

KTOO PUBLIC MEDIA
and
KTOO MUSIC AND ARTS, LLC
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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 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, 2025 and 2024, 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, 2025 and 2024, 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 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating schedules are 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

May 8, 2026

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 811,849	\$ 644,078
Accounts receivable	211,751	288,410
Grants receivable	152,868	-
Prepaid expenses	232,193	72,548
Total current assets	1,408,661	1,005,036
Beneficial interest - Juneau Community Foundation	482,468	439,741
Right-of-use asset, net	1,976,624	2,029,922
Intangible assets	621,400	621,400
Property and equipment, net	1,713,509	1,601,995
Total assets	\$ 6,202,662	\$ 5,698,094
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 94,044	\$ 40,139
Accrued annual leave	54,788	56,409
Other accrued liabilities	9,902	350
Refundable advance	686,538	413,407
Current portion of lease liabilities	54,849	53,298
Total current liabilities	900,121	563,603
Lease liabilities	1,921,775	1,976,624
Total liabilities	2,821,896	2,540,227
Net assets:		
Without donor restrictions:		
Invested in property and equipment	1,713,509	1,601,995
Undesignated	1,184,789	1,116,131
Total net assets without donor restrictions	2,898,298	2,718,126
With donor restrictions	482,468	439,741
Total net assets	3,380,766	3,157,867
Total liabilities and net assets	\$ 6,202,662	\$ 5,698,094

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Change in net assets without donor restrictions:		
REVENUES AND SUPPORT:		
Contributions of cash and other financial assets	\$ 73,569	\$ 48,340
Contributions of nonfinancial assets	10,563	31,890
Membership	542,856	490,211
Government and CPB operating grants	1,535,657	1,611,996
Rental, special events, and other income	354,987	254,721
Underwriting	602,966	636,739
Royalties and production income	104,682	99,319
Other operating grants	<u>524,135</u>	<u>545,014</u>
Total revenues and support	<u>3,749,415</u>	<u>3,718,230</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	1,418,997	1,457,885
Technical and broadcasting	<u>243,470</u>	<u>237,957</u>
Total program services	<u>1,662,467</u>	<u>1,695,842</u>
SUPPORTING SERVICES:		
General and administrative	1,818,963	1,766,211
Fundraising and member development	<u>87,813</u>	<u>84,978</u>
Total supporting services	<u>1,906,776</u>	<u>1,851,189</u>
Total expenses	<u>3,569,243</u>	<u>3,547,031</u>
Change in net assets without donor restrictions	180,172	171,199
Change in net assets with donor restrictions -		
Change in value of beneficial interest - Juneau Community Foundation	<u>42,727</u>	<u>(26,469)</u>
Change in net assets	222,899	144,730
NET ASSETS, beginning of year	<u>3,157,867</u>	<u>3,013,137</u>
NET ASSETS, end of year	<u><u>\$ 3,380,766</u></u>	<u><u>\$ 3,157,867</u></u>

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2025

	Program Services			Supporting Services		Total
	Programming and Production	Technical and Broadcasting	Total Program Services	General and Administrative	Fundraising and Member Development	
Expenses:						
Salaries and related expenses	\$ 931,732	\$ -	\$ 931,732	\$ 386,270	\$ 45,148	\$ 1,363,150
Occupancy	250,135	-	250,135	103,713	12,113	365,961
Professional fees	42,127	99,072	141,199	87,055	1,925	230,179
Depreciation	127,673	-	127,673	92,839	-	220,512
Transmission expense	-	78,026	78,026	-	-	78,026
Supplies and equipment	4,801	48,185	52,986	2,117	-	55,103
Acquisitions expense	47,202	-	47,202	-	-	47,202
Rental and maintenance of equipment	-	16,623	16,623	10,292	-	26,915
Special events	-	-	-	-	25,852	25,852
Travel and transportation	14,981	1,564	16,545	4,094	-	20,639
Other expenses	346	-	346	15,461	-	15,807
Dues and subscriptions	-	-	-	13,600	-	13,600
Advertising	-	-	-	-	2,775	2,775
Postage and shipping	-	-	-	1,142	-	1,142
	1,418,997	243,470	1,662,467	716,583	87,813	2,466,863
Pass-through funding to CoastAlaska	-	-	-	1,102,380	-	1,102,380
Total expenses	\$ 1,418,997	\$ 243,470	\$ 1,662,467	\$ 1,818,963	\$ 87,813	\$ 3,569,243

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, 2024

	Program Services			Supporting Services		Total
	Programming and Production	Technical and Broadcasting	Total Program Services	General and Administrative	Fundraising and Member Development	
Expenses:						
Salaries and related expenses	\$ 968,341	\$ -	\$ 968,341	\$ 331,481	\$ 43,390	\$ 1,343,212
Professional fees	92,644	108,426	201,070	98,764	8,700	308,534
Occupancy	214,605	-	214,605	73,470	9,615	297,690
Depreciation	129,120	-	129,120	98,746	-	227,866
Transmission expense	-	89,026	89,026	-	-	89,026
Supplies and equipment	3,854	35,309	39,163	1,980	-	41,143
Acquisitions expense	36,912	-	36,912	-	-	36,912
Advertising	-	-	-	-	22,936	22,936
Other expenses	-	-	-	20,354	-	20,354
Dues and subscriptions	-	-	-	14,442	-	14,442
Travel and transportation	12,409	282	12,691	1,175	-	13,866
Rental and maintenance of equipment	-	4,914	4,914	8,782	-	13,696
Postage and shipping	-	-	-	605	-	605
Special events	-	-	-	-	337	337
	1,457,885	237,957	1,695,842	649,799	84,978	2,430,619
Pass-through funding to CoastAlaska	-	-	-	1,116,412	-	1,116,412
Total expenses	\$ 1,457,885	\$ 237,957	\$ 1,695,842	\$ 1,766,211	\$ 84,978	\$ 3,547,031

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operations:		
Cash received from grants	\$ 2,180,055	\$ 2,131,633
Cash received from membership	542,856	490,211
Cash received from underwriting	679,625	577,020
Cash received from other sources	459,669	354,040
Cash received from contributions	73,569	48,340
Cash outflows from operations:		
Cash paid to employees	(1,355,219)	(1,357,960)
Cash paid to suppliers	(2,080,758)	(2,015,864)
Net cash provided by operating activities	<u>499,797</u>	<u>227,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(332,026)</u>	<u>(57,918)</u>
Net cash used for investing activities	<u>(332,026)</u>	<u>(57,918)</u>
Change in cash and cash equivalents	167,771	169,502
CASH AND CASH EQUIVALENTS - beginning of year	<u>644,078</u>	<u>474,576</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 811,849</u>	<u>\$ 644,078</u>

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

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2025 and 2024

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 has a controlling financial 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; both are Alaskan not-for-profit entities.

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 Public Media (KTOO TV) for the purpose of operating television programming, production, and broadcasting in Juneau, Alaska. KTOO Public Media created KTOO Music and Arts, LLC (KTOO FM) for the purpose of operating radio programming and production in Juneau, Alaska.

On July 1, 2020, KTOO FM, joined the CoastAlaska compact (the Compact) and contributed all revenue and expenses to CoastAlaska. 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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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 and Broadcasting

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, are 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition

Contributions of Cash and Other Financial Assets

The Organization may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, the Organization recognizes revenue only after the conditions are substantially met. Should the 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

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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 and Cash Equivalents

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 Juneau 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

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invested by the JCF for the Organization's benefit and is reported at fair value in the consolidated 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.

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 consolidated statements 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 in total future cashflows 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 years ended June 30, 2025 and 2024. 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

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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 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 a function based on each function's proportionate share of total salaries and related expenses.

Reclassifications

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

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2025:

Financial assets, at year-end:	<u>2025</u>
Cash and cash equivalents	\$ 811,849
Accounts receivable	211,751
Grants receivable	<u>152,868</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,176,468</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.

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.

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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 consolidated statements 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, 2025 and 2024.

	<u>Fair Value Measurements as of June 30, 2025</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets -				
Beneficial Interest in JCF	<u>\$ 482,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,468</u>
	<u>Fair Value Measurements as of June 30, 2024</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets -				
Beneficial Interest in JCF	<u>\$ 439,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,741</u>

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KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 years ended June 30, 2025 and 2024:

	Beneficial Interest in JCF
Balance at June 30, 2024	\$ 439,741
Purchase/contributions of investments	1,100
Investment return, net	41,627
Balance at June 30, 2025	<u>\$ 482,468</u>
	Beneficial Interest in JCF
Balance at June 30, 2023	\$ 466,210
Purchase/contributions of investments	21,216
Investment return, net	(47,685)
Balance at June 30, 2024	<u>\$ 439,741</u>

NOTE 4 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2025	2024
Transmission	\$ 8,400	\$ 6,948
Travel and transportation	2,163	2,006
Advertising	-	22,936
	<u>\$ 10,563</u>	<u>\$ 31,890</u>

The Organization recognized contributed nonfinancial assets within revenue, including transmission, travel and transportation, and advertising. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Transmission services are internet services and 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.

Travel and transportation consist of travel and lodging provided by various organizations. The Organization estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

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.

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:

	2025	2024
Building and improvements	\$ 3,069,771	\$ 3,069,771
Broadcasting, production and programming equipment	3,810,692	3,610,199
Office fixtures and equipment	42,612	42,612
	6,923,075	6,722,582
Less accumulated depreciation	(5,209,566)	(5,120,587)
	\$ 1,713,509	\$ 1,601,995

Depreciation expense was \$220,512 and \$227,866 for the years ended June 30, 2025 and 2024, 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 years ended June 30, 2025 and 2024:

Component of Lease Expenses	Classification in Statements of Functional Expenses	2025	2024
Operating lease cost	Occupancy	\$ 110,392	\$ 110,392
Short-term lease cost	Occupancy	22,132	19,548
Net lease expense		\$ 132,524	\$ 129,940
Cash paid for amounts included in the measurement of lease liabilities		\$ 110,392	\$ 110,392
Weighted-average remaining lease term		25.08	26.08
Weighted-average discount rate		2.88%	2.88%

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

Maturities of operating lease liabilities are as follows:

	<u>Operating Leases</u>
2026	\$ 110,392
2027	110,392
2028	110,392
2029	110,392
2030	110,392
Thereafter	<u>2,207,849</u>
Total lease payments	2,759,809
Less: imputed interest	<u>(783,185)</u>
Present value of lease liabilities	<u>\$ 1,976,624</u>

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, 2025 and 2024 was \$161,558 and \$143,475, respectively.

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

	<u>Future Receipts</u>
2026	\$ 83,868
2027	51,108
2028	18,368
2029	18,368
2030	18,368
Thereafter	<u>137,759</u>
Total future minimum lease payments	<u>\$ 327,839</u>

NOTE 7 – REFUNDABLE ADVANCES

The Organization receives various operating grants that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as grant revenue when donor contributions are met. Refundable advances consisted of \$686,538 and \$413,407 of operating grants as of June 30, 2025 and 2024, 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 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2025 and 2024, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2025</u>	<u>2024</u>
Restricted in perpetuity - Beneficial interest in JCF	<u>\$ 482,468</u>	<u>\$ 439,741</u>

NOTE 11 – SUBSEQUENT EVENTS

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

On August 1, 2025, the Corporation for Public Broadcasting (CPB) announced an orderly wind-down of its operations following the passage of a federal rescissions package and the release of the Senate Appropriations Committee's FY 2026 Labor, Health and Human Services, Education, and Related Agencies (Labor-H) appropriations bill, which excluded funding for CPB for the first time in more than five decades. CPB announced it would conclude operations with the close of the fiscal year on September 30, 2025. A small transition team would remain through January 2026 to ensure a responsible and orderly closeout of operations. This will significantly impact the Organization's future operations by eliminating a key source of operating revenue.

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

SUPPLEMENTAL INFORMATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended June 30, 2025

	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	\$ 73,430	\$ 139	\$ 73,569
Contributions of nonfinancial assets	-	10,563	10,563
Membership	-	542,856	542,856
Government and CPB operating grants	1,333,503	202,154	1,535,657
Rental, special events, and other income	294,994	59,993	354,987
Underwriting	344,441	258,525	602,966
Royalties and production income	104,532	150	104,682
Other operating grants	496,135	28,000	524,135
Total revenues and support	<u>2,647,035</u>	<u>1,102,380</u>	<u>3,749,415</u>
EXPENSES:			
PROGRAM EXPENSES:			
Programming and production	1,418,997	-	1,418,997
Technical and broadcasting	243,470	-	243,470
Total program expenses	<u>1,662,467</u>	<u>-</u>	<u>1,662,467</u>
SUPPORTING SERVICES:			
General and administrative	716,583	1,102,380	1,818,963
Fundraising and member development	87,813	-	87,813
Total supporting services	<u>804,396</u>	<u>1,102,380</u>	<u>1,906,776</u>
Total expenses	<u>2,466,863</u>	<u>1,102,380</u>	<u>3,569,243</u>
Change in net assets without donor restrictions	180,172	-	180,172
Changes in net assets with donor restrictions -			
Change in value of beneficial interest - Juneau Community Foundation	42,727	-	42,727
Change in net assets	222,899	-	222,899
Net assets, beginning of year	3,157,867	-	3,157,867
Net assets, end of year	<u>\$ 3,380,766</u>	<u>\$ -</u>	<u>\$ 3,380,766</u>

KTOO PUBLIC MEDIA and KTOO MUSIC AND ARTS, LLC

SUPPLEMENTAL INFORMATION

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year Ended June 30, 2024

	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	\$ 48,115	\$ 225	\$ 48,340
Contributions of nonfinancial assets	29,884	2,006	31,890
Membership	-	490,211	490,211
Government and CPB operating grants	1,268,760	343,236	1,611,996
Rental, special events, and other income	254,675	46	254,721
Underwriting	387,551	249,188	636,739
Royalties and production income	99,319	-	99,319
Other operating grants	513,514	31,500	545,014
Total revenues and support	<u>2,601,818</u>	<u>1,116,412</u>	<u>3,718,230</u>
EXPENSES:			
PROGRAM EXPENSES:			
Programming and production	1,457,885	-	1,457,885
Technical and broadcasting	237,957	-	237,957
Total program expenses	<u>1,695,842</u>	<u>-</u>	<u>1,695,842</u>
SUPPORTING SERVICES:			
General and administrative	649,799	1,116,412	1,766,211
Fundraising and member development	84,978	-	84,978
Total supporting services	<u>734,777</u>	<u>1,116,412</u>	<u>1,851,189</u>
Total expenses	<u>2,430,619</u>	<u>1,116,412</u>	<u>3,547,031</u>
Change in net assets without donor restrictions	171,199	-	171,199
Changes in net assets with donor restrictions -			
Change in value of beneficial interest - Juneau Community Foundation	(26,469)	-	(26,469)
Change in net assets	144,730	-	144,730
Net assets, beginning of year	3,013,137	-	3,013,137
Net assets, end of year	<u>\$ 3,157,867</u>	<u>\$ -</u>	<u>\$ 3,157,867</u>