

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended
June 30, 2023 and 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

Years Ended
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CoastAlaska, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CoastAlaska, Inc. (CoastAlaska or the Organization), a not-for-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Activity by Member for the years ended June 30, 2023 and 2022 appearing on pages 19-24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 27, 2023

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS:		
Current Assets:		
Cash	\$ 1,900,784	\$ 2,824,335
Accounts receivable, net	189,404	261,392
Contributions receivable, net	219,414	210,433
Prepaid expenses	16,406	11,457
Total Current Assets	2,326,008	3,307,617
Investments	1,777,941	1,622,872
Property and Equipment, net	141,210	153,951
Total Assets	<u>\$ 4,245,159</u>	<u>\$ 5,084,440</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 323,026	\$ 333,283
Accrued leave	142,242	165,891
Deferred revenue	47,971	42,802
Refundable advance	1,029,189	1,626,629
Rental deposits	700	700
Total Current Liabilities	1,543,128	2,169,305
Total Liabilities	1,543,128	2,169,305
Net Assets -		
Without Donor Restrictions:		
Undesignated - available for operations	2,321,046	2,528,698
Designated - future station use	239,775	232,486
Designated - invested in property and equipment	141,210	153,951
Total Net Assets	2,702,031	2,915,135
Total Liabilities and Net Assets	<u>\$ 4,245,159</u>	<u>\$ 5,084,440</u>

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

COASTALASKA, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions:		
REVENUES AND SUPPORT:		
Contributions of cash and other financial assets	\$ 134,871	\$ 58,933
Contributions of nonfinancial assets	64,012	126,544
Membership	1,081,976	1,088,466
Government and CPB operating grants	1,558,362	1,306,174
Underwriting revenue	655,867	695,208
Special events and other income	172,860	190,430
Rental revenue	119,895	128,574
Consulting revenue	182,235	249,084
Engineering fees	119,524	113,777
Statewide programming	299,526	421,316
Station services fees	22,847	29,181
Production revenue	32,764	51,549
Other operating grants	288,506	318,193
TOTAL REVENUES AND SUPPORT	4,733,245	4,777,429
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	1,878,273	1,906,653
Technical	1,016,095	1,007,854
Total program services	2,894,368	2,914,507
SUPPORTING SERVICES:		
General and administrative	1,514,139	1,563,663
Fundraising and member development	705,460	706,019
Total supporting services	2,219,599	2,269,682
TOTAL EXPENSES	5,113,967	5,184,189
Changes in Net Assets Without Donor Restrictions from Operating Activities	(380,722)	(406,760)
Changes in Net Assets Without Donor Restrictions from Non-Operating Activities:		
Contribution of financial assets to KTOO Public Media	-	(312,236)
Contribution of financial assets from APBI	-	699,982
Gain on extinguishment of debt	-	719,060
Interest and investment income (loss)	167,618	(278,170)
Changes in Net Assets Without Donor Restrictions	(213,104)	421,876
NET ASSETS, Beginning of Year	2,915,135	2,493,259
NET ASSETS, End of Year	\$ 2,702,031	\$ 2,915,135

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

COASTALASKA, INC.
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	\$ 1,249,428	\$ 1,266,526
Cash received from membership	1,207,866	1,145,960
Cash received from underwriting	733,024	661,368
Cash received from other sources	949,651	1,183,911
Cash received from investment income	54,340	9,549
Cash outflows for operations:		
Payments for salaries, benefits and payroll taxes to employees	(3,255,523)	(3,228,818)
Payments to suppliers	(1,807,523)	(1,545,062)
Cash contributed to KTOO Public Media	-	(312,236)
Net cash used for operating activities	<u>(868,737)</u>	<u>(818,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(41,791)	(51,050)
Purchase and construction of buildings and equipment	<u>(13,023)</u>	<u>-</u>
Net cash used for investing activities	<u>(54,814)</u>	<u>(51,050)</u>
Net change in cash	(923,551)	(869,852)
Cash, beginning of year	<u>2,824,335</u>	<u>3,694,187</u>
Cash, end of year	<u><u>\$ 1,900,784</u></u>	<u><u>\$ 2,824,335</u></u>

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

COASTALASKA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2023
	Programming and Production	Technical	Total	General and Administrative	Fundraising and Member Development	
DIRECT EXPENSES:						
Salaries and related expenses	\$ 1,203,973	\$ 452,049	\$ 1,656,022	\$ 1,159,872	\$ 415,980	\$ 3,231,874
Acquisitions expense	469,413	-	469,413	-	-	469,413
Occupancy	140,343	52,694	193,037	135,203	48,490	376,730
Professional fees	33,462	98,221	131,683	72,162	41,219	245,064
Other expenses	-	-	-	78,860	125,340	204,200
Transmission expense	-	197,338	197,338	-	-	197,338
Supplies and equipment	7,523	108,275	115,798	25,055	-	140,853
Travel and transportation	23,559	38,023	61,582	18,918	6,470	86,970
Rental and maintenance of equipment	-	56,703	56,703	38	-	56,741
Special events	-	-	-	-	44,636	44,636
Postage and shipping	-	-	-	10,376	9,256	19,632
Advertising	-	-	-	-	14,069	14,069
Dues and subscriptions	-	-	-	13,655	-	13,655
Total direct expenses	1,878,273	1,003,303	2,881,576	1,514,139	705,460	5,101,175
Assets Capitalized by Stations, Net of Deletions	-	12,792	12,792	-	-	12,792
Total expenses	<u>\$ 1,878,273</u>	<u>\$ 1,016,095</u>	<u>\$ 2,894,368</u>	<u>\$ 1,514,139</u>	<u>\$ 705,460</u>	<u>\$ 5,113,967</u>

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

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

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

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

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On July 1, 1998 five non-profit Alaska corporations, which operate five noncommercial public radio stations and one noncommercial public television station in Southeast Alaska, formed CoastAlaska, Inc. (CoastAlaska or the Organization), a not-for-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its Member Stations in the most effective and efficient means possible. The current members of CoastAlaska include CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts LLC (KTOO FM). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

Members of CoastAlaska, as contemplated under the Compact, contribute all current assets, except certain excluded cash balances, and transfer all current liabilities to CoastAlaska. Each member retains respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices, and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the Member Stations. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.

CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

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

Each member of CoastAlaska has the right to nominate one of CoastAlaska's Board of Directors and one alternate. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership, and grant reporting activities.

CoastAlaska program services, as presented in the Statements of Functional Expenses, are as follows:

Programming and Production

CoastAlaska stations and regional services provide quality non-commercial news and locally valued programming. CoastAlaska programming features local voices, fact-based journalism, community service and emergency alerting.

Technical Services

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

Basis of Accounting

The financial statements of CoastAlaska have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions of Cash and Other Financial Assets

The Organization may receive contributions of cash and other financial assets that have conditions (e.g., meeting specific performance-related barriers, revocable features). For

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

conditional contributions, the Organization recognizes revenue only after the conditions are substantially met. Should the Organization substantially meet the conditions in the same period that the contribution is received, and barring any further donor-imposed restrictions, the Organization has elected to recognize the revenue in net assets without donor restrictions.

Contributions of Nonfinancial Assets

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

Membership

Membership contributions are considered available for the Organization's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support 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 Revenue

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

Rental Revenue, Special Events and Other Income

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Consulting Revenue, Engineering Fees, Station Service Fees, and Statewide Programming

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

Production Revenue

Revenue from television and studio 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 production revenue are reported as deferred revenue in the statement of financial position. Management evaluates receivables from production revenue for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Use of Estimates

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

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair market value. Accordingly, CoastAlaska accounts for its marketable equity securities, money market funds, government and agency securities, corporate bonds, and mutual funds at fair value. Investments include stocks and mutual funds holding debt securities. Investments also include money market funds that are designated for unspecified reserves. Unrealized gains and losses are included in the change in net assets. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 6 and Note 7.

Fair Value Measurements

CoastAlaska reports its investments in accordance with FASB ASC 820 *Fair Value Measurement and Disclosure*. FASB ASC 820 provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principal market for the asset or liability being measured.

Property and Equipment

Property and equipment of the Member Stations continues to be recorded in the financial statements of the respective members. Expenditures incurred by CoastAlaska for repairs and maintenance of the Member Stations' property and equipment are charged to operating expense as incurred. Expenditures incurred by CoastAlaska on behalf of the Member Stations for property and equipment acquisitions, major renewals and betterments are recorded as contributions to the Member Stations as incurred. According to the terms and conditions of the National Telecommunications and Information Administration grants, which were received in years prior to 1995, the federal government retains a priority reversionary interest for ten years

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

in equipment purchased with grant proceeds. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

Cash

For the purpose of the statements of cash flows, CoastAlaska considers all cash in checking, savings, and money market accounts, excluding those classified as investments, to be cash.

Income Taxes

CoastAlaska is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The Organization applied for and received a group exemption to include all Member Stations and the Legacy Foundation as subordinates under its tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to CoastAlaska's tax-exempt purpose is subject to taxation as unrelated business income. There was no required provision for income taxes for fiscal years ended June 30, 2023 and 2022. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

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

Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$219,414 and \$210,433 at June 30, 2023 and 2022. CoastAlaska writes off uncollected pledges in excess of 180 days and management feels it is not necessary to record allowances for pledges less than 180 days.

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update superseded much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Organization until annual periods beginning after December 15, 2021, with early application permitted. The Organization adopted ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023. The adoption of the standard had no impact on net assets for the years ended June 30, 2023 or 2022, respectively.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

Subsequent Events

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

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2023:

Financial assets, at year-end*

Cash	\$ 1,900,784
Accounts receivable, net	189,404
Contributions receivable, net	219,414
Investments	1,777,941

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

Board designations -

Designated for future station use	(239,775)
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Financial assets available to meet cash needs for general expenditures within one year \$ 3,847,768

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

NOTE 3 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2023	2022
IT services	\$ 24,899	\$ 24,898
Advertising	12,265	51,030
Utilities	10,000	8,500
Admin support	9,150	8,211
Equipment	3,878	4,291
Program support	1,232	5,096
Staff lodging	1,169	-
Professional services	1,115	38
Supplies	304	160
Storage space	-	1,700
Space rent	-	22,620
	<u><u>\$ 64,012</u></u>	<u><u>\$ 126,544</u></u>

The Organization recognized contributions of nonfinancial assets within revenue, including IT services, advertising, utilities, admin support, equipment, program support, staff lodging,

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

professional services, supplies, storage space, and space rent. Unless otherwise noted, contributions of nonfinancial assets did not have donor-imposed restrictions.

IT services are internet services, DSL and IPL address, and software maintenance provided to support the Organization's technical activities. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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.

Utilities are provided by a local government to support the Organization's activities. Services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Admin support is composed of miscellaneous items such as coffee, catered food, office supplies, air freight fees, travel vouchers, bottled water service, a chamber of commerce membership, and use of space for Board meeting that were used for general and administrative activities. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

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

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

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

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

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

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

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

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment in total for CoastAlaska at June 30, 2023 and 2022 are summarized below:

	<u>2023</u>	<u>2022</u>
Held by CoastAlaska:		
Building and improvements	\$ 347,402	\$ 347,402
Broadcasting, production and programming equipment	450,136	437,113
Office fixtures and equipment	22,135	22,135
Land	9,000	9,000
	<u>828,673</u>	<u>815,650</u>
Less accumulated depreciation, CoastAlaska	<u>(687,463)</u>	<u>(661,699)</u>
Total held by CoastAlaska	<u><u>\$ 141,210</u></u>	<u><u>\$ 153,951</u></u>

Depreciation expense was \$25,764 and \$28,163 for CoastAlaska for the fiscal years ending June 30, 2023 and 2022, respectively, and is included in other expenses on the statements of functional expenses.

NOTE 5 – OPERATING LEASES

Operating leases arise from the leasing of CoastAlaska's tower space to customers. Initial lease terms are for 5 years. Rental income from these leases for the years ended June 30, 2023 and 2022 was \$23,232 and \$26,335, respectively, and is included in rental revenue on the statements of activities.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of June 30, 2023:

Year Ending June 30,	
2024	\$ 26,256
2025	13,128
2026	-
2027	-
2028	-
Thereafter	-
	<u><u>\$ 39,384</u></u>

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INVESTMENTS

The following schedule summarizes investments stated at fair value as of June 30:

	2023	2022
Equity Securities	\$ 944,947	\$ 537,469
Money Market Funds	406,438	377,011
Government and Agency Securities	74,808	41,259
Corporate Bonds	197,385	119,878
Mutual Funds	154,363	547,255
Total	<u>\$ 1,777,941</u>	<u>\$ 1,622,872</u>

Net investment income (loss) consists of the following for the years ended June 30:

	2023	2022
Interest and dividend income	\$ 56,840	\$ 21,753
Realized gains (loss)	(86,283)	(47,707)
Management fees	(2,500)	(12,204)
Unrealized gains (loss)	199,561	(240,012)
Total	<u>\$ 167,618</u>	<u>\$ (278,170)</u>

NOTE 7 – FAIR VALUE MEASUREMENT

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets as liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 944,947	\$ 944,947	\$ -	\$ -
Money Market Funds	406,438	406,438	-	-
Mutual Funds	154,363	154,363	-	-
Corporate Bonds	197,385	197,385	-	-
Government and Agency Securities	74,808	74,808	-	-
Total	<u>\$ 1,777,941</u>	<u>\$ 1,777,941</u>	<u>\$ -</u>	<u>\$ -</u>

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

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

NOTE 8 – PAYCHECK PROTECTION PROGRAM LOAN

On April 21, 2020, CoastAlaska received loan proceeds in the amount of \$719,060 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower reduced the number of employees or the average paid hours of employees or reduced the annual salary or hourly wages of any employee by more than 25 percent during the Covered Period.

The Organization accounted for the PPP loan using the Debt Model of FASB ASC 470. Under FASB ASC 405-20, Liabilities: Extinguishments of Liabilities, specifically FASB ASC 405-20-40-1b, extinguishment of debt may not take place until the debtor has been legally released as the primary obligor. The full balance of the PPP loan in the amount of \$719,060 was officially forgiven on August 5, 2021, and was recognized as a gain on the extinguishment of debt in the statements of activities during fiscal year 2022.

NOTE 9 – REFUNDABLE ADVANCES

CoastAlaska receives various operating and capital grants that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as grant revenue when donor conditions are met. Refundable advances consisted of \$1,029,189 and \$1,608,629 of operating grants and \$-0- and \$18,000 of capital grants as of June 30, 2023 and 2022, respectively.

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

CoastAlaska has received donations from supporters of KCAW totaling \$239,775 and \$232,486 as of June 30, 2023 and 2022, respectively, that the Board of Directors has set as designated for future use by KCAW station management through the setup of a legacy foundation at a future date to be determined.

COASTALASKA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – RETIREMENT BENEFITS EXPENSE

On January 1, 1999, CoastAlaska became the plan sponsor for a retirement plan designed under the provisions of section 403(b) of the Internal Revenue Code. CoastAlaska's contribution to the plan is a discretionary amount of 4% of each employee's salary in both 2023 and 2022. There is no required employer matching contribution. The contribution is paid as accrued.

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

Retirement benefits expense was \$74,989 and \$61,963 for fiscal 2023 and 2022, respectively.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Grants and Contracts

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

Excess Cash Balances

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

NOTE 13 – SEPARATION OF CCBI FROM THE COMPACT

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

As part of the agreement for the withdrawal of CCBI from the CoastAlaska Compact Agreement, CoastAlaska contributed net assets and liabilities of \$-0- and \$312,236 to KTOO Public Media during fiscal years 2023 and 2022, respectively.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2023

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU KTOO-FM	COASTALASKA KSTK-FM	Total
SUPPORT AND REVENUE:							
Membership Revenue	\$ 260,711	\$ 133,604	\$ 139,550	\$ 50,890	\$ 457,505	\$ 39,716	\$ 1,081,976
Contributions of Cash and Financial Assets	55,911	18,546	8,705	15,376	36,000	333	134,871
Contributions of Nonfinancial Assets	-	6,755	15,188	-	2,180	39,889	64,012
Underwriting Revenue	83,042	81,525	88,160	53,930	286,043	63,167	655,867
Interest and Investment Loss	-	-	-	-	-	167,618	167,618
Engineering Fees	-	-	-	-	-	119,524	119,524
Statewide Programming	-	-	-	-	-	299,526	299,526
Production Income	-	6,674	-	18,300	-	7,772	32,746
Royalties	-	-	-	-	18	-	18
Miscellaneous Income	-	7,762	-	-	1,920	(95)	9,587
Rental Income	41,600	39,773	5,850	8,200	1,240	23,232	119,895
Sales Income	23,278	530	1,770	1,708	-	1,305	28,591
Fee for Accounting	-	-	-	-	-	182,235	182,235
Station Services Fees	-	-	-	-	-	22,847	22,847
CPB Grants	416,085	187,563	207,498	374,714	200,777	171,725	1,558,362
Other Operating Grants	10,460	39,904	26,739	163,903	47,500	-	288,506
Fundraising Revenues:							
Special Events	27,110	8,326	2,172	7,320	361	3,531	48,820
Auction	-	-	5,295	3,300	-	13,741	22,336
Gaming	-	-	57,866	-	-	5,660	63,526
Total Support and Revenue	918,197	530,962	558,793	697,641	1,033,544	1,161,726	4,900,863
EXPENSES:							
PROGRAMMING EXPENSES:							
Salary and Related Expenses	259,941	141,330	180,199	305,887	143,291	173,325	1,203,973
Media Stock	459	-	-	21	-	-	480
Contract Labor - Programming	300	320	505	1,243	23,814	280	26,462
Production Costs	472	-	120	145	682	264	1,683
Prog/Prod Travel	3,687	1,787	424	15,488	1,512	661	23,559
Music Library	1,740	286	-	976	998	101	4,101
Audience Survey	-	-	-	-	7,000	-	7,000
Affiliation Fees	3,750	3,975	3,750	3,850	4,000	2,225	21,550
Program Acquisitions	14,921	13,965	9,393	618	40,910	357,148	436,955
News Services	-	-	-	-	7,482	-	7,482
Studio Maintenance	1,898	273	-	-	771	-	2,942
In-kind - Programming	-	-	792	-	916	35	1,743
Total Programming Expenses	287,168	161,936	195,183	328,228	231,376	534,039	1,737,930

(continued)

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COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2023

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU KTOO-FM	COASTALASKA KSTK-FM	Total
TECHNICAL EXPENSES:							
Salary and Related Expenses	-	-	-	-	-	452,049	452,049
Transmission Charges	11,315	9,728	9,553	8,445	11,315	11,315	61,671
Contract Labor	36,713	125	-	2,370	28,981	30,032	98,221
Engineering Supplies	4,875	101	103	1,385	-	5,069	11,533
Tech/Broadcast Travel	12,356	-	1,671	3,576	1,060	19,360	38,023
Translators' Expenses	4,166	9,776	21,838	-	-	1,301	37,081
Computer Hardware	20	-	326	649	6,014	2,782	9,791
Computer Software	3,920	240	853	2,944	15,652	28,080	51,689
Internet Services	4,659	5,308	4,855	22,615	29,876	8,735	76,048
Broadcast Equipment Purchase	24,613	5,235	719	2,369	7,436	6,423	46,795
Broadcast Equipment Maintenance	2,387	1,650	2,499	1,188	29,941	7,505	45,170
In-kind - Technical	-	2,400	880	-	358	18,900	22,538
Total Technical Expenses	105,024	34,563	43,297	45,541	130,633	591,551	950,609
DEVELOPMENT EXPENSES:							
Salary and Related Expenses	80,634	64,516	55,383	-	91,868	123,579	415,980
Premiums	12,141	5,368	1,011	12,352	4,069	-	34,941
Contract Labor	11,434	-	-	300	29,485	-	41,219
Advertising	478	-	78	4	-	1,244	1,804
Development Travel	825	-	39	-	4,346	1,260	6,470
Printing	3,689	134	1,324	46	2,391	1,672	9,256
Special Events	19,802	2,969	20,460	738	-	667	44,636
Retail Inventory	51,666	462	-	-	-	-	52,128
Credit Card Fees	-	-	-	-	-	32,286	32,286
Volunteers	1,348	-	105	142	300	101	1,996
Bulk Mail Postage	1,444	155	296	82	1,844	168	3,989
In-kind - Development	-	2,095	8,674	-	906	590	12,265
Total Development Expenses	183,461	75,699	87,370	13,664	135,209	161,567	656,970
OCCUPANCY EXPENSES:							
Rent	-	-	-	19,872	112,313	26,353	158,538
Building Maintenance	2,692	14,908	1,130	87	-	234	19,051
Automotive	-	-	-	422	-	-	422
Janitorial Supplies	895	-	39	3,000	-	147	4,081
Telephone	6,895	4,126	4,445	7,158	-	6,031	28,655
Utilities	38,081	17,211	20,943	32,161	-	4,363	112,759
Insurance	14,087	10,825	2,622	250	-	7,817	35,601
In-kind - Occupancy	-	1,080	304	-	-	16,239	17,623
Total Occupancy Expenses	62,650	48,150	29,483	62,950	112,313	61,184	376,730

(continued)

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COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2023

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU KTOO-FM	COASTALASKA KSTK-FM	Total
ADMINISTRATIVE EXPENSES:							
Salary and Related Expenses	94,150	99,377	78,317	97,308	143,368	647,352	1,159,872
Office Supplies	1,715	1,003	406	1,333	299	1,976	6,732
Administrative Travel	3,082	3,422	261	6,930	401	4,822	18,918
Administrative Staff Training	-	-	-	-	5,620	-	5,620
Postage	2,482	716	615	1,425	1,715	3,423	10,376
Dues & Subscriptions	4,342	620	807	1,510	853	5,523	13,655
Office Equipment Rental	-	-	38	-	-	-	38
Office Equipment Purchase	959	(127)	159	-	17,029	303	18,323
Contract Labor	-	-	-	-	1,750	12,500	14,250
Board/Admin	2,790	4,109	1,261	1,236	19,659	11,252	40,307
Audit	-	-	-	-	-	24,594	24,594
Legal Fees	(254)	-	-	2,124	599	1,602	4,071
Taxes	3,655	-	-	-	-	2,372	6,027
Bank and Investment Consult Fees	966	266	292	81	886	16,913	19,404
Depreciation Expense	-	-	-	-	-	25,764	25,764
Other	1,142	-	-	-	-	-	1,142
In-kind - Admin	-	1,180	4,538	-	-	4,125	9,843
Administrative Expenses before CoastAlaska Support	115,029	110,566	86,694	111,947	192,179	762,521	1,378,936
CoastAlaska Support	176,585	122,799	125,014	139,220	231,964	(795,582)	-
Total Administrative Expenses	291,614	233,365	211,708	251,167	424,143	(33,061)	1,378,936
Total Expenses	929,917	553,713	567,041	701,550	1,033,674	1,315,280	5,101,175
Revenue (Deficit) in Excess of Expenses before Capital Items	(11,720)	(22,751)	(8,248)	(3,909)	(130)	(153,554)	(200,312)
CAPITAL ITEMS -							
Assets Capitalized by Stations, Net of Deletions	(12,792)	-	-	-	-	-	(12,792)
Change in Net Assets	<u>\$ (24,512)</u>	<u>\$ (22,751)</u>	<u>\$ (8,248)</u>	<u>\$ (3,909)</u>	<u>\$ (130)</u>	<u>\$ (153,554)</u>	<u>\$ (213,104)</u>

See Independent Auditor's Report.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2022

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

(continued)

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COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2022

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

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

Year Ended June 30, 2022

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

See Independent Auditor's Report.



Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Partners

Janelle Anderson, CPA
Ryan Beason, CPA
Sarah Griffith, CPA
Mark Mesdag, CPA
Adam Sycks, CPA
Karen Tarver, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Raven Radio Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raven Radio Foundation, Inc. (the Corporation), a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Raven Radio Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2023 and 2022, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 27, 2023

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS -		
Property and Equipment, net	\$ 824,736	\$ 848,109
Total Assets	<u>\$ 824,736</u>	<u>\$ 848,109</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 824,736	\$ 848,109
Total Liabilities and Net Assets	<u>\$ 824,736</u>	<u>\$ 848,109</u>

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

RAVEN RADIO FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for		
equipment repairs and replacements	\$ 12,792	\$ -
Contributions of cash and other financial assets	55,911	94,265
Contributions of nonfinancial assets	-	656
Membership	260,711	264,555
Government and CPB operating grants	416,085	205,024
Underwriting income	83,042	106,000
Rental, special events and other income	91,988	73,510
Royalties and production income	-	2,800
Other operating grants	10,460	87,588
Total Public Support, Revenue and Other Gains	930,989	834,398
Administrative Expenses:		
Pass-through funding to CoastAlaska	918,197	834,398
Depreciation	36,165	37,247
Total Administrative Expenses	954,362	871,645
Change in Net Assets Without Donor Restrictions	(23,373)	(37,247)
Net Assets, Beginning of Year	848,109	885,356
Net Assets, End of Year	\$ 824,736	\$ 848,109

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

RAVEN RADIO FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (23,373)	\$ (37,247)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>36,165</u>	<u>37,247</u>
Net Cash Provided By Operating Activities	<u>12,792</u>	<u>-</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>(12,792)</u>	<u>-</u>
Net Cash Used For Investing Activities	<u>(12,792)</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Raven Radio Foundation, Inc. (the Corporation) is a not-for-profit Alaskan corporation, which operates a noncommercial public FM radio station (KCAW-FM in Sitka, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its Member Stations in the most effective and efficient means possible. The current members of CoastAlaska include CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts LLC (KTOO FM). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

Members of CoastAlaska, as contemplated under the Compact, contribute all current assets, except certain excluded cash balances, and transfer all current liabilities to CoastAlaska. Each member retains respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices, and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the Member Stations. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.

CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- 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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Each member of CoastAlaska has the right to nominate one of CoastAlaska's Board of Directors and one alternate. A member can withdraw at any time, with six months' notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership, and grant reporting activities.

Basis of Accounting

The financial statements of CoastAlaska have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions of Cash and Other Financial Assets

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Contributions of Nonfinancial Assets

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

Membership

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

Grant Revenue

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Underwriting Income

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

Rental, Special Events and Other Income

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Royalties and Production Income

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

Use of Estimates

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

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

Cash

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

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2023 and 2022. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Recently Adopted Accounting Pronouncements
Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update superseded much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation adopted ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023. The adoption of the standard had no impact on net assets for the years ended June 30, 2023 or 2022, respectively.

Subsequent Events

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

NOTE 2 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2023	2022
Equipment	\$ -	\$ 656

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

Equipment consists of travel for persons repairing equipment. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2023 and 2022 are summarized below:

	2023	2022
Land	\$ 497,312	\$ 497,312
Building and improvements	837,965	837,965
Broadcasting, production and programming equipment	497,765	484,973
Office fixtures and equipment	10,538	10,538
	1,843,580	1,830,788
Less accumulated depreciation	(1,018,844)	(982,679)
	<u>\$ 824,736</u>	<u>\$ 848,109</u>

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was \$36,165 and \$37,247 for fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 4 – OPERATING LEASES

Operating leases arise from the leasing of the Corporation's building space to customers. Lease terms range between 1 and 5 years. Rental income from these leases for the years ended June 30, 2023 and 2022 was \$41,600 and \$32,458, respectively, and is included in rental, special events and other income in the statements of activities.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of June 30, 2023:

Year Ending June 30,	
2024	\$ 37,000
2025	30,000
2026	30,000
2027	25,000
2028	-
Thereafter	-
	<hr/>
	<u>\$ 122,000</u>

NOTE 5 – CONTINGENCIES

Grants and Contracts

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



Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Partners

Janelle Anderson, CPA
Ryan Beason, CPA
Sarah Griffith, CPA
Mark Mesdag, CPA
Adam Sycks, CPA
Karen Tarver, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Narrows Broadcasting Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Narrows Broadcasting Corporation (the Corporation), a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Narrows Broadcasting Corporation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2023 and 2022, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 27, 2023

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS -		
Property and Equipment, net	\$ 224,495	\$ 247,671
Total Assets	<u>\$ 224,495</u>	<u>\$ 247,671</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 224,495	\$ 247,671
Total Liabilities and Net Assets	<u>\$ 224,495</u>	<u>\$ 247,671</u>

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Contributions of cash and other financial assets	\$ 18,546	\$ 12,703
Contributions of nonfinancial assets	6,755	12,466
Membership	133,604	130,888
Government and CPB operating grants	187,563	173,398
Underwriting income	81,525	80,588
Rental, special events and other income	56,391	69,764
Royalties and production income	6,674	17,626
Other operating grants	39,904	36,000
Total Public Support, Revenue and Other Gains	530,962	533,433
Administrative Expenses:		
Pass-through funding to CoastAlaska	530,962	533,433
Depreciation	23,176	24,518
Total Administrative Expenses	554,138	557,951
Change in Net Assets Without Donor Restrictions	(23,176)	(24,518)
Net Assets, Beginning of Year	247,671	272,189
Net Assets, End of Year	\$ 224,495	\$ 247,671

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (23,176)	\$ (24,518)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>23,176</u>	<u>24,518</u>
Net Cash Provided by Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Narrows Broadcasting Corporation (the Corporation) is a not-for-profit Alaskan corporation, which operates a noncommercial public FM radio station (KFSK-FM in Petersburg, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its Member Stations in the most effective and efficient means possible. The current members of CoastAlaska include CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts, LLC (KTOO FM). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

Members of CoastAlaska, as contemplated under the Compact, contribute all current assets, except certain excluded cash balances, and transfer all current liabilities to CoastAlaska. Each member retains respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices, and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the Member Stations. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.

CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- 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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Each member of CoastAlaska has the right to nominate one of CoastAlaska's Board of Directors and one alternate. A member can withdraw at any time, with six months' notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership, and grant reporting activities.

Basis of Accounting

The financial statements of CoastAlaska have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions of Cash and Other Financial Assets

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Contributions of Nonfinancial Assets

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

Membership

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

Underwriting Income

Revenue from program underwriting is recognized when the Corporation satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements as management has determined all accounts to be collectable.

Rental, Special Events and Other Income

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

Royalties and Production Income

Revenue from royalties and television production is recognized at a point in time as the performance obligation is performed for the amount of the contract and is recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from royalties and production income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

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

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

Cash

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

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2023 and 2022. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The amendments in this update superseded much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation adopted ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30,

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

2023. The adoption of the standard had no impact on net assets for the years ended June 30, 2023 or 2022, respectively.

Subsequent Events

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

NOTE 2 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2023	2022
Equipment	\$ 2,400	\$ 2,900
Advertising	2,095	670
Admin support	1,180	2,100
Professional services	1,080	-
Program support	-	5,096
Storage space	-	1,700
	<u>\$ 6,755</u>	<u>\$ 12,466</u>

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

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

Advertising consists of promotional give aways, and media sponsorships provided by local businesses on behalf of the Corporation. The Corporation estimated fair value on the basis of values that would be received for selling advertising to clients.

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

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2023 and 2022 are summarized below:

	2023	2022
Land	\$ 25,000	\$ 25,000
Building and improvements	543,816	543,816
Broadcasting, production and programming equipment	559,717	559,717
Office fixtures and equipment	19,810	19,810
	1,148,343	1,148,343
Less accumulated depreciation	(923,848)	(900,672)
	<u>\$ 224,495</u>	<u>\$ 247,671</u>

Depreciation expense was \$23,176 and \$24,518 for fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 4 – OPERATING LEASES

Operating leases arise from the leasing of the Corporation's tower space to customers. Initial lease terms are for 5 years. Rental income from these leases for the years ended June 30, 2023 and 2022 was \$39,773 and \$64,381, respectively, and are included in rental, special events and other income in the statements of activities.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of June 30, 2023:

Year Ending June 30,	
2024	\$ 57,684
2025	57,684
2026	57,684
2027	24,000
2028	24,000
Thereafter	78,000
	<u>\$ 299,052</u>

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CONTINGENCIES

Grants and Contracts

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



Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Partners

Janelle Anderson, CPA
Ryan Beason, CPA
Sarah Griffith, CPA
Mark Mesdag, CPA
Adam Sycks, CPA
Karen Tarver, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainbird Community Broadcasting Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rainbird Community Broadcasting Corporation (the Corporation, a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2023 and 2022, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 27, 2023

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS -		
Property and Equipment, net	\$ 421,504	\$ 448,917
Total Assets	<u>\$ 421,504</u>	<u>\$ 448,917</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 421,504	\$ 448,917
Total Liabilities and Net Assets	<u>\$ 421,504</u>	<u>\$ 448,917</u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT		
DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Contributions of cash and other financial assets	\$ 8,705	\$ 1,213
Contributions of nonfinancial assets	15,188	23,558
Membership	139,550	148,512
Government and CPB operating grants	207,498	159,304
Underwriting income	88,160	78,421
Rental, special events and other income	72,953	92,058
Royalties and production income	-	53
Other operating grants	26,739	4,410
Total Public Support, Revenue and Other Gains	558,793	507,529
Administrative Expenses:		
Pass-through funding to CoastAlaska	558,793	507,529
Depreciation	27,413	29,908
Total Administrative Expenses	586,206	537,437
Change in Net Assets Without Donor Restrictions	(27,413)	(29,908)
Net Assets, Beginning of Year	448,917	478,825
Net Assets, End of Year	\$ 421,504	\$ 448,917

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (27,413)	\$ (29,908)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	27,413	29,908
Net Cash Provided By Operating Activities	-	-
Net Change In Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Rainbird Community Broadcasting Corporation (the Corporation) is a not-for-profit Alaskan corporation, which operates a noncommercial public FM radio station (KRBD-FM in Ketchikan, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its Member Stations in the most effective and efficient means possible. The current members of CoastAlaska include CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music & Arts LLC (KTOO FM). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

Members of CoastAlaska, as contemplated under the Compact, contribute all current assets, except certain excluded cash balances, and transfer all current liabilities to CoastAlaska. Each member retains respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices, and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the Member Stations. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.

CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- 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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Each member of CoastAlaska has the right to nominate one of CoastAlaska's Board of Directors and one alternate. A member can withdraw at any time, with six months' notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership, and grant reporting activities.

Basis of Accounting

The financial statements of CoastAlaska have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions of Cash and Other Financial Assets

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Contributions of Nonfinancial Assets

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

Membership

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

Grant Revenue

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Underwriting Income

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

Rental, Special Events and Other Income

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Royalties and Production Income

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

Use of Estimates

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

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

Cash

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

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2023 and 2022. The Corporation qualifies under a group exemption due to their affiliation with CoastAlaska through the Compact Agreement. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update superseded much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation adopted ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023. The adoption of the standard had no impact on net assets for the years ended June 30, 2023 or 2022, respectively.

Subsequent Events

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

NOTE 2 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2023	2022
Advertising	\$ 8,674	\$ 19,434
Admin support	4,538	3,229
Equipment	880	735
Staff lodging	476	-
Program support	316	-
Supplies	304	160
	<u>\$ 15,188</u>	<u>\$ 23,558</u>

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

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

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

Equipment consists of travel for transmitter maintenance, a vehicle for an engineer visit and lodging for persons performing equipment repair. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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

Program support is for reporter travel. The Corporation estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar travel arrangements.

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

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2023 and 2022 are summarized below:

	2023	2022
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	560,306	560,306
Office fixtures and equipment	9,700	9,700
	<u>1,274,854</u>	<u>1,274,854</u>
Less accumulated depreciation	<u>(853,350)</u>	<u>(825,937)</u>
	<u>\$ 421,504</u>	<u>\$ 448,917</u>

Depreciation expense was \$27,413 and \$29,908 for fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 4 – OPERATING LEASES

Operating leases arise from the leasing of the Corporation's tower space to customers. Lease terms are for 1 year. Rental income from these leases for the years ended June 30, 2023 and 2022 was \$5,850 and \$5,400, respectively, and are included in rental, special events and other income in the statements of activities.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of June 30, 2023:

Year Ending June 30,	
2024	\$ 2,700
2025	-
2026	-
2027	-
2028	-
Thereafter	-
	<u>\$ 2,700</u>

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CONTINGENCIES

Grants and Contracts

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



Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Partners

Janelle Anderson, CPA
Ryan Beason, CPA
Sarah Griffith, CPA
Mark Mesdag, CPA
Adam Sycks, CPA
Karen Tarver, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Unalaska Community Broadcasting, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Unalaska Community Broadcasting, Inc. (the Corporation), a not-for-profit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2023 and 2022 appearing on pages 19-24, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



November 27, 2023

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS -		
Property and Equipment, net	\$ 42,943	\$ 60,066
Total Assets	<u>\$ 42,943</u>	<u>\$ 60,066</u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 42,943	\$ 60,066
Total Liabilities and Net Assets	<u>\$ 42,943</u>	<u>\$ 60,066</u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Contributions of cash and other financial assets	\$ 15,376	\$ 15,502
Contributions of nonfinancial assets	-	22,620
Membership	50,890	52,185
Government and CPB operating grants	374,714	287,985
Underwriting income	53,930	47,280
Rental, special events and other income	20,528	10,042
Royalties and production income	18,300	23,900
Other operating grants	163,903	156,456
Total Public Support, Revenue and Other Gains	697,641	615,970
Administrative Expenses:		
Pass-through funding to CoastAlaska	697,641	615,970
Depreciation	17,123	17,122
Total Administrative Expenses	714,764	633,092
Change in Net Assets Without Donor Restrictions	(17,123)	(17,122)
Net Assets, Beginning of Year	60,066	77,188
Net Assets, End of Year	\$ 42,943	\$ 60,066

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (17,123)	\$ (17,122)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	17,123	17,122
Net Cash Provided By Operating Activities	-	-
Net Change in Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Unalaska Community Broadcasting, Inc. (the Corporation or KUCB) is a not-for-profit Alaskan corporation, which operates a noncommercial public FM radio station (KUCB-FM in Unalaska, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its Member Stations in the most effective and efficient means possible. The current members of CoastAlaska include CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts, LLC (KTOO FM). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

Members of CoastAlaska, as contemplated under the Compact, contribute all current assets, except certain excluded cash balances, and transfer all current liabilities to CoastAlaska. Each member retains respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices, and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the Member Stations. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.

CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- 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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Each member of CoastAlaska has the right to nominate one of CoastAlaska's Board of Directors and one alternate. A member can withdraw at any time, with six months' notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership, and grant reporting activities.

Basis of Accounting

The financial statements of CoastAlaska have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contribution of Cash and Other Financial Assets

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

Contributions of Nonfinancial Assets

Donated services are recognized as contributions of nonfinancial assets in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

purchased by the Corporation. Contributed equipment are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

Membership

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

Grant Revenue

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Underwriting Income

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

Rental, Special Events and Other Income

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

Royalties and Production Income

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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

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

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

Cash

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

Income Taxes

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Corporation's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska and the depreciation expense of its property and equipment.

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update superseded much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2021, with early application permitted. The Corporation adopted ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023. The adoption of the standard had no impact on net assets for the years ended June 30, 2023 or 2022, respectively.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Subsequent Events

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

NOTE 2 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2023	2022
Space rent	\$ -	\$ 22,620

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

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

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2023 and 2022 are summarized below:

	2023	2022
Broadcasting, production and programming equipment	\$ 337,902	\$ 337,902
Less accumulated depreciation	(294,959)	(277,836)
	<u>\$ 42,943</u>	<u>\$ 60,066</u>

Depreciation expense was \$17,123 and \$17,122 for the years ended June 30, 2023 and 2022, respectively.

NOTE 4 – CONTINGENCIES

Grants and Contracts

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



Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

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Adam Sycks, CPA
Karen Tarver, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KTOO Music and Arts, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of KTOO Music and Arts, LLC (KTOO FM), a not-for-profit limited liability company, which comprise the statements of activities as of June 30, 2023, and 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the changes in its net assets for the years ended June 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2023 and 2022, appearing on pages 19-24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 27, 2023

KTOO MUSIC AND ARTS, LLC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Contributions of cash and other financial assets	\$ 36,000	\$ 155
Contributions of nonfinancial assets	2,180	32,941
Membership	457,505	452,164
Government and CPB operating grants	200,777	300,159
Underwriting income	286,043	343,550
Rental, special events and other income	3,521	31,487
Royalties and production income	18	-
Other operating grants	47,500	9,603
Total Public Support, Revenue and Other Gains	1,033,544	1,170,059
Administrative Expenses:		
Pass-through funding to CoastAlaska	1,033,544	1,170,059
Total Administrative Expenses	1,033,544	1,170,059
Change in Net Assets Without Donor Restrictions	-	-
Net Assets, Beginning of Year	-	-
Net Assets, End of Year	\$ -	\$ -

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

KTOO Music and Arts, LLC (the Company) is a not-for-profit Alaskan limited liability company, which operates a noncommercial public FM radio station (KTOO FM in Juneau, Alaska), as described below.

On July 1, 1998 five non-profit Alaska corporations, which operate five noncommercial public radio stations and one noncommercial public television station in Southeast Alaska, formed CoastAlaska, Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its Member Stations in the most effective and efficient means possible. The current members of CoastAlaska include CoastAlaska (KSTK), Raven Radio Foundation, Inc. (KCAW), Narrows Broadcasting Corporation (KFSK), Rainbird Community Broadcasting (KRBD), Unalaska Community Broadcasting, Inc. (KUCB), and KTOO Music and Arts LLC (KTOO FM). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

Members of CoastAlaska, as contemplated under the Compact, contribute all current assets, except certain excluded cash balances, and transfer all current liabilities to CoastAlaska. Each member retains respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices, and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the Member Stations. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the station's obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.

CoastAlaska's Executive Director maintains a central office staff which provides the following services to CoastAlaska and its members:

- 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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Each member of CoastAlaska has the right to nominate one of CoastAlaska's Board of Directors and one alternate. A member can withdraw at any time, with six months' notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership, and grant reporting activities.

Basis Accounting

The financial statements of CoastAlaska have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions of Cash and Other Financial Assets

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Contributions of Nonfinancial Assets

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

Membership

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

Grant Revenue

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

Underwriting Income

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

Rental, Special Events and Other Income

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

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

Income Taxes

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The Company's expenses are administrative in nature as their expenses are a contribution of revenues passed on to CoastAlaska.

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Company until annual periods beginning after December 15, 2021, with early application permitted. The Company plans to adopt ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023. The adoption of the standard had no impact on net assets for the years ended June 30, 2023 or 2022, respectively.

Subsequent Events

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

KTOO MUSIC AND ARTS, LLC
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

	2023	2022
Program support	\$ 916	\$ -
Advertising	906	30,926
Equipment	358	-
Admin support	-	2,015
	<u>\$ 2,180</u>	<u>\$ 32,941</u>

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

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

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

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 Company estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

NOTE 3 – CONTINGENCIES

Grants and Contracts

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