

KTOO PUBLIC MEDIA  
and  
KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



# Elgee Rehfeld

## Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

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## INDEPENDENT AUDITOR'S REPORT

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

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

#### *Opinion*

We have audited the accompanying consolidated financial statements of KTOO Public Media, a nonprofit corporation, and its affiliate KTOO Music and Arts, LLC, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of KTOO Public Media and KTOO Music and Arts, LLC (the Organization) as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

### **Supplementary Information**

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

accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Elgee Rehfeld*

February 12, 2024

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2023 and 2022

	2023	2022
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 474,576	\$ 681,174
Accounts receivable	228,691	334,904
Prepaid expenses	28,495	15,870
Total current assets	731,762	1,031,948
Beneficial interest - Juneau Community Foundation	466,210	261,692
Right-of-use asset, net	2,081,712	-
Intangible assets	621,400	621,400
Property and equipment, net	1,771,944	2,012,584
Total assets	\$ 5,673,028	\$ 3,927,624
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 67,888	\$ 108,890
Accrued annual leave	49,247	54,348
Other accrued liabilities	22,260	39,339
Refundable advance	433,407	408,407
Current portion of lease liabilities	159,937	-
Deferred revenue	5,377	1,105
Total current liabilities	738,116	612,089
Lease liabilities	1,921,775	-
Payable to KTOO Legacy Foundation	-	261,692
Total liabilities	2,659,891	873,781
Net assets:		
Without donor restrictions:		
Invested in property and equipment	1,771,944	2,012,584
Undesignated	774,983	1,041,259
Total net assets without donor restrictions	2,546,927	3,053,843
With donor restrictions	466,210	-
Total net assets	3,013,137	3,053,843
Total liabilities and net assets	\$ 5,673,028	\$ 3,927,624

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

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

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in net assets without donor restrictions		
from operating activities:		
REVENUES AND SUPPORT:		
Contributions of cash and other financial assets	\$ 91,650	\$ 57,307
Contributions of nonfinancial assets	40,737	68,752
Membership	457,505	452,164
Government and CPB operating grants	1,048,181	1,369,787
Rental, special events, and other income	254,919	328,498
Underwriting	683,360	678,824
Royalties and production income	53,832	56,702
Distributions from beneficial interest - Juneau Community Foundation	10,000	-
Other operating grants	580,508	524,466
Total revenues and support	<u>3,220,692</u>	<u>3,536,500</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	1,573,328	1,627,781
Technical and broadcasting	408,798	392,932
Total program services	<u>1,982,126</u>	<u>2,020,713</u>
SUPPORTING SERVICES:		
General and administrative	1,664,676	1,652,176
Fundraising and member development	80,806	42,208
Total supporting services	<u>1,745,482</u>	<u>1,694,384</u>
Total expenses	<u>3,727,608</u>	<u>3,715,097</u>
Change in net assets without donor restrictions		
from operating activities	(506,916)	(178,597)
Change in net assets without donor restrictions		
from non-operating activities -		
Net contribution of assets from CoastAlaska	-	312,236
Change in net assets without donor restrictions	(506,916)	133,639
Change in net assets with donor restrictions -		
Change in value of beneficial interest - Juneau Community Foundation	466,210	-
Change in net assets	(40,706)	133,639
NET ASSETS, Beginning of Year	<u>3,053,843</u>	<u>2,920,204</u>
NET ASSETS, End of Year	<u>\$ 3,013,137</u>	<u>\$ 3,053,843</u>

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash inflows from operations:		
Cash received from grants	\$ 1,657,961	\$ 1,697,961
Cash received from membership	457,505	452,164
Cash received from underwriting	789,573	482,220
Cash received from other sources	308,751	385,200
Distributions from beneficial interest - Juneau		
Community Foundation	10,000	-
Cash received from contributions	91,650	369,543
Cash outflows from operations:		
Cash paid to employees	(1,379,769)	(1,305,584)
Cash paid to suppliers	(2,127,069)	(2,051,165)
Net cash provided by (used for) operating activities	<u>(191,398)</u>	<u>30,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(15,200)</u>	<u>(499,835)</u>
Net cash used for investing activities	<u>(15,200)</u>	<u>(499,835)</u>
Change in cash and cash equivalents	(206,598)	(469,496)
Cash and cash equivalents - beginning of year	<u>681,174</u>	<u>1,150,670</u>
Cash and cash equivalents - end of year	<u>\$ 474,576</u>	<u>\$ 681,174</u>
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES DISCLOSURE		
Establishment of operating lease asset and lease liability	\$ 2,132,037	\$ -

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2023

	Program Services			Supporting Services		Total
	Programming and Production	Technical and Broadcasting	Total Program Services	General and Administrative	Fundraising and Member Development	
Direct expenses:						
Salaries and related expenses	\$ 1,009,648	\$ -	\$ 1,009,648	\$ 307,134	\$ 40,807	\$ 1,357,589
Occupancy	246,875	-	246,875	75,088	9,992	331,955
Professional fees	100,201	116,935	217,136	87,715	-	304,851
Depreciation	139,146	-	139,146	116,695	-	255,841
Transmission expense	-	253,879	253,879	-	-	253,879
Acquisitions expense	47,878	-	47,878	-	-	47,878
Supplies and equipment	2,247	38,284	40,531	2,098	-	42,629
Advertising	-	-	-	-	29,859	29,859
Travel and transportation	27,333	(300)	27,033	2,705	-	29,738
Other expenses	-	-	-	17,104	(107)	16,997
Dues and subscriptions	-	-	-	11,855	-	11,855
Rental and maintenance of equipment	-	-	-	8,541	-	8,541
Postage and shipping	-	-	-	2,197	-	2,197
Special events	-	-	-	-	255	255
	1,573,328	408,798	1,982,126	631,132	80,806	2,694,064
Pass-through funding to CoastAlaska	-	-	-	1,033,544	-	1,033,544
Total direct expenses	\$ 1,573,328	\$ 408,798	\$ 1,982,126	\$ 1,664,676	\$ 80,806	\$ 3,727,608

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



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

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

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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

Principles of Consolidation

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

Organization

On July 1, 2020, Capital Community Broadcasting, Inc. (CCBI) withdrew from the Compact Agreement of CoastAlaska, a non-profit corporation that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska, and reorganized under KTOO TV for the purpose of operating television programming, production, and broadcasting in Juneau, Alaska. KTOO FM was created for the purpose of operating radio programming and production in Juneau, Alaska.

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

Operating budgets are developed annually which are submitted to the Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of KTOO TV and KTOO FM. The budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

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

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

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KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Programming and Production

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

Technical Services

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

Basis of Accounting

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

As discussed above, all revenues and expenses of KTOO FM, excluding the recording of real and personal property and related debt amounts, is contributed to, and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the Property and Equipment note below.

The Organization follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state, or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying consolidated financial statements.

Basis of Presentation

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

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

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

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the consolidated statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Organization also classifies donor restricted

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Revenue Recognition

*Contributions of Cash and Other Financial Assets*

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

*Contributions of Nonfinancial Assets*

Donated services, such as advertising and IT services, are recognized as contributions of nonfinancial assets in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Organization. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

*Membership*

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

*Grant Revenue*

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

*Underwriting Income*

Revenue from program underwriting is recognized when the Organization satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Payment received in advance of the satisfaction of performance obligations for underwriting revenues are reported as deferred revenue in the consolidated statements of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

in the consolidated financial statements as management has determined all accounts to be collectable.

*Rental, Special Events and Other Income*

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Revenue from rentals is recognized over the period of the tenant lease term on a monthly basis and in the amount stipulated by the tenant lease. Special event and other income revenues are recognized at a point in time as the performance obligation of the special event or sales is performed for the amount of the contract. Payments received in advance of the satisfaction of performance obligations for rental, special events, and other income are reported as deferred revenue in the consolidated statements of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the consolidated financial statements.

*Royalties and Production Income*

Revenue from royalties and television production is recognized over time as the performance obligation is performed for the amount of the contract and is recorded when earned. Payments received in advance of the satisfaction of performance obligations for royalties and production income are reported as deferred revenue in the consolidated statements of financial position. Management evaluates receivables from royalties and production income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the consolidated financial statements.

*Broadcast Income*

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

Use of Estimates

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

Broadcast Rights

Programming broadcast rights are expensed annually as purchased.

Cash

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

Beneficial Interest in Alaska Community Foundation

During fiscal year 2023, the Organization established an endowment fund that is perpetual in nature (the fund) under a Juneau Community Foundation (JCF) Agency Endowment Fund Agreement and named the Organization as beneficiary. The Organization granted variance power to the JCF, which allows the JCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the JCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the JCF for the Organization's benefit and is reported at fair value in the statements

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of financial position, with distributions and changes in fair value recognized in the statements of activities. Prior to fiscal year 2023, the Organization recorded the beneficial interest at cost and recognized earnings in the fund when distributions occurred. The Organization received distributions of \$10,500 during fiscal year 2022 and had a reported market value of \$404,926 at June 30, 2022.

Operating Lease Right-of-Use Assets and Liabilities

The Organization has an operating lease for land. The Organization determines if an arrangement is a lease at the inception of the contract. The operating lease as a lessee is included in right-of-use asset, net and operating lease liabilities in the statement of financial position.

Right-of-use assets represent the Organization's right to use the underlying asset for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and related liabilities are recognized at the lease commencement date based on the net present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The Organization uses its incremental borrowing rate, which is based on the information available at the commencement date, in determining the present value of lease payments. The Organization uses publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has established a minimum dollar threshold for lease reporting of \$15,000 for all categories of lease contracts. The Organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The Organization has also elected the practical expedient to not separate lease and non-lease components for all classes of assets.

Property and Equipment

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

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a corporation that is not a private foundation under Section 509(a)(2). KTOO FM is considered a disregarded entity for taxation purposes. There was no required provision for income taxes for fiscal year ended June 30, 2023. The Organization follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. The Organization's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

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

Functional Allocation of Expenses

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

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

Recently Adopted Accounting Pronouncements

*Leases (Topic 842)*

In 2023, management adopted FASB ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), and the additional ASU's issued to clarify and update the guidance in ASU 2016-02 (collectively, "ASC Topic 842"). ASC Topic 842 modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. Management adopted ASC Topic 842 using the modified retrospective transition method, under which amounts in prior periods presented herein were not restated. The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in exiting or expiring leases at the point of adoption and relief from having to reevaluate the classification of leases in effect at the point of adoption.

**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, 2023:

Financial assets, at year-end:	<u>2023</u>
Cash and cash equivalents	\$ 474,576
Accounts receivable	<u>228,691</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 703,267</u></u>

**NOTE 3 – FAIR VALUE MEASUREMENT**

FASB ASC 820 *Fair Value Measurement* defines fair value as the exchange price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under ASC 820 as assumptions market participants would use in pricing an asset or liability.

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The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. These include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter markets.

Level 2 – Observable market-based inputs or unobservable inputs corroborated by market data that are not considered to be active.

Level 3 – Unobservable inputs that are not corroborated by market data. Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. These reflect limited partnerships, corporate investments, and real investment funds.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table presents the fair value measurements of assets reported in the accompanying statement of financial position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of June 30, 2023.

	Fair Value Measurements as of June 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Beneficial Interest in JCF	\$ 466,210	\$ -	\$ -	\$ 466,210

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2023:

Balance at June 30, 2022	\$ -
Purchase/contributions of investments	289,905
Distributions	(10,000)
Investment return, net	186,305
Balance at June 30, 2023	\$ 466,210



KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4 – CONTRIBUTIONS OF NONFINANCIAL ASSETS**

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

	2023	2022
Advertising	\$ 30,765	\$ 58,289
IT services	6,948	6,948
Program support	2,666	-
Equipment	358	-
Admin support	-	2,015
Building repair and maintenance	-	1,500
	<u>\$ 40,737</u>	<u>\$ 68,752</u>

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

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

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

Program support consists of travel for programming as well as drone services for a production project provided by local organizations. The Company estimated fair value on the basis of values that would be paid for purchasing similar services.

Equipment consists of travel for an engineer. The Company 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 coffee that is used for general and administrative activities. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

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

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

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	2023	2022
Building and improvements	\$ 3,069,771	\$ 3,069,771
Broadcasting, production and programming equipment	3,552,281	3,537,081
Office fixtures and equipment	42,612	42,612
	6,664,664	6,649,464
Less accumulated depreciation	(4,892,720)	(4,636,880)
	\$ 1,771,944	\$ 2,012,584

Depreciation expense was \$255,841 and \$257,997 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 6 – LEASES**

Lessee Operating Leases

The Organization leases land under a noncancelable operating lease agreement expiring in 2050. The discount rate represents the Organization’s estimated incremental borrowing rate for its underlying asset as of the earlier of the implementation date of ASC 842 or the initial date of the lease. The Organization has the right to extend the lease for an additional period of ten years. This additional period was not included in the lease liability as the Organization is not reasonably certain to exercise the extension. The Organization does not have finance type leases.

The following table summarizes the total lease costs, the supplemental cash flow information, and the weighted average remaining lease term and weighted-average discount rate for the year ended June 30, 2023:

Component of Lease Expenses	Classification in Statement of Functional Expenses	2023
Operating lease cost	Occupancy	\$ 110,392
Short-term lease cost	Occupancy	19,303
Net lease expense		\$ 129,695
Cash paid for amounts included in the measurement of lease liabilities		\$ 110,392
Right-of-use assets obtained in exchange for lease liabilities		\$ 2,132,037
Weighted-average remaining lease term		27.08 Years
Weighted-average discount rate		2.88%

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

Maturities of operating lease liabilities are as follows:

	Operating Leases
2024	\$ 110,392
2025	110,392
2026	110,392
2027	110,392
2028	110,392
Thereafter	2,428,634
Total lease payments	2,980,594
Less: imputed interest	(898,882)
Present value of lease liabilities	\$ 2,081,712

Lessor Operating Leases

The Organization leases certain assets. These assets are comprised of tower rent and office space. Total operating lease income for the years ended June 30, 2023 and 2022 was \$132,939 and \$129,502, respectively.

Future minimum lease payments to be received under non-cancellable operating leases for the years ending June 30 are as follows:

	Future Receipts
2024	\$ 44,898
2025	16,698
2026	16,698
2027	16,698
2028	18,368
Thereafter	174,494
Total future minimum lease payments	\$ 287,854

**NOTE 7 – REFUNDABLE ADVANCES**

The Organization receives various operating grants that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as grant revenue when donor contributions are met. Refundable advances consisted of \$433,407 and \$408,407 of operating grants as of June 30, 2023 and 2022, respectively.

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 8 – INTANGIBLE ASSETS**

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

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

**NOTE 9 – CONTINGENT LIABILITIES**

Grants and Contracts

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

Excess Cash Balances

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

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

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

As part of the agreement for the withdrawal of CCBI from the CoastAlaska Compact Agreement, KTOO Public Media received net assets and liabilities of \$-0- and \$312,236 from CoastAlaska for the years ended June 30, 2023 and 2022, respectively.

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2023, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>
Restricted in perpetuity - Beneficial interest in JCF	<u>\$ 466,210</u>

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

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	KTOO Public Media	KTOO Music and Arts, LLC	Consolidated Amounts
Change in net assets without donor restrictions:			
REVENUES AND SUPPORT:			
Contributions of cash and other financial assets	\$ 55,650	\$ 36,000	\$ 91,650
Contributions of nonfinancial assets	38,557	2,180	40,737
Membership	-	457,505	457,505
Government and CPB operating grants	847,404	200,777	1,048,181
Rental, special events, and other income	251,398	3,521	254,919
Underwriting	397,317	286,043	683,360
Royalties and production income	53,814	18	53,832
Distributions from beneficial interest - Juneau Community Foundation	10,000	-	10,000
Other operating grants	533,008	47,500	580,508
Total revenues and support	<u>2,187,148</u>	<u>1,033,544</u>	<u>3,220,692</u>
EXPENSES:			
PROGRAM EXPENSES:			
Programming and production	1,573,328	-	1,573,328
Technical and broadcasting	408,798	-	408,798
Total program expenses	<u>1,982,126</u>	<u>-</u>	<u>1,982,126</u>
SUPPORTING SERVICES:			
General and administrative	631,132	1,033,544	1,664,676
Fundraising and member development	80,806	-	80,806
Total supporting services	<u>711,938</u>	<u>1,033,544</u>	<u>1,745,482</u>
Total expenses	<u>2,694,064</u>	<u>1,033,544</u>	<u>3,727,608</u>
Change in net assets without donor restrictions	(506,916)	-	(506,916)
Changes in net assets with donor restrictions -			
Change in value of beneficial interest - Juneau Community Foundation	466,210	-	466,210
Change in net assets	(40,706)	-	(40,706)
Net assets, beginning of year	3,053,843	-	3,053,843
Net assets, end of year	<u>\$ 3,013,137</u>	<u>\$ -</u>	<u>\$ 3,013,137</u>

See independent auditor's report.

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

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

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

See independent auditor's report.