

KTOO PUBLIC MEDIA  
and  
KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
KTOO Public Media and KTOO Music and Arts, LLC

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of KTOO Public Media, a nonprofit corporation, and its affiliate KTOO Music and Arts, LLC, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of KTOO Public Media and KTOO Music and Arts, LLC (the Organization) as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Elgee Rehfeld*

December 14, 2022

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 681,174	\$ 1,150,670
Accounts receivable	334,904	138,300
Prepaid expenses	<u>15,870</u>	<u>19,253</u>
Total current assets	1,031,948	1,308,223
Beneficial interest - Juneau Community Foundation	261,692	231,517
Intangible assets	621,400	621,400
Property and equipment, net	<u>2,012,584</u>	<u>1,770,746</u>
Total assets	<u><u>\$ 3,927,624</u></u>	<u><u>\$ 3,931,886</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 108,890	\$ 96,256
Accrued annual leave	54,348	62,733
Other accrued liabilities	39,339	15,372
Refundable advance	408,407	599,804
Deferred revenue	<u>1,105</u>	<u>6,000</u>
Total current liabilities	612,089	780,165
Payable to KTOO Legacy Foundation	<u>261,692</u>	<u>231,517</u>
Total liabilities	<u>873,781</u>	<u>1,011,682</u>
Net assets -		
Without donor restrictions:		
Invested in property and equipment	2,012,584	1,770,746
Undesignated	<u>1,041,259</u>	<u>1,149,458</u>
Total net assets without donor restrictions	<u>3,053,843</u>	<u>2,920,204</u>
Total liabilities and net assets	<u><u>\$ 3,927,624</u></u>	<u><u>\$ 3,931,886</u></u>

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

## KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30

	2022	2021
Changes in net assets without donor restrictions from operating activities:		
REVENUES AND SUPPORT:		
Contributions of cash and other financial assets	\$ 57,307	\$ 50,864
Contributions of nonfinancial assets	68,752	90,314
Membership	452,164	455,612
Government and CPB operating grants	1,369,787	1,939,600
Rental, special events, and other income	328,498	310,195
Underwriting	678,824	530,714
Royalties and production income	56,702	92,516
Other operating grants	524,466	549,974
Total revenues and support	3,536,500	4,019,789
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	1,627,781	1,833,312
Technical and broadcasting	392,932	449,743
Total program services	2,020,713	2,283,055
SUPPORTING SERVICES:		
General and administrative	1,652,176	1,511,340
Fundraising and member development	42,208	39,805
Total supporting services	1,694,384	1,551,145
Total expenses	3,715,097	3,834,200
Changes in net assets without donor restrictions from operating activities	(178,597)	185,589
Changes in net assets without donor restrictions from non-operating activities -		
Net contribution of assets from CoastAlaska	312,236	578,857
Changes in net assets without donor restrictions	133,639	764,446
NET ASSETS, Beginning of Year	2,920,204	2,155,758
NET ASSETS, End of Year	\$ 3,053,843	\$ 2,920,204

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

## KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash inflows from operations:		
Cash received from grants	\$ 1,697,961	\$ 3,095,378
Cash received from membership	452,164	455,612
Cash received from underwriting	482,220	392,414
Cash received from other sources	385,200	402,711
Cash received from contributions	369,543	629,721
Cash outflows from operations:		
Cash paid to employees	(1,305,584)	(1,232,875)
Cash paid to suppliers	(2,051,165)	(2,096,227)
Net cash provided by operating activities	<u>30,339</u>	<u>1,646,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Purchase of property and equipment	<u>(499,835)</u>	<u>(496,064)</u>
Net cash used for investing activities	<u>(499,835)</u>	<u>(496,064)</u>
Change in cash and cash equivalents	(469,496)	1,150,670
Cash and cash equivalents - beginning of year	<u>1,150,670</u>	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ 681,174</u></u>	<u><u>\$ 1,150,670</u></u>

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2022

	Program Services			Supporting Services		
	Programming and Production	Technical and Broadcasting	Total Program Services	General and Administrative	Fundraising and Member Development	Total
Direct expenses:						
Salaries and related expenses	\$ 1,133,062	\$ -	\$ 1,133,062	\$ 175,869	\$ 12,235	\$ 1,321,166
Occupancy	240,650	-	240,650	37,349	2,610	280,609
Professional fees	53,457	110,460	163,917	98,493	-	262,410
Depreciation	139,105	-	139,105	118,892	-	257,997
Transmission expense	-	238,228	238,228	-	-	238,228
Supplies and equipment	3,337	43,587	46,924	8,165	-	55,089
Acquisitions expense	35,603	-	35,603	-	-	35,603
Advertising	-	-	-	-	27,363	27,363
Travel and transportation	22,567	154	22,721	947	-	23,668
Other expenses	-	-	-	17,941	-	17,941
Dues and subscriptions	-	-	-	15,858	-	15,858
Rental and maintenance of equipment	-	503	503	8,007	-	8,510
Postage and shipping	-	-	-	596	-	596
	1,627,781	392,932	2,020,713	482,117	42,208	2,545,038
Pass-through funding to CoastAlaska	-	-	-	1,170,059	-	1,170,059
Total direct expenses	<u>\$ 1,627,781</u>	<u>\$ 392,932</u>	<u>\$ 2,020,713</u>	<u>\$ 1,652,176</u>	<u>\$ 42,208</u>	<u>\$ 3,715,097</u>

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



KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2021

	Program Services			Supporting Services		
	Programming and Production	Technical and Broadcasting	Total Program Services	General and Administrative	Fundraising and Member Development	Total
Direct expenses:						
Salaries and related expenses	\$ 1,096,780	\$ -	\$ 1,096,780	\$ 214,200	\$ -	\$ 1,310,980
Professional fees	280,508	127,755	408,263	81,021	-	489,284
Occupancy	261,553	-	261,553	51,085	-	312,638
Depreciation	155,303	-	155,303	104,373	-	259,676
Transmission expense	-	231,178	231,178	-	-	231,178
Supplies and equipment	2,980	89,747	92,727	3,487	-	96,214
Advertising	-	-	-	-	39,588	39,588
Acquisitions expense	26,462	-	26,462	-	-	26,462
Other expenses	5,000	-	5,000	14,266	11	19,277
Dues and subscriptions	-	-	-	13,538	-	13,538
Rental and maintenance of equipment	-	1,063	1,063	7,432	-	8,495
Travel and transportation	4,726	-	4,726	597	199	5,522
Postage and shipping	-	-	-	811	-	811
Special events	-	-	-	-	7	7
	1,833,312	449,743	2,283,055	490,810	39,805	2,813,670
Pass-through funding to CoastAlaska	-	-	-	1,020,530	-	1,020,530
Total direct expenses	<u>\$ 1,833,312</u>	<u>\$ 449,743</u>	<u>\$ 2,283,055</u>	<u>\$ 1,511,340</u>	<u>\$ 39,805</u>	<u>\$ 3,834,200</u>

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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

Principles of Consolidation

The consolidated financial statements include accounts of KTOO Public Media and KTOO Music and Arts, LLC. (the Organization). The statements are consolidated since KTOO Public Media (KTOO TV) has an economic interest in KTOO Music and Arts, LLC (KTOO FM), a subsidiary of KTOO Public Media, which is treated as a disregarded entity for tax purposes.

Organization

On July 1, 2020, Capital Community Broadcasting, Inc. (CCBI) withdrew from the Compact Agreement of 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 reorganized under KTOO TV for the purpose of operating television programming, production, and broadcasting in Juneau, Alaska. KTOO FM was created 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.

Operating budgets are developed annually which are submitted to the Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of KTOO TV and KTOO FM. The 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 by KTOO FM are contributed to CoastAlaska. All operating expenses of KTOO FM 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, KTOO FM'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 KTOO FM:

- 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

The Organization's program services, as presented in the Consolidated Statements of Functional Expenses, are as follows:

Programming and Production

The Organization provides quality non-commercial news and locally valued programming. The Organization's programming features local voices, fact-based journalism, community service and emergency alerting.

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Technical Services

The Organization's technical products are radio and television broadcast signals, as well as digital content on the web, including 360North television signals.

Basis of Accounting

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

As discussed above, all revenues and expenses of KTOO FM, 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 "Property and Equipment" note below.

The Organization 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 consolidated financial statements.

Basis of Presentation

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

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

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

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the consolidated 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 of Cash and Other Financial Assets*

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

*Contributions of Nonfinancial Assets*

Donated services, such as advertising and IT services, are recognized as contributions of nonfinancial assets 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.

*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 consolidated statements of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the consolidated 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 is 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as deferred revenue in the consolidated statements 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 consolidated 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 consolidated statements 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 consolidated 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.

Use of Estimates

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

Broadcast Rights

Programming broadcast rights are expensed annually as purchased.

Cash

For the purpose of the consolidated statements of cash flows, the Organization considers all cash in checking, savings, and money market accounts, to be cash.

Property and Equipment

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

Income Taxes

The Organization 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 Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization 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). KTOO FM is considered a disregarded entity for taxation purposes. There was no required provision for income taxes for fiscal years ended June 30, 2022. The Organization follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. The Organization's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Organization'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.

Recently Adopted Accounting Pronouncements

*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 consolidated statements 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 adopted ASU 2020-07 effective July 1, 2021, using the full retrospective method, which required prior year contributions to be broken out by contributions of financial assets and contributions of nonfinancial assets. The adoption of the standard had no impact on net assets for the years ended June 30, 2022 or 2021, respectively.

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.

*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.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2022:

Financial assets, at year-end*:	<u>2022</u>
Cash and cash equivalents	\$ 681,174
Accounts receivable	334,904
Beneficial Interest - Juneau Community Foundation	261,692
Less those unavailable for general expenditures within one year -	
Payable to KTOO Legacy Foundation	<u>(261,692)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,016,078</u>

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

**NOTE 3 – CONTRIBUTIONS OF NONFINANCIAL ASSETS**

For the years ended June 30, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 58,289	\$ 76,284
IT services	6,948	-
Admin support	2,015	4,726
Building repair and maintenance	1,500	780
Equipment	-	8,524
	<u>\$ 68,752</u>	<u>\$ 90,314</u>

The Organization recognized contributed nonfinancial assets within revenue, including advertising, IT services, admin support, building repair and maintenance, and equipment. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Advertising consists of media sponsorships provided by local organizations on behalf of the Organization. The Organization estimated fair value on the basis of values that would be received for selling advertising to clients.

IT services are virtual private LAN services provided to support the Organization's technical activities. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Admin support is composed of miscellaneous supplies such as coffee that is used for general and administrative activities. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

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Building repair and maintenance are various services received from organizations or companies that includes plumbing and heating and composting services. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Equipment consists of a transponder the Organization was allowed to use in 2021. The Organization estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

**NOTE 4 – PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 3,069,771	\$ 2,569,936
Broadcasting, production and programming equipment	3,537,081	3,537,081
Office fixtures and equipment	<u>42,612</u>	<u>42,612</u>
	6,649,464	6,149,629
Less accumulated depreciation	<u>(4,636,880)</u>	<u>(4,378,883)</u>
	<u>\$ 2,012,584</u>	<u>\$ 1,770,746</u>

Depreciation expense was \$257,997 and \$259,676 for the years ended June 30, 2022 and 2021, respectfully.

**NOTE 5 – JUNEAU COMMUNITY FOUNDATION FUND**

During fiscal year 2010, the Organization's KTOO Legacy Foundation (Legacy), a nonprofit foundation, entered into an Endowment Agreement (Agreement) with the Juneau Community Foundation (JCF), an unrelated community foundation. Under the Agreement, Legacy transferred \$77,685 to JCF, which established the KTOO Legacy (Fund) with the proceeds. In subsequent fiscal years, contributions to the Fund, net of distributions to the Organization, amounted to \$184,007. Under the Agreement JCF will hold, manage, and invest the Fund for the charitable purpose of Legacy. The Organization's Board of Directors may request that earnings and principal of the Fund be distributed subject to the terms of the Agreement and approval of the JCF Board of Directors. The Organization has granted variance power to JCF only if the Organization ceases to exist or is no longer a qualified charitable organization. The variance power is further limited in that JCF may transfer the interest in the Fund after consultation with members of the final Board of Directors of the Organization. Accordingly, the Organization has recognized a beneficial interest in the JCF Fund.

The Organization records the beneficial interest at cost and will recognize earnings in the Fund upon distribution by JCF. The Organization received distributions of \$10,500 and \$-0- during fiscal years 2022 and 2021, respectively.

The Organization's beneficial interest is comingled with other entities that have placed accounts with JCF. At June 30, 2022 and 2021, JCF reported to the Organization the account had a total market values of \$67,142,211 and \$79,014,175, respectively, and adjusted cost bases of



KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

\$56,243,990 and \$53,410,458, respectively. The Organization's reported share of the account had market values of \$404,926 and \$448,886 at June 30, 2022 and 2021, respectively. The account is invested in index funds and cash equivalents.

**NOTE 6 – OPERATING LEASES**

KTOO TV has a consolidated operating land lease with the State of Alaska. The operating land lease was extended on June 25, 2020. KTOO TV also has other smaller land and equipment leases. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land.

As of June 30, 2022, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

Schedule of Minimum Future Land and Equipment Lease Payments	
<u>Year Ending June 30</u>	<u>Lease Payments</u>
2023	\$ 125,383
2024	125,383
2025	123,369
2026	119,671
2027	118,792
Thereafter	<u>2,584,629</u>
Total	<u>\$ 3,197,227</u>

**NOTE 7 – REFUNDABLE ADVANCES**

The Organization receives various operating 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 contributions are met. Refundable advances consisted of \$408,407 and \$599,804 of operating grants as of June 30, 2022 and 2021, respectively.

**NOTE 8 – INTANGIBLE ASSETS**

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

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – 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 Organization reflected in the consolidated financial statements of the Organization 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

The Organization 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). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Business Disruption

There is a risk that government mandated restrictions on the Organization's operational capacity due to the Coronavirus will occur in fiscal year 2023 resulting in reduced revenues. Management believes that this risk is minimal.

**NOTE 10 – SEPARATION OF KTOO FROM THE COMPACT**

Effective July 1, 2020, CCBI withdrew from the Compact Agreement of CoastAlaska and reorganized under KTOO Public Media for the purpose of operating television programming, production, and broadcasting in Juneau, Alaska. KTOO Music 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, KTOO Public Media received net assets and liabilities of \$312,236 and \$578,857 from CoastAlaska for the years ended June 30, 2022 and 2021, respectively.

**NOTE 11 – 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 12 – SUBSEQUENT EVENTS**

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

KTOO Legacy Foundation Dissolution

During the Board of Directors meeting on September 1, 2022, the Board motioned to dissolve the KTOO Legacy Foundation and to create a committee on the Organization's Board of Directors called the KTOO Legacy Foundation Committee to oversee the legacy funds.

## KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	KTOO Public Media	KTOO Music and Arts, LLC	Consolidated Amounts
Change in net assets without donor restrictions from operating activities:			
REVENUES AND SUPPORT:			
Contributions of cash and other financial assets	\$ 57,152	\$ 155	\$ 57,307
Contributions of nonfinancial assets	35,811	32,941	68,752
Membership	-	452,164	452,164
Government and CPB operating grants	1,069,628	300,159	1,369,787
Rental, special events, and other income	297,011	31,487	328,498
Underwriting	335,274	343,550	678,824
Royalties and production income	56,702	-	56,702
Other operating grants	514,863	9,603	524,466
Total revenues and support	2,366,441	1,170,059	3,536,500
EXPENSES:			
PROGRAM EXPENSES:			
Programming and production	1,627,781	-	1,627,781
Technical and broadcasting	392,932	-	392,932
Total program expenses	2,020,713	-	2,020,713
SUPPORTING SERVICES:			
General and administrative	482,117	1,170,059	1,652,176
Fundraising and member development	42,208	-	42,208
Total supporting services	524,325	1,170,059	1,694,384
Total expenses	2,545,038	1,170,059	3,715,097
Changes in net assets without donor restrictions from operating activities	(178,597)	-	(178,597)
Changes in net assets without donor restrictions from non-operating activities -			
Net contribution of assets from CoastAlaska	312,236	-	312,236
Changes in net assets without donor restrictions	133,639	-	133,639
Net assets, beginning of year	2,920,204	-	2,920,204
Net assets, end of year	\$ 3,053,843	\$ -	\$ 3,053,843

See independent auditor's report.

## KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	KTOO Public Media	KTOO Music and Arts, LLC	Consolidated Amounts
Change in net assets without donor restrictions from operating activities:			
REVENUES AND SUPPORT:			
Contributions of cash and other financial assets	\$ 50,669	\$ 195	\$ 50,864
Contributions of nonfinancial assets	39,588	50,726	90,314
Membership	-	455,612	455,612
Government and CPB operating grants	1,770,551	169,049	1,939,600
Rental, special events, and other income	302,853	7,342	310,195
Underwriting	195,108	335,606	530,714
Royalties and production income	92,516	-	92,516
Other operating grants	547,974	2,000	549,974
Total revenues and support	2,999,259	1,020,530	4,019,789
EXPENSES:			
PROGRAM EXPENSES:			
Programming and production	1,833,312	-	1,833,312
Technical and broadcasting	449,743	-	449,743
Total program expenses	2,283,055	-	2,283,055
SUPPORTING SERVICES:			
General and administrative	490,810	1,020,530	1,511,340
Fundraising and member development	39,805	-	39,805
Total supporting services	530,615	1,020,530	1,551,145
Total expenses	2,813,670	1,020,530	3,834,200
Changes in net assets without donor restrictions from operating activities	185,589	-	185,589
Changes in net assets without donor restrictions from non-operating activities -			
Net contribution of assets from CoastAlaska	578,857	-	578,857
Changes in net assets without donor restrictions	764,446	-	764,446
Net assets, beginning of year	2,155,758	-	2,155,758
Net assets, end of year	\$ 2,920,204	\$ -	\$ 2,920,204

See independent auditor's report.