THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

RCM

REGIER CARR & MONROE, LLP, CPAs

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

TABLE OF CONTENTS

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, 2023 and 2022, 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, 2023 and 2022, 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)

4801 E. BROADWAY BLVD. STE. 501 TUCSON, AZ 85711-3648 RCMTUCSON.COM P 520-624-8229 F 520-884-1102 REGIER CARR & MONROE LLP, CPAs TUCSON | TULSA/McALESTER | WICHITA

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.

March 8, 2024
Tucson, Arizona

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 763,256	$ 954,312
Accounts receivable	25,907	27,694
Prepaid expenses and other current assets	13,048	13,100
Total current assets	802,211	995,106
INVESTMENTS		
Beneficial interest in community foundation	31,806	27,290
PROPERTY AND EQUIPMENT		
Land	11,160	11,160
Buildings and improvements	632,210	381,283
Furniture and equipment	62,102	62,102
Broadcast equipment	540,113	531,439
Construction in process	172,323	57,910
Total	1,417,908	1,043,894
Less accumulated depreciation	856,240	822,507
Total property and equipment, net	561,668	221,387
OTHER ASSETS		
Other asset - jazz records	48,657	48,657
Operating lease right of use	408,089	-
Total other assets	456,746	48,657
Total assets	$ 1,852,431	$ 1,292,440

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 6,206	$ 13,168
Accrued payroll and related taxes	5,110	6,973
Current portion of operating lease liabilities	58,195	-
Total current liabilities	69,511	20,141
LONG-TERM LIABILITIES		
Operating lease liabilities, less current portion	398,887	-
Deferred rent	-	44,346
Deferred revenue	-	4,061
Total long-term liabilities	398,887	48,407
Total liabilities	468,398	68,548
NET ASSETS		
Without donor restrictions - other	772,597	563,903
Without donor restrictions - board designated	544,736	610,350
Total net assets without donor restrictions	1,317,333	1,174,253
With donor restrictions	66,700	49,639
Total net assets	1,384,033	1,223,892
Total liabilities and net assets	$ 1,852,431	$ 1,292,440

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, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Memberships	$ 438,318	$ -	$ 438,318
Underwriting	179,813	-	179,813
Fundraising events	29,675	-	29,675
Other program service revenue	3,693	-	3,693
Corporation for Public Broadcasting grants	77,472	27,490	104,962
Other grant revenues	81,000	90,000	171,000
Barter transactions - services and supplies	35,048	-	35,048
Employee Retention Credit	219,718	-	219,718
Other income (loss)	27,104	-	27,104
In-kind contributions	25,000	-	25,000
Donations	111,322	-	111,322
Net assets released from restrictions	100,429	(100,429)	-
Total revenues	1,328,592	17,061	1,345,653
EXPENSES			
Program services			
Programming	683,193	-	683,193
Community events	67,986	-	67,986
Total program services	751,179	-	751,179
Supporting services			
Membership development and fundraising	191,256	-	191,256
Underwriting solicitation	139,770	-	139,770
Management and general	103,307	-	103,307
Total supporting services	434,333	-	434,333
Total expenses	1,185,512	-	1,185,512
CHANGE IN NET ASSETS	143,080	17,061	160,141
NET ASSETS, BEGINNING OF YEAR	1,174,253	49,639	1,223,892
NET ASSETS, END OF YEAR	$ 1,317,333	$ 66,700	$ 1,384,033

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 ASSET, 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 FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Supporting Services	Total
Personnel costs	$ 421,497	$ 12,649	$ 434,146	$ 127,552	$ 69,703	$ 35,989	$ 233,244	$ 667,390
Dues and subscriptions	2,883	861	3,744	3,838	1,779	1,872	7,489	11,233
Professional and contract services	32,942	9,996	42,938	8,774	6,840	32,282	47,896	90,834
Computer expense	719	1,325	2,044	158	18,984	1,325	20,467	22,511
Staff travel	1,808	1,809	3,617	1,658	-	-	1,658	5,275
Rent and ROU asset amortization	119,253	-	119,253	-	-	-	-	119,253
Utilities	1,422	1,423	2,845	1,423	1,423	1,423	4,269	7,114
Repairs and maintenance	5,040	2,695	7,735	1,994	1,764	1,992	5,750	13,485
Insurance	2,534	4,242	6,776	2,534	2,534	4,922	9,990	16,766
Membership premiums	-	-	-	8,379	-	-	8,379	8,379
Program acquisition and supplies	69,035	-	69,035	-	-	-	-	69,035
Supplies	1,970	1,419	3,389	9,436	2,287	2,218	13,941	17,330
Telephone and internet	5,875	3,278	9,153	2,484	1,156	2,482	6,122	15,275
Fundraising	779	2,303	3,082	5,551	779	779	7,109	10,191
Advertising and marketing	1,838	13,105	14,943	4,733	1,680	1,680	8,093	23,036
Miscellaneous	5,720	3,003	8,723	2,864	1,976	6,075	10,915	19,638
Interest and bank charges	3,211	3,209	6,420	3,209	3,209	3,209	9,627	16,047
Depreciation and amortization	6,667	6,669	13,336	6,669	6,669	7,059	20,397	33,733
Barter transactions - services and supplies	-	-	-	-	18,987	-	18,987	18,987
Total	$ 683,193	$ 67,986	$ 751,179	$ 191,256	$ 139,770	$ 103,307	$ 434,333	$ 1,185,512

(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, 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
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
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 - 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.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 160,141	$ 59,460
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	33,733	29,637
Amortization of operating lease right of use asset	105,411	-
Accretion of operating lease liabilities	17,827	-
Contribution of securities	-	(17,242)
Increase (decrease) in cash from changes in:		
Accounts receivable	1,787	(11,249)
Prepaid expenses and other assets	52	6,778
Accounts payable	(6,962)	(2,254)
Accrued payroll and related taxes	(1,863)	3,967
Change in value of beneficial interest in community foundation	(3,501)	7,282
Operating lease liabilities	(74,245)	-
Deferred income	(4,061)	4,061
Deferred rent	(44,346)	4,606
Net cash provided by operating activities	183,973	85,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(374,014)	(102,216)
Proceeds from immediate sale of contributed securities	-	17,187
Investment in community foundation	(1,015)	(5,100)
Net cash used in investing activities	(375,029)	(90,129)
Net (decrease)/increase in cash	(191,056)	(5,083)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	954,312	959,395
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 763,256	$ 954,312

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

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. There were no permanently restricted net assets as of September 30, 2023.

(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 two financial institutions. At September 30, 2023, the Foundation had approximately $267,000 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.

Leases

A lease is defined as a party obtaining the right to use an asset legally owned by another party. The Foundation determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets and lease liabilities are recorded at the lease commencement date. Lease liabilities are recognized at the present value of the contractual fixed lease payments. The Foundation uses discount rates to determine the present value of future lease payments. For leases for which the implicit rate cannot be determined, the Foundation has made the policy election to use a risk-free rate as the discount rate for all leases, based on the U.S. Daily Treasury Par Yield Curve rates for various time periods that approximate the lease term. The lease terms used to calculate the ROU asset and lease liability may include options to extend or terminate when it is reasonably certain that the Foundation will exercise that option. ROU assets are recognized equal to lease liabilities, adjusted for prepaid lease payments, initial direct costs and lease incentives. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

As a practical expedient, the Foundation has elected not to recognize ROU assets and lease liabilities for leases that, at the commencement date, are for twelve months or less. Refer to Note 5, Operating Leases for additional information.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 $23,036 and $24,865, for the years ended September 30, 2023 and 2022, respectively.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Foundation does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute time to program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

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.

Revenue Recognition

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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- A third party (CARS, Inc.) accepts donations of vehicles and provides 80% of the sales proceeds to the Foundation while CARS, Inc. retains the other 20% for their fee. CARS, Inc. electronically deposits the money into the Foundation's bank account. The Foundation recognizes unrestricted revenue upon receipt of the deposits from CARS, Inc.

- 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.

Change in Accounting Principle - Leases

Effective October 1, 2022, the Foundation adopted new guidance intended to improve financial reporting for leases. Under the new guidance, a lessee is required to recognize assets and liabilities for leases. Consistent with legacy US GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on the classification of the lease as financing or operating. However, unlike legacy US GAAP, which requires that only capital leases are recognized in the statement of financial position, the new guidance requires that both operating and financing leases be recognized in the statement of financial position. The Foundation adopted this new standard using a modified retrospective method, applying the new guidance as of the beginning of the year of adoption, with a cumulative effect of initially applying the guidance recognized as an adjustment to net assets at October 1, 2022. Therefore, prior period information has not been restated. The Foundation has elected the package of practical expedients, which among other things, allows historical lease classifications to be carried forward. The Foundation did not elect the hindsight practical expedient in determining lease term and impairment of an entity's Right of Use Assets ("ROU assets"). On October 1, 2022, the Foundation recognized an operating lease liability and ROU asset of $513,500, related to tower leases. There was no cumulative-effect adjustment required to be booked to net assets upon transition.

(continued)

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2023 and 2022, are comprised of the following:

	2023	2022
Membership	$ 770	$ -
Underwriting and newsletter advertising	22,227	25,250
Other receivable	2,910	2,444
Total	$ 25,907	$ 27,694

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 $25,907 at September 30, 2023. The Foundation has no liens to reduce this credit risk. Management believes all outstanding accounts receivable to be collectible at September 30, 2023.

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.

(continued)

4. INVESTMENTS

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

	2023	2022
CFSA	$ 31,806	$ 27,290

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

	2023	2022
Interest and dividend income	$ 742	$ 634
Realized and unrealized gain (loss)	3,148	(7,523)
Investment fees	(389)	(338)
Total investment income (loss), net	$ 3,501	$ (7,227)

5. OPERATING LEASES

After Implementation of ASU No. 2016-02, Leases (Topic 842)

Effective October 1, 2022 (the "implementation date"), the Organization adopted new guidance intended to improve financial reporting for leases. A lease is defined as a party obtaining the right to use an asset legally owned by another party. The Organization determines if an arrangement is a lease at inception. For operating leases entered into prior to October 1, 2022, the Right-of-Use ("ROU") assets and operating lease liabilities were recognized in the consolidated statement of financial position on the implementation date based on the present value of the remaining future minimum payments over the lease term from the implementation date. For leases entered into subsequent to October 1, 2022, the operating lease ROU asset and operating lease liabilities are based on the present value of minimum payments over the lease term at the commencement date of the lease.

The Organization uses discount rates to determine the present value of future lease payments. For leases for which the implicit rate cannot be determined, the Organization has made the policy election to use a risk-free rate as the discount rate for all leases, based on the U.S. Daily Treasury Par Yield Curve rates for various time periods that approximate the lease term. The lease terms used to calculate the ROU asset and lease liability may include options to extend or terminate when it is reasonably certain that the Organization will exercise that option.

(continued)

5. **OPERATING LEASES** (continued)

In 2001, the Foundation entered into a twenty-year agreement to lease space on an auxiliary broadcasting tower. The lease expired July 2021, and was set to automatically renew for two additional periods, at September 30, 2023 the lease is set to expire July 2031. During 2018 the terms of the lease were renegotiated, under the original lease, the payments were amortized on a straight-line basis over the term of the lease with an annual escalation, and the renegotiation reduced the rent escalation.

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 is set to expire in June 2026. The monthly rent is $1,500, a portion of which is paid through in-kind underwriting services, with an initial six-month period of rent forgiveness.

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. As of September 30, 2023, the lease was renewed and expires July 2024. The monthly lease expense is $1,050 through July 2024. Lease expense will increase by 5% at the beginning of each renewal period. As of September 30, 2023, the Foundation has no plans to renew the lease.

The following chart provides additional information about the Foundation's operating leases for the year ended September 30, 2023:

Lease cost:	
Operating lease cost	$ 75,909
Other information:	
Operating cash outflows from operating leases	$ 74,245
Right of use assets obtained in exchange for new operating lease liabilities	$ 513,500
Weighted-average remaining lease term	7.50 years
Weighted-average discount rate	3.69%

(continued)

5. OPERATING LEASES (continued)

Future minimum lease payments for CFR's operating leases as of September 30, 2023, are as follows:

Year ending December 31,	
2024	$ 73,815
2025	65,034
2026	65,305
2027	62,629
2028	64,508
Thereafter	193,620
Total future lease payments	524,911
Less: Present value discount	(67,829)
Total	$ 457,082
Current operating lease liabilities	$ 58,195
Long-term operating lease liabilities	398,887
Total operating lease liabilities	$ 457,082

Note: Table excludes obligations for leases with original terms of 12 months or less which have not been recognized as a right to use asset or liability in the statement of financial position. As of September 30, 2023, there were no short-term loans.

Prior to ASU No. 2016-02, Leases (Topic 842)

Future minimum lease payments for the Foundation's operating leases as of September 30, 2022, are as follows:

Year Ended September 30	
2023	$ 73,645
2024	75,315
2025	77,034
2026	69,805
2027	62,629
Thereafter	258,129
Total	$ 616,557

(continued)

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.

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 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, 2023				
Other asset - Jazz records	$ 48,657	$ -	$ 48,657	$ -
Other assets measured at NAV:				
Beneficial interest in funds held at CFSA	$ 31,806			

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

(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, 2023 and 2022, respectively:

September 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Beneficial interest in trusts held by CSFA	$ 31,806	$ -	See Note 3	See Note 3

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

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,	2023	2022
Undesignated	$ 772,597	$ 563,903
Board designated:		
Cash reserve	390,293	325,450
Repair and replacement	34,900	34,900
Opportunities	119,543	250,000
	544,736	610,350
Total	$ 1,317,333	$ 1,174,253

Donor restricted activity consists of various funds raised and expensed during the years ended September 30, 2023 and 2022. Donor restricted net asset balances at year end consist of the following:

Year Ended September 30,	2023	2022
Studio Upgrade	$ 12,410	$ 12,410
New Tower	49,559	-
HVAC Project	-	29,559
Education	4,731	7,670
Total	$ 66,700	$ 49,639

(continued)

7. NET ASSETS (continued)

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

Satisfaction of Purpose Restrictions	2023	2022
CSG- National Programming	$ 27,490	$ 28,146
Roof Repair and Replacement Project	-	32,500
HVAC Project	50,000	30,000
Education	22,939	24,173
Total	$ 100,429	$ 114,819

8. AVAILABILITY AND LIQUIDITY

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

Financial assets at year-end:	2023	2022
Cash and cash equivalents	$ 763,256	$ 954,312
Accounts receivable	25,907	27,694
Total financial assets	789,163	982,006
Less amounts not available to be used within one year Net assets with donor restrictions	66,700	49,639
Financial assets available to meet general expenditures over the next twelve months	$ 722,463	$ 932,367

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.

(continued)

9. DONATED SERVICES

Contributed nonfinancial assets reflected in the Foundation's financial statements for the years ended September 30, 2023 and 2022, consist of the following:

	2023	2022
Donated materials and services	$ 25,000	$ -

Donated materials and services for building improvement projects are comprised of materials and labor that are used in relation to the contracted services.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2024, the date the financial statements were available to be issued.

11. CONTINGENCIES

The Foundation amended their Quarterly Federal Tax Returns with the assistance of a third party CPA and received Employee Retention Credits ("ERC") in the amount of $219,718. Management believes they met all criteria to qualify for the ERC. The IRS has the ability to audit amended returns for three years from the date the tax returns were filed.