation	27,290	29,417
PROPERTY AND EQUIPMENT		
Land	11,160	11,160
Buildings and improvements	381,283	330,167
Furniture and equipment	62,102	62,102
Broadcast equipment	531,439	526,749
Construction in process	57,910	11,500
Total	1,043,894	941,678
Less accumulated depreciation	822,507	792,870
Total property and equipment, net	221,387	148,808
OTHER ASSETS	48,657	48,657
Total other assets	48,657	48,657
Total assets	$ 1,292,440	$ 1,222,600

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 13,168	$ 15,422
Accrued payroll and related taxes	6,973	3,006
Total current liabilities	20,141	18,428
LONG-TERM LIABILITIES		
Deferred rent	44,346	39,740
Deferred revenue	4,061	-
Total long-term liabilities	48,407	39,740
Total liabilities	68,548	58,168
NET ASSETS		
Without donor restrictions - other	563,903	623,120
Without donor restrictions - board designated	610,350	485,000
Total net assets without donor restrictions	1,174,253	1,108,120
With donor restrictions	49,639	56,312
Total net assets	1,223,892	1,164,432
Total liabilities and net assets	$ 1,292,440	$ 1,222,600

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, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Memberships	$ 459,811	$ -	$ 459,811
Underwriting	164,022	-	164,022
Fundraising events	26,347	-	26,347
Other program service revenue	64	-	64
Corporation for Public Broadcasting grants	77,626	28,146	105,772
Other grant revenues	31,000	80,000	111,000
Barter transactions - services and supplies	22,715	-	22,715
Other income (loss)	(4,497)	-	(4,497)
Donations	179,369	-	179,369
Net assets released from restrictions	114,819	(114,819)	-
Total revenues	1,071,276	(6,673)	1,064,603
EXPENSES			
Program services			
Programming	587,846	-	587,846
Community events	59,815	-	59,815
Total program services	647,661	-	647,661
Supporting services			
Membership development and fundraising	158,611	-	158,611
Underwriting solicitation	119,598	-	119,598
Management and general	79,273	-	79,273
Total supporting services	357,482	-	357,482
Total expenses	1,005,143	-	1,005,143
CHANGE IN NET ASSETS	66,133	(6,673)	59,460
NET ASSETS, BEGINNING OF YEAR	1,108,120	56,312	1,164,432
NET ASSETS, END OF YEAR	$ 1,174,253	$ 49,639	$ 1,223,892

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 ASSET, 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 FUNCTIONAL EXPENSES
For the Year Ended September 30, 2022

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Supporting Services	Total
Personnel costs	$ 342,132	$ 10,267	$ 352,399	$ 103,535	$ 56,579	$ 29,213	$ 189,327	$ 541,726
Dues and subscriptions	1,901	568	2,469	2,531	1,173	1,235	4,939	7,408
Professional and contract services	22,101	6,707	28,808	5,887	4,589	21,659	32,135	60,943
Bad debt expense	-	-	-	-	-	-	-	-
Computer expense	816	1,504	2,320	180	21,549	1,504	23,233	25,553
Staff travel	2,239	2,239	4,478	2,052	-	-	2,052	6,530
Rent	120,360	-	120,360	-	-	-	-	120,360
Utilities	1,394	1,392	2,786	1,392	1,392	1,392	4,176	6,962
Repairs and maintenance	5,870	3,138	9,008	2,323	2,054	2,320	6,697	15,705
Insurance	2,599	4,352	6,951	2,600	2,600	5,049	10,249	17,200
Membership premiums	-	-	-	9,055	-	-	9,055	9,055
Printing	-	-	-	-	-	-	-	-
Program acquisition and supplies	69,213	-	69,213	-	-	-	-	69,213
Supplies	1,589	1,144	2,733	7,606	1,843	1,788	11,237	13,970
Telephone and internet	4,760	2,657	7,417	2,013	937	2,011	4,961	12,378
Fundraising	635	1,879	2,514	4,529	635	636	5,800	8,314
Advertising and marketing	1,984	14,146	16,130	5,109	1,813	1,813	8,735	24,865
Miscellaneous	909	478	1,387	455	314	966	1,735	3,122
Interest and bank charges	3,486	3,485	6,971	3,485	3,485	3,485	10,455	17,426
Depreciation and amortization	5,858	5,859	11,717	5,859	5,859	6,202	17,920	29,637
Barter transactions - donated services and supplies	-	-	-	-	14,776	-	14,776	14,776
Total	$ 587,846	$ 59,815	$ 647,661	$ 158,611	$ 119,598	$ 79,273	$ 357,482	$ 1,005,143

(continued)

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
Bad debt expense			-				-	-
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
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

(continued)

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 59,460	$ 274,089
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	29,637	38,745
Contribution of securities	(17,242)	-
Forgiveness of PPP loan	-	(91,320)
Increase (decrease) in cash from changes in:		
Accounts receivable	(11,249)	(2,525)
Prepaid expenses and other assets	6,778	(15,256)
Accounts payable	(2,254)	(7,542)
Accrued payroll and related taxes	3,967	1,271
Change in value of beneficial interest in community foundation	7,282	-
Deferred income	4,061	-
Deferred rent	4,606	6,179
Net cash provided by operating activities	85,046	203,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(102,216)	(16,403)
Proceeds from immediate sale of contributed securities	17,187	-
Investment in community foundation	(5,100)	(4,098)
Net cash used in investing activities	(90,129)	(20,501)
Net (decrease)/increase in cash	(5,083)	183,140
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	959,395	776,255
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 954,312	$ 959,395

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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, whereby 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, 2022, the Foundation had approximately $725,000 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.

(continued)

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 corporation created by Congress in the Public Broadcasting Act of 1967. CPB is the steward of the federal government's investment in public broadcasting and the largest single source of funding for public radio, television, and related online and mobile services. CPB's mission is to ensure universal access to non-commercial, high-quality content and telecommunications services. It does so by distributing more than 70% of its funding to more than 1,500 locally owned public radio and television stations. CPB distributes community service grants ("CSGs") to noncommercial public television and radio stations that provide significant public service programming to their communities. CSGs help stations expand the quality and scope of their work, whether in educational, news, public affairs or other programming – all of which represent an immeasurable value to the American people. Applicant and current recipient stations must each year meet a variety of legal, managerial, staffing and operational criteria for CSG funding. 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 $24,865 and $11,987 for the years ended September 30, 2022 and 2021, 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)

Revenue Recognition

In 2021 the Foundation 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 Foundation recognizes revenue. 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.

- Donations 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.

- Gifts of cash and other assets are presented as restricted if they are received with donor stipulations that limit the use of the donated assets.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2022 and 2021, are comprised of the following:

	2022	2021
Membership	$ -	$ 2,629
Underwriting and newsletter advertising	25,250	12,298
Other receivable	2,444	1,518
Total	$ 27,694	$ 16,445

The Foundation has determined that there should be no receivable recorded for Membership beyond 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 $27,694 at September 30, 2022. The Foundation has no liens to reduce this credit risk. Management believes all outstanding accounts receivable to be collectible at September 30, 2022.

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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:

	2022	2021
CFSA	$ 27,290	$ 29,417

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

	2022	2021
Interest and dividend income	$ 634	$ 910
Realized and unrealized gain/(loss)	(7,523)	3,444
Investment fees	(338)	(357)
Total investment income, net	$ (7,227)	$ 3,997

5. 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, 2022, $44,346 was reported as a liability to accrue the lease expense on a straight-line basis ($39,740 for 2021).

(continued)

5. 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, 2022, 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 was to expire in 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. As of September 30, 2022, the lease has been renewed and is set to expire on June 30, 2026.

Total lease expense for the years ended September 30, 2022 and 2021, was $120,360 and $123,889, respectively.

Future minimum lease payments are as follows:

Year Ended September 30	
2023	$ 73,645
2024	75,315
2025	77,034
2026	69,805
2027	62,629
Thereafter	364,604
Total	$ 723,032

6. 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)

6. **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.

(continued)

6. FAIR VALUE MEASUREMENTS (continued)

Fair value measurements were reported based on the following:

	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, 2022				
Other asset -Jazz records	$ 48,657	$ -	$ 48,657	$ -
Other assets measured at NAV:				
Beneficial interest in funds held at CFSA	$ 27,290			

	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, 2021				
Other asset -Jazz records	$ 48,657	$ -	$ 48,657	$ -
Other assets measured at NAV:				
Beneficial interest in funds held at CFSA	$ 29,417			

(continued)

6. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes investments measured at fair value based on net asset value (NAV) as of September 30, 2022 and 2021, respectively:

September 30, 2022	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Beneficial interest in trusts held by CSFA	$ 27,290	$ -	See Note 3	See Note 3

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

7. NET ASSETS

Net assets without donor restrictions were designated by the Board of Directors for the following purposes at September 30:

Year Ended September 30,	2022	2021
Undesignated	$ 563,903	$ 623,120
Board designated:		
Cash reserve	325,450	185,000
Repair and replacement	34,900	50,000
Opportunities	250,000	250,000
	610,350	485,000
Total	$ 1,174,253	$ 1,108,120

Donor restricted activity consists of various funds raised and expensed during the years ended September 30, 2022 and 2021. Donor restricted net asset balances at year end consist of the following:

Year Ended September 30,	2022	2021
Studio Upgrade	$ 12,410	$ 12,410
Roof Repair and Replacement Project	-	32,059
HVAC Project	24,559	-
Education	7,670	11,843
Endowment	5,000	-
Total	$ 49,639	$ 56,312

(continued)

7. NET ASSETS (continued)

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

Satisfaction of Purpose Restrictions	2022	2021
CSG- National Programming	$ 28,146	$ 27,481
Studio Upgrade	-	6,026
Roof Repair and Replacement Project	32,500	-
HVAC Project	30,000	-
Education	24,173	1,157
Total	$ 114,819	$ 34,664

8. AVAILABILITY AND LIQUIDITY

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

Financial assets at year-end:	2022	2021
Cash and cash equivalents	$ 954,312	$ 959,395
Accounts receivable	27,694	16,445
Total financial assets	982,006	975,840
Less amounts not available to be used within one year Net assets with donor restrictions	48,657	56,312
Financial assets available to meet general expenditures over the next twelve months	$ 933,349	$ 920,048

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.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 7, 2023, the date the financial statements were available to be issued.