

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended
June 30, 2022 and 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

Years Ended
June 30, 2022 and 2021

TABLE OF CONTENTS

| | |
|--|----|
| COASTALASKA, INC. | |
| Independent Auditor's Report | 1 |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Statements of Functional Expenses | 6 |
| Notes to the Financial Statements | 8 |
| SUPPLEMENTAL SCHEDULES | |
| Supplemental Schedules of Activity by Member | 21 |
| RAVEN RADIO FOUNDATION, INC. (KCAW) | |
| Independent Auditor's Report | 27 |
| Statements of Financial Position | 29 |
| Statements of Activities | 30 |
| Statements of Cash Flows | 31 |
| Notes to the Financial Statements | 32 |
| NARROWS BROADCASTING CORPORATION (KFSK) | |
| Independent Auditor's Report | 39 |
| Statements of Financial Position | 41 |
| Statements of Activities | 42 |
| Statements of Cash Flows | 43 |
| Notes to the Financial Statements | 44 |
| RAINBIRD COMMUNITY BROADCASTING CORPORATION (KRBD) | |
| Independent Auditor's Report | 51 |
| Statements of Financial Position | 53 |
| Statements of Activities | 54 |
| Statements of Cash Flows | 55 |
| Notes to the Financial Statements | 56 |
| UNALASKA COMMUNITY BROADCASTING, INC. (KUCB) | |
| Independent Auditor's Report | 64 |
| Statements of Financial Position | 66 |
| Statements of Activities | 67 |
| Statements of Cash Flows | 68 |
| Notes to the Financial Statements | 69 |
| KTOO MUSIC AND ARTS, LLC (KTOO FM) | |
| Independent Auditor's Report | 76 |
| Statement of Activities | 78 |
| Notes to the Financial Statements | 79 |

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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CoastAlaska, Inc. (CoastAlaska or the Organization), a not-for-profit organization, which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.
- Conclude whether, in our judgment, 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 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 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, 2022 and 2021 appearing on pages 21-26 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

December 13, 2022

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash | \$ 2,824,335 | \$ 3,694,187 |
| Accounts receivable, net | 261,392 | 238,718 |
| Grants receivable | - | 17,725 |
| Contributions receivable, net | 210,433 | 208,994 |
| Prepaid expenses | 11,457 | 32,246 |
| Total Current Assets | 3,307,617 | 4,191,870 |
| Investments | 1,622,872 | 1,159,559 |
| Property and Equipment, net | 153,951 | 182,114 |
| Total Assets | <u>\$ 5,084,440</u> | <u>\$ 5,533,543</u> |
| LIABILITIES AND NET ASSETS: | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 333,283 | \$ 131,501 |
| Accrued leave | 165,891 | 132,860 |
| Deferred revenue | 42,802 | 53,968 |
| Refundable advance | 1,626,629 | 2,002,195 |
| Rental deposits | 700 | 700 |
| Paycheck Protection Program loan | - | 719,060 |
| Total Current Liabilities | 2,169,305 | 3,040,284 |
| Total Liabilities | 2,169,305 | 3,040,284 |
| Net Assets - | | |
| Without Donor Restrictions: | | |
| Undesignated - available for operations | 2,528,698 | 2,078,656 |
| Designated - future station use | 232,486 | 232,489 |
| Designated - invested in property and equipment | 153,951 | 182,114 |
| Total Net Assets | 2,915,135 | 2,493,259 |
| Total Liabilities and Net Assets | <u>\$ 5,084,440</u> | <u>\$ 5,533,543</u> |

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

COASTALASKA, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Changes in Net Assets Without Donor Restrictions: | | |
| REVENUES AND SUPPORT: | | |
| Contributions of cash and other financial assets | \$ 58,933 | \$ 33,195 |
| Contributions of nonfinancial assets | 126,544 | 213,800 |
| Membership | 1,088,466 | 1,091,883 |
| Government and CPB operating grants | 1,306,174 | 1,287,729 |
| Underwriting revenue | 695,208 | 756,537 |
| Special events and other income | 190,430 | 92,270 |
| Rental revenue | 128,574 | 89,822 |
| Consulting revenue | 249,084 | 306,376 |
| Engineering fees | 113,777 | - |
| Statewide programming | 421,316 | - |
| Station services fees | 29,181 | - |
| Production revenue | 51,549 | 42,809 |
| Other operating grants | 318,193 | 463,285 |
| TOTAL REVENUES AND SUPPORT | <u>4,777,429</u> | <u>4,377,706</u> |
| EXPENSES: | | |
| PROGRAM SERVICES: | | |
| Programming and production | 1,906,653 | 1,387,950 |
| Technical | 1,007,854 | 824,896 |
| Total program services | <u>2,914,507</u> | <u>2,212,846</u> |
| SUPPORTING SERVICES: | | |
| General and administrative | 1,563,663 | 1,384,158 |
| Fundraising and member development | 706,019 | 673,348 |
| Total supporting services | <u>2,269,682</u> | <u>2,057,506</u> |
| TOTAL EXPENSES | <u>5,184,189</u> | <u>4,270,352</u> |
| Changes in Net Assets Without Donor Restrictions from Operating Activities | (406,760) | 107,354 |
| Changes in Net Assets Without Donor Restrictions from Non-Operating Activities: | | |
| Contribution of financial assets to KTOO Public Media | (312,236) | (578,857) |
| Contribution of financial assets from APBI | 699,982 | - |
| Gain on extinguishment of debt | 719,060 | - |
| Interest and investment income (loss) | (278,170) | 184,810 |
| Changes in Net Assets Without Donor Restrictions | 421,876 | (286,693) |
| NET ASSETS, Beginning of Year | <u>2,493,259</u> | <u>2,779,952</u> |
| NET ASSETS, End of Year | <u>\$ 2,915,135</u> | <u>\$ 2,493,259</u> |

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

COASTALASKA, INC.

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 | \$ 1,266,526 | \$ 2,666,149 |
| Cash received from membership | 1,145,960 | 1,116,823 |
| Cash received from underwriting | 661,368 | 814,748 |
| Cash received from other sources | 1,183,911 | 531,277 |
| Cash received from investment income | 9,549 | 5,428 |
| Cash outflows for operations: | | |
| Payments for salaries, benefits and payroll taxes to employees | (3,228,818) | (2,732,487) |
| Payments to suppliers | (1,545,062) | (1,364,808) |
| Cash contributed to KTOO Public Media | (312,236) | (616,120) |
| Net cash provided by operating activities | (818,802) | 421,010 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (51,050) | (9,296) |
| Purchase and construction of buildings and equipment | - | (57,917) |
| Net cash used for investing activities | (51,050) | (67,213) |
| Cash, beginning of year | 3,694,187 | 3,340,390 |
| Cash, end of year | \$ 2,824,335 | \$ 3,694,187 |

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

COAST ALASKA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

| | Program Services | | | Supporting Services | | Total Program and Supporting Services Expenses 2022 |
|-------------------------------------|-------------------------------|---------------------|---------------------|-------------------------------|---------------------------------------|--|
| | Programming and Production | Technical | Total | General and Administrative | Fundraising and Member Development | |
| DIRECT EXPENSES: | | | | | | |
| Salaries and related expenses | \$ 1,251,241 | \$ 447,511 | \$ 1,698,752 | \$ 1,138,437 | \$ 424,660 | \$ 3,261,849 |
| Acquisitions expense | 505,552 | - | 505,552 | - | - | 505,552 |
| Occupancy | 144,515 | 51,686 | 196,201 | 131,486 | 49,047 | 376,734 |
| Professional fees | 12,379 | 83,547 | 95,926 | 132,276 | 29,363 | 257,565 |
| Transmission expense | - | 193,628 | 193,628 | - | - | 193,628 |
| Other expenses | - | - | - | 99,480 | 91,091 | 190,571 |
| Supplies and equipment | (16,209) | 161,746 | 145,537 | 19,639 | - | 165,176 |
| Travel and transportation | 9,175 | 34,517 | 43,692 | 15,132 | 6,366 | 65,190 |
| Advertising | - | - | - | - | 54,152 | 54,152 |
| Special events | - | - | - | - | 37,887 | 37,887 |
| Rental and maintenance of equipment | - | 35,219 | 35,219 | 100 | - | 35,319 |
| Postage and shipping | - | - | - | 7,732 | 13,453 | 21,185 |
| Dues and subscriptions | - | - | - | 18,687 | - | 18,687 |
| Printing and publications | - | - | - | 694 | - | 694 |
| Total expenses | <u>\$ 1,906,653</u> | <u>\$ 1,007,854</u> | <u>\$ 2,914,507</u> | <u>\$ 1,563,663</u> | <u>\$ 706,019</u> | <u>\$ 5,184,189</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 | 110,223 | 22,654 | 196,296 |
| 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 | 1,339,792 | 673,348 | 4,160,969 |
| 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>\$ 1,384,158</u> | <u>\$ 673,348</u> | <u>\$ 4,270,352</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, 2022 and 2021

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 not-for-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 CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), 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, 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 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, 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, 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.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions of Cash and Financial Assets

The Organization may receive contributions of cash and financial assets 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.

Contributions of Nonfinancial Assets

Donated 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

COASTALASKA, 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 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.

Engineering Fees, Station Service Fees, and Statewide Programming

Revenue from engineering fees, station service fees, and statewide programming are recorded when earned. Revenue is recognized at a point in time as the performance obligation of the engineering services, station services, and statewide programming performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for engineering fees, station service fees, and statewide programming are reported as deferred revenue in the statement of financial position. Management evaluates receivables from engineering fees, station service fees, and statewide programming for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Royalties, 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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 5 and Note 6.

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 principal 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.

Cash

For the purpose of the statements 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, 2022

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

and 2021. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

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

Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$210,433 and \$208,994 at June 30, 2022 and 2021. 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

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 adopted ASU 2020-07 in its fiscal year ending June 30, 2022. The adoption of the standard had no impact on net assets for the year 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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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*

| | |
|-------------------------------|--------------|
| Cash | \$ 2,824,335 |
| Accounts receivable, net | 261,392 |
| Contributions receivable, net | 210,433 |
| Investments | 1,622,872 |

Less those unavailable for general expenditures within one year, due to -

Board designations -

| | |
|-----------------------------------|------------------|
| Designated for future station use | <u>(232,489)</u> |
|-----------------------------------|------------------|

Financial assets available to meet cash needs for general expenditures within one year \$ 4,686,543

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Advertising | \$ 51,030 | \$ 62,068 |
| IT services | 24,898 | 20,524 |
| Space rent | 22,620 | 22,620 |
| Utilities | 8,500 | 8,500 |
| Admin support | 8,211 | 39,497 |
| Program support | 5,096 | - |
| Equipment | 4,291 | 54,879 |
| Storage space | 1,700 | 1,700 |
| Supplies | 160 | 572 |
| Professional services | 38 | 60 |
| Staff lodging | - | 2,600 |
| Building repair and maintenance | - | 780 |
| | <u>\$ 126,544</u> | <u>\$ 213,800</u> |

The Organization recognized contributions of nonfinancial assets within revenue, including advertising, IT services, space rent, utilities, admin support, program support, equipment, storage space, supplies, professional services, staff lodging, and building repair and maintenance. Unless otherwise noted, contributions of 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 internet services, DSL and IPL address, and software maintenance 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.

Space rent consists of studio and office space provided by a local government on behalf of the Organization. The Organization estimated fair value on the basis of values that would be received for renting a similar space.

Utilities are provided by a local government to support the Organization's 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 items such as coffee, catered food, office supplies, air freight fees, travel vouchers, bottled water service, and attorney fees as well as Alaska Public Broadcasting support and decorative plants that were 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.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Program support consists of prizes and sponsorships of various programs. The Organization estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services or products.

Equipment consists of a transponder that the Organization was allowed to use in 2021, translator space, and travel and lodging for persons performing equipment repair. The Organization estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

Storage space consists of use of storage space. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar storage rental services.

Supplies are janitorial supplies received from a local company. Services are valued and are reported at the estimated fair value on the basis of estimates of wholesale values that would be paid to purchase similar items.

Professional services are sports broadcasting services that are used to support program activities. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Staff lodging is lodging provided to an intern in 2021. The Organization estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar lodging.

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

NOTE 4 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment in total for CoastAlaska at June 30, 2022 and 2021 are summarized below:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Held by CoastAlaska: | | |
| Building and improvements | \$ 347,402 | \$ 347,402 |
| Broadcasting, production and programming equipment | 437,113 | 437,113 |
| Office fixtures and equipment | 22,135 | 22,135 |
| Land | 9,000 | 9,000 |
| | <u>815,650</u> | <u>815,650</u> |
| Less accumulated depreciation, CoastAlaska | <u>(661,699)</u> | <u>(633,536)</u> |
| Total held by CoastAlaska | <u>\$ 153,951</u> | <u>\$ 182,114</u> |

Depreciation expense was \$28,163 and \$26,272 for CoastAlaska for the fiscal years ending June 30, 2022 and 2021, respectively, and is included in Other expenses on the Statements of Functional Expenses.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – INVESTMENTS

Cost and fair value of marketable equity securities at June 30, 2022 are as follows:

| | Amortized Cost | Unrealized Gains (Loss) | Fair Value |
|----------------------------------|---------------------|----------------------------|---------------------|
| Equity Securities | \$ 492,526 | \$ 44,943 | \$ 537,469 |
| Money Market Funds | 377,196 | (185) | 377,011 |
| Government and Agency Securities | 47,435 | (6,176) | 41,259 |
| Corporate Bonds | 126,999 | (7,121) | 119,878 |
| Mutual Funds | 614,552 | (67,297) | 547,255 |
| Total | <u>\$ 1,658,708</u> | <u>\$ (35,836)</u> | <u>\$ 1,622,872</u> |

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> |

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

| | 2022 | 2021 |
|------------------------------|---------------------|-------------------|
| Interest and dividend income | \$ 21,753 | \$ 18,273 |
| Realized gains (loss) | (47,707) | 79,096 |
| Management fees | (12,204) | (12,845) |
| Unrealized gains (loss) | (240,012) | 100,286 |
| Total | <u>\$ (278,170)</u> | <u>\$ 184,810</u> |

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – 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, 2022 are as follows:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|----------------------------------|---------------------|---------------------|-------------|-------------|
| Investments: | | | | |
| Equity Securities | \$ 537,469 | \$ 537,469 | \$ - | \$ - |
| Money Market Funds | 377,011 | 377,011 | - | - |
| Mutual Funds | 547,255 | 547,255 | - | - |
| Corporate Bonds | 119,878 | 119,878 | - | - |
| Government and Agency Securities | 41,259 | 41,259 | - | - |
| Total | <u>\$ 1,622,872</u> | <u>\$ 1,622,872</u> | <u>\$ -</u> | <u>\$ -</u> |

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> |

NOTE 7 – 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 accounted for the PPP loan using the Debt Model of FASB ASC 470. Under FASB ASC 405-20, Liabilities: Extinguishments of Liabilities, specifically FASB ASC 405-20-40-1b, extinguishment of debt may not take place until the debtor has been legally released as the

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

primary obligor. The full balance of the PPP loan in the amount of \$719,060 was officially forgiven on August 5, 2021, and was recognized as a gain on the extinguishment of debt in the statements of activities during fiscal year 2022.

NOTE 8 – 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 \$1,608,629 and \$1,967,195 of operating grants and \$18,000 and \$35,000 of capital grants as of June 30, 2022 and 2021, respectfully.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

CoastAlaska has received donations from supporters of KCAW totaling \$232,486 and \$232,489 as of June 30, 2022 and 2021, 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.

NOTE 10 – 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. CoastAlaska's contribution to the plan is a discretionary amount of 4% of each employee's salary in both 2022 and 2021. There is no required employer matching contribution. The contribution is paid as accrued.

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

Retirement benefits expense was \$61,963 and \$57,575 for fiscal 2022 and 2021, respectively.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Grants and Contracts

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

Excess Cash Balances

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

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 2023 resulting in reduced revenues. Management believes that this risk is minimal.

NOTE 12 – 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 \$312,236 and \$578,857 to KTOO Public Media during fiscal years 2022 and 2021, respectively.

NOTE 13 – ADMITTANCE OF KTOO MUSIC AND ARTS 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.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2022

| | SITKA KCAW-FM | PETERSBURG KFSK-FM | KETCHIKAN KRBD-FM | UNALASKA KUCB-FM | JUNEAU KTOO-FM | COASTALASKA KSTK-FM | Total |
|--|------------------|-----------------------|----------------------|---------------------|-------------------|------------------------|--------------|
| SUPPORT AND REVENUE: | | | | | | | |
| Membership Revenue | \$ 264,555 | \$ 130,888 | \$ 148,512 | \$ 52,185 | \$ 452,164 | \$ 40,162 | \$ 1,088,466 |
| Contributions of Cash and Financial Assets | 28,140 | 12,703 | 1,213 | 15,502 | 155 | 1,220 | 58,933 |
| Contributions of Nonfinancial Assets | 656 | 12,466 | 23,558 | 22,620 | 32,941 | 34,303 | 126,544 |
| Underwriting Revenue | 106,000 | 80,588 | 78,421 | 47,280 | 343,550 | 39,369 | 695,208 |
| Interest and Investment Loss | - | - | - | - | - | (278,170) | (278,170) |
| Engineering Fees | - | - | - | - | - | 113,777 | 113,777 |
| Statewide Programming | - | - | - | - | - | 421,316 | 421,316 |
| Gain on Extinguishment of Debt | - | - | - | - | - | 719,060 | 719,060 |
| Production Income | 2,800 | 17,626 | 53 | 23,900 | - | 7,170 | 51,549 |
| Miscellaneous Income | 112 | - | - | - | 306 | 363 | 781 |
| Rental Income | 32,458 | 64,381 | 5,400 | - | - | 26,335 | 128,574 |
| Sales Income | 26,480 | 485 | 2,170 | 590 | 154 | 1,706 | 31,585 |
| Fee for Accounting | 420 | - | - | - | - | 248,664 | 249,084 |
| Station Services Fees | - | - | - | - | - | 29,181 | 29,181 |
| CPB Grants | 205,024 | 173,398 | 159,304 | 287,985 | 300,159 | 180,304 | 1,306,174 |
| Other Operating Grants | 87,588 | 36,000 | 4,410 | 156,456 | 9,603 | 24,136 | 318,193 |
| Fundraising Revenues: | | | | | | | |
| Special Events | 2,000 | 4,898 | 4,351 | 9,452 | 31,027 | 531 | 52,259 |
| Auction | 12,460 | - | 7,091 | - | - | 7,395 | 26,946 |
| Gaming | - | - | 73,046 | - | - | 5,813 | 78,859 |
| Total Support and Revenue | 768,693 | 533,433 | 507,529 | 615,970 | 1,170,059 | 1,622,635 | 5,218,319 |
| EXPENSES: | | | | | | | |
| PROGRAMMING EXPENSES: | | | | | | | |
| Salary and Related Expenses | 284,324 | 157,815 | 133,501 | 313,159 | 195,606 | 166,836 | 1,251,241 |
| Media Stock | - | - | - | - | (23,625) | - | (23,625) |
| Contract Labor - Programming | 575 | 1,050 | - | 2,629 | - | 1,125 | 5,379 |
| Production Costs | 502 | - | - | 935 | 216 | 960 | 2,613 |
| Prog/Prod Travel | 2,350 | 553 | - | 769 | 4,975 | 528 | 9,175 |
| Music Library | 930 | 276 | - | 953 | 920 | 144 | 3,223 |
| Audience Survey | - | - | - | - | 7,000 | - | 7,000 |
| Affiliation Fees | 4,300 | 4,050 | 3,750 | 3,750 | 17,965 | 22,730 | 56,545 |
| Program Acquisitions | 30,196 | 25,007 | 22,295 | 14,489 | 107,861 | 234,506 | 434,354 |
| News Services | - | - | - | - | 6,906 | - | 6,906 |
| Studio Maintenance | 4,193 | - | - | - | - | - | 4,193 |
| In-kind - Programming | - | 5,096 | - | - | - | 38 | 5,134 |
| Total Programming Expenses | 327,370 | 193,847 | 159,546 | 336,684 | 317,824 | 426,867 | 1,762,138 |

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2022

| | 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 | - | - | - | - | - | 447,511 | 447,511 |
| Transmission Charges | 10,880 | 9,594 | 9,794 | - | 10,880 | 11,806 | 52,954 |
| Contract Labor | 13,383 | - | - | 1,380 | 40,189 | 28,595 | 83,547 |
| Engineering Supplies | 3,517 | 135 | - | 85 | - | 19,768 | 23,505 |
| Tech/Broadcast Travel | 7,870 | 466 | 324 | 1,381 | 1,240 | 23,236 | 34,517 |
| Translators' Expenses | 18,178 | 6,032 | 16,593 | - | - | 556 | 41,359 |
| Computer Hardware | 4,112 | 3,524 | - | 2,582 | 10,386 | 5,026 | 25,630 |
| Computer Software | 1,558 | 482 | 1,116 | 2,080 | 5,694 | 29,707 | 40,637 |
| Internet Services | 4,797 | 4,631 | 4,261 | 27,473 | 19,996 | 8,968 | 70,126 |
| Broadcast Equipment Purchase | 20,261 | 13,894 | 6,206 | 31,556 | 529 | 23,033 | 95,479 |
| Broadcast Equipment Maintenance | 3,437 | 1,368 | - | 43 | 3,922 | 2,944 | 11,714 |
| In-kind - Technical | 656 | 2,900 | 735 | - | - | 24,898 | 29,189 |
| Total Technical Expenses | 88,649 | 43,026 | 39,029 | 66,580 | 92,836 | 626,048 | 956,168 |
| DEVELOPMENT EXPENSES: | | | | | | | |
| Salary and Related Expenses | 61,291 | 59,335 | 78,997 | - | 145,793 | 79,244 | 424,660 |
| Premiums | 8,838 | 6,063 | - | 7,577 | 4,728 | - | 27,206 |
| Contract Labor | 12,174 | - | - | - | 1,315 | 15,874 | 29,363 |
| Advertising | 1,111 | - | 52 | - | - | 1,360 | 2,523 |
| Development Travel | 1,776 | - | - | - | - | 4,590 | 6,366 |
| Printing | 5,292 | 945 | 1,064 | 235 | 4,561 | 1,356 | 13,453 |
| Special Events | 1,737 | 584 | 18,586 | 1,024 | 14,901 | 1,055 | 37,887 |
| Retail Inventory | 18,759 | - | 1,363 | 2,055 | - | 2,737 | 24,914 |
| Credit Card Fees | - | - | - | - | - | 30,548 | 30,548 |
| Volunteers | 1,590 | - | 50 | 401 | 199 | 109 | 2,349 |
| Bulk Mail Postage | 2,123 | 395 | 487 | 83 | 2,358 | 628 | 6,074 |
| In-kind - Development | - | 670 | 19,434 | - | 30,925 | 600 | 51,629 |
| Total Development Expenses | 114,691 | 67,992 | 120,033 | 11,375 | 204,780 | 138,101 | 656,972 |
| OCCUPANCY EXPENSES: | | | | | | | |
| Rent | - | - | - | - | 92,387 | 57,292 | 149,679 |
| Building Maintenance | 13,535 | 4,377 | 735 | - | - | 134 | 18,781 |
| Automotive | - | - | - | 177 | - | - | 177 |
| Janitorial Supplies | 5,370 | - | 657 | 3,000 | - | 236 | 9,263 |
| Telephone | 5,071 | 7,318 | 5,498 | 6,358 | 300 | 12,661 | 37,206 |
| Utilities | 22,821 | 12,743 | 19,498 | 16,768 | - | 3,656 | 75,486 |
| Insurance | 13,338 | 10,401 | 15,810 | (5,740) | - | 19,353 | 53,162 |
| In-kind - Occupancy | - | 1,700 | 160 | 22,620 | - | 8,500 | 32,980 |
| Total Occupancy Expenses | 60,135 | 36,539 | 42,358 | 43,183 | 92,687 | 101,832 | 376,734 |

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2022

| | 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 | 86,035 | 103,102 | 76,359 | 95,096 | 138,948 | 638,897 | 1,138,437 |
| Office Supplies | 787 | 592 | 455 | 1,061 | 484 | 2,916 | 6,295 |
| Administrative Travel | 2,019 | 505 | - | 1,194 | 564 | 10,850 | 15,132 |
| Administrative Staff Training | 107 | - | - | - | 4,085 | 2,687 | 6,879 |
| Postage | 1,282 | 496 | 676 | 1,088 | 1,699 | 2,491 | 7,732 |
| Dues & Subscriptions | 4,635 | 531 | 608 | 1,692 | 302 | 10,919 | 18,687 |
| Printing | 327 | - | 331 | - | - | 36 | 694 |
| Office Equipment Rental | 100 | - | - | - | - | - | 100 |
| Office Equipment Purchase | 367 | 12,406 | 206 | - | 79 | 286 | 13,344 |
| Contract Labor | 3,572 | 1,049 | 1,398 | 468 | 32,758 | 20,393 | 59,638 |
| Board/Admin | 293 | 449 | 54 | - | 32,010 | 18,000 | 50,806 |
| Audit | 730 | 596 | 487 | 584 | 754 | 35,231 | 38,382 |
| Legal Fees | 440 | - | - | 8,139 | 8,154 | 2,335 | 19,068 |
| Taxes | 1,535 | - | - | - | - | 5,920 | 7,455 |
| Bank and Investment Consult Fees | 1,137 | 246 | 470 | 108 | 924 | 4,693 | 7,578 |
| Depreciation Expense | - | - | - | - | - | 28,163 | 28,163 |
| Other | - | - | - | - | 6,138 | 39 | 6,177 |
| In-kind - Admin | - | 2,100 | 3,228 | - | 2,015 | 267 | 7,610 |
| Administrative Expenses before CoastAlaska Support | 103,366 | 122,072 | 84,272 | 109,430 | 228,914 | 784,123 | 1,432,177 |
| CoastAlaska Support | 139,071 | 108,603 | 106,641 | 102,760 | 224,664 | (681,739) | - |
| Total Administrative Expenses | 242,437 | 230,675 | 190,913 | 212,190 | 453,578 | 102,384 | 1,432,177 |
| Total Expenses | 833,282 | 572,079 | 551,879 | 670,012 | 1,161,705 | 1,395,232 | 5,184,189 |
| Revenue (Deficit) in Excess of Expenses before Capital Items | (64,589) | (38,646) | (44,350) | (54,042) | 8,354 | 227,403 | 34,130 |
| CONTRIBUTION OF ASSETS: | | | | | | | |
| Contribution of financial assets to KTOO Public Media | - | - | - | - | - | (312,236) | (312,236) |
| Contribution of financial assets to Member Stations | 66,125 | 54,005 | 44,116 | 52,842 | - | (217,088) | - |
| Contribution of financial assets from ABPI | - | - | - | - | - | 699,982 | 699,982 |
| Change in Net Assets | \$ 1,536 | \$ 15,359 | \$ (234) | \$ (1,200) | \$ 8,354 | \$ 398,061 | \$ 421,876 |

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 |
|--|------------------|-----------------------|----------------------|---------------------|-------------------|------------------------|--------------|
| SUPPORT AND REVENUE: | | | | | | | |
| Membership Revenue | \$ 264,001 | \$ 133,605 | \$ 143,138 | \$ 55,968 | \$ 455,612 | \$ 39,559 | \$ 1,091,883 |
| Contributions of Cash and Financial Assets | 9,579 | 3,381 | 156 | 15,854 | 195 | 4,030 | 33,195 |
| Contributions of Nonfinancial Assets | 15,964 | 20,498 | 38,551 | 45,501 | 50,726 | 42,560 | 213,800 |
| Underwriting Revenue | 124,135 | 91,010 | 100,922 | 47,898 | 335,606 | 56,966 | 756,537 |
| Interest and Investment Income | - | - | - | - | - | 184,810 | 184,810 |
| 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 |
| Total Support and Revenue | 769,471 | 624,716 | 559,499 | 625,646 | 1,020,530 | 962,654 | 4,562,516 |
| 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 | 3,347 | 6,241 |
| 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 | 665,656 | 1,212,298 |
| 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 | 17,947 | 1,212,298 |
| Total Expenses | 729,654 | 513,297 | 551,872 | 609,233 | 974,995 | 781,918 | 4,160,969 |
| 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.



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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Raven Radio Foundation, Inc. (the Corporation), a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Raven Radio Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its 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 Raven Radio Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

In performing an audit in accordance with GAAS, we:

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

Supplementary Information

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, 2022 and 2021, appearing on pages 21-26, 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 13, 2022

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|--------------------------|--------------------------|
| ASSETS - | | |
| Property and Equipment, net | <u>\$ 848,109</u> | <u>\$ 885,356</u> |
| Total Assets | <u><u>\$ 848,109</u></u> | <u><u>\$ 885,356</u></u> |
| LIABILITIES AND NET ASSETS - | | |
| Net Assets - | | |
| Without Donor Restrictions | <u>\$ 848,109</u> | <u>\$ 885,356</u> |
| Total Liabilities and Net Assets | <u><u>\$ 848,109</u></u> | <u><u>\$ 885,356</u></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, 2022 and 2021

| | 2022 | 2021 |
|--|------------|------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Public Support, Revenue and Other Gains: | | |
| Contributions of cash and financial assets | \$ 94,265 | \$ 9,579 |
| Contributions of nonfinancial assets | 656 | 15,964 |
| Membership | 264,555 | 264,001 |
| Government and CPB operating grants | 205,024 | 168,175 |
| Underwriting income | 106,000 | 124,135 |
| Rental, special events and other income | 73,510 | 44,591 |
| Royalties and production income | 2,800 | 1,389 |
| Other operating grants | 87,588 | 141,637 |
| Total Public Support, Revenue and Other Gains | 834,398 | 769,471 |
| Administrative Expenses: | | |
| Pass-through funding to CoastAlaska | 834,398 | 769,471 |
| Depreciation | 37,247 | 41,762 |
| Total Administrative Expenses | 871,645 | 811,233 |
| Change in Net Assets Without Donor Restrictions | (37,247) | (41,762) |
| Net Assets, Beginning of Year | 885,356 | 927,118 |
| Net Assets, End of Year | \$ 848,109 | \$ 885,356 |

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, 2022 and 2021

| | 2022 | 2021 |
|---|-------------|-------------|
| Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities | | |
| Change in Net Assets Without Donor Restrictions | \$ (37,247) | \$ (41,762) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities | | |
| Depreciation | 37,247 | 41,762 |
| Net Cash Provided By Operating Activities | - | - |
| Net Change In Cash | - | - |
| Cash at Beginning of Year | - | - |
| Cash at End of Year | \$ - | \$ - |

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Raven Radio Foundation, Inc. (the Corporation) is a not-for-profit Alaskan 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 CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), 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 of Cash and Financial Assets

The Corporation may receive contributions of cash and financial assets 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.

Contributions of Nonfinancial Assets

Donated 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 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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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.

Cash

For the purpose of the statements 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, 2022 and 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

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 adopted ASU 2020-07 in its fiscal year ending June 30, 2022. The adoption of the standard had no impact on net assets for the years ended June 30, 2022 or 2021, respectively.

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Upcoming Accounting Pronouncements

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

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.

Reclassifications

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

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 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

| | 2022 | 2021 |
|---------------|---------------|------------------|
| Equipment | \$ 656 | \$ 9,241 |
| Admin support | - | 4,293 |
| Advertising | - | 2,184 |
| IT services | - | 246 |
| | <u>\$ 656</u> | <u>\$ 15,964</u> |

The Corporation recognized contributions of nonfinancial assets within revenue, including equipment, admin support, advertising, and IT services. Unless otherwise noted, contributions of nonfinancial assets did not have donor-imposed restrictions.

Equipment consists of a transponder that the Corporation was allowed to use in 2021 and travel for persons repairing equipment. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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

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

IT services consists of software maintenance provided to support the Corporation'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.

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2022 and 2021 are summarized below:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| 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 | (982,679) | (945,432) |
| | <u>\$ 848,109</u> | <u>\$ 885,356</u> |

Depreciation expense was \$37,247 and \$41,762 for fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 4 – 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 2023 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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Narrows Broadcasting Corporation (the Corporation), a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Narrows Broadcasting Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 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, 2022 and 2021, appearing on pages 21-26, 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 13, 2022

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|--------------------------|--------------------------|
| ASSETS - | | |
| Property and Equipment, net | <u>\$ 247,671</u> | <u>\$ 272,189</u> |
| Total Assets | <u><u>\$ 247,671</u></u> | <u><u>\$ 272,189</u></u> |
| LIABILITIES AND NET ASSETS - | | |
| Net Assets - | | |
| Without Donor Restrictions | <u>\$ 247,671</u> | <u>\$ 272,189</u> |
| Total Liabilities and Net Assets | <u><u>\$ 247,671</u></u> | <u><u>\$ 272,189</u></u> |

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|------------|------------|
| CHANGES IN NET ASSETS | | |
| WITHOUT DONOR RESTRICTIONS: | | |
| Public Support, Revenue and Other Gains: | | |
| Support from CoastAlaska for | | |
| equipment repairs and replacements | \$ - | \$ 100,563 |
| Contributions of cash and financial assets | 66,708 | 3,381 |
| Contributions of nonfinancial assets | 12,466 | 20,498 |
| Membership | 130,888 | 133,605 |
| Government and CPB operating grants | 173,398 | 286,873 |
| Underwriting income | 80,588 | 91,010 |
| Rental, special events and other income | 69,764 | 44,908 |
| Royalties and production income | 17,626 | - |
| Other operating grants | 36,000 | 44,441 |
| Total Public Support, Revenue and Other Gains | 587,438 | 725,279 |
| Administrative Expenses: | | |
| Pass-through funding to CoastAlaska | 587,438 | 624,716 |
| Depreciation | 24,518 | 29,294 |
| Total Administrative Expenses | 611,956 | 654,010 |
| Change in Net Assets Without Donor Restrictions | (24,518) | 71,269 |
| Net Assets, Beginning of Year | 272,189 | 200,920 |
| Net Assets, End of Year | \$ 247,671 | \$ 272,189 |

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|-------------|-----------|
| Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities | | |
| Change in Net Assets Without Donor Restrictions | \$ (24,518) | \$ 71,269 |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities | | |
| Depreciation | 24,518 | 29,294 |
| Net Cash Provided by Operating Activities | - | 100,563 |
| Cash Flows From Investing Activities - | | |
| Cash paid for fixed assets and capital improvements, net | - | (100,563) |
| Net Cash Used For Investing Activities | - | (100,563) |
| Net Change In Cash | - | - |
| Cash at Beginning of Year | - | - |
| Cash at End of Year | \$ - | \$ - |

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Narrows Broadcasting Corporation (the Corporation) is a not-for-profit Alaskan 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 CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), 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 of Cash and Financial Assets

The Corporation may receive contributions of cash and financial assets 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.

Contributions of Nonfinancial Assets

Donated 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 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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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.

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 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. 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.

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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.

Cash

For the purpose of the statements 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, 2022 and 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

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 adopted ASU 2020-07 in its fiscal year ending June 30, 2022. 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 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.

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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.

Reclassifications

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

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 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

| | 2022 | 2021 |
|-----------------------|------------------|------------------|
| Program support | \$ 5,096 | \$ - |
| Equipment | 2,900 | 10,925 |
| Admin support | 2,100 | 4,293 |
| Storage space | 1,700 | 1,700 |
| Advertising | 670 | 3,520 |
| Professional services | - | 60 |
| | <u>\$ 12,466</u> | <u>\$ 20,498</u> |

The Corporation recognized contributions of nonfinancial assets within revenue, including program support, equipment, admin support, storage space, advertising, and professional services. Unless otherwise noted, contributions of nonfinancial assets did not have donor-imposed restrictions.

Program support consists of prizes and sponsorships of various programs. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services or products.

Equipment consists of a transponder that the Corporation was allowed to use in 2021, translator space, and lodging for persons performing equipment repair. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

Admin support is composed of miscellaneous supplies such as catered food and office supplies that are used for general and administrative activities. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be received for purchasing similar products.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Storage space consists of use of storage space. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar storage rental services.

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

Professional services are sport broadcasting services provided to support the Corporation's program activities. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2022 and 2021 are summarized below:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Land | \$ 25,000 | \$ 25,000 |
| Building and improvements | 543,816 | 543,816 |
| Broadcasting, production and programming equipment | 559,717 | 559,717 |
| Office fixtures and equipment | 19,810 | 19,810 |
| | 1,148,343 | 1,148,343 |
| Less accumulated depreciation | (900,672) | (876,154) |
| | <u>\$ 247,671</u> | <u>\$ 272,189</u> |

Depreciation expense was \$24,518 and \$29,294 for fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 4 – 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 2023 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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Rainbird Community Broadcasting Corporation (the Corporation, a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but

is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 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, 2022 and 2021, appearing on pages 21-26, 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 13, 2022

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|-------------------|
| ASSETS - | | |
| Property and Equipment, net | \$ 448,917 | \$ 478,825 |
| Total Assets | <u>\$ 448,917</u> | <u>\$ 478,825</u> |
| LIABILITIES AND NET ASSETS - | | |
| Net Assets - | | |
| Without Donor Restrictions | \$ 448,917 | \$ 478,825 |
| Total Liabilities and Net Assets | <u>\$ 448,917</u> | <u>\$ 478,825</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, 2022 and 2021

| | 2022 | 2021 |
|--|------------|------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Public Support, Revenue and Other Gains: | | |
| Contributions of cash and financial assets | \$ 45,329 | \$ 156 |
| Contributions of nonfinancial assets | 23,558 | 38,551 |
| Membership | 148,512 | 143,138 |
| Government and CPB operating grants | 159,304 | 171,673 |
| Underwriting income | 78,421 | 100,922 |
| Rental, special events and other income | 92,058 | 31,739 |
| Royalties and production income | 53 | 200 |
| Other operating grants | 4,410 | 73,120 |
| Total Public Support, Revenue and Other Gains | 551,645 | 559,499 |
| Administrative Expenses: | | |
| Pass-through funding to CoastAlaska | 551,645 | 559,499 |
| Depreciation | 29,908 | 32,800 |
| Total Administrative Expenses | 581,553 | 592,299 |
| Change in Net Assets Without Donor Restrictions | (29,908) | (32,800) |
| Net Assets, Beginning of Year | 478,825 | 511,625 |
| Net Assets, End of Year | \$ 448,917 | \$ 478,825 |

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, 2022 and 2021

| | <u>2022</u> | <u>2021</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 | \$ (29,908) | \$ (32,800) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities | | |
| Depreciation | <u>29,908</u> | <u>32,800</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, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Rainbird Community Broadcasting Corporation (the Corporation) is a not-for-profit Alaskan 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 CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), 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 of Cash and Financial Assets

The Corporation may receive contributions of cash and financial assets 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.

Contributions of Nonfinancial Assets

Donated 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 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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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.

Cash

For the purpose of the statements 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, 2022 and 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

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 adopted ASU 2020-07 in its fiscal year ending June 30, 2022. The adoption of the standard had no impact on net assets for the years ended June 30, 2022 or 2021, respectively.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Upcoming Accounting Pronouncements

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

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.

Reclassifications

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

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 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

| | 2022 | 2021 |
|---------------|------------------|------------------|
| Advertising | \$ 19,434 | \$ 19,068 |
| Admin support | 3,229 | 7,171 |
| Equipment | 735 | 9,140 |
| Supplies | 160 | 572 |
| Staff Lodging | - | 2,600 |
| | <u>\$ 23,558</u> | <u>\$ 38,551</u> |

The Corporation recognized contributions of nonfinancial assets within revenue, including advertising, admin support, equipment, supplies, and staff lodging. Unless otherwise noted, contributions of nonfinancial assets did not have donor-imposed restrictions.

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Admin support is composed of miscellaneous items such as coffee and bottled water service that are used for general and administrative activities. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be received for purchasing similar products.

Equipment consists of a transponder that the Corporation was allowed to use in 2021 and lodging for persons performing equipment repair. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

Supplies are janitorial supplies received from a local company. Services are valued and are reported at the estimated fair value on the basis of estimates of wholesale values that would be paid to purchase similar items.

Staff lodging is lodging provided to an intern in 2021. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar lodging.

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2022 and 2021 are summarized below:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| 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 | (825,937) | (796,029) |
| | <u>\$ 448,917</u> | <u>\$ 478,825</u> |

Depreciation expense was \$29,908 and \$32,800 for fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 4 – 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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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 2023 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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Unalaska Community Broadcasting, Inc. (the Corporation), a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June, 2022 and 2021, and the changes in its net assets and its 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 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, 2022 and 2021 appearing on pages 21-26, 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 13, 2022

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | 2022 | 2021 |
|----------------------------------|------------------|------------------|
| ASSETS - | | |
| Property and Equipment, net | \$ 60,066 | \$ 77,188 |
| Total Assets | <u>\$ 60,066</u> | <u>\$ 77,188</u> |
| LIABILITIES AND NET ASSETS - | | |
| Net Assets - | | |
| Without Donor Restrictions | \$ 60,066 | \$ 77,188 |
| Total Liabilities and Net Assets | <u>\$ 60,066</u> | <u>\$ 77,188</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, 2022 and 2021

| | 2022 | 2021 |
|--|-----------|-----------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Public Support, Revenue and Other Gains: | | |
| Support from CoastAlaska for | \$ - | \$ 8,820 |
| equipment repairs and replacements | | |
| Contributions of cash and financial assets | 68,344 | 15,854 |
| Contributions of nonfinancial assets | 22,620 | 45,501 |
| Membership | 52,185 | 55,968 |
| Government and CPB operating grants | 287,985 | 226,026 |
| Underwriting income | 47,280 | 47,898 |
| Rental, special events and other income | 10,042 | 13,188 |
| Royalties and production income | 23,900 | 34,050 |
| Other operating grants | 156,456 | 187,161 |
| Total Public Support, Revenue and Other Gains | 668,812 | 634,466 |
| Administrative Expenses: | | |
| Pass-through funding to CoastAlaska | 668,812 | 625,646 |
| Depreciation | 17,122 | 16,263 |
| Total Administrative Expenses | 685,934 | 641,909 |
| Change in Net Assets Without Donor Restrictions | (17,122) | (7,443) |
| Net Assets, Beginning of Year | 77,188 | 84,631 |
| Net Assets, End of Year | \$ 60,066 | \$ 77,188 |

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, 2022 and 2021

| | <u>2022</u> | <u>2021</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 | \$ (17,122) | \$ (7,443) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities | | |
| Depreciation | <u>17,122</u> | <u>16,263</u> |
| Net Cash Provided By Operating Activities | <u>-</u> | <u>8,820</u> |
| Cash Flows From Investing Activities - | | |
| Cash paid for fixed assets and capital improvements, net | <u>-</u> | <u>(8,820)</u> |
| Net Cash Used For Investing Activities | <u>-</u> | <u>(8,820)</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.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Unalaska Community Broadcasting, Inc. (the Corporation or KUCB) is a not-for-profit Alaskan 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 CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), 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.

UNALASKA COMMUNITY BROADCASTING, 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

Contribution of Cash and Financial Assets

The Corporation may receive contributions of cash and financial assets 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.

Contributions of Nonfinancial Assets

Donated 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 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

UNALASKA COMMUNITY BROADCASTING, 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 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 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

UNALASKA COMMUNITY BROADCASTING, INC.

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.

Cash

For the purpose of the statements 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, 2022. 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

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 adopted ASU 2020-07 in its fiscal year ending June 30, 2022. 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 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.

UNALASKA COMMUNITY BROADCASTING, 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 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.

Reclassifications

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

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 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

| | 2022 | 2021 |
|---------------|------------------|------------------|
| Space rent | \$ 22,620 | \$ 22,620 |
| Admin support | - | 14,357 |
| Equipment | - | 8,524 |
| | <u>\$ 22,620</u> | <u>\$ 45,501</u> |

The Corporation recognized contributions of nonfinancial assets within revenue, including space rent, admin support, and equipment. Unless otherwise noted, contributions of nonfinancial assets did not have donor-imposed restrictions.

Space rent consists of studio and office space provided by local government on behalf of the Corporation. The Corporation estimated fair value on the basis of values that would be received for renting similar space to a renter.

Admin support is composed of miscellaneous items and travel vouchers used for general and administrative activities. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be received for purchasing similar products.

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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2022 and 2021 are summarized below:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| Broadcasting, production and programming equipment | \$ 337,902 | \$ 337,902 |
| Less accumulated depreciation | <u>(277,836)</u> | <u>(260,714)</u> |
| | <u>\$ 60,066</u> | <u>\$ 77,188</u> |

Depreciation expense was \$17,122 and \$16,263 for the years ended June 30, 2022 and 2021, respectively.

NOTE 4 – 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 2023 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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of KTOO Music and Arts, LLC (KTOO FM), a not-for-profit limited liability company, which comprise the statements of activities as of June 30, 2022, and 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the changes in its net assets for the years ended June 2022 and 2021 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 KTOO FM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KTOO FM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KTOO FM'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 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, 2022 and 2021, appearing on pages 21-26, 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 13, 2022

KTOO MUSIC AND ARTS, LLC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|--|--------------------|--------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Public Support, Revenue and Other Gains: | | |
| Contributions of cash and financial assets | \$ 155 | \$ 195 |
| Contributions of nonfinancial assets | 32,941 | 50,726 |
| Membership | 452,164 | 455,612 |
| Government and CPB operating grants | 300,159 | 169,049 |
| Underwriting income | 343,550 | 335,606 |
| Rental, special events and other income | 31,487 | 7,342 |
| Other operating grants | 9,603 | 2,000 |
| Total Public Support, Revenue and Other Gains | <u>1,170,059</u> | <u>1,020,530</u> |
| Administrative Expenses: | | |
| Pass-through funding to CoastAlaska | <u>1,170,059</u> | <u>1,020,530</u> |
| Total Administrative Expenses | <u>1,170,059</u> | <u>1,020,530</u> |
| Change in Net Assets Without Donor Restrictions | - | - |
| Net Assets, Beginning of Year | <u>-</u> | <u>-</u> |
| Net Assets, End of Year | <u><u>\$ -</u></u> | <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
Years Ended June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

KTOO Music and Arts, LLC (the Company) is a not-for-profit Alaskan 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 CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), 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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff which provides the following services to CoastAlaska and its members:

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Basis of Presentation

The financial statements of 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:

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 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 of Cash and Financial Assets

The Company may receive contributions of cash and financial assets 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.

Contributions of Nonfinancial Assets

Donated 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 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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

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 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 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 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 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, 2022. The Company qualifies under a group exemption due to their affiliation with CoastAlaska through the

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

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

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 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 adopted ASU 2020-07 in its fiscal year ending June 30, 2022. 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 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.

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.

Reclassifications

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

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.

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

| | 2022 | 2021 |
|---------------------------------|------------------|------------------|
| Advertising | \$ 30,926 | \$ 36,696 |
| Admin support | 2,015 | 4,726 |
| Equipment | - | 8,524 |
| Building repair and maintenance | - | 780 |
| | <u>\$ 32,941</u> | <u>\$ 50,726</u> |

The Company recognized contributions of nonfinancial assets within revenue, including advertising, admin support, equipment, and building repair and maintenance. Unless otherwise noted, contributions of nonfinancial assets did not have donor-imposed restrictions.

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

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

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

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

NOTE 3 – 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 4 – 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.

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Business Disruption

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