

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended  
June 30, 2019 and 2018

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CoastAlaska, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CoastAlaska, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CoastAlaska, Inc. as of June 30, 2019 and 2018, 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.

As described in Note 1, during fiscal year 1999, five non-profit Alaska corporations, which operate five noncommercial public radio stations and one noncommercial public television in Southeast Alaska, formed CoastAlaska, Inc. Administrative and financial activities of six radio stations (including KUCB which was added in 2019) and one public television station are now conducted under a Compact Agreement by and between the stations.

## ***Other Matters***

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Activity by Member for the years ended June 30, 2019 and 2018 appearing on pages 19-24 is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Activity by Member is fairly stated in all material respects in relation to the financial statements as a whole.

*Elgee Rehfeld*

November 4, 2019

COASTALASKA, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

	2019	2018
ASSETS:		
Current Assets:		
Cash	\$ 1,829,438	\$ 1,531,380
Accounts receivable, net	170,835	273,463
Grants receivable	25,782	27,274
Contributions receivable, net	177,714	170,326
Prepaid expenses	45,173	26,364
Total Current Assets	2,248,942	2,028,807
Investments	952,637	905,620
Property and Equipment, net	133,827	148,499
Total Assets	\$ 3,335,406	\$ 3,082,926
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 274,574	\$ 262,555
Deferred revenue	330,843	253,577
Rental deposits	750	750
Total Current Liabilities	606,167	516,882
Total Liabilities	606,167	516,882
Net Assets -		
Without Donor Restrictions:		
Undesignated - available for operations	2,366,905	2,192,493
Designated - future station use	228,507	225,052
Designated - invested in property and equipment	133,827	148,499
Total Net Assets	2,729,239	2,566,044
Total Liabilities and Net Assets	\$ 3,335,406	\$ 3,082,926

The accompanying notes to financial statements are an integral part of these statements.

COASTALASKA, INC.  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions:		
SUPPORT:		
Contributions	\$ 686,611	\$ 750,396
Membership	849,783	773,347
Total support	<u>1,536,394</u>	<u>1,523,743</u>
REVENUES:		
Government and CPB operating grants	2,552,037	2,270,295
Underwriting income	965,507	939,774
Rental, special events and other income	729,671	699,312
Royalties and production income	53,653	86,937
Broadcast income	355,000	355,000
Other operating grants	216,986	98,955
Total revenues	<u>4,872,854</u>	<u>4,450,273</u>
TOTAL REVENUES and SUPPORT	<u>6,409,248</u>	<u>5,974,016</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	2,849,741	2,651,799
Technical	1,361,888	1,229,655
Total program services	<u>4,211,629</u>	<u>3,881,454</u>
SUPPORTING SERVICES:		
General and administrative	1,629,488	1,398,756
Fundraising and member development	781,274	797,176
Total supporting services	<u>2,410,762</u>	<u>2,195,932</u>
TOTAL EXPENSES	<u>6,622,391</u>	<u>6,077,386</u>
Change in Net Assets Without Donor Restrictions from Operating Activities	(213,143)	(103,370)
Change in Net Assets Without Donor Restrictions From Non-Operating Activities:		
Contribution of Assets from Unalaska Community Broadcasting, Inc. (KUCB)	316,870	-
Acquisition of Wrangell Radio Group, Inc. (KSTK)	-	134,008
Interest and investment income, net	59,468	50,858
Change in Net Assets Without Donor Restrictions	<u>163,195</u>	<u>81,496</u>
NET ASSETS, Beginning of Year	<u>2,566,044</u>	<u>2,484,548</u>
NET ASSETS, End of Year	<u>\$ 2,729,239</u>	<u>\$ 2,566,044</u>

The accompanying notes to the financial statements are an integral part of these statements



COASTALASKA, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash inflows from operations:		
Cash received from grants and government contracts	\$ 2,847,781	\$ 2,470,524
Cash received from contributions and fundraising	1,231,617	847,434
Cash received from underwriting	1,068,135	861,379
Cash received from other sources	1,138,324	1,141,249
Cash received from investment income	45,629	44,999
Cash outflows for operations:		
Payments for salaries, benefits and payroll taxes to employees	(4,002,817)	(3,733,891)
Payments to suppliers	(1,986,948)	(1,726,177)
Net cash provided by (used for) operating activities	341,721	(94,483)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(33,178)	(33,087)
Purchase and construction of buildings and equipment	(10,485)	(7,431)
Net cash used for investing activities	(43,663)	(40,518)
Net change in cash	298,058	(135,001)
Cash, beginning of year	1,531,380	1,666,381
Cash, end of year	\$ 1,829,438	\$ 1,531,380

The accompanying notes to the financial statements are an integral part of these statements

COAST ALASKA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2019

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2019
	Programming and Production	Technical	Total	General and Administrative	Fundraising and Member Development	
DIRECT EXPENSES						
Salaries and related expenses	\$ 2,191,814	\$ 262,731	\$ 2,454,545	\$ 1,113,998	\$ 434,274	\$ 4,002,817
Transmission expense	-	816,492	816,492	-	-	816,492
Occupancy	284,157	34,041	318,198	144,413	56,302	518,913
Professional fees	125,134	42,882	168,016	167,473	11,430	346,919
Acquisitions expense	203,829	-	203,829	-	-	203,829
Other expenses	-	-	-	60,643	72,081	132,724
Advertising	-	-	-	-	117,614	117,614
Supplies and equipment	6,102	97,318	103,420	8,685	-	112,105
Special events	-	-	-	-	79,951	79,951
Travel and transportation	38,705	14,869	53,574	11,922	1,892	67,388
Rental and maintenance of equipment	-	17,856	17,856	8,175	-	26,031
Dues and subscriptions	-	-	-	15,268	-	15,268
Postage and shipping	-	-	-	7,082	7,730	14,812
Printing and publications	-	-	-	119	-	119
Total direct expenses	2,849,741	1,286,189	4,135,930	1,537,778	781,274	6,454,982
FIXED ASSETS CAPITALIZED, NET OF DELETIONS	-	75,699	75,699	91,710	-	167,409
Total expenses	\$ 2,849,741	\$ 1,361,888	\$ 4,211,629	\$ 1,629,488	\$ 781,274	\$ 6,622,391

The accompanying notes to the financial statements are an integral part of these statements

COAST ALASKA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2018

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2018
	Programming and Production	Technical	Total	General and Administrative	Fundraising and Member Development	
DIRECT EXPENSES						
Salaries and related expenses	\$ 1,985,160	\$ 290,237	\$ 2,275,397	\$ 1,010,355	\$ 448,139	\$ 3,733,891
Transmission expense	-	714,948	714,948	-	-	714,948
Occupancy	237,102	34,649	271,751	120,669	53,512	445,932
Professional fees	155,141	63,520	218,661	181,583	8,498	408,742
Acquisitions expense	206,829	-	206,829	-	-	206,829
Advertising	-	-	-	-	136,294	136,294
Supplies and equipment	8,662	103,186	111,848	16,677	-	128,525
Travel and transportation	46,801	7,918	54,719	10,230	17,831	82,780
Special events	-	-	-	-	72,515	72,515
Other expenses	23	-	23	15,634	56,266	71,923
Rental and maintenance of equipment	-	11,752	11,752	9,334	-	21,086
Postage and shipping	-	-	-	6,961	4,121	11,082
Dues and subscriptions	-	-	-	9,575	-	9,575
Printing and publications	-	-	-	207	-	207
Total direct expenses	2,639,718	1,226,210	3,865,928	1,381,225	797,176	6,044,329
FIXED ASSETS CAPITALIZED, NET OF DELETIONS	12,081	3,445	15,526	17,531	-	33,057
Total expenses	\$ 2,651,799	\$ 1,229,655	\$ 3,881,454	\$ 1,398,756	\$ 797,176	\$ 6,077,386

The accompanying notes to the financial statements are an integral part of these statements

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

On July 1, 1998 five non-profit Alaska corporations, which operate five noncommercial public radio stations and one noncommercial public television station in Southeast Alaska, formed CoastAlaska, Inc. (CoastAlaska or the Organization), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include Capital Community Broadcasting, Inc. (CCBI-KTOO-TV and KTOO-FM), Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), and Rainbird Community Broadcasting (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation, to CoastAlaska. See Note 10 for details.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions
- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

The CoastAlaska program services, as presented in the Statements of Functional Expenses, are as follows:

#### Programming and Production

CoastAlaska stations and regional services provide quality non-commercial news and locally valued programming. CoastAlaska programming features local voices, fact-based journalism, community service and emergency alerting.

#### Technical Services

CoastAlaska technical products are radio and television broadcast signals, as well as digital content on the web. CoastAlaska stations produce eight FM broadcast services as well as KTOO TV and 360North television signals.

#### Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" note below.

CoastAlaska follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds, accounted for as exchange transactions, are deemed to be earned and reported as revenues when CoastAlaska has incurred expenditures on behalf of the member stations in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue.

All expenditures related to grants received from state or federal agencies, and associated revenues derived from these grants, by member stations are recorded in their respective financial statements and passed through to CoastAlaska and are then recorded in these financial statements. Each member station remains responsible for the conduct of their respective federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

# COASTALASKA, INC.

## NOTES TO THE FINANCIAL STATEMENTS

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization 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 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 Organization'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 Organization 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 statement of activities.

### Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Organization also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

### Member Cash

Under the terms of the Compact, each station retained ownership of a cash reserve account. The total of these accounts was \$204,180 at June 30, 1999. During fiscal 2004 the reserve cash was held in an investment account according to policy set forth by the Board of Directors, and CoastAlaska reflected the ownership of this investment basis by the member stations by reflecting the amount as a liability in the accompanying financial statements. Any income or loss from the investments became the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

### Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the balance sheet, and revenue and expenses for the period. Accordingly, actual results could differ from those estimates.

### Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair market value. Accordingly, CoastAlaska accounts for its marketable equity securities and certificates of deposit at fair value. Investments include stocks and mutual funds holding debt securities. Investments also include certificates of deposits with maturities more than 90 days subsequent to the end of the fiscal year and money market funds that are designated for unspecified reserves. Unrealized gains and losses are included in the change in net assets. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 4 and Note 5.

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### Fair Value Measurements

CoastAlaska reports its investments in accordance with FASB ASC 820 *Fair Value Measurement and Disclosure*. FASB ASC 820 provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principle market for the asset or liability being measured.

#### Real and Personal Property and Depreciation

Property and equipment of the member stations continues to be recorded in the financial statements of the respective members. Expenditures incurred by CoastAlaska for repairs and maintenance of the member stations' property and equipment are charged to operating expense as incurred. Expenditures incurred by CoastAlaska on behalf of the members' stations for property and equipment acquisitions, major renewals and betterments are recorded as contributions to the member stations as incurred. According to the terms and conditions of the National Telecommunications and Information Administration grants, which were received in years prior to 1995, the federal government retains a priority reversionary interest for ten years in equipment purchased with grant proceeds. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

#### Statement of Cash Flows

For the purpose of the statement of cash flows, CoastAlaska considers all cash in checking, savings and money market accounts, excluding those classified as investments, to be cash.

#### Income Taxes

CoastAlaska is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The organization applied for and received a group exemption to include all member stations and the Legacy Foundation as subordinates under its tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to CoastAlaska's tax-exempt purpose is subject to taxation as unrelated business income. There was no required provision for income taxes for fiscal years ended June 30, 2019 and 2018. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

#### Functional Allocation of Expenses

The costs of providing CoastAlaska's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses for program services are segregated from management and general expenses. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

- Occupancy costs are allocated to function based on each function's proportionate share of total salaries and related expenses.

#### Contributions Receivable

Contributions receivable are recorded at their estimated fair market value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$177,714 and \$170,326 at June 30, 2019 and 2018. CoastAlaska writes off uncollected pledges in excess of 180 days and management feels it is not necessary to record allowances for pledges less than 180 days.

# COASTALASKA, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### Donated Services and Equipment

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-2 through 25-5 *Contributions Received*, and FASB ASC 958-605-25-16 through 25-17 *Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by CoastAlaska.

Individuals volunteer their time and assist the Organization with professional services. Donated professional services, meeting the definition of FASB ASC 958-605-25-16 through 25-17 as described above, are recorded as revenue and expense in the accompanying statement of activities as donated services at estimated fair values based upon standard valuation rates and job classifications. Donated time not meeting the criteria is not reflected in the financial statements.

Contributed equipment is recorded as contributions at estimated fair value on the date of donation and is reported as an increase in the unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, if any, are reported as net assets with donor restrictions.

### Change in Accounting Principles

CoastAlaska implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of cash flows has changed to the direct method of reporting cash flows from operations, which management believes is more understandable for the users of its financial statements.
- Statements of Functional Expenses have been added presenting expenses by program and supporting services.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

The changes had no effect on net assets at June 30, 2019.

### Recent Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on CoastAlaska's financial position, results of operations, or cash flows. The impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

#### *ASU 2016-02*

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "*Leases (Topic 842)*." The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after



COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 15, 2019 with early application permitted. The Organization plans to adopt ASU 2016-02 in its fiscal year ended June 30, 2021.

*ASU 2015-14*

In August 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-14, *"Deferral of the Effective Date"* which modified ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2015-14 is effective for not-for-profit entities annual reporting periods beginning after December 15, 2018. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date, annual periods beginning after December 15, 2016. The Organization plans to adopt ASU 2015-14 in its fiscal year ended June 30, 2020.

*ASU 2016-18*

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash."* This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. ASU 2016-18 is effective for not-for-profit entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after 2019. The amendment is required to be applied retrospectively and early adoption is permitted. The Organization plans to adopt ASU 2016-18 in its fiscal year ended June 30, 2020.

*ASU 2018-08*

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made."* This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2018. The Organization plans to adopt ASU 2018-08 in its fiscal year ended June 30, 2020.

Subsequent Events

CoastAlaska has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the consolidated financial statements were available to be issued.

Reclassification

Certain amounts presented for the prior year have been reclassified to conform to the current year presentation.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2019:

Financial assets, at year-end*	\$3,156,406
Less those unavailable for general expenditures within one year, due to -	
Board designations -	
Designated for future station use	<u>(228,507)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,927,899</u>

\*Total assets, less nonfinancial assets (Property and Equipment, net; Prepaid expenses)

**NOTE 3 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment in total for all member stations at June 30, 2019 and 2018 are summarized below. All property and equipment owned by member stations is recorded in the financial statements of the member stations:

	<u>2019</u>	<u>2018</u>
Held by Member Stations:		
Building and improvements	\$ 4,365,956	\$ 4,297,591
Broadcasting, production and programming equipment	4,865,877	4,902,289
Office fixtures and equipment	75,188	79,735
Land	<u>653,212</u>	<u>653,212</u>
	9,960,233	9,932,827
Less accumulated depreciation	<u>(6,570,675)</u>	<u>(6,402,946)</u>
Total Held by Member Stations	<u>\$ 3,389,558</u>	<u>\$ 3,529,881</u>
Held by CoastAlaska:		
Building and improvements	\$ 347,402	\$ 347,402
Broadcasting, production and programming equipment	394,581	404,016
Office fixtures and equipment	22,135	22,135
Land	<u>9,000</u>	<u>9,000</u>
	782,553	773,118
Less accumulated depreciation, CoastAlaska	<u>(639,291)</u>	<u>(634,054)</u>
Total Held by CoastAlaska	<u>\$ 133,827</u>	<u>\$ 148,499</u>

Depreciation expense was \$20,343 and \$2,739 for CoastAlaska, and \$420,348 and \$450,864 for member stations for the fiscal years ending June 30, 2019 and 2018, respectively.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4 - INVESTMENTS**

Cost and fair value of marketable equity securities at June 30, 2019 are as follows:

	Amortized Cost	Unrealized Gains	Fair Value
Equity Securities	\$ 363,026	\$ 126,274	\$ 489,300
Money Market Funds	250,433	-	250,433
Government and Agency Securities	21,593	2,083	23,676
Corporate Bonds	96,480	4,344	100,824
Mutual Funds	<u>91,785</u>	<u>(3,381)</u>	<u>88,404</u>
Total	<u>\$ 823,317</u>	<u>\$ 129,320</u>	<u>\$ 952,637</u>

Cost and fair value of marketable equity securities at June 30, 2018 are as follows:

	Amortized Cost	Unrealized Gains	Fair Value
Equity Securities	\$ 353,403	\$ 121,015	\$ 474,418
Money Market Funds	249,828	-	249,828
Government and Agency Securities	16,501	151	16,652
Corporate Bonds	84,508	(957)	83,551
Mutual Funds	<u>85,899</u>	<u>(4,728)</u>	<u>81,171</u>
Total	<u>\$ 790,139</u>	<u>\$ 115,481</u>	<u>\$ 905,620</u>

Investment and interest income (loss) includes the following at June 30:

	2019	2018
Interest and dividend income	\$ 22,459	\$ 20,005
Realized gains	35,354	36,818
Management fees	(12,184)	(11,824)
Unrealized gains	<u>13,839</u>	<u>5,859</u>
Total	<u>\$ 59,468</u>	<u>\$ 50,858</u>

**NOTE 5 - FAIR VALUE MEASUREMENT**

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principle or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets as liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 489,300	\$ 489,300	\$ -	\$ -
Money Market Funds	250,433	250,433	-	-
Mutual Funds	88,404	88,404	-	-
Corporate Bonds	100,824	100,824	-	-
Government and Agency Securities	<u>23,676</u>	<u>23,676</u>	-	-
Total	<u>\$ 952,637</u>	<u>\$ 952,637</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 474,418	\$ 474,418	\$ -	\$ -
Money Market Funds	249,828	249,828	-	-
Mutual Funds	81,171	81,171	-	-
Corporate Bonds	83,551	83,551	-	-
Government and Agency Securities	<u>16,652</u>	<u>16,652</u>	-	-
Total	<u>\$ 905,620</u>	<u>\$ 905,620</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED**

CoastAlaska has received donations from supporters of KCAW totaling \$228,507 and \$225,052 as of June 30, 2019 and 2018, respectively, that the Board of Directors has set as designated for future use by KCAW station management through the setup of a legacy foundation.

**NOTE 7 - OPERATING LEASES**

CCBI has a consolidated operating land lease with the State of Alaska that was formerly three separate leases. Consolidation of the leases occurred in fiscal year 2012. CCBI also has various equipment leases. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The expenses associated with these leases are recorded in the financial statements of CoastAlaska.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2019, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

<u>Year Ending June 30</u>	<u>Schedule of Minimum Future Land and Equipment Lease Payments</u>
2020	\$ 102,400
2021	102,400
2022	55,400
2023	8,400
2024	8,400
Thereafter	<u>117,600</u>
Total	<u>\$ 394,600</u>

**NOTE 8 - PENSION EXPENSE**

On January 1, 1999, CoastAlaska became the plan sponsor for a retirement plan designed under the provisions of section 403(b) of the Internal Revenue Code. The CoastAlaska contribution to the plan is a discretionary amount of 4% of each employee's salary in both 2019 and 2018. There is no required employer matching contribution. The contribution is paid as accrued.

Plan participants employed prior to January 1, 2009 are 100% vested in all salary deferral and employer discretionary contributions upon entering the plan. Effective on January 1, 2009, new employees are eligible for employer discretionary contributions after one-year of service. Once eligible, employer discretionary contributions, if any, are fully vested.

Pension expense was \$91,336 and \$93,122 for fiscal 2019 and 2018, respectively.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES**

Grants and Contracts

Expenditures made pursuant to the grants and contracts of member stations may be subject to additional audits by government agencies or their representatives. Certain grant amounts of member stations reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.

Excess Cash Balances

CoastAlaska has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). CoastAlaska has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10 - ADMITTANCE OF UNALASKA COMMUNITY BROADCASTING, INC. TO THE COMPACT**

On July 1, 2018 KUCB in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation, to CoastAlaska. The contribution of assets to CoastAlaska totaled \$316,870.

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2019

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
<b>SUPPORT AND REVENUE:</b>								
Membership Revenue	\$ 184,467	\$ 108,097	\$ 114,251	\$ 41,661	\$ 364,311	\$ 3,672	\$ 33,324	\$ 849,783
Contributions	13,460	1,234	1,460	164	167	55,800	67	72,352
Underwriting Revenue	123,054	78,893	93,959	47,784	307,432	275,827	38,558	965,507
Interest and Investment Income	-	-	-	80	-	-	59,388	59,468
Contribution of assets from KUCB	-	-	-	-	-	-	316,870	316,870
Gain on sale of fixed assets	1,500	-	-	-	-	-	-	1,500
Production Income	671	-	-	3,450	587	41,115	7,120	52,943
Royalties	-	-	-	-	-	710	-	710
Miscellaneous Income	-	-	-	-	499	1,164	1,214	2,877
Rental Income	30,000	29,634	5,400	7,700	9,954	23,227	30,165	136,080
Sales Income	20,801	295	2,049	1,300	2,190	2,399	378	29,412
Fee for Accounting	-	-	-	-	17,060	69,776	216,899	303,735
APBC Grants	76,590	76,590	76,590	76,590	76,590	154,000	76,590	613,540
CPB Grants	146,736	121,027	123,668	185,464	153,232	946,557	111,951	1,788,635
Capital Grants	-	-	-	18,476	104,506	14,931	11,949	149,862
Other Operating Grants	6,713	37,250	8,150	117,689	-	388,822	13,362	571,986
Fundraising Revenues:								
Special Events	16,861	9,734	10,900	10,384	81,932	-	12,381	142,192
Auction	-	2,274	6,989	13,435	-	-	9,245	31,943
Gaming	9,573	14,670	46,270	3,689	-	-	7,730	81,932
In-kind Contributions	56,893	55,399	83,301	27,580	87,489	211,656	91,941	614,259
Total Support and Revenue	<u>687,319</u>	<u>535,097</u>	<u>572,987</u>	<u>555,446</u>	<u>1,205,949</u>	<u>2,189,656</u>	<u>1,039,132</u>	<u>6,785,586</u>
<b>EXPENSES:</b>								
<b>PROGRAMMING EXPENSES:</b>								
Salary and Related Expenses	215,149	140,406	128,471	221,575	378,342	943,984	163,887	2,191,814
Media Stock	-	-	-	-	15	1,992	-	2,007
Contract Labor - Programming	-	360	438	19,820	-	87,978	2,538	111,134
Production Costs	104	11	-	1,928	417	17,521	-	19,981
Prog/Prod Travel	10,468	814	139	1,766	2,132	21,641	1,745	38,705
Music Library	440	240	-	59	283	2,450	180	3,652
Audience Survey	-	-	-	-	14,000	-	-	14,000
Affiliation Fees	3,750	4,450	3,750	3,750	19,544	-	2,200	37,444
Program Acquisitions	17,607	17,509	11,633	8,667	41,980	16,989	8,450	122,835
News Services	-	-	(13)	-	6,906	-	-	6,893
Studio Maintenance	-	-	-	-	-	443	-	443
In-kind - Programming	4,755	772	-	4,960	414	967	4,808	16,676
Total Programming Expenses	<u>252,273</u>	<u>164,562</u>	<u>144,418</u>	<u>262,525</u>	<u>464,033</u>	<u>1,093,965</u>	<u>183,808</u>	<u>2,565,584</u>

(continued)

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2019

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
<b>TECHNICAL EXPENSES:</b>								
Salary and Related Expenses	-	-	-	-	-	57,669	205,062	262,731
Transmission Charges	13,725	10,125	10,125	1,689	10,125	189,000	8,212	243,001
Contract Labor	-	-	-	798	12,625	29,459	-	42,882
Engineering Supplies	360	170	46	33	-	12	26	647
Tech/Broadcast Travel	-	-	-	3,301	132	839	10,597	14,869
Translators' Expenses	29	9,020	16,239	-	37,653	87,857	288	151,086
Computer Hardware	200	-	3,004	307	3,701	9,842	4,540	21,594
Computer Software	1,257	42	229	1,841	1,339	43,020	19,007	66,735
Internet Services	5,322	4,144	4,343	16,965	8,497	33,713	3,500	76,484
Broadcast Equipment Purchase	541	409	879	-	1,685	4,652	823	8,989
Broadcast Equipment Maintenance	1,455	1,464	906	580	5,274	5,558	1,972	17,209
In-kind - Technical	33,779	35,161	37,733	-	32,759	152,548	53,941	345,921
<b>Total Technical Expenses</b>	<b>56,668</b>	<b>60,535</b>	<b>73,504</b>	<b>25,514</b>	<b>113,790</b>	<b>614,169</b>	<b>307,968</b>	<b>1,252,148</b>
<b>DEVELOPMENT EXPENSES:</b>								
Salary and Related Expenses	36,465	57,856	75,692	-	73,925	65,824	124,512	434,274
Premiums	6,495	3,874	-	7,306	3,086	-	-	20,761
Contract Labor	-	-	-	-	1,430	10,000	-	11,430
Advertising	114	250	25	1,000	32	17	798	2,236
Development Travel	-	785	-	-	-	851	256	1,892
Printing	2,188	1,051	589	139	2,691	137	935	7,730
Special Events	6,741	7,293	28,795	946	27,284	-	8,892	79,951
Retail Inventory	10,687	-	625	1,775	-	36	1,086	14,209
Credit Card Fees	-	-	-	98	-	-	32,330	32,428
Volunteers	149	-	53	142	629	309	251	1,533
Bulk Mail Postage	670	395	199	91	1,595	-	200	3,150
In-kind - Development	4,627	5,054	22,786	-	35,910	36,617	10,384	115,378
<b>Total Development Expenses</b>	<b>68,136</b>	<b>76,558</b>	<b>128,764</b>	<b>11,497</b>	<b>146,582</b>	<b>113,791</b>	<b>179,644</b>	<b>724,972</b>
<b>OCCUPANCY EXPENSES:</b>								
Rent	-	-	-	-	46,629	71,826	-	118,455
Building Maintenance	2,985	1,145	1,180	-	7,910	18,456	3,763	35,439
Janitorial Supplies	565	240	69	3,000	4,040	9,427	32	17,373
Telephone	7,295	5,382	5,531	5,915	3,220	8,047	7,253	42,643
Utilities	26,193	13,600	20,288	17,139	25,407	59,778	5,223	167,628
Insurance	12,630	9,950	10,588	1,143	13,577	31,680	13,675	93,243
In-kind - Occupancy	-	1,700	2,912	22,620	2,520	5,880	8,500	44,132
<b>Total Occupancy Expenses</b>	<b>49,668</b>	<b>32,017</b>	<b>40,568</b>	<b>49,817</b>	<b>103,303</b>	<b>205,094</b>	<b>38,446</b>	<b>518,913</b>

(continued)



COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2019

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU		COASTALASKA KSTK-FM	Total
					KTOO-FM	KTOO-TV		
ADMINISTRATIVE EXPENSES:								
Salary and Related Expenses	89,502	95,683	57,067	92,768	98,982	243,046	436,950	1,113,998
Office Supplies	1,153	1,215	79	501	1,336	1,964	659	6,907
Administrative Travel	3,702	649	395	189	608	304	6,075	11,922
Administrative Staff Training	1,945	-	-	-	3	7	149	2,104
Postage	1,702	672	584	268	2,461	100	1,295	7,082
Dues & Subscriptions	1,554	772	883	1,028	1,231	2,152	7,648	15,268
Printing	119	-	-	-	-	-	-	119
Office Equipment Rental	29	-	323	-	2,347	5,476	-	8,175
Office Equipment Purchase	-	-	-	-	-	-	1,778	1,778
Contract Labor	1,526	1,018	1,357	454	2,853	4,733	891	12,832
Board/Admin	921	1,215	-	-	1,105	1,407	9,305	13,953
Audit	-	-	-	1,800	-	-	23,275	25,075
Legal Fees	-	-	-	296	3,251	7,586	9,281	20,414
Taxes	1,535	-	-	-	-	-	2,372	3,907
Bank and Investment Consult Fees	439	202	282	296	448	200	15,133	17,000
Depreciation Expense	-	-	-	-	-	-	20,343	20,343
Other	4,593	-	-	-	10,840	89	4,814	20,336
In-kind - Admin	13,732	12,712	19,870	-	15,886	15,644	14,308	92,152
Administrative Expenses before CoastAlaska Support	122,452	114,138	80,840	97,600	141,351	282,708	554,276	1,393,365
CoastAlaska Support	117,318	89,976	91,613	78,022	178,157	-	(555,086)	-
Total Administrative Expenses	239,770	204,114	172,453	175,622	319,508	282,708	(810)	1,393,365
Total Expenses	666,515	537,786	559,707	524,975	1,147,216	2,309,727	709,056	6,454,982
Revenue (Deficit) in Excess of Expenses before Capital Items	20,804	(2,689)	13,280	30,471	58,733	(120,071)	330,076	330,604
CAPITAL ITEMS -								
Assets Capitalized by Stations, Net of Loss on Disposal	7,427	2,806	3,800	16,747	72,007	64,622	-	167,409
Change in Net Assets	\$ 13,377	\$ (5,495)	\$ 9,480	\$ 13,724	\$ (13,274)	\$ (184,693)	\$ 330,076	\$ 163,195

COASTALASKA, INC.  
 SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
 For the Year Ended June 30, 2018

	SITKA	PETERSBURG	KETCHIKAN	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KTOO-FM	KTOO-TV	KSTK-FM	
<b>SUPPORT AND REVENUE:</b>							
Membership Revenue	\$ 170,877	\$ 106,828	\$ 110,163	\$ 351,818	\$ 2,580	\$ 31,081	\$ 773,347
Contributions	22,998	2,017	7,400	2,539	51,788	50	86,792
Underwriting Revenue	142,880	81,834	97,469	304,913	268,282	44,396	939,774
Interest and Investment Income	-	-	-	-	-	50,858	50,858
Acquisition of KSTK	-	-	-	-	-	134,008	134,008
Production Income	278	-	-	465	78,912	7,120	86,775
Royalties	-	-	-	-	162	-	162
Miscellaneous Income	-	-	-	-	-	963	963
Rental Income	30,000	28,770	4,900	10,693	24,950	28,449	127,762
Sales Income	21,987	375	2,015	1,265	3,863	500	30,005
Fee for Accounting	-	-	-	16,756	35,678	270,598	323,032
APBC Grants	80,016	80,016	80,016	80,016	154,000	80,016	554,080
CPB Grants	133,981	121,882	125,495	154,818	1,042,789	114,488	1,693,453
Capital Grants	-	-	-	-	6,513	16,249	22,762
Other Operating Grants	1,750	42,500	1,375	8,500	372,400	27,430	453,955
Fundraising Revenues:							
Special Events	15,270	9,227	8,040	93,479	563	8,303	134,882
Auction	-	-	7,670	-	-	3,205	10,875
Gaming	8,130	16,160	39,823	-	-	7,680	71,793
In-kind Contributions	61,883	58,214	78,234	81,873	299,250	84,150	663,604
Total Support and Revenue	<u>690,050</u>	<u>547,823</u>	<u>562,600</u>	<u>1,107,135</u>	<u>2,341,730</u>	<u>909,544</u>	<u>6,158,882</u>
<b>EXPENSES:</b>							
<b>PROGRAMMING EXPENSES:</b>							
Salary and Related Expenses	204,502	136,488	131,796	432,019	960,828	119,527	1,985,160
Media Stock	-	-	-	-	2,646	-	2,646
Contract Labor - Programming	-	583	75	1,125	130,195	9,163	141,141
Production Costs	93	-	-	487	19,556	-	20,136
Prog/Prod Travel	11,693	1,562	983	833	29,169	2,561	46,801
Music Library	300	240	-	240	4,244	345	5,369
Audience Survey	-	-	-	14,000	-	-	14,000
Affiliation Fees	4,500	7,872	4,500	19,660	-	2,500	39,032
Program Acquisitions	17,330	16,971	11,424	40,737	16,203	8,045	110,710
News Services	-	1,251	790	6,906	-	-	8,947
Outreach	23	-	-	-	-	-	23
Studio Maintenance	-	-	-	-	647	-	647
In-kind - Programming	13,759	612	1,000	2,631	3,219	6,783	28,004
Total Programming Expenses	<u>252,200</u>	<u>165,579</u>	<u>150,568</u>	<u>518,638</u>	<u>1,166,707</u>	<u>148,924</u>	<u>2,402,616</u>

(continued)

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2018

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	JUNEAU		COASTALASKA KSTK-FM	Total
				KTOO-FM	KTOO-TV		
<b>TECHNICAL EXPENSES:</b>							
Salary and Related Expenses	-	-	-	-	74,475	215,762	290,237
Transmission Charges	10,500	10,500	10,500	10,500	210,000	8,866	260,866
Contract Labor	380	380	380	-	62,000	380	63,520
Engineering Supplies	162	132	390	-	40	547	1,271
Tech/Broadcast Travel	-	-	-	-	-	7,918	7,918
Translators' Expenses	1,800	9,000	16,245	-	-	667	27,712
Computer Hardware	1,291	1,051	362	4,206	12,573	10,402	29,885
Computer Software	860	188	18	1,019	40,396	16,467	58,948
Internet Services	7,011	3,950	4,003	8,359	26,520	5,251	55,094
Broadcast Equipment Purchase	918	3,778	1,101	298	3,461	4,797	14,353
Broadcast Equipment Maintenance	1,593	1,368	1,968	3,598	-	1,954	10,481
In-kind - Technical	29,736	28,451	32,197	26,050	208,799	46,043	371,276
<b>Total Technical Expenses</b>	<b>54,251</b>	<b>58,798</b>	<b>67,164</b>	<b>54,030</b>	<b>638,264</b>	<b>319,054</b>	<b>1,191,561</b>
<b>DEVELOPMENT EXPENSES:</b>							
Salary and Related Expenses	60,114	56,794	75,349	50,094	84,404	121,384	448,139
Premiums	2,369	3,586	-	3,238	-	-	9,193
Contract Labor	-	-	-	106	7,748	644	8,498
Advertising	12	450	24	68	247	762	1,563
Development Travel	676	323	121	450	771	15,490	17,831
Printing	1,451	384	392	1,552	-	342	4,121
Special Events	8,564	7,007	20,344	30,312	-	6,288	72,515
Retail Inventory	12,588	-	747	-	118	1,951	15,404
Credit Card Fees	-	-	-	-	-	26,591	26,591
Volunteers	530	55	50	130	-	860	1,625
Bulk Mail Postage	992	291	207	1,505	-	458	3,453
In-kind - Development	2,780	7,704	20,986	36,336	60,940	5,985	134,731
<b>Total Development Expenses</b>	<b>90,076</b>	<b>76,594</b>	<b>118,220</b>	<b>123,791</b>	<b>154,228</b>	<b>180,755</b>	<b>743,664</b>
<b>OCCUPANCY EXPENSES:</b>							
Rent	-	-	-	44,900	71,992	-	116,892
Building Maintenance	5,575	796	1,370	5,446	12,584	1,801	27,572
Janitorial Supplies	584	370	93	4,174	9,731	214	15,166
Telephone	6,693	5,296	5,376	3,720	8,211	6,713	36,009
Utilities	23,789	12,042	17,769	22,070	51,478	6,165	133,313
Insurance	12,639	9,869	9,786	12,833	29,943	15,378	90,448
In-kind - Occupancy	-	1,700	3,882	1,719	8,978	10,253	26,532
<b>Total Occupancy Expenses</b>	<b>49,280</b>	<b>30,073</b>	<b>38,276</b>	<b>94,862</b>	<b>192,917</b>	<b>40,524</b>	<b>445,932</b>

(continued)

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2018

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	JUNEAU		COASTALASKA KSTK-FM	Total
				KTOO-FM	KTOO-TV		
ADMINISTRATIVE EXPENSES:							
Salary and Related Expenses	70,792	89,953	75,419	94,316	271,408	408,467	1,010,355
Office Supplies	991	415	696	899	1,509	1,397	5,907
Administrative Travel	583	52	639	569	1,078	7,309	10,230
Postage	1,723	618	732	1,874	470	1,544	6,961
Dues & Subscriptions	1,045	630	865	1,397	1,885	3,753	9,575
Printing	-	-	119	-	-	88	207
Office Equipment Rental	-	-	528	2,200	5,133	1,473	9,334
Office Equipment Purchase	368	-	-	361	843	9,198	10,770
Contract Labor	3,326	1,018	1,357	1,697	2,035	891	10,324
Board/Admin	560	320	576	531	1,622	5,381	8,990
Audit	-	-	-	-	-	27,050	27,050
Legal Fees	-	-	-	357	833	24,201	25,391
Taxes	1,535	-	-	-	-	2,370	3,905
Bank and Investment Consult Fees	358	223	180	592	75	14,329	15,757
Depreciation Expense	-	-	-	-	-	2,739	2,739
In-kind - Admin	15,608	19,747	20,169	15,137	17,314	15,086	103,061
Administrative Expenses before CoastAlaska Support	96,889	112,976	101,280	119,930	304,205	525,276	1,260,556
CoastAlaska Support	126,646	93,314	99,203	185,991	-	(505,154)	-
Total Administrative Expenses	223,535	206,290	200,483	305,921	304,205	20,122	1,260,556
Total Expenses	669,342	537,334	574,711	1,097,242	2,456,321	709,379	6,044,329
Revenue (Deficit) in Excess of Expenses before Capital Items	20,708	10,489	(12,111)	9,893	(114,591)	200,165	114,553
CAPITAL ITEMS -							
Assets Capitalized by Stations	7,882	-	-	5,259	16,448	3,468	33,057
Change in Net Assets	<u>\$ 12,826</u>	<u>\$ 10,489</u>	<u>\$ (12,111)</u>	<u>\$ 4,634</u>	<u>\$ (131,039)</u>	<u>\$ 196,697</u>	<u>\$ 81,496</u>



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Raven Radio Foundation, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Raven Radio Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raven Radio Foundation, Inc. as of June 30, 2019 and 2018, 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.

As described in Note 1, during fiscal 1999, Raven Radio Foundation, Inc. and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of six public radio stations (including KUCB which was added in 2019) and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2019 and 2018, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Elgee Rehfeld*

November 4, 2019

RAVEN RADIO FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2019 and 2018

	2019	2018
ASSETS -		
Property and Equipment, net	\$ 978,280	\$ 1,024,469
Total Assets	\$ 978,280	\$ 1,024,469
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 978,280	\$ 1,024,469
Total Liabilities and Net Assets	\$ 978,280	\$ 1,024,469

The accompanying notes to financial statements are an integral part of these statements.

RAVEN RADIO FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 7,427	\$ 7,882
Contributions	70,353	84,881
Membership	184,467	170,877
Government and CPB operating grants	223,326	213,997
Underwriting income	123,054	142,880
Rental, special events and other income	78,735	75,387
Royalties and production income	671	278
Other operating grants	6,713	1,750
Total Public Support, Revenue and Other Gains	694,746	697,932
Administrative Expenses:		
Pass-through funding to CoastAlaska	687,319	690,050
Depreciation	53,616	52,266
Total Administrative Expenses	740,935	742,316
Change in Net Assets Without Donor Restrictions	(46,189)	(44,384)
Net Assets, Beginning of Year	1,024,469	1,068,853
Net Assets, End of Year	\$ 978,280	\$ 1,024,469

The accompanying notes to financial statements are an integral part of these statements.



RAVEN RADIO FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (46,189)	\$ (44,384)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	53,616	52,266
Net Cash Provided By Operating Activities	7,427	7,882
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(7,427)	(7,882)
Net Cash Used For Investing Activities	(7,427)	(7,882)
Net Change In Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

The accompanying notes to financial statements are an integral part of these statements.

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and CoastAlaska, Inc.

Raven Radio Foundation, Inc. (the Corporation) is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KCAW-FM in Sitka, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation & long term debt, to CoastAlaska.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each stations' budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions
- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" note below.

The Corporation follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds, accounted for as exchange transactions, are deemed to be earned and reported as revenues when the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements are recorded in the Corporation's financial statements and passed through to, and recorded in, the financial statements of CoastAlaska. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation'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 Corporation 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 statement of activities.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Corporation also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$42,928 at June 30, 1999. During fiscal 2004 the reserve account was invested in accordance with the policy set forth by the Board of Directors of CoastAlaska. Any dividend and interest earnings on this reserve become the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from five to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Statement of Cash Flows

For the purpose of the statement of cash flows, the Corporation considers all cash in checking, savings and money market accounts to be cash.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2019 and 2018. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

Change in Accounting Principles

The Corporation implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The Statement of Activities presents expenses based on functional classification.

The changes had no effect on net assets at June 30, 2019.

Subsequent Events

The Corporation has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Land	\$ 497,312	\$ 497,312
Building and improvements	837,965	827,989
Broadcasting, production and programming equipment	484,973	534,602
Office fixtures and equipment	<u>10,538</u>	<u>10,538</u>
	1,830,788	1,870,441
Less accumulated depreciation	<u>(852,508)</u>	<u>(845,972)</u>
	<u>\$ 978,280</u>	<u>\$ 1,024,469</u>

Depreciation expense was \$53,616 and \$52,266 for fiscal years ended June 30, 2019 and 2018, respectively.

**NOTE 3 - CONTINGENT LIABILITIES**

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Certain grant amounts of the Corporation reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Narrows Broadcasting Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Narrows Broadcasting Corporation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Narrows Broadcasting Corporation as of June 30, 2019 and 2018, 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.

As described in Note 1, during fiscal 1999, Narrows Broadcasting Corporation and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of six public radio stations (including KUCB which was added in 2019) and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2019 and 2018, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Elgee Rehfeld*

November 4, 2019



NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS -		
Property and Equipment, net	<u>\$ 217,385</u>	<u>\$ 244,287</u>
Total Assets	<u><u>\$ 217,385</u></u>	<u><u>\$ 244,287</u></u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	<u>\$ 217,385</u>	<u>\$ 244,287</u>
Total Liabilities and Net Assets	<u><u>\$ 217,385</u></u>	<u><u>\$ 244,287</u></u>

The accompanying notes to financial statements are an integral part of these statements.

NARROWS BROADCASTING CORPORATION  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 2,806	\$ -
Contributions	56,633	60,231
Membership	108,097	110,163
Government and CPB operating grants	197,617	201,898
Underwriting income	78,893	81,834
Rental, special events and other income	56,607	54,532
Other operating grants	37,250	42,500
Total Public Support, Revenue and Other Gains	537,903	551,158
Administrative Expenses:		
Pass-through funding to CoastAlaska	535,097	551,158
Depreciation	29,708	35,821
Total Administrative Expenses	564,805	586,979
Change in Net Assets Without Donor Restrictions	(26,902)	(35,821)
Net Assets, Beginning of Year	244,287	280,108
Net Assets, End of Year	\$ 217,385	\$ 244,287

The accompanying notes to financial statements are an integral part of these statements.

NARROWS BROADCASTING CORPORATION  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (26,902)	\$ (35,821)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	29,708	35,821
Net Cash Provided by Operating Activities	2,806	-
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(2,806)	-
Net Cash Used For Investing Activities	(2,806)	-
Net Change In Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

The accompanying notes to financial statements are an integral part of these statements.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and CoastAlaska, Inc.

Narrows Broadcasting Corporation (the Corporation) is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KFSK-FM in Petersburg, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation & long term debt, to CoastAlaska.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions
- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

#### Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" note below.

The Corporation follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds, accounted for as exchange transactions, are deemed to be earned and reported as revenues when the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements are recorded in the Corporation's financial statements and passed through to, and recorded in, the financial statements of CoastAlaska. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to

## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

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 may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation'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 Corporation 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 statement of activities.

#### Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Corporation also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

#### Cash

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$87,141. During fiscal year 2004 the reserve was invested according to policy set forth by the Board of Directors of CoastAlaska. Any dividends and interest earnings on the investments become the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

#### Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

#### Statement of Cash Flows

For the purpose of the statement of cash flows, the Corporation considers all cash in checking, savings and money market accounts to be cash.

#### Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2019 and 2018. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

#### Change in Accounting Principles

The Corporation implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The Statement of Activities presents expenses based on functional classification.

The changes had no effect on net assets at June 30, 2019.

#### Subsequent Events

The Corporation has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	515,658	515,658
Broadcasting, production and programming equipment	493,262	490,456
Office fixtures and equipment	<u>3,600</u>	<u>3,600</u>
	1,037,520	1,034,714
Less accumulated depreciation	<u>(820,135)</u>	<u>(790,427)</u>
	<u>\$ 217,385</u>	<u>\$ 244,287</u>

Depreciation expense was \$29,708 and \$35,821 for fiscal years ended June 30, 2019 and 2018, respectively.

**NOTE 3 - CONTINGENT LIABILITIES**

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Certain grant amounts of the Corporation reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rainbird Community Broadcasting Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rainbird Community Broadcasting Corporation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainbird Community Broadcasting Corporation as of June 30, 2019 and 2018, 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.

As described in Note 1, during fiscal 1999, Rainbird Community Broadcasting Corporation and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of six public radio stations (including KUCB which was added in 2019) and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2019 and 2018, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Elgee Rehfeld*

November 4, 2019

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS -		
Property and Equipment, net	<u>\$ 548,263</u>	<u>\$ 583,685</u>
Total Assets	<u><u>\$ 548,263</u></u>	<u><u>\$ 583,685</u></u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	<u>\$ 548,263</u>	<u>\$ 583,685</u>
Total Liabilities and Net Assets	<u><u>\$ 548,263</u></u>	<u><u>\$ 583,685</u></u>

The accompanying notes to financial statements are an integral part of these statements.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 3,800	\$ -
Contributions	84,761	85,634
Membership	114,251	110,163
Government and CPB operating grants	200,258	205,511
Underwriting income	93,959	97,469
Rental, special events and other income	71,608	62,448
Other operating grants	8,150	1,375
Total Public Support, Revenue and Other Gains	<u>576,787</u>	<u>562,600</u>
Administrative Expenses:		
Pass-through funding to CoastAlaska	572,987	562,600
Depreciation	39,222	49,259
Total Administrative Expenses	<u>612,209</u>	<u>611,859</u>
Change in Net Assets Without Donor Restrictions	(35,422)	(49,259)
Net Assets, Beginning of Year	<u>583,685</u>	<u>632,944</u>
Net Assets, End of Year	<u>\$ 548,263</u>	<u>\$ 583,685</u>

The accompanying notes to financial statements are an integral part of these statements.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (35,422)	\$ (49,259)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>39,222</u>	<u>49,259</u>
Net Cash Provided By Operating Activities	<u>3,800</u>	<u>-</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	<u>(3,800)</u>	<u>-</u>
Net Cash Used For Investing Activities	<u>(3,800)</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of these statements.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and CoastAlaska, Inc.

Rainbird Community Broadcasting Corporation (the Corporation) is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KRBD-FM in Ketchikan, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation & long term debt, to CoastAlaska.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions
- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

### Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" note below.

The Corporation follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds, accounted for as exchange transactions, are deemed to be earned and reported as revenues when the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements and passed through to, and recorded in, the financial statements of CoastAlaska. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to

# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

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 may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation'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 Corporation 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 statement of activities.

### Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Corporation also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

### Cash

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$29,405. During fiscal year 2004 the reserve was invested according to policy set forth by the Board of Directors of CoastAlaska. Any dividend and interest earnings on the investment reserve become the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

### Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.



# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

### Statement of Cash Flows

For the purpose of the statement of cash flows, the Corporation considers all cash in checking, savings and money market accounts to be cash.

### Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2019 and 2018. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

### Change in Accounting Principles

The Corporation implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The Statement of Activities presents expenses based on functional classification.

The changes had no effect on net assets at June 30, 2019.

### Subsequent Events

The Corporation has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	562,646	558,846
Office fixtures and equipment	<u>9,700</u>	<u>9,700</u>
	1,277,194	1,273,394
Less accumulated depreciation	<u>(728,931)</u>	<u>(689,709)</u>
	<u>\$ 548,263</u>	<u>\$ 583,685</u>

Depreciation expense was \$39,222 and \$49,259 for fiscal years ended June 30, 2019 and 2018, respectively.

**NOTE 3 - CONTINGENT LIABILITIES**

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Certain grant amounts of the Corporation reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Unalaska Community Broadcasting, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Unalaska Community Broadcasting, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, and cash flows for the year 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 audit. We conducted our audit 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unalaska Community Broadcasting, Inc. as of June 30, 2019, 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.

As described in Note 4, during fiscal 2019, Unalaska Community Broadcasting, Inc. joined the CoastAlaska Compact. Administrative and financial activities of the six public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2019 and 2018 appearing on pages 19-24, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Elgee Rehfeld*

November 4, 2019

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

	<u>2019</u>
ASSETS -	
Property and Equipment, net	<u>\$ 105,025</u>
Total Assets	<u>\$ 105,025</u>
LIABILITIES AND NET ASSETS -	
Net Assets -	
Without Donor Restrictions	<u>\$ 105,025</u>
Total Liabilities and Net Assets	<u>\$ 105,025</u>

The accompanying notes to financial statements are an integral part of these statements.

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Public Support, Revenue and Other Gains:	
Support from CoastAlaska for equipment repairs and replacements	\$ 16,747
Contributions	27,744
Membership	41,661
Government and CPB operating grants	280,530
Underwriting income	47,784
Rental, special events and other income	36,588
Royalties and production income	3,450
Other operating grants	<u>117,689</u>
Total Public Support, Revenue and Other Gains	<u>572,193</u>
Administrative Expenses:	
Pass-through funding to CoastAlaska	555,446
Contribution of assets to CoastAlaska	316,870
Depreciation	<u>24,338</u>
Total Administrative Expenses	<u>896,654</u>
Change in Net Assets Without Donor Restrictions	(324,461)
Net Assets, Beginning of Year	<u>429,486</u>
Net Assets, End of Year	<u><u>\$ 105,025</u></u>

The accompanying notes to financial statements are an integral part of these statements.

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	<u>2019</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities	
Change in Net Assets Without Donor Restrictions	\$ (324,461)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities	
Contribution of assets to CoastAlaska	316,870
Depreciation	<u>24,338</u>
Net Cash Provided By Operating Activities	<u>16,747</u>
Cash Flows From Investing Activities:	
Cash paid for fixed assets and capital improvements	<u>(16,747)</u>
Net Cash Used For Investing Activities	<u>(16,747)</u>
Net Change in Cash	-
Cash at Beginning of Year	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of these statements.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and CoastAlaska, Inc.

Unalaska Community Broadcasting, Inc. (the Corporation or KUCB) is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KUCB-FM in Unalaska, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

On July 1, 2018 KUCB joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation & long term debt, to CoastAlaska.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions



# UNALASKA COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

### Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" note below.

The Corporation follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds, accounted for as exchange transactions, are deemed to be earned and reported as revenues when the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements are recorded in the Corporation's financial statements and passed through to, and recorded in, the financial statements of CoastAlaska. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

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

# UNALASKA COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation'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 Corporation 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 statement of activities.

### Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Corporation also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

### Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

### Statement of Cash Flows

For the purpose of the statement of cash flows, the Corporation considers all cash in checking, savings and money market accounts to be cash.

### Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

under section 509(a)(2). There was no required provision for income taxes for fiscal year ended June 30, 2019. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

Change in Accounting Principles

The Corporation implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The Statement of Activities presents expenses based on functional classification.

The changes had no effect on net assets at June 30, 2019.

Subsequent Events

The Corporation has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2019 are summarized below:

	<u>2019</u>
Broadcasting, production and programming equipment	\$ 341,539
Less accumulated depreciation	<u>(236,514)</u>
	<u>\$ 105,025</u>

Depreciation expense was \$24,338 for the year ended June 30, 2019.

**NOTE 3 - CONTINGENT LIABILITIES**

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Certain grant amounts of the Corporation

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.

**NOTE 4 - ADMITTANCE OF UNALASKA COMMUNITY BROADCASTING, INC. TO THE COMPACT**

On July 1, 2018 KUCB in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation & long term debt, to CoastAlaska. The contribution of assets to CoastAlaska totaled \$316,870.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Capital Community Broadcasting, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Capital Community Broadcasting, Inc. (CCBI), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCBI as of June 30, 2019 and 2018, 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.

As described in Note 1, during fiscal 1999, CCBI and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of six public radio stations (including KUCB which was added in 2019) and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2019 and 2018, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Elgee Rehfeld*

November 4, 2019

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Property and equipment, net	\$ 1,540,605	\$ 1,677,440
Beneficial interest -		
Juneau Community Foundation	209,358	209,358
Intangibles	<u>621,400</u>	<u>621,400</u>
Total Assets	<u>\$ 2,371,363</u>	<u>\$ 2,508,198</u>
LIABILITIES AND NET ASSETS:		
Payable to KTOO Legacy Foundation	<u>\$ 209,358</u>	<u>\$ 209,358</u>
Total Liabilities	<u>209,358</u>	<u>209,358</u>
Net Assets-		
Without Donor Restrictions	<u>2,162,005</u>	<u>2,298,840</u>
Total Liabilities and Net Assets	<u>\$ 2,371,363</u>	<u>\$ 2,508,198</u>

The accompanying notes to financial statements are an integral part of these statements.

CAPITAL COMMUNITY BROADCASTING, INC.  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 136,629	\$ 21,707
Contributions	355,112	435,450
Membership	367,983	354,398
Government and CPB operating grants	1,449,816	1,438,136
Underwriting income	583,259	573,195
Rental, special events and other income	208,201	187,247
Royalties and production income	42,412	79,539
Other operating grants	388,822	380,900
Total Public Support, Revenue and Other Gains	3,532,234	3,470,572
Administrative Expenses:		
Pass-through funding to CoastAlaska	3,395,605	3,448,865
Depreciation	273,464	288,504
Total Administrative Expenses	3,669,069	3,737,369
Change in Net Assets Without Donor Restrictions	(136,835)	(266,797)
Net Assets, Beginning of Year	2,298,840	2,565,637
Net Assets, End of Year	\$ 2,162,005	\$ 2,298,840

The accompanying notes to financial statements are an integral part of these statements.



CAPITAL COMMUNITY BROADCASTING, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (136,835)	\$ (266,797)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	273,464	288,504
Net Cash Provided By Operating Activities	136,629	21,707
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(136,629)	(21,707)
Net Cash Used For Investing Activities	(136,629)	(21,707)
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

The accompanying notes to financial statements are an integral part of these statements.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and CoastAlaska, Inc.

Capital Community Broadcasting, Inc. (CCBI) is a non-profit Alaska corporation, which operates a noncommercial public television station (KTOO-TV in Juneau, Alaska) and a noncommercial public FM radio station (KTOO-FM in Juneau, Alaska), as described below.

On July 1, 1998 CCBI joined with four other noncommercial public radio stations in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets and associated accumulated depreciation & long term debt, to CoastAlaska.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is excepted from this review and approval process and remains with CCBI's Board of Directors. Each stations' budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff which provides the following services to CoastAlaska and its members:

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" note below.

CCBI follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds, accounted for as exchange transactions, are deemed to be earned and reported as revenues when CCBI has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of CCBI's radio and television stations are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements are recorded in CCBI's financial statements and passed through to, and recorded in, the financial statements of CoastAlaska. CCBI remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

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

## CAPITAL COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of CCBI. These net assets may be used at the discretion of the CCBI'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 CCBI 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 statement of activities.

#### Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. CCBI also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

#### Cash

Under the terms of the Compact, CCBI retained ownership of a cash reserve account in the amount of \$44,184. During fiscal year 2004 the reserve cash was invested according to policy set forth by the CoastAlaska Board of Directors. Any dividends and interest earnings on this cash becomes the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

#### Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

#### Broadcast Rights

Programming broadcast rights are expensed annually as purchased.

#### Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of CCBI's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of CCBI for property and equipment acquisitions; major renewals and betterments are recorded as contributions by CCBI as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

#### Statement of Cash Flows

For the purpose of the statement of cash flows, CCBI considers all cash in checking, savings and money market accounts, to be cash.

# CAPITAL COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### Income Taxes

CCBI is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the CCBI's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the CCBI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2019 and 2018. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. CCBI's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

### Change in Accounting Principles

CCBI implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The Statement of Activities presents expenses based on functional classification.

The changes had no effect on net assets at June 30, 2019.

### Subsequent Events

CCBI has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

## **NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 2,438,385	\$ 2,379,996
Broadcasting, production and programming equipment	2,983,457	3,318,385
Office fixtures and equipment	<u>51,350</u>	<u>55,897</u>
	5,473,192	5,754,278
Less accumulated depreciation	<u>(3,932,587)</u>	<u>(4,076,838)</u>
	<u>\$ 1,540,605</u>	<u>\$ 1,677,440</u>

Depreciation expense was \$273,464 and \$288,504 for fiscal years ended June 30, 2019 and 2018.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3 - JUNEAU COMMUNITY FOUNDATION FUND**

During fiscal year 2010, CCBI's KTOO Legacy Foundation (Legacy), a nonprofit foundation affiliated with CCBI, entered into an Endowment Agreement (Agreement) with the Juneau Community Foundation (JCF), an unrelated community foundation. Under the Agreement, Legacy transferred \$77,685 to JCF, which established the KTOO Legacy (Fund) with the proceeds. During fiscal year 2016, an additional \$141,173 was transferred. Under the Agreement JCF will hold, manage and invest the Fund for the charitable purpose of Legacy. CCBI's Board of Directors may request that earnings and principal of the Fund be distributed subject to the terms of the Agreement and approval of the JCF Board of Directors. CCBI has granted variance power to JCF only if CCBI ceases to exist or is no longer a qualified charitable organization. The variance power is further limited in that JCF may transfer the interest in the Fund after consultation with members of the final Board of Directors of CCBI. Accordingly, CCBI has recognized a beneficial interest in the JCF Fund.

CCBI records the beneficial interest at cost and will recognize earnings in the Fund upon distribution by JCF. During fiscal years 2019 and 2018, CCBI received distributions of \$-0- and \$10,000, respectively.

CCBI's beneficial interest is comingled with other entities that have placed accounts with JCF. At June 30, 2019 and 2018, JCF reported to CCBI the account had a total market value of \$59,814,520 and \$56,895,696, and an adjusted cost basis of \$50,368,768 and \$49,184,022, respectively. CCBI's reported share of the account had a market value of \$312,709 and \$299,065 at June 30, 2019 and 2018, respectively. The account is invested in index funds and cash equivalents.

**NOTE 4 - OPERATING LEASES**

CCBI has a consolidated operating land lease with the State of Alaska that was formerly three separate leases. Consolidation of the leases occurred in fiscal year 2012. CCBI also has various equipment leases. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The expenses associated with these leases are recorded in the financial statements of CoastAlaska.

As of June 30, 2019, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

<u>Year Ending June 30</u>	Schedule of Minimum Future Land and Equipment <u>Lease Payments</u>
2020	\$ 102,400
2021	102,400
2022	55,400
2023	8,400
2024	8,400
Thereafter	<u>117,600</u>
Total	<u>\$ 394,600</u>

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5 - INTANGIBLE ASSETS**

In 2007, CCBI acquired the two Federal Communications Commission FM radio broadcast licenses from White Oak Broadcasting for \$621,400. The acquisition was accounted for under the purchase method.

The broadcast licenses are reflected as intangible assets on the accompanying Statement of Financial Position and are deemed to have an indefinite life and, as such, are not subject to amortization. CCBI will review the licenses for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable.

**NOTE 6 - CONTINGENT LIABILITIES**

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies. Certain grant amounts of CCBI reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.

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