

COASTALASKA, INC., AND MEMBER STATIONS
FINANCIAL STATEMENTS
Years Ended
June 30, 2021 and 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended
June 30, 2021 and 2020

TABLE OF CONTENTS

COASTALASKA, INC.	
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to the Financial Statements	8-19
SUPPLEMENTAL SCHEDULES	
Supplemental Schedule of Activity by Member for the Years Ended June 30, 2021 and 2020	20-25
RAVEN RADIO FOUNDATION, INC. (KCAW)	
Independent Auditor's Report	26-27
Statements of Financial Position	28
Statements of Activities	29
Statements of Cash Flows	30
Notes to the Financial Statements	31-37
NARROWS BROADCASTING CORPORATION (KFSK)	
Independent Auditor's Report	38-39
Statements of Financial Position	40
Statements of Activities	41
Statements of Cash Flows	42
Notes to the Financial Statements	43-49
RAINBIRD COMMUNITY BROADCASTING CORPORATION (KRBD)	
Independent Auditor's Report	50-51
Statements of Financial Position	52
Statements of Activities	53
Statements of Cash Flows	54
Notes to the Financial Statements	54-61
UNALASKA COMMUNITY BROADCASTING, INC. (KUCB)	
Independent Auditor's Report	62-63
Statements of Financial Position	64
Statements of Activities	65
Statements of Cash Flows	66
Notes to the Financial Statements	67-73
KTOO MUSIC AND ARTS, LLC (KTOO FM)	
Independent Auditor's Report	74-75
Statement of Activities	76
Notes to the Financial Statements	77-82

This Page Intentionally Left Blank



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
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, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021 and 2020, 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 station in Southeast Alaska, formed CoastAlaska, Inc. Administrative and financial activities of six radio stations (including KTOO FM which was added in 2021) are now conducted under a Compact Agreement by and between the stations. During 2020, one noncommercial public television station was 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, 2021 and 2020 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

December 21, 2021

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS:		
Current Assets:		
Cash	\$ 3,694,187	\$ 3,340,390
Accounts receivable, net	238,718	275,141
Grants receivable	17,725	88,671
Contributions receivable, net	208,994	200,739
Prepaid expenses	32,246	14,474
Total Current Assets	4,191,870	3,919,415
Investments	1,159,559	970,881
Property and Equipment, net	182,114	150,469
Total Assets	<u>\$ 5,533,543</u>	<u>\$ 5,040,765</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 131,501	\$ 192,607
Accrued leave	132,860	158,960
Deferred revenue	53,968	32,180
Refundable advance	2,002,195	1,158,006
Rental deposits	700	-
Paycheck Protection Program loan	719,060	719,060
Total Current Liabilities	3,040,284	2,260,813
Total Liabilities	3,040,284	2,260,813
Net Assets -		
Without Donor Restrictions:		
Undesignated - available for operations	2,078,656	2,366,945
Designated - future station use	232,489	262,538
Designated - invested in property and equipment	182,114	150,469
Total Net Assets	2,493,259	2,779,952
Total Liabilities and Net Assets	<u>\$ 5,533,543</u>	<u>\$ 5,040,765</u>

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

COASTALASKA, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

	2021	2020
Changes in Net Assets Without Donor Restrictions:		
REVENUES AND SUPPORT:		
Contributions	\$ 246,995	\$ 449,648
Membership	1,091,883	1,087,908
Government and CPB operating grants	1,287,729	2,556,258
Underwriting income	756,537	1,007,643
Rental, special events and other income	488,468	706,495
Royalties and production income	42,809	67,515
Broadcast income	-	355,000
Other operating grants	463,285	352,337
TOTAL REVENUES AND SUPPORT	4,377,706	6,582,804
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	1,387,950	2,644,219
Technical	824,896	1,574,075
Total program services	2,212,846	4,218,294
SUPPORTING SERVICES:		
General and administrative	1,397,003	1,652,539
Fundraising and member development	673,348	692,621
Total supporting services	2,070,351	2,345,160
TOTAL EXPENSES	4,283,197	6,563,454
Change in Net Assets Without Donor Restrictions from Operating Activities	94,509	19,350
Change in Net Assets Without Donor Restrictions from Non-Operating Activities:		
Net contribution of assets to KTOO Public Media	(578,857)	-
Interest and investment income, net	197,655	31,363
Change in Net Assets Without Donor Restrictions	(286,693)	50,713
NET ASSETS, Beginning of Year	2,779,952	2,729,239
NET ASSETS, End of Year	\$ 2,493,259	\$ 2,779,952

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

COASTALASKA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash inflows from operations:		
Cash received from grants	\$ 2,666,149	\$ 3,705,049
Cash received from membership	1,116,823	1,182,304
Cash received from underwriting	814,748	903,337
Cash received from other sources	531,277	1,129,010
Cash received from investment income	97,369	56,793
Cash outflows for operations:		
Payments for salaries, benefits and payroll taxes to employees	(2,732,487)	(3,708,687)
Payments to suppliers	(1,377,653)	(2,399,592)
Cash contributed to KTOO Public Media	(616,120)	-
Net cash provided by operating activities	<u>500,106</u>	<u>868,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(88,392)	(43,674)
Purchase and construction of buildings and equipment	(57,917)	(32,648)
Net cash used for investing activities	<u>(146,309)</u>	<u>(76,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds from Paycheck Protection Program loan	-	719,060
Net cash provided by financing activities	<u>-</u>	<u>719,060</u>
Net change in cash	353,797	1,510,952
Cash, beginning of year	<u>3,340,390</u>	<u>1,829,438</u>
Cash, end of year	<u><u>\$ 3,694,187</u></u>	<u><u>\$ 3,340,390</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, 2021

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2021
	Programming and Production	Technical	Total	General and Administrative	Fundraising and Member Development	
DIRECT EXPENSES:						
Salaries and related expenses	\$ 1,077,448	\$ 246,867	\$ 1,324,315	\$ 1,001,222	\$ 418,113	\$ 2,743,650
Occupancy	137,201	31,436	168,637	127,494	53,242	349,373
Transmission expense	-	237,288	237,288	-	-	237,288
Professional fees	25,412	38,007	63,419	123,068	22,654	209,141
Other expenses	-	-	-	66,619	84,417	151,036
Supplies and equipment	2,870	131,835	134,705	10,117	-	144,822
Acquisitions expense	142,691	-	142,691	-	-	142,691
Advertising	-	-	-	-	63,466	63,466
Rental and maintenance of equipment	-	61,616	61,616	435	-	62,051
Special events	-	-	-	-	22,403	22,403
Travel and transportation	2,328	12,830	15,158	2,158	960	18,276
Postage and shipping	-	-	-	7,426	8,093	15,519
Dues and subscriptions	-	-	-	14,021	-	14,021
Printing and publications	-	-	-	77	-	77
Total direct expenses	1,387,950	759,879	2,147,829	1,352,637	673,348	4,173,814
Assets Capitalized by Stations, Net of Deletions	-	65,017	65,017	44,366	-	109,383
Total expenses	<u>\$ 1,387,950</u>	<u>\$ 824,896</u>	<u>\$ 2,212,846</u>	<u>\$ 1,397,003</u>	<u>\$ 673,348</u>	<u>\$ 4,283,197</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 Supporting Services Expenses
	Programming and Production	Technical	Total	General and Administrative	Fundraising and 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
Assets Capitalized by Stations, 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.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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 current members of CoastAlaska include Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts LLC (KTOO FM). 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, 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 and 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.

On July 1, 2020 KTOO Music and Arts joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

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. 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:

COASTALASKA, 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

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.

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 broadcast signals, as well as digital content on the web. CoastAlaska stations produce eight FM broadcast services.

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.

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

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 recognized when the Organization satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Payment received in advance of the satisfaction of performance obligations for 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 as management has determined all accounts to be collectable.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals are recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for rental, special events, and other income 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 is recognized over time as the performance obligation is performed for the amount of the contract and is recorded when earned. Payments received in advance of the satisfaction of performance obligations for royalties and production income are reported as deferred revenue in the statement of financial position. Management evaluates receivables from royalties and production 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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 amounts and disclosures. 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, 2021 and 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.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Functional Allocation of Expenses

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

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

Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$208,994 and \$200,739 at June 30, 2021 and 2020. 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

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 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 adopted ASU 2014-09 as amended by 2020-05, on July 1, 2020, applying the changes retrospectively. The adoption of the standard had no impact on net assets for the years ended June 30, 2021 or 2020.

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.

Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958)*. The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Organization plans to adopt ASU 2020-07 in its fiscal year ending June 30, 2022.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 Organization until annual periods beginning after December 15, 2021, with early application permitted. The Organization plans to adopt ASU 2016-02 as amended by 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, 2021:

Financial assets, at year-end*	\$ 5,319,183
Less those unavailable for general expenditures within one year, due to -	
Board designations -	
Designated for future station use	(232,489)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,086,694</u>

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

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment in total for all member stations at June 30, 2021 and 2020 are summarized below. All property and equipment owned by member stations are recorded in the financial statements of the member stations:

	2021	2020
Held by Member Stations		
Building and improvements	\$ 1,955,729	\$ 4,476,992
Broadcasting, production and programming equipment	1,942,898	4,969,277
Office fixtures and equipment	40,048	75,188
Land	653,212	653,212
	<u>4,591,887</u>	<u>10,174,669</u>
Less accumulated depreciation	(2,878,329)	(6,916,016)
Total held by Member Stations	<u>\$ 1,713,558</u>	<u>\$ 3,258,653</u>

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
Held by CoastAlaska:		
Building and improvements	\$ 347,402	\$ 347,402
Broadcasting, production and programming equipment	437,113	379,196
Office fixtures and equipment	22,135	22,135
Land	9,000	9,000
	<u>815,650</u>	<u>757,733</u>
Less accumulated depreciation, CoastAlaska	<u>(633,536)</u>	<u>(607,264)</u>
Total held by CoastAlaska	<u>\$ 182,114</u>	<u>\$ 150,469</u>

Depreciation expense was \$26,272 and \$16,008 for CoastAlaska, and \$120,120 and \$398,683 for member stations for the fiscal years ending June 30, 2021 and 2020, 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, 2021 are as follows:

	Amortized Cost	Unrealized Gains (Loss)	Fair Value
Equity Securities	\$ 415,650	\$ 201,305	\$ 616,955
Money Market Funds	298,346	-	298,346
Government and Agency Securities	36,783	2,531	39,314
Corporate Bonds	108,812	7,073	115,885
Mutual Funds	95,792	(6,733)	89,059
Total	<u>\$ 955,383</u>	<u>\$ 204,176</u>	<u>\$ 1,159,559</u>

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

	Amortized Cost	Unrealized Gains (Loss)	Fair Value
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	82,403	(4,330)	78,073
Total	<u>\$ 866,991</u>	<u>\$ 103,890</u>	<u>\$ 970,881</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

	2021	2020
Interest and dividend income	\$ 18,273	\$ 21,879
Realized gains	91,941	47,557
Management fees	(12,845)	(12,643)
Unrealized gains (loss)	100,286	(25,430)
Total	<u>\$ 197,655</u>	<u>\$ 31,363</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, 2021 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 616,955	\$ 616,955	\$ -	\$ -
Money Market Funds	298,346	298,346	-	-
Mutual Funds	39,314	39,314	-	-
Corporate Bonds	115,885	115,885	-	-
Government and Agency Securities	89,059	89,059	-	-
Total	<u>\$ 1,159,559</u>	<u>\$ 1,159,559</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

On April 21, 2020, CoastAlaska received loan proceeds in the amount of \$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, 2021 as they have determined the amount to be nominal. Any 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 used the proceeds for purposes consistent with the PPP. As legal forgiveness for the PPP loan was determined subsequent to year end per Note 13, the Organization 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 \$1,967,195 and \$1,144,488 of operating grants and \$35,000 and \$13,518 of capital grants as of June 30, 2021 and 2020, respectfully.

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

CoastAlaska has received donations from supporters of KCAW totaling \$232,489 and \$232,538 as of June 30, 2021 and 2020, 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 \$-0- and \$30,000 as of June 30, 2021 and 2020 that the Board of Directors has set as designated for future use by KFSK station management.

NOTE 9 – RETIREMENT BENEFITS 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 2021 and 2020. There is no required employer matching contribution. The contribution is paid as accrued.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

Retirement benefits expense was \$57,575 and \$84,561 for fiscal 2021 and 2020, respectively.

NOTE 10 – 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the Coronavirus pandemic, CoastAlaska was subject to temporarily reduced operations during the 4th quarter of fiscal year 2020 which resulted in reduced revenues from program service revenue. CoastAlaska has since resumed normal operations. There is a risk that government mandated restrictions on CoastAlaska's operational capacity due to the Coronavirus will occur in fiscal year 2022 resulting in reduced revenues. Management believes that this risk is minimal.

NOTE 11 – SEPARATION OF CCBI FROM THE COMPACT

On 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 and 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.

As part of the agreement for the withdrawal of CCBI from the CoastAlaska Compact Agreement, CoastAlaska contributed net assets and liabilities of \$578,857 to KTOO Public Media.

NOTE 12 – ADMITTANCE OF KTOO MUSIC AND ARTS TO THE COMPACT

On July 1, 2020 KTOO Music and Arts joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

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.

PPP Loan Forgiveness

Subsequent to year end, CoastAlaska was notified that the PPP loan had been forgiven in full on August 5, 2021. No further action from CoastAlaska is required.

Alaska Public Broadcasting, Inc. Dissolution and Contribution of Net Assets to CoastAlaska

In July of 2021, Alaska Public Broadcasting, Inc. (APBI), an unrelated entity, was dissolved. Upon dissolution, APBI contributed financial assets to CoastAlaska in the amount of \$699,982.

This Page Intentionally Left Blank

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
Year Ended June 30, 2021

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU KTOO-FM	COASTALASKA KSTK-FM	Total
SUPPORT AND REVENUE:							
Membership Revenue	\$ 264,001	\$ 133,605	\$ 143,138	\$ 55,968	\$ 455,612	\$ 39,559	\$ 1,091,883
Contributions	9,579	3,381	156	15,854	195	4,030	33,195
Underwriting Revenue	124,135	91,010	100,922	47,898	335,606	56,966	756,537
Interest and Investment Income	-	-	-	-	-	197,655	197,655
Production Income	1,389	-	200	34,050	-	7,170	42,809
Miscellaneous Income	-	-	-	-	-	2,750	2,750
Rental Income	29,300	31,438	5,400	500	-	23,184	89,822
Sales Income	8,732	100	2,182	549	154	1,604	13,321
Fee for Accounting	-	-	-	-	-	306,376	306,376
CPB Grants	150,518	194,373	171,673	226,026	165,863	171,933	1,080,386
Capital Grants	17,657	92,500	-	-	3,186	94,000	207,343
Other Operating Grants	141,637	44,441	73,120	187,161	2,000	14,926	463,285
Fundraising Revenues:							
Special Events	6,559	3,370	462	9,355	7,188	4,584	31,518
Auction	-	-	8,801	1,888	-	3,782	14,471
Gaming	-	10,000	14,894	896	-	4,420	30,210
In-kind Contributions	15,964	20,498	38,551	45,501	50,726	42,560	213,800
Total Support and Revenue	769,471	624,716	559,499	625,646	1,020,530	975,499	4,575,361
EXPENSES:							
PROGRAMMING EXPENSES:							
Salary and Related Expenses	256,915	141,345	124,045	255,777	143,134	156,232	1,077,448
Media Stock	52	-	-	5	87	-	144
Contract Labor - Programming	-	-	-	2,500	15,732	180	18,412
Production Costs	2,672	-	-	91	-	-	2,763
Prog/Prod Travel	790	729	128	(696)	150	1,227	2,328
Music Library	1,179	276	-	186	934	151	2,726
Audience Survey	-	-	-	-	7,000	-	7,000
Affiliation Fees	4,275	3,900	3,750	3,870	13,900	2,200	31,895
Program Acquisitions	15,146	13,656	11,760	6,345	43,688	8,450	99,045
News Services	-	-	-	-	6,328	-	6,328
In-kind - Programming	-	60	2,600	-	-	-	2,660
Total Programming Expenses	281,029	159,966	142,283	268,078	230,953	168,440	1,250,749

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
Year Ended June 30, 2021

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU KTOO-FM	COASTALASKA KSTK-FM	Total
TECHNICAL EXPENSES:							
Salary and Related Expenses	-	-	-	-	-	246,867	246,867
Transmission Charges	12,100	10,300	10,300	4,800	10,300	8,128	55,928
Contract Labor	2,321	380	548	1,045	33,108	605	38,007
Engineering Supplies	5,093	189	-	1,400	-	33	6,715
Tech/Broadcast Travel	5,363	-	-	1,300	-	6,167	12,830
Translators' Expenses	33	9,033	16,807	27	621	481	27,002
Computer Hardware	12,747	464	9,122	10,082	2,517	38,833	73,765
Computer Software	4,621	115	720	3,269	348	26,115	35,188
Internet Services	5,491	5,622	5,299	24,712	30,472	7,359	78,955
Broadcast Equipment Purchase	2,342	9,112	4,431	2,418	1,886	2,693	22,882
Broadcast Equipment Maintenance	4,467	1,774	14,791	49	32,417	1,403	54,901
In-kind - Technical	9,487	10,925	9,140	8,524	8,524	28,803	75,403
Total Technical Expenses	64,065	47,914	71,158	57,626	120,193	367,487	728,443
DEVELOPMENT EXPENSES:							
Salary and Related Expenses	54,079	54,918	81,420	-	143,303	84,393	418,113
Premiums	8,453	3,410	319	6,573	4,283	-	23,038
Contract Labor	-	-	-	3,050	2,366	17,238	22,654
Advertising	340	-	24	-	-	1,034	1,398
Development Travel	960	-	-	-	-	-	960
Printing	1,720	674	712	80	4,568	339	8,093
Special Events	4,890	7,191	8,840	489	88	905	22,403
Retail Inventory	7,555	-	881	-	-	420	8,856
Credit Card Fees	-	-	-	-	-	32,249	32,249
Volunteers	15,235	-	-	-	-	-	15,235
Bulk Mail Postage	1,444	328	519	87	2,264	398	5,040
In-kind - Development	2,184	3,520	19,068	-	36,696	600	62,068
Total Development Expenses	96,860	70,041	111,783	10,279	193,568	137,576	620,107
OCCUPANCY EXPENSES:							
Rent	-	-	25	-	90,984	57,681	148,690
Building Maintenance	4,286	1,939	601	-	-	292	7,118
Automotive	-	-	-	2,365	-	-	2,365
Janitorial Supplies	4,227	-	318	3,000	-	333	7,878
Telephone	6,322	4,780	5,692	6,187	7,311	4,758	35,050
Utilities	18,696	10,876	14,692	14,868	(346)	4,486	63,272
Insurance	12,829	10,185	11,926	(571)	2,040	14,321	50,730
In-kind - Occupancy	-	1,700	572	22,620	780	8,597	34,269
Total Occupancy Expenses	46,360	29,480	33,826	48,469	100,769	90,468	349,372

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
Year Ended June 30, 2021

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU KTOO-FM	COASTALASKA KSTK-FM	Total
ADMINISTRATIVE EXPENSES:							
Salary and Related Expenses	83,507	96,984	78,752	98,694	87,200	556,085	1,001,222
Office Supplies	779	982	694	2,058	1,350	2,044	7,907
Administrative Travel	515	493	26	92	55	977	2,158
Administrative Staff Training	541	-	-	-	-	4,044	4,585
Postage	2,036	769	626	853	1,556	1,586	7,426
Dues & Subscriptions	2,101	1,383	572	2,379	517	7,069	14,021
Printing	77	-	-	-	-	-	77
Office Equipment Rental	-	-	435	-	-	-	435
Office Equipment Purchase	-	-	958	-	-	1,252	2,210
Contract Labor	1,526	1,018	1,357	454	1,697	14,412	20,464
Board/Admin	12,740	227	53	-	21,207	-	34,227
Audit	-	-	-	-	-	24,495	24,495
Legal Fees	-	-	-	110	-	19,513	19,623
Taxes	1,535	-	-	-	-	-	1,535
Bank and Investment Consult Fees	946	263	622	142	921	16,192	19,086
Depreciation Expense	-	-	-	-	-	26,272	26,272
In-kind - Admin	4,293	4,293	7,171	14,357	4,726	4,560	39,400
Administrative Expenses before CoastAlaska Support	110,596	106,412	91,266	119,139	119,229	678,501	1,225,143
CoastAlaska Support	130,744	99,484	101,556	105,642	210,283	(647,709)	-
Total Administrative Expenses	241,340	205,896	192,822	224,781	329,512	30,792	1,225,143
Total Expenses	729,654	513,297	551,872	609,233	974,995	794,763	4,173,814
Revenue (Deficit) in Excess of Expenses before Capital Items	39,817	111,419	7,627	16,413	45,535	180,736	401,547
CAPITAL ITEMS AND CONTRIBUTION OF NET ASSETS:							
Net contribution of assets to KTOO Public Media	-	-	-	-	-	578,857	578,857
Assets Capitalized by Stations, Net of Deletions	-	100,563	-	8,820	-	-	109,383
Change in Net Assets	\$ 39,817	\$ 10,856	\$ 7,627	\$ 7,593	\$ 45,535	\$ (398,121)	\$ (286,693)

See Independent Auditor's Report.

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

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU		COASTALASKA 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
Year Ended June 30, 2020

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU		COASTALASKA 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
Year Ended June 30, 2020

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU		COASTALASKA KSTK-FM	Total
					KTOO-FM	KTOO-TV		
ADMINISTRATIVE EXPENSES:								
Salary and Related Expenses	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.



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, 2021 and 2020, 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, 2021 and 2020, 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 radio stations (including KTOO FM which was added in 2021) are now conducted under a Compact Agreement by and between the stations. During 2020, one noncommercial public television station was 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, 2021 and 2020, 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

December 21, 2021

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS -		
Property and Equipment, net	\$ 885,356	\$ 927,118
Total Assets	<u>\$ 885,356</u>	<u>\$ 927,118</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 885,356	\$ 927,118
Total Liabilities and Net Assets	<u>\$ 885,356</u>	<u>\$ 927,118</u>

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

RAVEN RADIO FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Contributions	\$ 25,543	\$ 58,291
Membership	264,001	252,326
Government and CPB operating grants	168,175	138,639
Underwriting income	124,135	120,365
Rental, special events and other income	44,591	83,825
Royalties and production income	1,389	350
Other operating grants	141,637	11,520
Total Public Support, Revenue and Other Gains	769,471	665,316
Administrative Expenses:		
Pass-through funding to CoastAlaska	769,471	665,316
Depreciation	41,762	51,162
Total Administrative Expenses	811,233	716,478
Change in Net Assets Without Donor Restrictions	(41,762)	(51,162)
Net Assets, Beginning of Year	927,118	978,280
Net Assets, End of Year	\$ 885,356	\$ 927,118

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

RAVEN RADIO FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</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	\$ (41,762)	\$ (51,162)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>41,762</u>	<u>51,162</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<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
Years Ended June 30, 2021 and 2020

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 current members of CoastAlaska include Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts LLC (KTOO FM). 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, 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 and 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.

On July 1, 2020 KTOO Music and Arts, LLC joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

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. 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'

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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

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.

RAVEN RADIO FOUNDATION, INC.
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

RAVEN RADIO FOUNDATION, INC.
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 recognized when the Corporation satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Payment received in advance of the satisfaction of performance obligations for 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 as management has determined all accounts to be collectable.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals are recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for rental, special events, and other income 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 is recognized over time as the performance obligation is performed for the amount of the contract and is recorded when earned. Payments received in advance of the satisfaction of performance obligations for royalties and production income are reported as deferred revenue in the statement of financial position. Management evaluates receivables from royalties and production 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.

RAVEN RADIO FOUNDATION, INC.
NOTES TO 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 five to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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, 2021 and 2020. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. 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

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 adopted ASU 2014-09 as amended by 2020-05, on July 1 2020, applying the changes retrospectively. The adoption of the standard had no impact on net assets for the years ended June 30, 2021 or 2020.

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.

Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958)*. The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Corporation plans to adopt ASU 2020-07 in its fiscal year ending June 30, 2022.

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.

Subsequent Events

The 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.

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2021 and 2020 are summarized below:

	2021	2020
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	10,538	10,538
	1,830,788	1,830,788
Less accumulated depreciation	(945,432)	(903,670)
	<u>\$ 885,356</u>	<u>\$ 927,118</u>

Depreciation expense was \$41,762 and \$51,162 for fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 3 – CONTINGENCIES

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 the Corporation 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the Coronavirus pandemic, the Corporation was subject to temporarily reduced operations during the 4th quarter of fiscal year 2020 which resulted in reduced revenues from program service revenue. The Corporation has since resumed normal operations. There is a risk that government mandated restrictions on the Corporation's operational capacity due to the Coronavirus will occur in fiscal year 2022 resulting in reduced revenues. Management believes that this risk is minimal.



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, 2021 and 2020, 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, 2021 and 2020, 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 radio stations (including KTOO FM which was added in 2021) are now conducted under a Compact Agreement by and between the stations. During 2020, one noncommercial public television station was 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, 2021 and 2020, 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

December 21, 2021

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS -		
Property and Equipment, net	\$ 272,189	\$ 200,920
Total Assets	<u>\$ 272,189</u>	<u>\$ 200,920</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 272,189	\$ 200,920
Total Liabilities and Net Assets	<u>\$ 272,189</u>	<u>\$ 200,920</u>

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for		
equipment repairs and replacements	\$ 100,563	\$ 10,259
Contributions	23,879	64,484
Membership	133,605	145,712
Government and CPB operating grants	286,873	131,205
Underwriting income	91,010	84,561
Rental, special events and other income	44,908	64,185
Other operating grants	44,441	40,748
Total Public Support, Revenue and Other Gains	725,279	541,154
Administrative Expenses:		
Pass-through funding to CoastAlaska	624,716	530,895
Depreciation	29,294	26,724
Total Administrative Expenses	654,010	557,619
Change in Net Assets Without Donor Restrictions	71,269	(16,465)
Net Assets, Beginning of Year	200,920	217,385
Net Assets, End of Year	\$ 272,189	\$ 200,920

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</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	\$ 71,269	\$ (16,465)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>29,294</u>	<u>26,724</u>
Net Cash Provided by Operating Activities	<u>100,563</u>	<u>10,259</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>(100,563)</u>	<u>(10,259)</u>
Net Cash Used For Investing Activities	<u>(100,563)</u>	<u>(10,259)</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.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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 current members of CoastAlaska include Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts, LLC (KTOO FM). 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, 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 and 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.

On July 1, 2020 KTOO Music and Arts, LLC joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

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. 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'

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Underwriting Income

Revenue from program underwriting is recognized when the Corporation satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. 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 as management has determined all accounts to be collectable.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals are recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. 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 is recognized at a point in time as the performance obligation is performed for the amount of the contract and is recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from royalties and production 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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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). There was no required provision for income taxes for fiscal years ended June 30, 2021 and 2020. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. 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

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 adopted ASU 2014-09 as amended by 2020-05, on July 1 2020, applying the changes retrospectively. The adoption of the standard had no impact on net assets for the years ended June 30, 2021 or 2020.

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.

Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958)*. The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Corporation plans to adopt ASU 2020-07 in its fiscal year ending June 30, 2022.

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.

Subsequent Events

The 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.

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2021 and 2020 are summarized below:

	2021	2020
Land	\$ 25,000	\$ 25,000
Building and improvements	543,816	515,658
Broadcasting, production and programming equipment	559,717	503,521
Office fixtures and equipment	19,810	3,600
	1,148,343	1,047,779
Less accumulated depreciation	(876,154)	(846,859)
	<u>\$ 272,189</u>	<u>\$ 200,920</u>

Depreciation expense was \$29,294 and \$26,724 for fiscal years ended June 30, 2021 and 2020, respectively.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CONTINGENCIES

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 the Corporation 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the Coronavirus pandemic, the Corporation was subject to temporarily reduced operations during the 4th quarter of fiscal year 2020 which resulted in reduced revenues from program service revenue. The Corporation has since resumed normal operations. There is a risk that government mandated restrictions on the Corporation's operational capacity due to the Coronavirus will occur in fiscal year 2022 resulting in reduced revenues. Management believes that this risk is minimal.



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, 2021 and 2020, 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, 2021 and 2020, 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 radio stations (including KTOO FM which was added in 2021) are now conducted under a Compact Agreement by and between the stations. During 2020, one noncommercial public television station was 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, 2021 and 2020, 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

December 21, 2021

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS -		
Property and Equipment, net	\$ 478,825	\$ 511,625
Total Assets	<u>\$ 478,825</u>	<u>\$ 511,625</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 478,825	\$ 511,625
Total Liabilities and Net Assets	<u>\$ 478,825</u>	<u>\$ 511,625</u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT		
DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Contributions	\$ 38,707	\$ 51,942
Membership	143,138	147,581
Government and CPB operating grants	171,673	132,510
Underwriting income	100,922	95,053
Rental, special events and other income	31,739	88,893
Royalties and production income	200	750
Other operating grants	73,120	9,393
Total Public Support, Revenue and Other Gains	559,499	526,122
Administrative Expenses:		
Pass-through funding to CoastAlaska	559,499	526,122
Depreciation	32,800	36,638
Total Administrative Expenses	592,299	562,760
Change in Net Assets Without Donor Restrictions	(32,800)	(36,638)
Net Assets, Beginning of Year	511,625	548,263
Net Assets, End of Year	\$ 478,825	\$ 511,625

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</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	\$ (32,800)	\$ (36,638)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>32,800</u>	<u>36,638</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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 current members of CoastAlaska include Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music & Arts LLC (KTOO FM). 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, 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.

On July 1, 2020 KTOO Music & Arts joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music & Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

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. 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'

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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

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.

RAINBIRD COMMUNITY 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

RAINBIRD COMMUNITY 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 recognized when the Corporation satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Payment received in advance of the satisfaction of performance obligations for 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 as management has determined all accounts to be collectable.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals are recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for rental, special events, and other income 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 is recognized over time as the performance obligation is performed for the amount of the contract and is recorded when earned. Payments received in advance of the satisfaction of performance obligations for royalties and production income are reported as deferred revenue in the statement of financial position. Management evaluates receivables from royalties and production 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.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO 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). There was no required provision for income taxes for fiscal years ended June 30, 2021 and 2020. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. 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

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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 adopted ASU 2014-09 as amended by 2020-05, on July 1 2020, applying the changes retrospectively. The adoption of the standard had no impact on net assets for the years ended June 30, 2021 or 2020.

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.

Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958)*. The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Corporation plans to adopt ASU 2020-07 in its fiscal year ending June 30, 2022.

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.

Subsequent Events

The 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.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2021 and 2020 are summarized below:

	2021	2020
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	560,306	560,306
Office fixtures and equipment	9,700	9,700
	1,274,854	1,274,854
Less accumulated depreciation	(796,029)	(763,229)
	<u>\$ 478,825</u>	<u>\$ 511,625</u>

Depreciation expense was \$32,800 and \$36,638 for fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 3 – CONTINGENCIES

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 the Corporation 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.

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the Coronavirus pandemic, the Corporation was subject to temporarily reduced operations during the 4th quarter of fiscal year 2020 which resulted in reduced revenues from program service revenue. The Corporation has since resumed normal operations. There is a risk that government mandated restrictions on the Corporation's operational capacity due to the Coronavirus will occur in fiscal year 2022 resulting in reduced revenues. Management believes that this risk is minimal.



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, 2021 and 2020, 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, 2021 and 2020, 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 six radio stations (including KTOO FM which was added in 2021) are now conducted under a Compact Agreement by and between the stations. During 2020, one noncommercial public television station was 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, 2021 and 2020 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

December 21, 2021

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS -		
Property and Equipment, net	\$ 77,188	\$ 84,631
Total Assets	<u>\$ 77,188</u>	<u>\$ 84,631</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 77,188	\$ 84,631
Total Liabilities and Net Assets	<u>\$ 77,188</u>	<u>\$ 84,631</u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT		
DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for	\$ 8,820	\$ 339
equipment repairs and replacements		
Contributions	61,355	49,916
Membership	55,968	54,979
Government and CPB operating grants	226,026	191,340
Underwriting income	47,898	67,907
Rental, special events and other income	13,188	25,859
Royalties and production income	34,050	14,156
Other operating grants	187,161	111,977
Total Public Support, Revenue and Other Gains	634,466	516,473
Administrative Expenses:		
Pass-through funding to CoastAlaska	625,646	516,134
Depreciation	16,263	20,733
Total Administrative Expenses	641,909	536,867
Change in Net Assets Without Donor Restrictions	(7,443)	(20,394)
Net Assets, Beginning of Year	84,631	105,025
Net Assets, End of Year	\$ 77,188	\$ 84,631

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (7,443)	\$ (20,394)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	16,263	20,733
Net Cash Provided By Operating Activities	8,820	339
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	(8,820)	(339)
Net Cash Used For Investing Activities	(8,820)	(339)
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

Years Ended June 30, 2021 and 2020

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 current members of CoastAlaska include Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts, LLC (KTOO FM). 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, 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 and 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.

On July 1, 2020 KTOO Music and Arts, LLC joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

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. 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.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

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:

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Classification of Transactions

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

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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 recognized when the Corporation satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Payment received in advance of the satisfaction of performance obligations for 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 as management has determined all accounts to be collectable.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals are recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for rental, special events, and other income 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 is recognized over time as the performance obligation is performed for the amount of the contract and is recorded when earned. Payments received in advance of the satisfaction of performance obligations for royalties and production income are reported as deferred revenue in the statement of financial position. Management evaluates receivables from royalties and production 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.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Statement of Cash Flows

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

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal year ended June 30, 2021. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. 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

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 adopted ASU 2014-09 as amended by 2020-05, on July 1 2020, applying the changes retrospectively. The adoption of the standard had no impact on net assets for the years ended June 30, 2021 or 2020.

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.

Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958)*. The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

assets as a separate line item in the statement of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Corporation plans to adopt ASU 2020-07 in its fiscal year ending June 30, 2022.

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.

Subsequent Events

The 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.

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2021 and 2020 are summarized below:

	<u>2021</u>	<u>2020</u>
Broadcasting, production and programming equipment	\$ 337,902	\$ 329,082
Less accumulated depreciation	<u>(260,714)</u>	<u>(244,451)</u>
	<u>\$ 77,188</u>	<u>\$ 84,631</u>

Depreciation expense was \$16,263 and \$20,733 for the years ended June 30, 2021 and 2020, respectively.

NOTE 3 – CONTINGENCIES

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 the Corporation 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.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the Coronavirus pandemic, The Corporation was subject to temporarily reduced operations during the 4th quarter of fiscal year 2020 which resulted in reduced revenues from program service revenue. The Corporation has since resumed normal operations. There is a risk that government mandated restrictions on the Corporation's operational capacity due to the Coronavirus will occur in fiscal year 2022 resulting in reduced revenues. Management believes that this risk is minimal.



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
KTOO Music and Arts, LLC

Report on the Financial Statements

We have audited the accompanying financial statement of KTOO Music and Arts, LLC (KTOO FM), a nonprofit limited liability company, which comprise the statement of activities as of June 30, 2021, 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 the financial statement 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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the final position of KTOO FM as of June 30, 2021 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 2, during fiscal 2021, KTOO FM joined the CoastAlaska Compact. Administrative and financial activities of six radio stations are now conducted under a Compact Agreement by and between the stations. During 2020, one noncommercial public television station was 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, 2021 and 2020, 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

December 21, 2021

KTOO MUSIC and ARTS, LLC
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT	
DONOR RESTRICTIONS:	
Public Support, Revenue and Other Gains:	
Contributions	\$ 50,921
Membership	455,612
Government and CPB operating grants	169,049
Underwriting income	335,606
Rental, special events and other income	7,342
Other operating grants	<u>2,000</u>
Total Public Support, Revenue and Other Gains	<u>1,020,530</u>
Administrative Expenses:	
Pass-through funding to CoastAlaska	<u>1,020,530</u>
Total Administrative Expenses	<u>1,020,530</u>
Change in Net Assets Without Donor Restrictions	-
Net Assets, Beginning of Year	<u>-</u>
Net Assets, End of Year	<u><u>\$ -</u></u>

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

KTOO Music and Arts, LLC (the Company) is a non-profit Alaska limited liability company, which operates 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 current members of CoastAlaska include Raven Radio Broadcasting Corporation (KCAW), Wrangell Radio Group (KSTK), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts LLC (KTOO FM). 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, 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 and 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.

On July 1, 2020 KTOO Music and Arts joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

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. 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'

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

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

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 statement of the Company has been prepared on the accrual basis of accounting.

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the the the Company'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 Company 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 Company 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 Company may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Company recognizes revenue only after the conditions are substantially met. Should the Company substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Company 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 Company. 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 Company'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.

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Grant Revenue

Grants or contracts awarded to the Company 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 recognized when the Company satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Payment received in advance of the satisfaction of performance obligations for 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 as management has determined all accounts to be collectible.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals are recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for rental, special events, and other income 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

Income Taxes

The Company 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 the Company's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Company 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, 2021. The Company qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. 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.

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

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 Company's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska.

Recently Adopted Accounting Pronouncements

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 Company 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 Company adopted ASU 2014-09 as amended by 2020-05, on July 1 2020, applying the changes retrospectively. The adoption of the standard had no impact on net assets for the year ended June 30, 2021.

Upcoming Accounting Pronouncements

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

Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, Not-For-Profit Entities (Topic 958). The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Company plans to adopt ASU 2020-07 in its fiscal year ending June 30, 2022.

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 Company plans to adopt ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023.

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Subsequent Events

The Company'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.

NOTE 2 – ADMITTANCE OF KTOO MUSIC AND ARTS, LLC TO THE COMPACT

On July 1, 2020 KTOO Music and Arts, LLC joined the CoastAlaska compact and contributed all revenue and expenses to CoastAlaska. Effective July 1, 2020, KTOO Music and Arts, LLC is the name of the Juneau based member in the CoastAlaska Compact Agreement.

NOTE 3 – 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 the Company reflected in the financial statements of the Company 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.

Business Disruption

There is a risk that government mandated restrictions on the the Company's operational capacity due to the Coronavirus will occur in fiscal year 2022 resulting in reduced revenues. Management believes that this risk is minimal.

This Page Intentionally Left Blank