

COASTALASKA, INC., AND MEMBER STATIONS  
FINANCIAL STATEMENTS

As of and for the Years Ended  
June 30, 2020 and 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

## Partners

Janelle Anderson, CPA  
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Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

## 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, 2020 and 2019, 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, 2020 and 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 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*

Our audits were 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, 2020 and 2019 appearing on pages 20-25 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 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 13, 2020

COASTALASKA, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

|                                                 | <u>2020</u>         | <u>2019</u>         |
|-------------------------------------------------|---------------------|---------------------|
| ASSETS:                                         |                     |                     |
| Current Assets:                                 |                     |                     |
| Cash                                            | \$ 3,340,390        | \$ 1,829,438        |
| Accounts receivable, net                        | 275,141             | 170,835             |
| Grants receivable                               | 88,671              | 25,782              |
| Contributions receivable, net                   | 200,739             | 177,714             |
| Prepaid expenses                                | 14,474              | 45,173              |
| Total Current Assets                            | 3,919,415           | 2,248,942           |
| Investments                                     | 970,881             | 952,637             |
| Property and Equipment, net                     | 150,469             | 133,827             |
| Total Assets                                    | <u>\$ 5,040,765</u> | <u>\$ 3,335,406</u> |
| LIABILITIES AND NET ASSETS:                     |                     |                     |
| Current Liabilities:                            |                     |                     |
| Accounts payable and accrued liabilities        | \$ 351,567          | \$ 274,574          |
| Deferred revenue                                | 32,180              | 33,662              |
| Refundable advance                              | 1,158,006           | 297,181             |
| Rental deposits                                 | -                   | 750                 |
| Paycheck Protection Program loan                | 719,060             | -                   |
| Total Current Liabilities                       | 2,260,813           | 606,167             |
| Total Liabilities                               | 2,260,813           | 606,167             |
| Net Assets -                                    |                     |                     |
| Without Donor Restrictions:                     |                     |                     |
| Undesignated - available for operations         | 2,366,945           | 2,366,905           |
| Designated - future station use                 | 262,538             | 228,507             |
| Designated - invested in property and equipment | 150,469             | 133,827             |
| Total Net Assets                                | 2,779,952           | 2,729,239           |
| Total Liabilities and Net Assets                | <u>\$ 5,040,765</u> | <u>\$ 3,335,406</u> |

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

COASTALASKA, INC.  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2020 and 2019

|                                                                                   | 2020         | 2019         |
|-----------------------------------------------------------------------------------|--------------|--------------|
| Changes in Net Assets Without Donor Restrictions:                                 |              |              |
| REVENUES AND SUPPORT:                                                             |              |              |
| Contributions                                                                     | \$ 449,648   | \$ 686,611   |
| Membership                                                                        | 1,087,908    | 849,783      |
| Government and CPB operating grants                                               | 2,556,258    | 2,552,037    |
| Underwriting income                                                               | 1,007,643    | 965,507      |
| Rental, special events and other income                                           | 706,495      | 729,671      |
| Royalties and production income                                                   | 67,515       | 53,653       |
| Broadcast income                                                                  | 355,000      | 355,000      |
| Other operating grants                                                            | 352,337      | 216,986      |
| TOTAL REVENUES AND SUPPORT                                                        | 6,582,804    | 6,409,248    |
| EXPENSES:                                                                         |              |              |
| PROGRAM SERVICES:                                                                 |              |              |
| Programming and production                                                        | 2,644,219    | 2,849,741    |
| Technical                                                                         | 1,574,075    | 1,361,888    |
| Total program services                                                            | 4,218,294    | 4,211,629    |
| SUPPORTING SERVICES:                                                              |              |              |
| General and administrative                                                        | 1,652,539    | 1,629,488    |
| Fundraising and member development                                                | 692,621      | 781,274      |
| Total supporting services                                                         | 2,345,160    | 2,410,762    |
| TOTAL EXPENSES                                                                    | 6,563,454    | 6,622,391    |
| Change in Net Assets Without Donor Restrictions<br>from Operating Activities      | 19,350       | (213,143)    |
| Change in Net Assets Without Donor Restrictions<br>from Non-Operating Activities: |              |              |
| Contribution of Assets from Unalaska<br>Community Broadcasting, Inc. (KUCB)       | -            | 316,870      |
| Interest and investment income, net                                               | 31,363       | 59,468       |
| Change in Net Assets Without Donor Restrictions                                   | 50,713       | 163,195      |
| NET ASSETS, Beginning of Year                                                     | 2,729,239    | 2,566,044    |
| NET ASSETS, End of Year                                                           | \$ 2,779,952 | \$ 2,729,239 |

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

COASTALASKA, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2020 and 2019

|                                                                   | 2020                       | 2019                       |
|-------------------------------------------------------------------|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                             |                            |                            |
| Cash inflows from operations:                                     |                            |                            |
| Cash received from grants and government contracts                | \$ 3,705,049               | \$ 2,847,781               |
| Cash received from contributions and fundraising                  | 1,182,304                  | 1,231,617                  |
| Cash received from underwriting                                   | 903,337                    | 1,068,135                  |
| Cash received from other sources                                  | 1,129,010                  | 1,138,324                  |
| Cash received from investment income                              | 56,793                     | 45,629                     |
| Cash outflows for operations:                                     |                            |                            |
| Payments for salaries, benefits<br>and payroll taxes to employees | (3,708,687)                | (4,002,817)                |
| Payments to suppliers                                             | (2,399,592)                | (1,986,948)                |
| Net cash provided by operating activities                         | <u>868,214</u>             | <u>341,721</u>             |
| CASH FLOWS FROM INVESTING ACTIVITIES:                             |                            |                            |
| Purchase of investments                                           | (43,674)                   | (33,178)                   |
| Purchase and construction of buildings and equipment              | (32,648)                   | (10,485)                   |
| Net cash used for investing activities                            | <u>(76,322)</u>            | <u>(43,663)</u>            |
| CASH FLOWS FROM FINANCING ACTIVITIES -                            |                            |                            |
| Proceeds from Paycheck Protection Program loan                    | 719,060                    | -                          |
| Net cash provided by financing activities                         | <u>719,060</u>             | <u>-</u>                   |
| Net change in cash                                                | 1,510,952                  | 298,058                    |
| Cash, beginning of year                                           | <u>1,829,438</u>           | <u>1,531,380</u>           |
| Cash, end of year                                                 | <u><u>\$ 3,340,390</u></u> | <u><u>\$ 1,829,438</u></u> |

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

COAST ALASKA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2020

|                                            | Program Services              |                     |                     | Supporting Services           |                                       | Total Program and<br>Supporting Services<br>Expenses |
|--------------------------------------------|-------------------------------|---------------------|---------------------|-------------------------------|---------------------------------------|------------------------------------------------------|
|                                            | Programming and<br>Production | Technical           | Total               | General and<br>Administrative | Fundraising and<br>Member Development | 2020                                                 |
| DIRECT EXPENSES:                           |                               |                     |                     |                               |                                       |                                                      |
| Salaries and related expenses              | \$ 1,949,092                  | \$ 237,130          | \$ 2,186,222        | \$ 1,154,173                  | \$ 368,292                            | \$ 3,708,687                                         |
| Supplies and equipment                     | 4,998                         | 520,968             | 525,966             | 6,634                         | -                                     | 532,600                                              |
| Professional fees                          | 233,089                       | 117,393             | 350,482             | 143,056                       | 27,346                                | 520,884                                              |
| Occupancy                                  | 262,098                       | 31,865              | 293,963             | 155,185                       | 49,517                                | 498,665                                              |
| Transmission expense                       | -                             | 479,005             | 479,005             | -                             | -                                     | 479,005                                              |
| Acquisitions expense                       | 174,264                       | -                   | 174,264             | -                             | -                                     | 174,264                                              |
| Other expenses                             | -                             | -                   | -                   | 52,014                        | 67,158                                | 119,172                                              |
| Advertising                                | -                             | -                   | -                   | -                             | 94,607                                | 94,607                                               |
| Special events                             | -                             | -                   | -                   | -                             | 78,652                                | 78,652                                               |
| Travel and transportation                  | 20,678                        | 18,106              | 38,784              | 6,394                         | 577                                   | 45,755                                               |
| Rental and maintenance of equipment        | -                             | 12,865              | 12,865              | 7,852                         | -                                     | 20,717                                               |
| Postage and shipping                       | -                             | -                   | -                   | 6,005                         | 6,472                                 | 12,477                                               |
| Dues and subscriptions                     | -                             | -                   | -                   | 9,883                         | -                                     | 9,883                                                |
| Printing and publications                  | -                             | -                   | -                   | 308                           | -                                     | 308                                                  |
| Total direct expenses                      | 2,644,219                     | 1,417,332           | 4,061,551           | 1,541,504                     | 692,621                               | 6,295,676                                            |
| FIXED ASSETS CAPITALIZED, NET OF DELETIONS | -                             | 156,743             | 156,743             | 111,035                       | -                                     | 267,778                                              |
| Total expenses                             | <u>\$ 2,644,219</u>           | <u>\$ 1,574,075</u> | <u>\$ 4,218,294</u> | <u>\$ 1,652,539</u>           | <u>\$ 692,621</u>                     | <u>\$ 6,563,454</u>                                  |

*The accompanying notes to 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<br>Supporting Services<br>Expenses |
|--------------------------------------------|-------------------------------|---------------------|---------------------|-------------------------------|---------------------------------------|------------------------------------------------------|
|                                            | Programming and<br>Production | Technical           | Total               | General and<br>Administrative | Fundraising and<br>Member Development | 2019                                                 |
| 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                             | <u>\$ 2,849,741</u>           | <u>\$ 1,361,888</u> | <u>\$ 4,211,629</u> | <u>\$ 1,629,488</u>           | <u>\$ 781,274</u>                     | <u>\$ 6,622,391</u>                                  |

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

**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, associated accumulated depreciation and 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 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 Accounting

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.

All expenditures related to grants received from state or federal agencies, and associated support 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

Basis of Presentation

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.

Revenue Recognition

*Contributions*

The Organization may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Organization recognizes revenue only after the conditions are substantially met. Should the Organization substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Organization has elected to recognize the revenue in net assets without donor restrictions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, 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 the Organization. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

*Membership*

Membership contributions are considered available for the Organization's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

#### *Grant Revenue*

Grants or contracts awarded to the Organization from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met. Grant receivables are recorded for unreimbursed expenses incurred for the purposes specified by the awarding agency. Funding received in advance of incurring allowable expenses are recorded as a refundable advance.

#### *Underwriting Income*

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Royalties and Production Income*

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Broadcast Income*

Broadcast income consists of an operating grant to broadcast the State of Alaska Legislature and considered a nonreciprocal transaction restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

#### 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.

#### 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

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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, money market funds, government and agency securities, corporate bonds, and mutual funds at fair value. Investments include stocks and mutual funds holding debt securities. Investments also include 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.

#### 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, 2020 and 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 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

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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 net realizable value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$200,739 and \$177,714 at June 30, 2020 and 2019. 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.

#### Recently Adopted Accounting Pronouncements

##### *Statement of Cash Flows (Topic 230)*

In November 2016, the 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. The Organization adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

##### *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

#### Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Organization'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.

##### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Organization until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Organization plans to adopt ASU 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

*Leases (Topic 842)*

In February 2016, the 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. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Organization until annual periods beginning after December 15, 2021, with early application permitted. The Organization plans to adopt ASU No. 2016-02 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2023.

Reclassification

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

**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, 2020:

|                                                                                        |                     |
|----------------------------------------------------------------------------------------|---------------------|
| Financial assets, at year-end*                                                         | \$ 4,875,822        |
| Less those unavailable for general expenditures within one year, due to -              |                     |
| Board designations -                                                                   |                     |
| Designated for future station use                                                      | <u>(262,538)</u>    |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 4,613,284</u> |

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3 – PROPERTY AND EQUIPMENT**

Major classifications of property and equipment in total for all member stations at June 30, 2020 and 2019 are summarized below. All property and equipment owned by member stations are recorded in the financial statements of the member stations:

|                                                    | <u>2020</u>         | <u>2019</u>         |
|----------------------------------------------------|---------------------|---------------------|
| Held by Member Stations:                           |                     |                     |
| Building and improvements                          | \$ 4,476,992        | \$ 4,365,956        |
| Broadcasting, production and programming equipment | 4,969,277           | 4,865,877           |
| Office fixtures and equipment                      | 75,188              | 75,188              |
| Land                                               | <u>653,212</u>      | <u>653,212</u>      |
|                                                    | 10,174,669          | 9,960,233           |
| Less accumulated depreciation                      | <u>(6,916,016)</u>  | <u>(6,570,675)</u>  |
| Total Held by Member Stations                      | <u>\$ 3,259,653</u> | <u>\$ 3,389,558</u> |
|                                                    | <u>2020</u>         | <u>2019</u>         |
| Held by CoastAlaska:                               |                     |                     |
| Building and improvements                          | \$ 347,402          | \$ 347,402          |
| Broadcasting, production and programming equipment | 379,196             | 394,581             |
| Office fixtures and equipment                      | 22,135              | 22,135              |
| Land                                               | <u>9,000</u>        | <u>9,000</u>        |
|                                                    | 757,733             | 773,118             |
| Less accumulated depreciation, CoastAlaska         | <u>(607,264)</u>    | <u>(639,291)</u>    |
| Total Held by CoastAlaska                          | <u>\$ 150,469</u>   | <u>\$ 133,827</u>   |

Depreciation expense was \$16,008 and \$20,343 for CoastAlaska, and \$398,683 and \$420,348 for member stations for the fiscal years ending June 30, 2020 and 2019, respectively and is included in Other expenses on the Statement of Functional Expenses.

**NOTE 4 – INVESTMENTS**

Cost and fair value of marketable equity securities at June 30, 2020 are as follows:

|                                  | <u>Amortized<br/>Cost</u> | <u>Unrealized<br/>Gains</u> | <u>Fair<br/>Value</u> |
|----------------------------------|---------------------------|-----------------------------|-----------------------|
| Equity Securities                | \$ 402,900                | \$ 92,492                   | \$ 495,392            |
| Money Market Funds               | 255,904                   | -                           | 255,904               |
| Government and Agency Securities | 22,065                    | 6,663                       | 28,728                |
| Corporate Bonds                  | 103,719                   | 9,065                       | 112,784               |
| Mutual Funds                     | <u>82,403</u>             | <u>(4,330)</u>              | <u>78,073</u>         |
| Total                            | <u>\$ 866,991</u>         | <u>\$ 103,890</u>           | <u>\$ 970,881</u>     |

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

|                                  | Amortized<br>Cost | Unrealized<br>Gains | Fair<br>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                     | 91,785            | (3,381)             | 88,404            |
| Total                            | <u>\$ 823,317</u> | <u>\$ 129,320</u>   | <u>\$ 952,637</u> |

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

|                              | 2020             | 2019             |
|------------------------------|------------------|------------------|
| Interest and dividend income | \$ 21,879        | \$ 22,459        |
| Realized gains               | 47,557           | 35,354           |
| Management fees              | (12,643)         | (12,184)         |
| Unrealized gains             | <u>(25,430)</u>  | <u>13,839</u>    |
| Total                        | <u>\$ 31,363</u> | <u>\$ 59,468</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).

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

|                                     | Fair<br>Value     | Level<br>1        | Level<br>2  | Level<br>3  |
|-------------------------------------|-------------------|-------------------|-------------|-------------|
| Investments:                        |                   |                   |             |             |
| Equity Securities                   | \$ 495,392        | \$ 495,392        | \$ -        | \$ -        |
| Money Market Funds                  | 255,904           | 255,904           | -           | -           |
| Mutual Funds                        | 78,073            | 78,073            | -           | -           |
| Corporate Bonds                     | 112,784           | 112,784           | -           | -           |
| Government and Agency<br>Securities | <u>28,728</u>     | <u>28,728</u>     | <u>-</u>    | <u>-</u>    |
| Total                               | <u>\$ 970,881</u> | <u>\$ 970,881</u> | <u>\$ -</u> | <u>\$ -</u> |

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

|                                     | Fair<br>Value     | Level<br>1        | Level<br>2  | Level<br>3  |
|-------------------------------------|-------------------|-------------------|-------------|-------------|
| Investments:                        |                   |                   |             |             |
| 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<br>Securities | <u>23,676</u>     | <u>23,676</u>     | <u>-</u>    | <u>-</u>    |
| Total                               | <u>\$ 952,637</u> | <u>\$ 952,637</u> | <u>\$ -</u> | <u>\$ -</u> |

**NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN**

On April 21, 2020, CoastAlaska received loan proceeds in the amount of approximately \$719,060 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower reduced the number of employees or the average paid hours of employees or reduced the annual salary or hourly wages of any employee by more than 25 percent during the Covered Period.

The Organization has not accrued interest for the PPP loan at June 30, 2020 as they have determined the amount to be nominal. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the Covered Period. CoastAlaska intends to use the proceeds for purposes consistent with the PPP. As legal forgiveness for the PPP loan has not yet been determined and because CoastAlaska believes the full amount of the loan will either be forgiven or paid back within the next 12 months, CoastAlaska has recorded the PPP loan in its entirety as a current liability on the accompanying Statement of Financial Position. Upon legal forgiveness, CoastAlaska will record the resulting forgiveness of the PPP loan and accrued interest as a gain on extinguishment of debt.

**NOTE 7 – REFUNDABLE ADVANCES**

CoastAlaska receives various operating and capital grants that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as grant revenue when donor conditions are met. Refundable advances consisted of \$1,144,488 and \$242,094 of operating grants and \$13,518 and \$55,087 of capital grants as of June 30, 2020 and 2019, respectfully.

COASTALASKA, INC.  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED**

CoastAlaska has received donations from supporters of KCAW totaling \$232,538 and \$228,507 as of June 30, 2020 and 2019, respectively, that the Board of Directors has set as designated for future use by KCAW station management through the setup of a legacy foundation at a future date to be determined.

CoastAlaska has received bequests from supporters of KFSK totaling \$30,000 as of June 30, 2020 that the Board of Directors has set as designated for future use by KFSK station management.

**NOTE 9 – 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. The operating land lease was extended on June 25, 2020. 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, 2020, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

| Schedule of Minimum Future<br>Land and Equipment |                       |
|--------------------------------------------------|-----------------------|
| <u>Year Ending June 30</u>                       | <u>Lease Payments</u> |
| 2021                                             | \$ 108,090            |
| 2022                                             | 114,017               |
| 2023                                             | 114,017               |
| 2024                                             | 114,017               |
| 2025                                             | 114,017               |
| Thereafter                                       | <u>2,696,812</u>      |
| Total                                            | <u>\$ 3,260,970</u>   |

**NOTE 10 – 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 2020 and 2019. 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 \$84,561 and \$91,336 for fiscal 2020 and 2019, respectively.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11 – 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.

**NOTE 12 – 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, associated accumulated depreciation and long-term debt, to CoastAlaska. The contribution of assets to CoastAlaska totaled \$316,870.

**NOTE 13 – SUBSEQUENT EVENTS**

CoastAlaska's management 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, CoastAlaska was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Organization cannot be estimated at this time.

Separation of CCBI from the Compact

Effective July 1, 2020, CCBI withdrew from the Compact Agreement of CoastAlaska and reorganized under KTOO Public Media for the purpose of operating television programming, production, and broadcasting in Juneau, Alaska. KTOO Music & Arts, LLC was created as a subsidiary of KTOO Public Media, which is treated as a disregarded entity for tax purposes, for the purpose of operating radio programming and production in Juneau, Alaska. Effective July 1, 2020, KTOO Music & Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2020

|                                | SITKA<br>KCAW-FM | PETERSBURG<br>KFSK-FM | KETCHIKAN<br>KRBD-FM | UNALASKA<br>KUCB-FM | JUNEAU     |           | COASTALASKA<br>KSTK-FM | Total        |
|--------------------------------|------------------|-----------------------|----------------------|---------------------|------------|-----------|------------------------|--------------|
|                                |                  |                       |                      |                     | KTOO-FM    | KTOO-TV   |                        |              |
| SUPPORT AND REVENUE:           |                  |                       |                      |                     |            |           |                        |              |
| Membership Revenue             | \$ 252,326       | \$ 145,712            | \$ 147,581           | \$ 54,979           | \$ 440,510 | \$ 4,585  | \$ 42,215              | \$ 1,087,908 |
| Contributions                  | 26,754           | 30,007                | 3,451                | 339                 | 1,358      | 52,791    | 2,721                  | 117,421      |
| Underwriting Revenue           | 120,365          | 84,561                | 95,053               | 67,907              | 297,124    | 300,368   | 42,265                 | 1,007,643    |
| Interest and Investment Income | -                | -                     | -                    | -                   | -          | -         | 31,363                 | 31,363       |
| Gain on Sale of Fixed Assets   | 5,000            | -                     | -                    | -                   | -          | -         | -                      | 5,000        |
| Production Income              | 200              | -                     | 750                  | 14,156              | 238        | 44,573    | 7,120                  | 67,037       |
| Royalties                      | 150              | -                     | -                    | -                   | -          | 303       | 25                     | 478          |
| Miscellaneous Income           | -                | -                     | -                    | -                   | 900        | 2,101     | 1,327                  | 4,328        |
| Rental Income                  | 29,300           | 30,523                | 5,400                | 7,700               | 11,030     | 25,737    | 25,910                 | 135,600      |
| Sales Income                   | 18,680           | 598                   | 3,508                | 1,839               | 489        | 1,818     | 674                    | 27,606       |
| Fee for Accounting             | -                | -                     | -                    | -                   | 17,254     | 17,552    | 251,168                | 285,974      |
| CPB Grants                     | 127,740          | 121,205               | 132,510              | 185,030             | 151,521    | 1,020,730 | 138,777                | 1,877,513    |
| Capital Grants                 | 10,899           | 10,000                | -                    | 6,310               | 135,469    | 511,265   | 4,802                  | 678,745      |
| Other Operating Grants         | 11,520           | 40,748                | 9,393                | 111,977             | 22,950     | 497,135   | 13,614                 | 707,337      |
| Fundraising Revenues:          |                  |                       |                      |                     |            |           |                        |              |
| Special Events                 | 15,083           | 6,008                 | 3,150                | 12,907              | 59,615     | -         | 8,033                  | 104,796      |
| Auction                        | -                | 2,556                 | 7,565                | -                   | -          | -         | 8,095                  | 18,216       |
| Gaming                         | 15,762           | 24,500                | 69,270               | 3,413               | 3,250      | -         | 8,780                  | 124,975      |
| In-kind Contributions          | 31,537           | 34,477                | 48,491               | 49,577              | 44,222     | 63,699    | 60,224                 | 332,227      |
| Total Support and Revenue      | 665,316          | 530,895               | 526,122              | 516,134             | 1,185,930  | 2,542,657 | 647,113                | 6,614,167    |
| EXPENSES:                      |                  |                       |                      |                     |            |           |                        |              |
| PROGRAMMING EXPENSES:          |                  |                       |                      |                     |            |           |                        |              |
| Salary and Related Expenses    | 206,031          | 142,374               | 107,750              | 178,631             | 304,393    | 850,471   | 159,442                | 1,949,092    |
| Media Stock                    | 96               | -                     | -                    | -                   | -          | 2,266     | -                      | 2,362        |
| Contract Labor - Programming   | -                | 113                   | 60                   | 2,844               | 6,268      | 214,406   | 38                     | 223,729      |
| Production Costs               | 1,126            | -                     | -                    | 148                 | 3,478      | 13,985    | -                      | 18,737       |
| Prog/Prod Travel               | 9,321            | 556                   | 462                  | 3,956               | -          | 6,383     | -                      | 20,678       |
| Music Library                  | 1,203            | 240                   | -                    | 312                 | 250        | -         | 180                    | 2,185        |
| Audience Survey                | -                | -                     | -                    | -                   | 7,000      | 2,360     | -                      | 9,360        |
| Affiliation Fees               | 4,250            | 3,750                 | 3,750                | 3,750               | 12,500     | -         | 2,200                  | 30,200       |
| Program Acquisitions           | 15,254           | 10,466                | 11,760               | 5,595               | 42,276     | 17,914    | 8,900                  | 112,165      |
| News Services                  | -                | -                     | -                    | -                   | 7,482      | -         | -                      | 7,482        |
| Studio Maintenance             | -                | -                     | -                    | -                   | -          | 451       | -                      | 451          |
| In-kind - Programming          | 495              | -                     | -                    | 320                 | -          | 4,000     | 865                    | 5,680        |
| Total Programming Expenses     | 237,776          | 157,499               | 123,782              | 195,556             | 383,647    | 1,112,236 | 171,625                | 2,382,121    |

(continued)

*See Independent Auditor's Report.*

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2020

|                                 | SITKA<br>KCAW-FM | PETERSBURG<br>KFSK-FM | KETCHIKAN<br>KRBD-FM | UNALASKA<br>KUCB-FM | JUNEAU  |         | COASTALASKA<br>KSTK-FM | Total     |
|---------------------------------|------------------|-----------------------|----------------------|---------------------|---------|---------|------------------------|-----------|
|                                 |                  |                       |                      |                     | KTOO-FM | KTOO-TV |                        |           |
| TECHNICAL EXPENSES:             |                  |                       |                      |                     |         |         |                        |           |
| Salary and Related Expenses     | -                | -                     | -                    | -                   | -       | -       | 237,130                | 237,130   |
| Transmission Charges            | 13,900           | 10,300                | 10,300               | 1,400               | 10,300  | 189,000 | 8,128                  | 243,328   |
| Contract Labor                  | -                | -                     | -                    | 2,918               | 33,914  | 80,561  | -                      | 117,393   |
| Engineering Supplies            | 344              | -                     | -                    | -                   | -       | -       | 20                     | 364       |
| Tech/Broadcast Travel           | 10,197           | -                     | -                    | 1,154               | -       | -       | 6,755                  | 18,106    |
| Translators' Expenses           | 29               | 9,020                 | 16,421               | -                   | 2,869   | 6,695   | 251                    | 35,285    |
| Computer Hardware               | 10,011           | -                     | 2,762                | 402                 | 6,453   | 15,000  | 2,641                  | 37,269    |
| Computer Software               | 590              | 73                    | 563                  | 538                 | 1,855   | 53,174  | 12,328                 | 69,121    |
| Internet Services               | 4,210            | 4,842                 | 3,898                | 18,835              | 6,858   | 23,919  | 5,273                  | 67,835    |
| Broadcast Equipment Purchase    | 3,735            | 3,652                 | -                    | 3,739               | 7,559   | 393,605 | 2,288                  | 414,578   |
| Broadcast Equipment Maintenance | 1,250            | 1,568                 | 914                  | 56                  | 3,532   | 3,211   | 1,970                  | 12,501    |
| In-kind - Technical             | 17,733           | 20,133                | 17,733               | 17,733              | 857     | 19,412  | 38,956                 | 132,557   |
| Total Technical Expenses        | 61,999           | 49,588                | 52,591               | 46,775              | 74,197  | 784,577 | 315,740                | 1,385,467 |
| DEVELOPMENT EXPENSES:           |                  |                       |                      |                     |         |         |                        |           |
| Salary and Related Expenses     | 48,146           | 58,712                | 78,771               | -                   | 56,122  | 58,090  | 68,451                 | 368,292   |
| Premiums                        | 5,586            | 1,386                 | -                    | 8,944               | 2,407   | -       | -                      | 18,323    |
| Contract Labor                  | 886              | -                     | -                    | 200                 | 1,060   | 10,500  | 14,700                 | 27,346    |
| Advertising                     | 25               | 20                    | 92                   | -                   | -       | -       | 1,530                  | 1,667     |
| Development Travel              | 75               | -                     | -                    | -                   | 143     | 164     | 195                    | 577       |
| Printing                        | 2,100            | 1,146                 | 252                  | 197                 | 2,606   | -       | 171                    | 6,472     |
| Special Events                  | 8,709            | 8,126                 | 30,551               | 489                 | 26,628  | -       | 4,149                  | 78,652    |
| Retail Inventory                | 10,986           | -                     | 2,563                | -                   | -       | 45      | 500                    | 14,094    |
| Credit Card Fees                | -                | -                     | -                    | -                   | -       | -       | 31,071                 | 31,071    |
| Volunteers                      | 87               | -                     | -                    | -                   | -       | -       | 136                    | 223       |
| Bulk Mail Postage               | 811              | 385                   | 258                  | 104                 | 1,716   | -       | 173                    | 3,447     |
| In-kind - Development           | 2,080            | 3,740                 | 17,960               | -                   | 38,341  | 29,819  | 1,000                  | 92,940    |
| Total Development Expenses      | 79,491           | 73,515                | 130,447              | 9,934               | 129,023 | 98,618  | 122,076                | 643,104   |
| OCCUPANCY EXPENSES:             |                  |                       |                      |                     |         |         |                        |           |
| Rent                            | -                | -                     | -                    | -                   | 37,175  | 76,942  | -                      | 114,117   |
| Building Maintenance            | 5,508            | 4,519                 | 516                  | -                   | 8,203   | 12,988  | 98                     | 31,832    |
| Janitorial Supplies             | 638              | -                     | -                    | 3,000               | 4,213   | 9,830   | 218                    | 17,899    |
| Telephone                       | 6,577            | 4,311                 | 5,804                | 5,929               | 4,647   | 10,467  | 4,208                  | 41,943    |
| Utilities                       | 23,815           | 11,876                | 20,486               | 14,720              | 25,853  | 60,854  | 4,754                  | 162,358   |
| Insurance                       | 12,797           | 10,094                | 10,997               | 1,586               | 11,496  | 26,823  | 14,083                 | 87,876    |
| In-kind - Occupancy             | -                | 1,700                 | 572                  | 22,620              | 2,774   | 6,474   | 8,500                  | 42,640    |
| Total Occupancy Expenses        | 49,335           | 32,500                | 38,375               | 47,855              | 94,361  | 204,378 | 31,861                 | 498,665   |

(continued)

*See Independent Auditor's Report.*

COASTALASKA, INC.  
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER  
For the Year Ended June 30, 2020

|                                                              | SITKA<br>KCAW-FM | PETERSBURG<br>KFSK-FM | KETCHIKAN<br>KRBD-FM | UNALASKA<br>KUCB-FM | JUNEAU    |            | COASTALASKA<br>KSTK-FM | Total     |
|--------------------------------------------------------------|------------------|-----------------------|----------------------|---------------------|-----------|------------|------------------------|-----------|
|                                                              |                  |                       |                      |                     | KTOO-FM   | KTOO-TV    |                        |           |
| ADMINISTRATIVE EXPENSES:                                     |                  |                       |                      |                     |           |            |                        |           |
| Salary and Related Expenses                                  | 83,147           | 92,897                | 76,851               | 89,955              | 101,793   | 175,357    | 534,173                | 1,154,173 |
| Office Supplies                                              | 719              | 1,521                 | 310                  | 447                 | 931       | 1,271      | 1,005                  | 6,204     |
| Administrative Travel                                        | 17               | 679                   | 352                  | 1,579               | 872       | 533        | 2,362                  | 6,394     |
| Administrative Staff Training                                | -                | -                     | -                    | -                   | 23        | 53         | 20                     | 96        |
| Postage                                                      | 1,102            | 662                   | 520                  | 660                 | 1,675     | 226        | 1,160                  | 6,005     |
| Dues & Subscriptions                                         | 1,411            | 689                   | 814                  | 502                 | 1,620     | 2,825      | 2,022                  | 9,883     |
| Printing                                                     | -                | -                     | 308                  | -                   | -         | -          | -                      | 308       |
| Office Equipment Rental                                      | -                | -                     | 520                  | -                   | 2,200     | 5,132      | -                      | 7,852     |
| Office Equipment Purchase                                    | 80               | -                     | -                    | -                   | 105       | 245        | -                      | 430       |
| Contract Labor                                               | 1,526            | 1,018                 | 1,357                | 454                 | 1,716     | 24,916     | 891                    | 31,878    |
| Board/Admin                                                  | 960              | 945                   | 972                  | 2,272               | 1,116     | 3,188      | 9,123                  | 18,576    |
| Audit                                                        | -                | -                     | -                    | -                   | -         | 3,273      | 23,575                 | 26,848    |
| Legal Fees                                                   | -                | -                     | -                    | -                   | 1,269     | 4,960      | 725                    | 6,954     |
| Taxes                                                        | 1,535            | -                     | -                    | -                   | -         | -          | 2,372                  | 3,907     |
| Bank and Investment Consult Fees                             | 820              | 351                   | 689                  | 114                 | 562       | 304        | 16,126                 | 18,966    |
| Depreciation Expense                                         | -                | -                     | -                    | -                   | -         | -          | 16,008                 | 16,008    |
| Other                                                        | -                | -                     | -                    | 8,531               | 4,896     | -          | -                      | 13,427    |
| In-kind - Admin                                              | 11,229           | 8,904                 | 12,226               | 8,904               | 2,250     | 3,994      | 10,903                 | 58,410    |
| Administrative Expenses before CoastAlaska Support           | 102,546          | 107,666               | 94,919               | 113,418             | 121,028   | 226,277    | 620,465                | 1,386,319 |
| CoastAlaska Support                                          | 106,860          | 83,289                | 82,397               | 90,485              | 174,412   | -          | (537,443)              | -         |
| Total Administrative Expenses                                | 209,406          | 190,955               | 177,316              | 203,903             | 295,440   | 226,277    | 83,022                 | 1,386,319 |
| Total Expenses                                               | 638,007          | 504,057               | 522,511              | 504,023             | 976,668   | 2,426,086  | 724,324                | 6,295,676 |
| Revenue (Deficit) in Excess of Expenses before Capital Items | 27,309           | 26,838                | 3,611                | 12,111              | 209,262   | 116,571    | (77,211)               | 318,491   |
| CAPITAL ITEMS -                                              |                  |                       |                      |                     |           |            |                        |           |
| Assets Capitalized by Stations, Net of Deletions             | -                | 10,259                | -                    | 339                 | 138,821   | 118,359    | -                      | 267,778   |
| Change in Net Assets                                         | \$ 27,309        | \$ 16,579             | \$ 3,611             | \$ 11,772           | \$ 70,441 | \$ (1,788) | \$ (77,211)            | \$ 50,713 |

*See Independent Auditor's Report.*

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

|                                  | SITKA<br>KCAW-FM | PETERSBURG<br>KFSK-FM | KETCHIKAN<br>KRBD-FM | UNALASKA<br>KUCB-FM | JUNEAU     |           | COASTALASKA<br>KSTK-FM | Total      |
|----------------------------------|------------------|-----------------------|----------------------|---------------------|------------|-----------|------------------------|------------|
|                                  |                  |                       |                      |                     | KTOO-FM    | KTOO-TV   |                        |            |
| SUPPORT AND REVENUE:             |                  |                       |                      |                     |            |           |                        |            |
| 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        | 687,319          | 535,097               | 572,987              | 555,446             | 1,205,949  | 2,189,656 | 1,039,132              | 6,785,586  |
| EXPENSES:                        |                  |                       |                      |                     |            |           |                        |            |
| PROGRAMMING EXPENSES:            |                  |                       |                      |                     |            |           |                        |            |
| 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       | 252,273          | 164,562               | 144,418              | 262,525             | 464,033    | 1,093,965 | 183,808                | 2,565,584  |

(continued)

*See Independent Auditor's Report.*

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

|                                 | SITKA<br>KCAW-FM | PETERSBURG<br>KFSK-FM | KETCHIKAN<br>KRBD-FM | UNALASKA<br>KUCB-FM | JUNEAU  |         | COASTALASKA<br>KSTK-FM | Total     |
|---------------------------------|------------------|-----------------------|----------------------|---------------------|---------|---------|------------------------|-----------|
|                                 |                  |                       |                      |                     | KTOO-FM | KTOO-TV |                        |           |
| TECHNICAL EXPENSES:             |                  |                       |                      |                     |         |         |                        |           |
| 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   |
| Total Technical Expenses        | 56,668           | 60,535                | 73,504               | 25,514              | 113,790 | 614,169 | 307,968                | 1,252,148 |
| DEVELOPMENT EXPENSES:           |                  |                       |                      |                     |         |         |                        |           |
| 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   |
| Total Development Expenses      | 68,136           | 76,558                | 128,764              | 11,497              | 146,582 | 113,791 | 179,644                | 724,972   |
| OCCUPANCY EXPENSES:             |                  |                       |                      |                     |         |         |                        |           |
| 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    |
| Total Occupancy Expenses        | 49,668           | 32,017                | 40,568               | 49,817              | 103,303 | 205,094 | 38,446                 | 518,913   |

(continued)

*See Independent Auditor's Report.*

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

|                                                              | SITKA<br>KCAW-FM | PETERSBURG<br>KFSK-FM | KETCHIKAN<br>KRBD-FM | UNALASKA<br>KUCB-FM | JUNEAU      |              | COASTALASKA<br>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 Deletions             | 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 |

*See Independent Auditor's Report.*



## Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

### Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

### 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, 2020 and 2019, 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, 2020 and 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 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, 2020 and 2019, appearing on pages 20-25, 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 13, 2020

RAVEN RADIO FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

|                                  | <u>2020</u>       | <u>2019</u>       |
|----------------------------------|-------------------|-------------------|
| ASSETS -                         |                   |                   |
| Property and Equipment, net      | \$ 927,118        | \$ 978,280        |
| Total Assets                     | <u>\$ 927,118</u> | <u>\$ 978,280</u> |
| LIABILITIES AND NET ASSETS -     |                   |                   |
| Net Assets -                     |                   |                   |
| Without Donor Restrictions       | \$ 927,118        | \$ 978,280        |
| Total Liabilities and Net Assets | <u>\$ 927,118</u> | <u>\$ 978,280</u> |

*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, 2020 and 2019

|                                                 | 2020       | 2019       |
|-------------------------------------------------|------------|------------|
| CHANGES IN NET ASSETS WITHOUT                   |            |            |
| DONOR RESTRICTIONS:                             |            |            |
| Public Support, Revenue and Other Gains:        |            |            |
| Support from CoastAlaska for                    |            |            |
| equipment repairs and replacements              | \$ -       | \$ 7,427   |
| Contributions                                   | 58,291     | 70,353     |
| Membership                                      | 252,326    | 184,467    |
| Government and CPB operating grants             | 138,639    | 223,326    |
| Underwriting income                             | 120,365    | 123,054    |
| Rental, special events and other income         | 83,825     | 78,735     |
| Royalties and production income                 | 350        | 671        |
| Other operating grants                          | 11,520     | 6,713      |
| Total Public Support, Revenue and Other Gains   | 665,316    | 694,746    |
| Administrative Expenses:                        |            |            |
| Pass-through funding to CoastAlaska             | 665,316    | 687,319    |
| Depreciation                                    | 51,162     | 53,616     |
| Total Administrative Expenses                   | 716,478    | 740,935    |
| Change in Net Assets Without Donor Restrictions | (51,162)   | (46,189)   |
| Net Assets, Beginning of Year                   | 978,280    | 1,024,469  |
| Net Assets, End of Year                         | \$ 927,118 | \$ 978,280 |

*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, 2020 and 2019

|                                                                                                                       | <u>2020</u>        | <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                                                                       | \$ (51,162)        | \$ (46,189)        |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities |                    |                    |
| Depreciation                                                                                                          | <u>51,162</u>      | <u>53,616</u>      |
| Net Cash Provided By Operating Activities                                                                             | <u>-</u>           | <u>7,427</u>       |
| Cash Flows From Investing Activities -                                                                                |                    |                    |
| Cash paid for fixed assets and capital improvements, net                                                              | <u>-</u>           | <u>(7,427)</u>     |
| Net Cash Used For Investing Activities                                                                                | <u>-</u>           | <u>(7,427)</u>     |
| Net Change In Cash                                                                                                    | -                  | -                  |
| Cash at Beginning of Year                                                                                             | <u>-</u>           | <u>-</u>           |
| Cash at End of Year                                                                                                   | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

*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, 2020 and 2019

**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, associated accumulated depreciation and 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 Accounting

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.

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.

Basis of Presentation

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

RAVEN RADIO FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS

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.

Revenue Recognition

*Contributions*

The Corporation may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Corporation recognizes revenue only after the conditions are substantially met. Should the Corporation substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Corporation has elected to recognize the revenue in net assets without donor restrictions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, 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 the Corporation. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

*Membership*

Membership contributions are considered available for the Corporation's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions

RAVEN RADIO FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS

and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

*Grant Revenue*

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

*Underwriting Income*

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

*Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

*Royalties and Production Income*

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

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.

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

RAVEN RADIO FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS

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 a 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, 2020 and 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.

Recently Adopted Accounting Pronouncements

*Statement of Cash Flows (Topic 230)*

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

RAVEN RADIO FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation'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.

*Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

*Leases (Topic 842)*

In February 2016, the 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. In June of 2020, FASB issued ASU 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation plans to adopt ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

|                                                    | <u>2020</u>       | <u>2019</u>       |
|----------------------------------------------------|-------------------|-------------------|
| Land                                               | \$ 497,312        | \$ 497,312        |
| Building and improvements                          | 837,965           | 837,965           |
| Broadcasting, production and programming equipment | 484,973           | 484,973           |
| Office fixtures and equipment                      | <u>10,538</u>     | <u>10,538</u>     |
|                                                    | 1,830,788         | 1,830,788         |
| Less accumulated depreciation                      | <u>(903,670)</u>  | <u>(852,508)</u>  |
|                                                    | <u>\$ 927,118</u> | <u>\$ 978,280</u> |

Depreciation expense was \$51,162 and \$53,616 for fiscal years ended June 30, 2020 and 2019, respectively.

RAVEN RADIO FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS

**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.

**NOTE 4 – SUBSEQUENT EVENTS**

Raven Radio Foundation, Inc.'s management 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Raven Radio Foundation, Inc. was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

## Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

## 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, 2020 and 2019, 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, 2020 and 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 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, 2020 and 2019, appearing on pages 20-25, 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 13, 2020

NARROWS BROADCASTING CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

|                                  | <u>2020</u>              | <u>2019</u>              |
|----------------------------------|--------------------------|--------------------------|
| ASSETS -                         |                          |                          |
| Property and Equipment, net      | <u>\$ 200,920</u>        | <u>\$ 217,385</u>        |
| Total Assets                     | <u><u>\$ 200,920</u></u> | <u><u>\$ 217,385</u></u> |
| LIABILITIES AND NET ASSETS -     |                          |                          |
| Net Assets -                     |                          |                          |
| Without Donor Restrictions       | <u>\$ 200,920</u>        | <u>\$ 217,385</u>        |
| Total Liabilities and Net Assets | <u><u>\$ 200,920</u></u> | <u><u>\$ 217,385</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, 2020 and 2019

|                                                 | 2020       | 2019       |
|-------------------------------------------------|------------|------------|
| CHANGES IN NET ASSETS                           |            |            |
| WITHOUT DONOR RESTRICTIONS:                     |            |            |
| Public Support, Revenue and Other Gains:        |            |            |
| Support from CoastAlaska for                    |            |            |
| equipment repairs and replacements              | \$ 10,259  | \$ 2,806   |
| Contributions                                   | 64,484     | 56,633     |
| Membership                                      | 145,712    | 108,097    |
| Government and CPB operating grants             | 131,205    | 197,617    |
| Underwriting income                             | 84,561     | 78,893     |
| Rental, special events and other income         | 64,185     | 56,607     |
| Other operating grants                          | 40,748     | 37,250     |
| Total Public Support, Revenue and Other Gains   | 541,154    | 537,903    |
| Administrative Expenses:                        |            |            |
| Pass-through funding to CoastAlaska             | 530,895    | 535,097    |
| Depreciation                                    | 26,724     | 29,708     |
| Total Administrative Expenses                   | 557,619    | 564,805    |
| Change in Net Assets Without Donor Restrictions | (16,465)   | (26,902)   |
| Net Assets, Beginning of Year                   | 217,385    | 244,287    |
| Net Assets, End of Year                         | \$ 200,920 | \$ 217,385 |

*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, 2020 and 2019

|                                                                                                                       | 2020        | 2019        |
|-----------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities    |             |             |
| Change in Net Assets Without Donor Restrictions                                                                       | \$ (16,465) | \$ (26,902) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities |             |             |
| Depreciation                                                                                                          | 26,724      | 29,708      |
| Net Cash Provided by Operating Activities                                                                             | 10,259      | 2,806       |
| Cash Flows From Investing Activities -                                                                                |             |             |
| Cash paid for fixed assets and capital improvements, net                                                              | (10,259)    | (2,806)     |
| Net Cash Used For Investing Activities                                                                                | (10,259)    | (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, 2020 and 2019

#### 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, associated accumulated depreciation and 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 Accounting

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.

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.

## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

#### Basis of Presentation

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:

*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.

#### Revenue Recognition

##### *Contributions*

The Corporation may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Corporation recognizes revenue only after the conditions are substantially met. Should the Corporation substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Corporation has elected to recognize the revenue in net assets without donor restrictions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, 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 the Corporation. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

##### *Membership*

Membership contributions are considered available for the Corporation's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support

## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

#### *Grant Revenue*

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

#### *Underwriting Income*

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### 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.

#### 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 a 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, 2020 and 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.

Recently Adopted Accounting Pronouncements

*Statement of Cash Flows (Topic 230)*

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption

# NARROWS BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

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.

### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

### *Leases (Topic 842)*

In February 2016, the 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. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation plans to adopt ASU No. 2016-02 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2023.

## NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

|                                                    | <u>2020</u>       | <u>2019</u>       |
|----------------------------------------------------|-------------------|-------------------|
| Land                                               | \$ 25,000         | \$ 25,000         |
| Building and improvements                          | 515,658           | 515,658           |
| Broadcasting, production and programming equipment | 503,521           | 493,262           |
| Office fixtures and equipment                      | <u>3,600</u>      | <u>3,600</u>      |
|                                                    | 1,047,779         | 1,037,520         |
| Less accumulated depreciation                      | <u>(846,859)</u>  | <u>(820,135)</u>  |
|                                                    | <u>\$ 200,920</u> | <u>\$ 217,385</u> |

Depreciation expense was \$26,724 and \$29,708 for fiscal years ended June 30, 2020 and 2019, respectively.

## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

#### 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.

#### NOTE 4 – SUBSEQUENT EVENTS

Narrows Broadcasting Corporation's management 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.

##### Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Narrows Broadcasting Corporation was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



## Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

### Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

### 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, 2020 and 2019, 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, 2020 and 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 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, 2020 and 2019, appearing on pages 20-25, 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 13, 2020

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

|                                  | <u>2020</u>              | <u>2019</u>              |
|----------------------------------|--------------------------|--------------------------|
| ASSETS -                         |                          |                          |
| Property and Equipment, net      | <u>\$ 511,625</u>        | <u>\$ 548,263</u>        |
| Total Assets                     | <u><u>\$ 511,625</u></u> | <u><u>\$ 548,263</u></u> |
| LIABILITIES AND NET ASSETS -     |                          |                          |
| Net Assets -                     |                          |                          |
| Without Donor Restrictions       | <u>\$ 511,625</u>        | <u>\$ 548,263</u>        |
| Total Liabilities and Net Assets | <u><u>\$ 511,625</u></u> | <u><u>\$ 548,263</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, 2020 and 2019

|                                                 | 2020       | 2019       |
|-------------------------------------------------|------------|------------|
| CHANGES IN NET ASSETS WITHOUT                   |            |            |
| DONOR RESTRICTIONS:                             |            |            |
| Public Support, Revenue and Other Gains:        |            |            |
| Support from CoastAlaska for                    |            |            |
| equipment repairs and replacements              | \$ -       | \$ 3,800   |
| Contributions                                   | 51,942     | 84,761     |
| Membership                                      | 147,581    | 114,251    |
| Government and CPB operating grants             | 132,510    | 200,258    |
| Underwriting income                             | 95,053     | 93,959     |
| Rental, special events and other income         | 88,893     | 71,608     |
| Royalties and production income                 | 750        | -          |
| Other operating grants                          | 9,393      | 8,150      |
| Total Public Support, Revenue and Other Gains   | 526,122    | 576,787    |
| Administrative Expenses:                        |            |            |
| Pass-through funding to CoastAlaska             | 526,122    | 572,987    |
| Depreciation                                    | 36,638     | 39,222     |
| Total Administrative Expenses                   | 562,760    | 612,209    |
| Change in Net Assets Without Donor Restrictions | (36,638)   | (35,422)   |
| Net Assets, Beginning of Year                   | 548,263    | 583,685    |
| Net Assets, End of Year                         | \$ 511,625 | \$ 548,263 |

*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, 2020 and 2019

|                                                                                                                       | 2020        | 2019        |
|-----------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities    |             |             |
| Change in Net Assets Without Donor Restrictions                                                                       | \$ (36,638) | \$ (35,422) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities |             |             |
| Depreciation                                                                                                          | 36,638      | 39,222      |
| Net Cash Provided By Operating Activities                                                                             | -           | 3,800       |
| Cash Flows From Investing Activities -                                                                                |             |             |
| Cash paid for fixed assets and capital improvements, net                                                              | -           | (3,800)     |
| Net Cash Used For Investing Activities                                                                                | -           | (3,800)     |
| 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.*

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

**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, associated accumulated depreciation and 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 Accounting

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.

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.

#### Basis of Presentation

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

## RAINBIRD COMMUNITY BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

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.

#### Revenue Recognition

##### *Contributions*

The Corporation may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Corporation recognizes revenue only after the conditions are substantially met. Should the Corporation substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Corporation has elected to recognize the revenue in net assets without donor restrictions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, 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 the Corporation. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

##### *Membership*

Membership contributions are considered available for the Corporation's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions

## RAINBIRD COMMUNITY BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

#### *Grant Revenue*

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

#### *Underwriting Income*

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Royalties and Production Income*

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### 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.

#### 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

## RAINBIRD COMMUNITY BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

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 a 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, 2020 and 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.

#### Recently Adopted Accounting Pronouncements

##### *Statement of Cash Flows (Topic 230)*

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

##### *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July

# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

### Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation'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.

### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

### *Leases (Topic 842)*

In February 2016, the 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. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation plans to adopt ASU No. 2016-02 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2023.

## NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

|                                                    | 2020              | 2019              |
|----------------------------------------------------|-------------------|-------------------|
| Land                                               | \$ 130,900        | \$ 130,900        |
| Building and improvements                          | 573,948           | 573,948           |
| Broadcasting, production and programming equipment | 560,306           | 562,646           |
| Office fixtures and equipment                      | 9,700             | 9,700             |
|                                                    | 1,274,854         | 1,277,194         |
| Less accumulated depreciation                      | (763,229)         | (728,931)         |
|                                                    | <u>\$ 511,625</u> | <u>\$ 548,263</u> |

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was \$36,638 and \$39,222 for fiscal years ended June 30, 2020 and 2019, 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.

**NOTE 4 – SUBSEQUENT EVENTS**

Rainbird Community Broadcasting Corporation's management 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Rainbird Community Broadcasting Corporation was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

## Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

## 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 statements of financial position as of June 30, 2020 and 2019, 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 Unalaska Community Broadcasting, Inc. as of June 30, 2020 and 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 1, during fiscal year 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 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, 2020 and 2019 appearing on pages 20-25, 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 13, 2020

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

|                                  | 2020             | 2019              |
|----------------------------------|------------------|-------------------|
| ASSETS -                         |                  |                   |
| Property and Equipment, net      | \$ 84,631        | \$ 105,025        |
| Total Assets                     | <u>\$ 84,631</u> | <u>\$ 105,025</u> |
| LIABILITIES AND NET ASSETS -     |                  |                   |
| Net Assets -                     |                  |                   |
| Without Donor Restrictions       | \$ 84,631        | \$ 105,025        |
| Total Liabilities and Net Assets | <u>\$ 84,631</u> | <u>\$ 105,025</u> |

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2020 and 2019

|                                                 | 2020      | 2019       |
|-------------------------------------------------|-----------|------------|
| CHANGES IN NET ASSETS WITHOUT                   |           |            |
| DONOR RESTRICTIONS:                             |           |            |
| Public Support, Revenue and Other Gains:        |           |            |
| Support from CoastAlaska for                    | \$ 339    | \$ 16,747  |
| equipment repairs and replacements              |           |            |
| Contributions                                   | 49,916    | 27,744     |
| Membership                                      | 54,979    | 41,661     |
| Government and CPB operating grants             | 191,340   | 280,530    |
| Underwriting income                             | 67,907    | 47,784     |
| Rental, special events and other income         | 25,859    | 36,588     |
| Royalties and production income                 | 14,156    | 3,450      |
| Other operating grants                          | 111,977   | 117,689    |
| Total Public Support, Revenue and Other Gains   | 516,473   | 572,193    |
| Administrative Expenses:                        |           |            |
| Pass-through funding to CoastAlaska             | 516,134   | 555,446    |
| Contribution of assets to CoastAlaska           | -         | 316,870    |
| Depreciation                                    | 20,733    | 24,338     |
| Total Administrative Expenses                   | 536,867   | 896,654    |
| Change in Net Assets Without Donor Restrictions | (20,394)  | (324,461)  |
| Net Assets, Beginning of Year                   | 105,025   | 429,486    |
| Net Assets, End of Year                         | \$ 84,631 | \$ 105,025 |

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

|                                                                                                                       | 2020        | 2019         |
|-----------------------------------------------------------------------------------------------------------------------|-------------|--------------|
| Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities    |             |              |
| Change in Net Assets Without Donor Restrictions                                                                       | \$ (20,394) | \$ (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                                                                                                          | 20,733      | 24,338       |
| Net Cash Provided By Operating Activities                                                                             | 339         | 16,747       |
| Cash Flows From Investing Activities -                                                                                |             |              |
| Cash paid for fixed assets and capital improvements, net                                                              | (339)       | (16,747)     |
| Net Cash Used For Investing Activities                                                                                | (339)       | (16,747)     |
| 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.*

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 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, associated accumulated depreciation and 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
- Development of membership and underwriting support, and pledge fulfillment

## UNALASKA COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

- 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 Accounting

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.

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.

#### Basis of Presentation

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:

*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

## UNALASKA COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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.

#### Revenue Recognition

##### *Contributions*

The Corporation may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Corporation recognizes revenue only after the conditions are substantially met. Should the Corporation substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Corporation has elected to recognize the revenue in net assets without donor restrictions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, 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 the Corporation. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

##### *Membership*

Membership contributions are considered available for the Corporation's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

##### *Grant Revenue*

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional

## UNALASKA COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

#### *Underwriting Income*

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Royalties and Production Income*

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### 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 a Corporation that is not a private foundation under section 509(a)(2).

# UNALASKA COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

There was no required provision for income taxes for fiscal year ended June 30, 2020. 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.

### Recently Adopted Accounting Pronouncements

#### *Statement of Cash Flows (Topic 230)*

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

#### *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

### Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation'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.

#### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for

# UNALASKA COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

### *Leases (Topic 842)*

In February 2016, the 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. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation plans to adopt ASU No. 2016-02 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2023.

## NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

|                                                    | <u>2020</u>      | <u>2019</u>       |
|----------------------------------------------------|------------------|-------------------|
| Broadcasting, production and programming equipment | \$ 329,082       | \$ 341,539        |
| Less accumulated depreciation                      | <u>(244,451)</u> | <u>(236,514)</u>  |
|                                                    | <u>\$ 84,631</u> | <u>\$ 105,025</u> |

Depreciation expense was \$20,733 and \$24,338 for the years ended June 30, 2020 and 2019, 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.

## 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, associated accumulated depreciation and long-term debt, to CoastAlaska. The contribution of assets to CoastAlaska totaled \$316,870.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5 – SUBSEQUENT EVENTS**

Unalaska Community Broadcasting, Inc.'s management 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Unalaska Community Broadcasting, Inc. was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

## Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

## 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, 2020 and 2019, 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, 2020 and 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 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, 2020 and 2019, appearing on pages 20-25, 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 13, 2020

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

|                                   | <u>2020</u>                | <u>2019</u>                |
|-----------------------------------|----------------------------|----------------------------|
| ASSETS:                           |                            |                            |
| Property and equipment, net       | \$ 1,534,358               | \$ 1,540,605               |
| Beneficial interest -             |                            |                            |
| Juneau Community Foundation       | 222,409                    | 209,358                    |
| Intangibles                       | <u>621,400</u>             | <u>621,400</u>             |
| Total Assets                      | <u><u>\$ 2,378,167</u></u> | <u><u>\$ 2,371,363</u></u> |
| LIABILITIES AND NET ASSETS:       |                            |                            |
| Liabilities -                     |                            |                            |
| Payable to KTOO Legacy Foundation | <u>\$ 222,409</u>          | <u>\$ 209,358</u>          |
| Total Liabilities                 | <u>222,409</u>             | <u>209,358</u>             |
| Net Assets -                      |                            |                            |
| Without Donor Restrictions        | <u>2,155,758</u>           | <u>2,162,005</u>           |
| Total Liabilities and Net Assets  | <u><u>\$ 2,378,167</u></u> | <u><u>\$ 2,371,363</u></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, 2020 and 2019

|                                                 | 2020         | 2019         |
|-------------------------------------------------|--------------|--------------|
| CHANGES IN NET ASSETS WITHOUT                   |              |              |
| DONOR RESTRICTIONS:                             |              |              |
| Public Support, Revenue and Other Gains:        |              |              |
| Support from CoastAlaska for                    |              |              |
| equipment repairs and replacements              | \$ 257,180   | \$ 136,629   |
| Contributions                                   | 162,070      | 355,112      |
| Membership                                      | 445,095      | 367,983      |
| Government and CPB operating grants             | 1,818,985    | 1,449,816    |
| Underwriting income                             | 597,492      | 583,259      |
| Rental, special events and other income         | 139,746      | 208,201      |
| Royalties and production income                 | 45,114       | 42,412       |
| Other operating grants                          | 520,085      | 388,822      |
| Total Public Support, Revenue and Other Gains   | 3,985,767    | 3,532,234    |
| Administrative Expenses:                        |              |              |
| Pass-through funding to CoastAlaska             | 3,728,587    | 3,395,605    |
| Depreciation                                    | 263,427      | 273,464      |
| Total Administrative Expenses                   | 3,992,014    | 3,669,069    |
| Change in Net Assets Without Donor Restrictions | (6,247)      | (136,835)    |
| Net Assets, Beginning of Year                   | 2,162,005    | 2,298,840    |
| Net Assets, End of Year                         | \$ 2,155,758 | \$ 2,162,005 |

*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, 2020 and 2019

|                                                                                                                      | 2020       | 2019         |
|----------------------------------------------------------------------------------------------------------------------|------------|--------------|
| Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities   |            |              |
| Change in Net Assets Without Donor Restrictions                                                                      | \$ (6,247) | \$ (136,835) |
| Adjustment to reconcile change in net assets without donor restrictions to net cash provided by operating activities |            |              |
| Depreciation                                                                                                         | 263,427    | 273,464      |
| Net Cash Provided By Operating Activities                                                                            | 257,180    | 136,629      |
| Cash Flows From Investing Activities -                                                                               |            |              |
| Cash paid for fixed assets and capital improvements, net                                                             | (257,180)  | (136,629)    |
| Net Cash Used For Investing Activities                                                                               | (257,180)  | (136,629)    |
| 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, 2020 and 2019

**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, associated accumulated depreciation and 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 Accounting

The financial statements of 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.

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.

#### Basis of Presentation

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:

*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

## CAPITAL COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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. 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.

#### Revenue Recognition

##### *Contributions*

The Corporation may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Corporation recognizes revenue only after the conditions are substantially met. Should the Corporation substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Corporation has elected to recognize the revenue in net assets without donor restrictions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, 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 the Corporation. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

##### *Membership*

Membership contributions are considered available for the Corporation's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

##### *Grant Revenue*

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional

## CAPITAL COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

#### *Underwriting Income*

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### *Royalties and Production Income*

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

#### 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.

#### 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.

## CAPITAL COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### 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.

#### 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 a 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, 2020 and 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. 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.

#### Recently Adopted Accounting Pronouncements

##### *Statement of Cash Flows (Topic 230)*

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

##### *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

#### Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption

# CAPITAL COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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.

### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

### *Leases (Topic 842)*

In February 2016, the 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. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation plans to adopt ASU No. 2016-02 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2023.

## NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

|                                                    | <u>2020</u>         | <u>2019</u>         |
|----------------------------------------------------|---------------------|---------------------|
| Building and improvements                          | \$ 2,549,421        | \$ 2,438,385        |
| Broadcasting, production and programming equipment | 3,091,394           | 2,983,457           |
| Office fixtures and equipment                      | <u>51,350</u>       | <u>51,350</u>       |
|                                                    | 5,692,165           | 5,473,192           |
| Less accumulated depreciation                      | <u>(4,157,807)</u>  | <u>(3,932,587)</u>  |
|                                                    | <u>\$ 1,534,358</u> | <u>\$ 1,540,605</u> |

Depreciation expense was \$263,427 and \$273,464 for fiscal years ended June 30, 2020 and 2019.

# 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 Corporation. 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 2020 and 2019, CCBI received distributions of \$10,000 and \$-0-, respectively.

CCBI's beneficial interest is comingled with other entities that have placed accounts with JCF. At June 30, 2020 and 2019, JCF reported to CCBI the account had a total market value of \$60,849,755 and \$59,814,520, and an adjusted cost basis of \$50,544,005 and \$50,368,768, respectively. CCBI's reported share of the account had a market value of \$338,439 and \$312,709 at June 30, 2020 and 2019, 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. The operating land lease was extended on June 25, 2020. 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, 2020, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

| <u>Year Ending June 30</u> | Schedule of Minimum Future<br>Land and Equipment |
|----------------------------|--------------------------------------------------|
|                            | <u>Lease Payments</u>                            |
| 2021                       | \$ 108,090                                       |
| 2022                       | 114,017                                          |
| 2023                       | 114,017                                          |
| 2024                       | 114,017                                          |
| 2025                       | 114,017                                          |
| Thereafter                 | <u>2,696,812</u>                                 |
| Total                      | <u>\$ 3,260,970</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.

**NOTE 7 – SUBSEQUENT EVENTS**

CCBI's management 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, CCBI was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.

Separation of KTOO from the Compact

Effective July 1, 2020, CCBI withdrew from the Compact Agreement of CoastAlaska and reorganized under KTOO Public Media for the purpose of operating television programming, production, and broadcasting in Juneau, Alaska. KTOO Music & Arts, LLC was created as a subsidiary of KTOO Public Media, which is treated as a disregarded entity for tax purposes, for the purpose of operating radio programming and production in Juneau, Alaska. Effective July 1, 2020, KTOO Music & Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.