

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

June 30, 2009 and 2008

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CoastAlaska, Inc.

We have audited the accompanying statements of financial position of CoastAlaska, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of CoastAlaska Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CoastAlaska, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, five non-profit Alaska corporations, which operate seven noncommercial public radio stations and one noncommercial public television in Southeast Alaska, formed CoastAlaska, Inc. Administrative and financial activities of the seven radio stations and public television station are now conducted under a Compact Agreement by and between the stations.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2009 on our consideration of CoastAlaska Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Activity by Member for the years ended June 30, 2009 and 2008 appearing on pages 21 – 26 and the Schedule of State Financial Assistance on page 14 are presented for purposes of additional analysis, as required by management and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

ERM

October 15, 2009



COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Current Assets:		
Cash		
Unrestricted	\$ 808,220	\$ 924,011
Restricted (note 10)	77,558	-
Investments		
Unrestricted	327,487	411,069
Restricted (note 10)	-	103,989
Accounts receivable, net	212,548	163,014
Grants receivable	176,714	329,038
Contributions receivable, net	164,667	24,314
Prepaid expenses	33,857	96,934
Total Current Assets	<u>1,801,051</u>	<u>2,052,369</u>
Property and Equipment, net	<u>4,007</u>	<u>5,071</u>
Total Assets	<u><u>\$ 1,805,058</u></u>	<u><u>\$ 2,057,440</u></u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 310,587	\$ 366,429
Rental deposits	2,300	2,800
Payable to CCBI Legacy Foundation (note 10)	77,558	103,989
Total Current Liabilities	<u>390,445</u>	<u>473,218</u>
Deferred revenue	<u>112,885</u>	<u>170,205</u>
Total Liabilities	<u>503,330</u>	<u>643,423</u>
Net Assets:		
Unrestricted:		
Undesignated - available for operation:	1,297,721	1,408,946
Designated - invested in property and equipmen	4,007	5,071
Total Net Assets	<u>1,301,728</u>	<u>1,414,017</u>
Total Liabilities and Net Assets	<u><u>\$ 1,805,058</u></u>	<u><u>\$ 2,057,440</u></u>

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

COASTALASKA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	2009	2008
Changes in Unrestricted Net Assets from Operating Activities:		
SUPPORT:		
Other operating grants	\$ 665,241	\$ 460,903
Membership income	630,517	636,786
Underwriting income	704,219	657,122
Contributions	495,353	555,145
Total support	2,495,330	2,309,956
REVENUES:		
Royalties and production income	155,814	163,188
Other income	278,333	354,890
Total revenues	434,147	518,078
Total Net Assets Released From Restriction	2,936,467	3,731,878
TOTAL REVENUES and SUPPORT	5,865,944	6,559,912
EXPENSES:		
PROGRAM SERVICES:		
Programming and productions	1,792,553	1,865,801
Technical	1,088,504	997,593
Total program services	2,881,057	2,863,394
SUPPORTING SERVICES:		
Management and general	1,051,336	1,131,237
Occupancy	537,657	598,648
Development	716,187	627,961
Support to member stations:		
For equipment repairs and replacement	642,849	1,274,683
For payment of long-term debt	78,269	16,535
Total supporting services	3,026,298	3,649,064
TOTAL EXPENSES	5,907,355	6,512,458
Change in Unrestricted Net Assets from Operating Activities	(41,411)	47,454
Change in Unrestricted Net Assets From Non-Operating Activities		
Interest and investment income (loss), net	(70,878)	18,534
Change in Unrestricted Net Assets	(112,289)	65,988
Changes in Temporarily Restricted Net Assets		
Grants	2,936,467	3,731,878
Net assets released from restriction	(2,936,467)	(3,731,878)
Change in Temporarily Restricted Net Assets	-	-
Change in Net Assets	(112,289)	65,988
NET ASSETS, Beginning of Year	1,414,017	1,348,029
NET ASSETS, End of Year	\$ 1,301,728	\$ 1,414,017

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

COASTALASKA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of the Change in Net Assets To Net Cash Provided By (Used For) Operating Activities		
Change in Net Assets	\$ (112,289)	\$ 65,988
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	1,064	7,067
Unrealized loss from investments	1,871	30,557
(Increase) Decrease in:		
Accounts receivable	(49,534)	112,351
Contributions receivable	(140,353)	(1,824)
Grants receivable	152,324	(52,785)
Prepaid expenses	63,077	220,666
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(55,842)	58,889
Rental deposits	(500)	(7,778)
Deferred revenue	(57,320)	75,179
Net Cash Provided By (Used For) Operating Activities	<u>(197,502)</u>	<u>508,310</u>
Cash Flows From Investing Activities:		
Purchases of investments, net	(274,748)	(18,895)
Cash from sale of investments	434,017	-
Net Cash Provided By (Used For) Investing Activities	<u>159,269</u>	<u>(18,895)</u>
Net Increase (Decrease) In Cash	(38,233)	489,415
Cash at Beginning of Year	<u>924,011</u>	<u>434,596</u>
Cash at End of Year	<u>\$ 885,778</u>	<u>\$ 924,011</u>
Supplemental disclosure of cash paid during the year for:		
Interest	<u>\$ 82,192</u>	<u>\$ 94,427</u>

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On July 1, 1998 five non-profit Alaska corporations, which operate seven noncommercial public radio stations and one noncommercial public television in Southeast Alaska, formed CoastAlaska, Inc., 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 members of CoastAlaska include Capital Community Broadcasting, Inc. (CCBI - "KTOO-TV" and "KTOO-FM"), Raven Radio Broadcasting Corporation ("KCAW"), Wrangell Radio Group ("KSTK"), Narrows Broadcasting Corporation ("KFSK"), and Rainbird Community Broadcasting ("KRBD"). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

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. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. 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

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Revenue and Expense Recognition

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the “Real and Personal Property and Depreciation” and “Long-Term Debt” notes below.

Contributions and grants that are considered unrestricted are recorded as revenue in the statement of activity when received. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a temporarily restricted contribution or grant is received and released from restriction in the same year it is considered unrestricted.

CoastAlaska considers grants from federal, state, and local governments, as contributions subject to the provisions of FASB ASC 958-210-45-1 *Other Presentation Matters* and FASB ASC 958-605-25 *Revenue Recognition* (previously SFAS No.’s 117 and 116). Grant funds restricted by the donor, grantor, or other outside party for a particular purpose are deemed to be earned and released from restriction when CoastAlaska has incurred expenditures on behalf of the member stations in compliance with the specific restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. However such amounts received or receivable, but not used in accordance with the requirements of the grants are reflected as deferred revenue until the grant restriction has been released.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in these financial statements. Each member station remains responsible for the conduct of their respective federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No 117). Under FASB ASC 958-210-45-1, CoastAlaska is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2009 and 2008.

Member Cash and Cash Equivalents

Under the terms of the Compact, each station retained ownership of a cash reserve account. The total of these accounts was \$204,180 at June 30, 1999. During fiscal 2004 the reserve cash was held in an investment account according to policy set forth by the Board of Directors, and CoastAlaska reflected the ownership of this investment basis by the member stations, by reflecting the amount as a liability in the accompanying financial statements. Any income or loss from the investments became the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management's 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 of assets and liabilities as of the date of the balance sheet, and revenue and expenses for the period. Accordingly, actual results could differ from those estimates.

Accounting for Uncertainty in Income Taxes

Management of CoastAlaska has elected to defer the application of FASB ACS 740-10 Income taxes (previously FASB Interpretation 48) to its annual financial statements for the year ended June 30, 2010. CoastAlaska continues to evaluate its uncertain tax positions using the provisions of FASB ACS 450-20 Loss Contingencies (previously SFAS No. 5).

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair market value. Accordingly, CoastAlaska accounts for its marketable equity securities and certificates of deposit at fair value. Investments include stocks and mutual funds holding debt securities. Investments also include certificates of deposits with maturities more than 90 days subsequent to the end of the fiscal year and 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 3.

Fair Value Measurements

CoastAlaska adopted FASB ASC 820 *Fair Value Measurement and Disclosure* (previously SFAS No. 157) beginning July 1, 2008. FASB ASC 820 provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principle market for the asset or liability being measured. Management elected to defer the adoption of FASB ASC 820 for non-financial assets and liabilities measured at fair value on a nonrecurring basis to its annual financial statements for the year ended June 30, 2010. There was no impact to net assets as a result of the adoption of FASB ASC 820.

Real and Personal Property and Depreciation

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

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of long-term debt of the member stations which is secured by real or personal property are charged to operating expense as incurred. All long-term debt amounts are recorded in the financial statements of member stations.

Statement of Cash Flows

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2009 and 2008.

Contributions Receivable

Contributions receivable, less an appropriate allowance for uncollectible pledges, are recorded at their estimated fair market value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$164,667 and \$24,314 at June 30, 2009 and 2008. 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.

Donated Services and Equipment

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-2 through 25-5 *Contributions Received*, and FASB ASC 958-605-25-16 through 25-17 *Contributed Services* (previously SFAS No. 116), 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 CoastAlaska.

Many individuals volunteer their time and assist the Organization with fundraising campaign solicitations. Donated personal services of volunteers, meeting the definition of FASB ASC 958-605-25-16 through 25-17 as described above, are recorded as revenue and expense in the accompanying statement of activities as donated services at estimated fair values based upon standard valuation rates and job classifications. Donated time not meeting the criteria is not reflected in the financial statements.

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

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment in total for all member stations at June 30, 2009 and 2008 are summarized below. All property and equipment owned by member stations is recorded in the financial statements of the member stations:

	<u>2009</u>	<u>2008</u>
Held by Member Stations:		
Building and improvements	\$ 3,854,889	\$ 3,671,411
Broadcasting, production and programming equipment	6,096,651	5,637,279
Office fixtures and equipment	71,105	71,105
Land	704,828	704,828

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – PROPERTY AND EQUIPMENT (Continued)

Held by CoastAlaska:		
Broadcasting, production and programming equipment	40,605	40,605
Office fixtures and equipment	<u>3,001</u>	<u>3,001</u>
	10,771,079	10,128,229
Less accumulated depreciation, CoastAlaska	(39,599)	(38,535)
Less accumulated depreciation, member stations	<u>(5,197,817)</u>	<u>(4,688,090)</u>
	<u>\$ 5,533,663</u>	<u>\$ 5,401,604</u>

Depreciation expense was \$1,064 and \$7,067 for CoastAlaska, and \$509,726 and \$475,042 for member stations for the fiscal years ending June 30, 2009 and 2008, respectively.

NOTE 3 – INVESTMENTS

A summary of CoastAlaska's investments is displayed below by type of instrument. CoastAlaska's investments in the external investment pool, as described below as of June 30, 2008, are not categorized. The Juneau Community Foundation (JCF) is considered to be an external investment pool. CoastAlaska's share of the fair value in JCF is determined by the fair value per share of JCF's underlying portfolio. The fair value of CoastAlaska's position in JCF approximates the value of CoastAlaska's pool shares. As of June 20, 2009, CoastAlaska no longer invests in the JCF.

Cost and fair value of marketable equity securities at June 30, 2009 are as follows:

	Amortized Cost	Unrealized Gains (Losses)	Fair Value
Equity Securities	\$ 207,456	\$ (872)	\$ 206,584
Money Market Funds	25,176	-	25,176
Government and Agency Securities	12,989	322	13,311
Corporate Bonds	32,696	814	33,510
Mutual Funds	<u>51,425</u>	<u>(2,519)</u>	<u>48,906</u>
Total	<u>\$ 329,742</u>	<u>\$ (2,255)</u>	<u>\$ 327,487</u>

Cost and fair value of marketable equity securities at June 30, 2008 are as follows:

	Amortized Cost	Unrealized Gains (Losses)	Fair Value
Equity Securities	\$ 283,872	\$ (21,175)	\$ 262,697
Money Market Funds	32,498	-	32,498
Government and Agency Securities	30,522	822	31,344
Corporate Bonds	27,801	(1,263)	26,538
Mutual Funds	58,872	(857)	58,015
Pooled Investments (JCF)	<u>112,050</u>	<u>(8,084)</u>	<u>103,966</u>
Total	<u>\$ 545,615</u>	<u>\$ (30,557)</u>	<u>\$ 515,058</u>

Investment and interest income includes the following at June 30:

	2009	2008
Interest and dividend income	\$ 17,531	\$ 49,250
Realized losses	(110,142)	-
Management fees	(6,569)	(5,742)
Unrealized gains and (losses)	<u>28,302</u>	<u>(24,974)</u>
Total	<u>\$ (70,878)</u>	<u>\$ 18,534</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENT

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

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 206,585	\$ 206,585	\$ -	\$ -
Money Market Funds	25,176	25,176	-	-
Mutual Funds	48,905	48,905	-	-
Corporate Bonds	33,510	33,510	-	-
Government and Agency Securities	13,311	13,311	-	-
Total	<u>\$ 327,487</u>	<u>\$ 327,487</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – LONG-TERM DEBT

Long-Term Debt

Long-term debt of the member stations, which is recorded on the financial statements of each of the member stations is summarized below at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<u>Capital Community Broadcasting, Inc.</u>		
Fixed rate 8.25% note payable in monthly installments of \$8,691 (including principal and interest) commencing January 1, 2009 to December 1, 2016. Interest computed on a simple interest basis. Collateralized by assignment of security interest in State of Alaska Department of Natural Resources Mental Health Trust Leases.	\$ 578,995	\$ 582,741
Variable rate mortgage loan payable at the lender's prime plus 1% (4.25% at June 30, 2009). Note payable in monthly installments of \$4,833 (including principal and interest) to August 1, 2011. Interest computed on a simple interest basis. Collateralized by building.	119,600	169,613
<u>Raven Radio Broadcasting Corporation</u>		
Fixed rate 5.0% note payable in annual installments of \$10,408 (including principal and interest) to May 2029. Collateralized by land.	125,786	129,709
<u>Rainbird Community Broadcasting</u>		
Variable rate mortgage loan payable at the lender's prime plus 1.5% (4.75% as of June 30, 2009). Note payable in monthly installments of \$3,200 (including principal and interest) to February, 2022. Collateralized by building.	306,381	326,968
	1,130,762	1,209,031
Less Current Portion	<u>(139,023)</u>	<u>(97,553)</u>
	<u>\$ 991,739</u>	<u>\$ 1,111,478</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT (Continued)

Interest expense for the member stations was \$82,192 and \$94,427 for fiscal 2009 and 2008, respectively.

The following is a summary of scheduled maturities on long-term debt as of June 30, 2009:

	<u>Debt</u>
2010	\$ 139,023
2011	148,157
2012	111,257
2013	107,231
2014	115,203
Thereafter	<u>509,891</u>
Total	<u>\$ 1,130,762</u>

NOTE 6 – OPERATING LEASES

CCBI has three operating land leases with the State of Alaska. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The land leases are assignable and during fiscal year 2007, they were assigned to Juneau Economic Development Council (JEDC) as part of the terms for securing the note payable described in Note 4, above. The expenses associated with these leases are recorded in the financial statements of CoastAlaska. As of June 30, 2009, the Schedule of Minimum Future Land Lease Payments is as follows:

<u>Year Ending June 30</u>	<u>Schedule of Minimum Future Land Lease Payments</u>
2010	\$ 60,796
2011	60,796
2012	60,796
2013	60,796
2014	60,796
Thereafter	<u>220,127</u>
Total	<u>\$ 524,107</u>

NOTE 7 – PENSION 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. The CoastAlaska contribution to the plan is a discretionary amount of 5%, of each employee's salary in 2009 and 2008. 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.

Pension expense was \$103,653 and \$103,796 for fiscal 2009 and 2008, respectively.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – 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. Although subjected to state and federal single audit requirements, 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

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

Collateral – Operating Leases

As discussed in Note 6, three operating land leases with the State of Alaska were assigned to Juneau Economic Development Council (JEDC) as collateral for securing financing for the purchase of K3 Broadcast licenses and other assets. Anticipated repayment terms are described in Note 5.

NOTE 9 – ALASKA ONE, JOINT VENTURE

Alaska One Public Television Network, Inc. (Alaska One) was formed by three Alaska public television broadcasting stations in Juneau (CCBI-KTOO-TV), Bethel (KYUK) and Fairbanks (KUAC). The stations formed Alaska One to undertake cooperative activities, increase operational efficiencies and decrease costs in the production and broadcasting of public television in Alaska. Alaska One originated a public television programming service to be broadcast by members of Alaska One via transmitters and translators across Alaska. Alaska One started broadcasting on October 31, 1995 and was incorporated on August 13, 1997. Membership revenue is allocated to each station based on regional membership contributions. Substantially all broadcasting of PBS services originates from KUAC in Fairbanks, Alaska. As of June 30, 2007, CoastAlaska, through the Compact of which CCBI is a member, performed substantially all of the membership, fundraising and collection of pledges and donations for Alaska One. Beginning July 1, 2007 these functions are now performed by KUAC in Fairbanks.

NOTE 10 – KTOO LEGACY FOUNDATION

In 2001, the KTOO Legacy Foundation (Legacy) was formed under the State of Alaska Nonprofit Corporation Act to support and assist CCBI in carrying out its purpose of constructing and operating nonprofit educational broadcasting facilities; and to receive, hold and use contributions for the purposes of supporting CCBI. All assets are to be attributed to CCBI or any successor organizations. CoastAlaska, on behalf of CCBI, performs all administrative functions for Legacy.

Due to the financial and operational interdependency of CoastAlaska, CCBI and Legacy, CoastAlaska includes the assets of Legacy in its financial statements. As of June 30, 2009 and 2008, Legacy's assets included cash balances received in contributions from individuals, less related investment losses, totaling \$77,558 and \$103,989, respectively. These amounts were invested with the Juneau Community Foundation in pooled investments through June 30, 2008. During 2009, the amounts in JCF were liquidated and placed in a cash account at a bank and are subject to FDIC coverage. These balances are reported as a liability to Legacy on CoastAlaska's statements of financial position.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – K3 STATIONS ACQUISITION

On June 8, 2006, CCBI entered into an Asset Purchase Agreement (“Agreement”) with a privately-held corporation to purchase the FCC licenses, transmitter equipment and other incidental assets for two radio stations in Juneau, Alaska. The Agreement also calls for the seller to lease the broadcast tower related to the two stations to CCBI over an initial four-year term with an optional six-year extension. Together, KTOO operates the new stations and its existing station as noncommercial public FM radio stations under the banner of “K3”. On December 27, 2006 the transaction was consummated.

CCBI and CoastAlaska paid a total of approximately \$836,000 consisting of \$676,400 for the licenses transmitter equipment and other incidental assets, and approximately \$160,000 for start-up costs, closing costs and interest reserves.

CCBI financed the acquisition through the issuance of two loans. The first, from CoastAlaska, Inc., is an unsecured loan in an amount not to exceed of \$250,000. It is to be repaid interest free over ten years. Repayment will occur through CCBI’s positive operating results. The balance on this loan at June 30, 2009 and 2008 is \$213,000 and \$213,000, respectively. The second loan, from the Juneau Economic Development Corporation, in the initial amount of \$522,176, is secured by real property and is to be repaid over ten years at 8.5% per annum, with principal and interest capitalized for the first two years and the balance to be paid over the following eight years commencing January 1, 2009. The balance on this loan at June 30, 2009 and 2008 is \$578,995 and \$582,741, respectively. See also Note 5.

NOTE 12 – SUBSEQUENT EVENT

In July 2009, Ketchikan member station, KRBD, sold one building and purchased another. The mortgage payable on the original building at the time of sale was \$305,355, and was paid off with proceeds from the sale. The new building was acquired for \$385,000, and was paid for with cash.

COASTALASKA, INC.
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2009

<u>State Grantor / Program Title</u>	<u>Grant Number</u>	<u>Program Award</u>	<u>Receivable 7/1/2008</u>	<u>Revenue Received</u>	<u>Amount Expended</u>	<u>Receivable 6/30/2009</u>
Department of Administration						
Major program:						
Alaska Public Broadcasting Commission	0291919	\$ 755,739	\$ -	\$ 755,739	\$ 755,739	\$ -
		<u>\$ 755,739</u>	<u>\$ -</u>	<u>\$ 755,739</u>	<u>\$ 755,739</u>	<u>\$ -</u>

The accompanying Notes to Schedule of State Financial Assistance are an integral part of this statement.

COASTALASKA, INC.

NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2009

GENERAL

The accompanying Schedule of State Financial Assistance presents the activity of CoastAlaska Inc.

BASIS OF ACCOUNTING

The accompanying Schedule of State Financial Assistance is presented using the accrual basis of accounting, which is described in CoastAlaska Inc.'s financial statements.

RECONCILIATION OF SCHEDULE OF STATE FINANCIAL ASSISTANCE TO FINANCIAL STATEMENTS

The following is a reconciliation of contributions reported in the financial statements to expenditures reported in the schedule of State Financial Assistance:

Grant support as reflected in the Statement of Activities	\$ 2,936,467
Less: Capital grant support and support from CPB	<u>(2,078,628)</u>
Appropriation From Alaska Public Broadcasting Commission (APBC)	857,839
Less: Grants awarded directly to Capital Community Broadcasting Inc. and not considered CoastAlaska, Inc. grants for compliance purposes	<u>(102,100)</u>
Total expenditures per Schedule of State Financial Assistance	<u>\$ 755,739</u>

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
CoastAlaska, Inc.

We have audited the financial statements of CoastAlaska, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CoastAlaska, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CoastAlaska Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CoastAlaska Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CoastAlaska, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of CoastAlaska, Inc. in a separate letter dated October 15, 2009.

This report is intended solely for the information and use of the audit committee, management, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

ERM

October 15, 2009

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

To the Board of Directors of
CoastAlaska, Inc.

Compliance

We have audited the compliance of CoastAlaska, Inc. (a nonprofit organization) with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2009. CoastAlaska, Inc.'s major state program is identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable its major state program is the responsibility of CoastAlaska, Inc.'s management. Our responsibility is to express an opinion on CoastAlaska, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about CoastAlaska, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CoastAlaska, Inc.'s compliance with those requirements.

In our opinion, CoastAlaska, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the year ended June 30, 2009.

Internal Control over Compliance

The management of CoastAlaska, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered CoastAlaska, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CoastAlaska Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink, consisting of the letters 'ERM' in a cursive, slightly slanted font.

October 15, 2009

COASTALASKA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2009

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) over financial reporting?
- Significant deficiencies identified that are not considered to be material weakness(es)?

_____ Yes x No

_____ Yes x None Reported

Noncompliance material to financial statements noted?

_____ Yes x No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

_____ Yes x No

_____ Yes x None Reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Dollar threshold used to distinguish a state major program:

\$75,000

Section II – Financial Statement Findings

None.

Section III – State Award Findings and Questioned Costs

None.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs.

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COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2009

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
SUPPORT AND REVENUE:								
Membership Revenue	\$ 122,857	\$ 67,715	\$ 94,955	\$ 29,624	\$ 278,265	\$ 37,101	\$ -	\$ 630,517
Underwriting Revenue	107,803	60,431	81,597	48,513	261,131	144,744	-	704,219
Interest and Investment Income (Loss)	-	-	-	-	-	713	(71,591)	(70,878)
Production Income	103	944	250	350	525	153,056	-	155,228
Royalties	540	-	-	-	-	46	-	586
Miscellaneous Income	3,264	95	129	97	152	329	63	4,129
Rental Income	9,857	3,073	67,561	10,765	7,139	16,658	-	115,053
Sales Income	5,151	1,497	235	-	229	27,102	-	34,214
APBC Grants	152,361	150,028	151,895	149,560	151,895	102,100	-	857,839
CPB Grants	145,538	108,550	130,391	105,448	152,188	721,716	-	1,363,831
Capital Grants	131,350	15,940	34,923	4,735	306,300	221,549	-	714,797
Other Operating Grants	154,985	6,649	1,649	649	16,132	485,177	-	665,241
Fundraising Revenues:								
Special Events	14,846	4,502	3,651	1,661	19,017	-	-	43,677
Auction	4,875	-	6,685	3,589	34,496	-	-	49,645
Gaming	-	-	29,660	1,955	-	-	-	31,615
In-kind Contributions	70,469	26,571	46,931	40,699	49,471	261,212	-	495,353
Total Support and Revenue	<u>923,999</u>	<u>445,995</u>	<u>650,512</u>	<u>397,645</u>	<u>1,276,940</u>	<u>2,171,503</u>	<u>(71,528)</u>	<u>5,795,066</u>
EXPENSES:								
PROGRAMMING EXPENSES								
Salary and Related Expenses	152,710	86,170	136,387	65,917	316,317	440,057	70,357	1,267,915
Media Stock	302	-	-	-	198	7,880	-	8,380
Contract Labor - Programming	107,570	325	1,130	256	-	11,012	-	120,293
Production Costs	21,845	-	-	5	-	25,621	-	47,471
Prog/Prod Travel	2,328	554	761	-	-	4,591	955	9,189
Music Library	10	52	685	166	3,493	4,500	-	8,906
Audience Survey	-	-	-	-	10,275	-	-	10,275
Affiliation Fees	23,675	15,079	18,892	13,632	27,601	62,234	-	161,113
Program Acquisitions	24,758	16,846	15,837	12,735	28,166	23,207	-	121,549
News Services	6,297	5,946	3,882	5,946	9,164	-	-	31,235
Studio Maintenance	0	-	-	-	-	272	-	272
In-kind - Programming	-	-	2,310	1,248	719	1,678	-	5,955
Total Programming Expenses	<u>339,495</u>	<u>124,972</u>	<u>179,884</u>	<u>99,905</u>	<u>395,933</u>	<u>581,052</u>	<u>71,312</u>	<u>1,792,553</u>
TECHNICAL EXPENSES								
Salary and Related Expenses	-	-	-	-	-	180,256	188,893	369,149
Transmission Charges	7,100	7,100	7,100	7,100	7,100	250,400	-	285,900
Contract Labor	-	-	-	-	-	300	-	300
Engineering Supplies	-	-	58	99	-	-	109	266
Tech/Broadcast Travel	-	-	1,058	-	-	-	6,593	7,651
Transmitters' Expenses	-	-	228	22	-	-	-	250
Translators' Expenses	3,158	7,000	12,435	147	33	140	-	22,913

(continued)

See Independent Auditors' Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2009

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
TECHNICAL EXPENSES (continued)								
Computer Hardware/Software	1,015	3,683	1,323	1,300	534	4,883	10,584	23,322
Internet Services	2,357	2,484	2,256	2,000	136	15,071	715	25,019
Broadcast Equipment Purchase	371	6,620	165	2,214	21,323	34,796	1,099	66,588
Broadcast Equipment Maintenance	2,150	1,676	7	2,110	2,987	7,451	-	16,381
In-kind - Technical	19,158	15,998	19,850	18,531	13,388	183,840	-	270,765
Total Technical Expenses	35,309	44,561	44,480	33,523	45,501	677,137	207,993	1,088,504
DEVELOPMENT EXPENSES								
Salary and Related Expenses	54,930	57,157	53,826	41,036	95,761	51,274	85,399	439,383
Premiums	8,100	3,880	10,025	1,710	8,154	-	-	31,869
Contract Labor	450	450	450	450	1,383	35,415	-	38,598
Advertising	-	-	-	122	-	-	-	122
Development Travel	-	396	131	81	492	627	1,094	2,821
Printing	1,452	864	2,567	699	6,718	1,405	165	13,870
Special Events	5,126	828	15,522	1,567	3,188	-	-	26,231
Credit Card Fees	-	-	-	-	-	-	15,176	15,176
Retail Inventory	443	-	-	-	-	2,198	-	2,641
Volunteers	95	-	534	59	-	-	-	688
Bulk Mail Postage	606	354	459	176	2,811	-	533	4,939
In-kind - Development	45,247	2,590	11,308	6,660	22,325	51,719	-	139,849
Total Development Expenses	116,449	66,519	94,822	52,560	140,832	142,638	102,367	716,187
OCCUPANCY EXPENSES								
Rent	-	-	-	-	26,405	49,381	-	75,786
Interest Expense	6,485	-	17,813	-	17,368	40,526	-	82,192
Building Maintenance	2,131	9,573	5,908	4,773	4,903	11,440	-	38,728
Automotive	-	-	-	-	241	561	-	802
Janitorial Supplies	4,857	549	321	-	4,072	9,502	-	19,301
Telephone - Local	4,778	3,888	5,187	3,783	6,329	12,214	5,673	41,852
Telephone - Long Distance	1,476	1,265	3,129	760	2,302	5,249	590	14,771
Utilities	18,159	9,665	26,177	2,111	27,040	63,331	-	146,483
Insurance	14,466	7,002	9,642	8,244	14,687	34,266	3,299	91,606
In-kind - Occupancy	830	205	200	8,851	4,815	11,235	-	26,136
Total Occupancy Expenses	53,182	32,147	68,377	28,522	108,162	237,705	9,562	537,657
ADMINISTRATIVE EXPENSES								
Salary and Related Expenses	73,412	74,109	46,891	80,914	69,918	319,700	202,729	867,673
Office Supplies	1,539	1,251	661	532	1,382	3,043	449	8,857
Administrative Travel	488	599	745	343	560	3,260	5,514	11,509
Postage	1,004	522	2,355	724	3,348	1,275	1,353	10,581
Dues & Subscriptions	870	1,148	1,312	353	916	1,565	2,172	8,336
Printing	-	-	-	-	-	-	600	600
Office Equipment Rental	-	-	-	-	1,980	4,142	-	6,122

(continued)

See Independent Auditors' Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2009

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
ADMINISTRATIVE EXPENSES (continued)								
Office Equipment Maintenance	65	-	-	-	80	186	-	331
Office Equipment Purchase	267	-	2,270	96	-	-	228	2,861
Shipping - All	101	136	192	-	141	425	153	1,148
Contract Labor	1,091	728	970	637	1,213	9,119	-	13,758
Board/Admin	690	1,909	2,857	486	699	3,809	883	11,333
Audit	-	-	-	-	102	3,238	23,414	26,754
Legal Fees	-	-	-	-	1,077	4,987	100	6,164
Taxes	2,808	-	7,830	1,044	-	-	-	11,682
Bank and Loan Refinance Fees	9	21	14	16	-	-	9,855	9,915
Depreciation Expense	33,398	27,156	44,597	20,119	51,260	333,196	1,064	510,790
CoastAlaska Support	178,895	80,557	119,526	73,959	157,705	-	(610,642)	-
In-kind - Admin	5,234	7,778	13,263	5,409	8,224	12,740	-	52,648
Total Administrative Expenses	299,871	195,914	243,483	184,632	298,605	700,685	(362,128)	1,561,062
Total Expenses	844,306	464,113	631,046	399,142	989,033	2,339,217	29,106	5,695,963
Excess (Deficiency) of Revenue Over Expenses-Station Basis	\$ 79,693	\$ (18,118)	\$ 19,466	\$ (1,497)	\$ 287,907	\$ (167,714)	\$ (100,634)	\$ 99,103

Reconciliation of Supplemental Schedule of Activity by Member to CoastAlaska Statement of Activities

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
Excess (Deficiency) of Revenue Over Expenses-Station Basis	\$ 79,693	\$ (18,118)	\$ 19,466	\$ (1,497)	\$ 287,907	\$ (167,714)	\$ (100,634)	\$ 99,103
Contributions to members for payment of Repair and replacement of property and equipment	(141,319)	(2,121)	(31,889)	(2,889)	(284,354)	(180,277)	-	(642,849)
Debt service, net	(3,923)	-	(20,587)	-	(18,751)	(35,008)	-	(78,269)
Other member expenses								
Depreciation	33,398	27,156	44,597	20,119	51,260	333,196	-	509,726
Excess of revenue over expenses	\$ (32,151)	\$ 6,917	\$ 11,587	\$ 15,733	\$ 36,062	\$ (49,803)	\$ (100,634)	\$ (112,289)

See Independent Auditors' Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2008

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
SUPPORT AND REVENUE:								
Membership Revenue	\$ 121,448	\$ 64,719	\$ 98,235	\$ 31,798	\$ 262,609	\$ 57,977	\$ -	\$ 636,786
Underwriting Revenue	107,095	52,862	81,672	36,509	241,933	137,051	-	657,122
Interest and Investment Income	-	-	-	-	-	-	18,534	18,534
Production Income	60	1,977	100	-	945	156,323	-	159,405
Royalties	1,707	-	-	-	-	2,076	-	3,783
Miscellaneous Income	191	-	-	-	-	54,054	-	54,245
Rental Income	23,399	3,073	77,487	10,708	7,108	16,585	-	138,360
Sales Income	10,070	1,072	576	20	275	35,155	-	47,168
APBC Grants	148,628	148,628	148,628	148,628	168,628	102,100	2,334	867,574
CPB Grants	145,398	116,433	134,971	110,674	152,447	841,225	-	1,501,148
Capital Grants	13,192	22,458	48,843	50,414	68,196	1,160,053	-	1,363,156
Other Operating Grants	101,863	5,000	-	-	2,000	352,040	-	460,903
Fundraising Revenues:								
Special Events	11,200	4,715	9,037	420	7,953	-	-	33,325
Auction	8,073	-	5,937	3,353	29,014	-	-	46,377
Gaming	-	3,440	28,340	3,635	-	-	-	35,415
In-kind Contributions	69,020	32,124	51,046	46,938	57,938	298,079	-	555,145
Total Support and Revenue	761,344	456,501	684,872	443,097	999,046	3,212,718	20,868	6,578,446
EXPENSES:								
PROGRAMMING EXPENSES								
Salary and Related Expenses	158,005	80,186	125,993	64,163	324,144	455,489	68,014	1,275,994
Media Stock	270	-	71	-	421	4,946	-	5,708
Contract Labor - Programming	70,307	624	740	465	-	65,151	-	137,287
Production Costs	14,527	11	8	5	-	13,429	-	27,980
Prog/Prod Travel	4,803	534	1,277	294	111	17,680	1,037	25,736
Music Library	421	-	134	431	3,903	2,773	-	7,662
Audience Survey	-	-	-	-	8,780	22,280	-	31,060
Affiliation Fees	23,033	15,855	19,442	14,013	36,449	59,608	-	168,400
Program Acquisitions	25,482	17,108	15,364	12,594	27,729	31,219	-	129,496
News Services	8,640	8,446	5,898	8,446	9,104	-	-	40,534
Studio Maintenance	-	-	-	-	-	1,857	-	1,857
In-kind - Programming	1,106	2,618	1,340	234	3,940	4,849	-	14,087
Total Programming Expenses	306,594	125,382	170,267	100,645	414,581	679,281	69,051	1,865,801
TECHNICAL EXPENSES								
Salary and Related Expenses	-	-	-	-	-	182,878	148,745	331,623
Transmission Charges	6,900	6,900	6,900	6,900	6,900	186,441	-	220,941
Engineering Supplies	272	-	39	42	-	17	235	605
Tech/Broadcast Travel	-	-	-	-	526	1,084	6,902	8,512
Transmitters' Expenses	112	-	-	64	260	-	-	436
Translators' Expenses	6,880	6,622	8,695	-	40	990	-	23,227

(continued)

See Independent Auditors' Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2008

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	WRANGELL KSTK-FM	JUNEAU		REGIONAL SERVICES	Total
					KTOO-FM	KTOO-TV		
TECHNICAL EXPENSES (continued)								
Computer Hardware/Software	3,397	-	415	65	4,962	16,097	7,113	32,049
Internet Services	131	239	186	-	340	13,933	803	15,632
Broadcast Equipment Purchase	2,992	6,550	18,733	3,912	1,877	3,630	1,605	39,299
Broadcast Equipment Maintenance	2,861	1,657	48	1,345	3,231	9,153	-	18,295
In-kind - Technical	19,724	16,628	26,075	20,383	14,358	209,806	-	306,974
Total Technical Expenses	43,269	38,596	61,091	32,711	32,494	624,029	165,403	997,593
DEVELOPMENT EXPENSES								
Salary and Related Expenses	32,287	55,102	51,783	33,963	68,998	6,501	83,713	332,347
Premiums	7,572	4,346	6,639	1,087	13,330	-	-	32,974
Contract Labor	-	-	-	-	-	54,164	-	54,164
Advertising	23	250	301	141	18	4,256	-	4,989
Development Travel	212	25	604	742	261	-	2,480	4,324
Printing	1,377	857	1,443	947	5,479	-	288	10,391
Fundraising	3,044	1,951	14,943	2,697	1,397	-	-	24,032
Credit Card Fees	-	-	-	-	26	-	14,231	14,257
Retail Inventory	5,263	-	-	-	-	4,992	-	10,255
Volunteers	228	-	380	25	443	-	-	1,076
Bulk Mail Postage	522	238	440	262	1,826	245	528	4,061
In-kind - Development	39,945	3,796	12,311	5,988	21,915	51,136	-	135,091
Total Development Expenses	90,473	66,565	88,844	45,852	113,693	121,294	101,240	627,961
OCCUPANCY EXPENSES								
Rent	578	-	-	-	27,277	49,645	-	77,500
Interest expense	6,672	-	28,171	-	17,876	41,708	-	94,427
Building Maintenance	14,588	1,533	4,221	3,349	4,154	10,330	-	38,175
Automotive	-	-	-	-	186	433	-	619
Janitorial Supplies	5,034	627	491	-	4,091	9,545	-	19,788
Telephone - Local	5,176	4,249	4,623	4,153	6,362	13,315	3,354	41,232
Telephone - Long Distance	1,602	1,115	2,673	1,310	2,248	5,245	437	14,630
Utilities	20,659	10,044	29,392	5,547	31,429	73,569	-	170,640
Insurance	15,146	7,154	9,468	8,292	15,660	36,537	3,691	95,948
In-kind - Occupancy	600	150	0	12,461	9,743	22,735	-	45,689
Total Occupancy Expenses	70,055	24,872	79,039	35,112	119,026	263,062	7,482	598,648
ADMINISTRATIVE EXPENSES								
Salary and Related Expenses	69,204	68,809	65,070	78,336	74,634	332,749	202,909	891,711
Office Supplies	1,848	2,060	1,126	826	1,672	3,499	681	11,712
Administrative Travel	627	90	1,607	325	483	3,237	6,407	12,776
Postage	1,402	1,125	2,510	1,191	4,235	3,661	1,758	15,882
Dues & Subscriptions	1,252	1,710	1,540	358	1,219	1,901	1,921	9,901
Printing	42	-	-	-	70	162	185	459
Office Equipment Rental	-	-	-	-	1,708	4,324	-	6,032

(continued)

See Independent Auditors' Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2008

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
ADMINISTRATIVE EXPENSES (continued)								
Office Equipment Maintenance	333	-	-	-	-	-	0	333
Office Equipment Purchase	845	317	508	121	58	136	188	2,173
Shipping - All	199	69	69	163	152	1,821	248	2,721
Public Relations	-	-	-	4	707	30,703	199	31,613
Contract Labor	1,040	693	924	607	1,155	21,386	767	26,572
Board/Admin	1,566	1,790	2,597	682	841	1,885	2,622	11,983
Audit	-	-	-	-	-	-	24,084	24,084
Legal Fees	-	-	-	-	999	2,782	0	3,781
Taxes	2,340	-	6,380	1,044	-	-	-	9,764
Bank and Loan Refinance Fees	56	25	109	5	45	121	9,008	9,369
Depreciation Expense	34,219	56,530	41,373	22,272	96,013	224,635	7,067	482,109
CoastAlaska Support	114,562	103,600	108,057	78,905	147,357	-	(552,481)	-
In-kind - Admin	7,645	8,932	11,320	7,872	7,982	9,553	-	53,304
Total Administrative Expenses	237,180	245,750	243,190	192,711	339,330	642,555	(294,437)	1,606,279
Total Expenses	747,571	501,165	642,431	407,031	1,019,124	2,330,221	48,739	5,696,282
Excess (Deficiency) of Revenue Over Expenses-Station Basis	\$ 13,773	\$ (44,664)	\$ 42,441	\$ 36,066	\$ (20,078)	\$ 882,497	\$ (27,871)	\$ 882,164

Reconciliation of Supplemental Schedule of Activity by Member to CoastAlaska Statement of Activities

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
Excess (Deficiency) of Revenue Over Expenses-Station Basis	\$ 13,773	\$ (44,664)	\$ 42,441	\$ 36,066	\$ (20,078)	\$ 882,497	\$ (27,871)	\$ 882,164
Contributions to members for payment of								
Repair and replacement of property and equipment	(5,449)	(16,317)	(37,223)	(50,604)	(535,941)	(629,149)	-	(1,274,683)
Debt service, net	(3,736)	-	(10,228)	-	(2,157)	(414)	-	(16,535)
Other member expenses								
Depreciation	34,219	56,530	41,373	22,272	96,013	224,635	-	475,042
Excess of revenue over expenses	\$ 38,807	\$ (4,451)	\$ 36,363	\$ 7,734	\$ (462,163)	\$ 477,569	\$ (27,871)	\$ 65,988

See Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Raven Radio Foundation, Inc.

We have audited the accompanying statements of financial position of Raven Radio Foundation, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raven Radio Foundation, Inc. as of June 30, 2009 and 2008, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, Raven Radio Foundation, Inc. and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of the seven public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Raven Radio Foundation, Inc., taken as a whole. The Schedule of Activity by Member for the years ended June 30, 2009 and 2008 appearing on pages 21 – 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 15, 2009

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Property and Equipment, net	\$ 1,061,889	\$ 953,968
Total Assets	<u>\$ 1,061,889</u>	<u>\$ 953,968</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Current portion of long-term debt	\$ 4,119	\$ 3,923
Total Current Liabilities	4,119	3,923
Long-term debt, less current portion	<u>121,667</u>	<u>125,786</u>
Total Liabilities	<u>125,786</u>	<u>129,709</u>
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>936,103</u>	<u>824,259</u>
Total Net Assets	<u>936,103</u>	<u>824,259</u>
Total Liabilities and Net Assets	<u>\$ 1,061,889</u>	<u>\$ 953,968</u>

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

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 141,319	\$ 5,449
Support from CoastAlaska for payment of long-term debt	3,923	3,736
Total Public Support, Revenue and Other Gains	145,242	9,185
Expenses		
Depreciation	33,398	34,219
Total Expenses	33,398	34,219
Change in unrestricted net assets	111,844	(25,034)
Net Assets, Beginning of Year	824,259	849,293
Net Assets, End of Year	\$ 936,103	\$ 824,259

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

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ 111,844	\$ (25,034)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,398	34,219
Net Cash Provided By Operating Activities	145,242	9,185
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(141,319)	(5,449)
Net Cash Used For Investing Activities	(141,319)	(5,449)
Cash Flows From Financing Activities:		
Cash paid on long-term liabilities	(3,923)	(3,736)
Net Cash Used For Financing Activities	(3,923)	(3,736)
Net Change In Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Raven Radio Foundation, Inc. (the "Corporation") is a non-profit Alaska 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 public broadcasting stations in Southeast Alaska to form CoastAlaska Incorporated, 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 members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

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. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each stations' budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' 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

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" and "Long-Term Debt" notes below.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No 117). Under FASB ASC 958-210-45-1, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2009 and 2008.

Cash and Cash Equivalents

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$42,928 at June 30, 1999. During fiscal 2004 the reserve account was invested in accordance with the policy set forth by the Board of Directors of CoastAlaska. Any dividend and interest earnings on this reserve becomes the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Revenue Recognition

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements of CoastAlaska, Inc. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from two and one-half to forty 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.

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of the Corporation's long-term debt are recognized as revenue when the amounts are to be paid by CoastAlaska. All long-term debt amounts are recorded in the financial statements of the Corporation.

Statement of Cash Flows

For the purpose of the statement 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 an organization 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, 2009 and 2008.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2009 and 2008 are summarized below:

	<u>2009</u>	<u>2008</u>
Land	\$ 497,312	\$ 497,312
Building and improvements	532,621	405,396
Broadcasting, production and programming equipment	462,018	447,924
Office fixtures and equipment	<u>3,586</u>	<u>3,586</u>
	1,495,537	1,354,218
Less accumulated depreciation	<u>(433,648)</u>	<u>(400,250)</u>
	<u>\$ 1,061,889</u>	<u>\$ 953,968</u>

Depreciation expense was \$33,398 and \$34,219 for fiscal years ended June 30, 2009 and 2008, respectively.

NOTE 3 - LONG-TERM DEBT

Long-term debt at June 30, 2009 and 2008 consists of:

	<u>2009</u>	<u>2008</u>
Fixed rate 5.0% note payable in annual installments of \$10,408 (including principal and interest) to May 2029. Collateralized by land.	<u>\$ 125,786</u>	<u>\$ 129,709</u>
Less Current Portion	<u>(4,119)</u>	<u>(3,923)</u>
	<u>\$ 121,667</u>	<u>\$ 125,786</u>

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (Continued)

Interest expense was \$6,485 and \$6,672 for fiscal years 2009 and 2008, respectively. Interest expense is paid by CoastAlaska in accordance with the Compact.

The following is a summary of scheduled maturities on long-term debt as of June 30, 2009:

<u>Year Ending June 30</u>	<u>Long-Term Debt</u>
2010	\$ 4,119
2011	4,325
2012	4,541
2013	4,768
2014	5,006
Thereafter	<u>103,027</u>
Total	<u>\$ 125,786</u>

NOTE 4 - CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Although subjected to state and federal single audit requirements, certain grant amounts of the Corporation 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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Narrows Broadcasting Corporation

We have audited the accompanying statements of financial position of Narrows Broadcasting Corporation (a nonprofit corporation) as of June 30, 2009 and 2008 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Narrows Broadcasting Corporation as of June 30, 2009 and 2008, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, Narrows Broadcasting Corporation and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of the seven public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Narrows Broadcasting Corporation, taken as a whole. The Schedule of Activity by Member for the years ended June 30, 2009 and 2008 appearing on pages 21 – 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 15, 2009



NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Property and Equipment, net	<u>\$ 337,769</u>	<u>\$ 362,804</u>
Total Assets	<u>\$ 337,769</u>	<u>\$ 362,804</u>
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>\$ 337,769</u>	<u>\$ 362,804</u>
Total Liabilities and Net Assets	<u>\$ 337,769</u>	<u>\$ 362,804</u>

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 2,121	\$ 16,317
Total Public Support, Revenue and Other Gains	<u>2,121</u>	<u>16,317</u>
Expenses		
Depreciation	<u>27,156</u>	<u>56,530</u>
Total Expenses	<u>27,156</u>	<u>56,530</u>
Change in unrestricted net assets	(25,035)	(40,213)
Net Assets, Beginning of Year	<u>362,804</u>	<u>403,017</u>
Net Assets, End of Year	<u><u>\$ 337,769</u></u>	<u><u>\$ 362,804</u></u>

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

NARROWS BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (25,035)	\$ (40,213)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	27,156	56,530
Net Cash Provided by Operating Activities	2,121	16,317
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(2,121)	(16,317)
Net Cash Used For Investing Activities	(2,121)	(16,317)
Net Change In Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Narrows Broadcasting Corporation (the "Corporation") is a non-profit Alaska 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 public broadcasting stations in Southeast Alaska to form CoastAlaska Incorporated, 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 members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

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. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

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

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" and "Long-Term Debt" notes below.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No 117). Under FASB ASC 958-210-45-1, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2009 and 2008.

Cash and Cash Equivalents

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$87,141. During fiscal year 2004 the reserve was invested according to policy set forth by the Board of Directors of CoastAlaska. Any dividends and interest earnings on the investments become the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Revenue Recognition

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements of CoastAlaska, Inc. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from two and one-half to forty 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.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

For the purpose of the statement 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 an organization 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, 2009 and 2008.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2009 and 2008 are summarized below:

	<u>2009</u>	<u>2008</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	302,816	302,816
Broadcasting, production and programming equipment	505,742	503,620
Office fixtures and equipment	<u>3,600</u>	<u>3,600</u>
	837,158	835,036
Less accumulated depreciation	<u>(499,389)</u>	<u>(472,232)</u>
	<u>\$ 337,769</u>	<u>\$ 362,804</u>

Depreciation expense was \$27,156 and \$56,530 for fiscal years ended June 30, 2009 and 2008, respectively.

NOTE 3 - CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Although subjected to state and federal single audit requirements, certain grant amounts of the Corporation 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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rainbird Community Broadcasting Corporation

We have audited the accompanying statements of financial position of Rainbird Community Broadcasting Corporation (a nonprofit corporation) as of June 30, 2009 and 2008 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainbird Community Broadcasting Corporation as of June 30, 2009 and 2008, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, Rainbird Community Broadcasting Corporation and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of the seven public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Rainbird Community Broadcasting Corporation, taken as a whole. The Schedule of Activity by Member for the years ended June 30, 2009 and 2008 appearing on pages 21 – 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 15, 2009

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Property and Equipment, net	<u>\$ 629,268</u>	<u>\$ 641,976</u>
Total Assets	<u>\$ 629,268</u>	<u>\$ 641,976</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Current portion of long-term debt	<u>\$ 23,847</u>	<u>\$ 17,147</u>
Total Current Liabilities	23,847	17,147
Long-term debt, less current portion	<u>282,534</u>	<u>309,821</u>
Total Liabilities	<u>306,381</u>	<u>326,968</u>
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>322,887</u>	<u>315,008</u>
Total Net Assets	<u>322,887</u>	<u>315,008</u>
Total Liabilities and Net Assets	<u>\$ 629,268</u>	<u>\$ 641,976</u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 31,889	\$ 37,223
Support from CoastAlaska for payment of long-term debt	<u>20,587</u>	<u>10,228</u>
Total Public Support, Revenue and Other Gains	<u>52,476</u>	<u>47,451</u>
Expenses		
Depreciation	<u>44,597</u>	<u>41,373</u>
Total Expenses	<u>44,597</u>	<u>41,373</u>
Change in unrestricted net assets	7,879	6,078
Net Assets, Beginning of Year	<u>315,008</u>	<u>308,930</u>
Net Assets, End of Year	<u><u>\$ 322,887</u></u>	<u><u>\$ 315,008</u></u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ 7,879	\$ 6,078
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	<u>44,597</u>	<u>41,373</u>
Net Cash Provided By Operating Activities	<u>52,476</u>	<u>47,451</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	<u>(31,889)</u>	<u>(37,223)</u>
Net Cash Used For Investing Activities	(31,889)	(37,223)
Cash Flows From Financing Activities:		
Cash paid on long-term liabilities	<u>(20,587)</u>	<u>(10,228)</u>
Net Cash Used For Financing Activities	<u>(20,587)</u>	<u>(10,228)</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Rainbird Community Broadcasting Corporation (the "Corporation") is a non-profit Alaska 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 public broadcasting stations in Southeast Alaska to form CoastAlaska Incorporated, 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 members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

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. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

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

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" and "Long-Term Debt" notes below.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No 117). Under FASB ASC 958-210-45-1, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2009 and 2008.

Cash and Cash Equivalents

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$29,405. During fiscal year 2004 the reserve was invested according to policy set forth by the Board of Directors of CoastAlaska. Any dividend and interest earnings on the investment reserve become the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Revenue Recognition

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements of CoastAlaska, Inc. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from two and one-half to forty years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Personal Property and Depreciation (Continued)

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.

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of the Corporation's long-term debt are recognized as revenue when the amounts are to be paid by CoastAlaska. All long-term debt amounts are recorded in the financial statements of the Corporation.

Statement of Cash Flows

For the purpose of the statement 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 an organization 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, 2009 and 2008.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2009 and 2008 are summarized below:

	<u>2009</u>	<u>2008</u>
Land	\$ 173,516	\$ 173,516
Building and improvements	749,964	718,075
Broadcasting, production and programming equipment	475,675	475,675
Office fixtures and equipment	<u>4,950</u>	<u>4,950</u>
	1,404,105	1,372,216
Less accumulated depreciation	<u>(774,837)</u>	<u>(730,240)</u>
	<u>\$ 629,268</u>	<u>\$ 641,976</u>

Depreciation expense was \$44,597 and \$41,373 for fiscal years ended June 30, 2009 and 2008, respectively.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Long-term Debt

Long-term debt at June 30, 2009 and 2008 consists of:

	<u>2009</u>	<u>2008</u>
Variable rate mortgage loan payable at the lender's prime plus 1.5% (4.75% as of June 30, 2009). Note payable in monthly installments of \$3,200 (including principal and interest) to February, 2022. Collateralized by building.	\$ 306,381	\$ 326,968
Less Current Portion	<u>(23,847)</u>	<u>(17,147)</u>
	<u>\$ 282,534</u>	<u>\$ 309,821</u>

Interest expense was \$17,813 and \$28,171 for fiscal years ended June 30, 2009 and 2008, respectively. Interest expense is paid by CoastAlaska in accordance with the Compact.

The following is a summary of scheduled maturities on long-term debt as of June 30, 2009:

<u>Year Ending June 30</u>	<u>Long-Term Debt</u>
2010	\$ 23,847
2011	24,980
2012	26,166
2013	27,409
2014	28,711
Thereafter	<u>175,268</u>
Total	<u>\$ 306,381</u>

NOTE 4 - CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Although subjected to state and federal single audit requirements, certain grant amounts of the Corporation 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.

NOTE 5 - SUBSEQUENT EVENT

In July, 2009, Ketchikan member station, KRBD, sold one building and purchased another. The mortgage payable on the original building at the time of sale was \$305,355, and was paid off with proceeds from the sale. The new building was acquired for \$385,000, and was paid for with cash.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wrangell Radio Group, Inc.

We have audited the accompanying statements of financial position of Wrangell Radio Group, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wrangell Radio Group, Inc. as of June 30, 2009 and 2008, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, Wrangell Radio Group, Inc. and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of the seven public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Wrangell Radio Group Inc., taken as a whole. The Schedule of Activity by Member for the years ended June 30, 2009 and 2008 appearing on pages 21 – 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 15, 2009

WRANGELL RADIO GROUP, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Property and Equipment, net	<u>\$ 209,538</u>	<u>\$ 226,768</u>
Total Assets	<u>\$ 209,538</u>	<u>\$ 226,768</u>
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>\$ 209,538</u>	<u>\$ 226,768</u>
Total Liabilities and Net Assets	<u>\$ 209,538</u>	<u>\$ 226,768</u>

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

WRANGELL RADIO GROUP, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 2,889	\$ 50,604
Total Public Support, Revenue and Other Gains	2,889	50,604
Expenses		
Depreciation	20,119	22,272
Total Expenses	20,119	22,272
Change in unrestricted net assets	(17,230)	28,332
Net Assets, Beginning of Year	226,768	198,436
Net Assets, End of Year	\$ 209,538	\$ 226,768

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

WRANGELL RADIO GROUP, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (17,230)	\$ 28,332
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	20,119	22,272
Net Cash Provided By Operating Activities	2,889	50,604
Cash Flows From Investing Activities		
Cash paid for fixed assets and capital improvements	(2,889)	(50,604)
Net Cash Used For Investing Activities	(2,889)	(50,604)
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.

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Wrangell Radio Group, Inc. (the "Corporation") is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KSTK-FM in Wrangell, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other public broadcasting stations in Southeast Alaska to form CoastAlaska Incorporated, 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 members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

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. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

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

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

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

Basis of Presentation

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

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" and "Long-Term Debt" notes below.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No 117). Under FASB ASC 958-210-45-1, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2009 and 2008.

Cash and Cash Equivalents

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$522. During fiscal year 2004 the reserve cash was invested according to policy set forth by the CoastAlaska Board of Directors. Any dividends and interest earnings on this cash becomes the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Revenue Recognition

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements of CoastAlaska, Inc. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from two and one-half to forty 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.

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of the Corporation's long-term debt are recognized as revenue when the amounts are to be paid by CoastAlaska. All long-term debt amounts are recorded in the financial statements of the Corporation.

Statement of Cash Flows

For the purpose of the statement 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 Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization 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, 2009 and 2008.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2009 and 2008 are summarized below:

	<u>2009</u>	<u>2008</u>
Land	\$ 9,000	\$ 9,000
Building and improvements	277,761	277,761
Broadcasting, production and programming equipment	354,435	351,546
Office fixtures and equipment	<u>7,994</u>	<u>7,994</u>
	649,190	646,301
Less accumulated depreciation	<u>(439,652)</u>	<u>(419,533)</u>
	<u>\$ 209,538</u>	<u>\$ 226,768</u>

Depreciation expense was \$20,119 and \$22,272 for fiscal years ended June 30, 2009 and 2008, respectively.

NOTE 3- CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Although subjected to state and federal single audit requirements, certain grant amounts of the Corporation 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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Capital Community Broadcasting, Inc.

We have audited the accompanying statements of financial position of Capital Community Broadcasting, Inc. (CCBI), a nonprofit corporation, as of June 30, 2009 and 2008 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the CCBI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Community Broadcasting, Inc. as of June 30, 2009 and 2008, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, Capital Community Broadcasting, Inc. and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of the seven public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Capital Community Broadcasting, Inc., taken as a whole. The Schedule of Activity by Member for the years ended June 30, 2009 and 2008 appearing on pages 21 – 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 15, 2009

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Property and Equipment, net	\$ 3,291,189	\$ 3,211,014
Intangibles	<u>621,400</u>	<u>621,400</u>
Total Assets	<u><u>\$ 3,912,589</u></u>	<u><u>\$ 3,832,414</u></u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Current portion of long-term debt	<u>\$ 111,057</u>	<u>\$ 76,483</u>
Total Current Liabilities	111,057	76,483
Long-term Liabilities:		
Other Long-term debt	<u>587,538</u>	<u>675,871</u>
Total Long-term debt, less current portion	587,538	675,871
Total Liabilities	<u>698,595</u>	<u>752,354</u>
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>3,213,994</u>	<u>3,080,060</u>
Total Net Assets	<u>3,213,994</u>	<u>3,080,060</u>
Total Liabilities and Net Assets	<u><u>\$ 3,912,589</u></u>	<u><u>\$ 3,832,414</u></u>

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

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 464,631	\$ 1,165,090
Support from CoastAlaska for payment of long-term debt	<u>53,759</u>	<u>2,571</u>
Total Public Support, Revenue and Other Gains	<u>518,390</u>	<u>1,167,661</u>
Expenses		
Depreciation	<u>384,456</u>	<u>320,648</u>
Total Expenses	<u>384,456</u>	<u>320,648</u>
Change in unrestricted net assets	133,934	847,013
Net Assets, Beginning of Year	<u>3,080,060</u>	<u>2,233,047</u>
Net Assets, End of Year	<u><u>\$ 3,213,994</u></u>	<u><u>\$ 3,080,060</u></u>

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

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ 133,934	\$ 847,013
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	<u>384,456</u>	<u>320,648</u>
Net Cash Provided By Operating Activities	<u>518,390</u>	<u>1,167,661</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(464,631)	(1,165,090)
Cash paid on long-term liabilities	<u>(53,759)</u>	<u>(2,571)</u>
Net Cash Used For Investing Activities	<u>(518,390)</u>	<u>(1,167,661)</u>
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.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Capital Community Broadcasting, Inc. (CCBI) is a non-profit Alaska corporation, which operates a noncommercial public television station (KTOO-TV in Juneau, Alaska) and a noncommercial public FM radio station (KTOO-FM in Juneau, Alaska), as described below.

On July 1, 1998 CCBI joined with four other public broadcasting stations in Southeast Alaska to form CoastAlaska Incorporated, 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 members of CoastAlaska include public radio stations in Juneau (CCBI's KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continue to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

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. The budget for KTOO-TV is excepted from this review and approval process and remains with CCBI's Board of Directors. Each stations' budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' 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

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

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

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the “Real and Personal Property and Depreciation” and “Long-Term Debt” notes below.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No 117). Under FASB ASC 958-210-45-1, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2009 and 2008.

Cash and Cash Equivalents

Under the terms of the Compact, CCBI retained ownership of a cash reserve account in the amount of \$44,184. During fiscal year 2004 the reserve cash was invested according to policy set forth by the CoastAlaska Board of Directors. Any dividends and interest earnings on this cash becomes the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Revenue Recognition

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations’ obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of CCBI’s radio and television station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements of CoastAlaska, Inc. CCBI remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Management’s Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from two and one-half to forty years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Personal Property and Depreciation (Continued)

Payments by CoastAlaska for repairs and maintenance of CCBI's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of CCBI for property and equipment acquisitions, major renewals and betterments are recorded as contributions by CCBI as incurred.

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of CCBI's long-term debt are recognized as revenue when the amounts are to be paid by CoastAlaska. All long-term debt amounts are recorded in the financial statements of CCBI.

Statement of Cash Flows

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

Income Taxes

CCBI 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 CCBI's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the CCBI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization 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, 2009 and 2008.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2009 and 2008 are summarized below:

	<u>2009</u>	<u>2008</u>
Building and improvements	\$ 1,991,727	\$ 1,967,363
Broadcasting, production and programming equipment	4,298,781	3,858,514
Office fixtures and equipment	<u>50,974</u>	<u>50,974</u>
	6,341,482	5,876,851
Less accumulated depreciation	<u>(3,050,293)</u>	<u>(2,665,837)</u>
	<u>\$ 3,291,189</u>	<u>\$ 3,211,014</u>

Depreciation expense was \$384,456 and \$320,648 for fiscal years ended June 30, 2009 and 2008.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Long-term debt at June 30, 2009 and 2008 consists of:

	<u>2009</u>	<u>2008</u>
Fixed rate 8.25% note payable in monthly installments of \$8,691 (including principal and interest) commencing January 1, 2009 to December 1, 2016. Interest computed on a simple interest basis. Collateralized by assignment of security interest in State of Alaska Department of Natural Resources Mental Health Trust Leases.	\$ 578,995	\$ 582,741
Variable rate mortgage loan payable at the lender's prime plus 1% (4.25% at June 30, 2009). Note payable in monthly installments of \$4,833 (including principal and interest) to August 1, 2011. Interest computed on a simple interest basis. Collateralized by building.	<u>\$ 119,600</u>	<u>\$ 169,613</u>
	698,595	752,354
Less Current Portion	<u>(111,057)</u>	<u>(76,483)</u>
	<u>\$ 587,538</u>	<u>\$ 675,871</u>

Interest expense was \$57,894 and \$59,584 for fiscal years ended June 30, 2009 and 2008. Interest expense is paid by CoastAlaska in accordance with the Compact.

The following is a summary of scheduled maturities on long-term debt as of June 30, 2009:

Year Ending <u>June 30</u>	Long-Term <u>Debt</u>
2010	\$ 111,057
2011	118,852
2012	80,550
2013	75,054
2014	81,486
Thereafter	<u>231,596</u>
	<u>\$ 698,595</u>

NOTE 4 - OPERATING LEASES

Capital Community Broadcasting, Inc. has three operating land leases with the State of Alaska. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The land leases are assignable and during fiscal year 2007, they were assigned to Juneau Economic Development Council (JEDC) as part of the terms for securing the note payable described in Note 3, above. The expenses associated with these leases are recorded in the financial statements of CoastAlaska.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - OPERATING LEASES (Continued)

As of June 30, 2009, the Schedule of Minimum Future Land Lease Payments is as follows:

<u>Year Ending June 30</u>	<u>Schedule of Minimum Future Land Lease Payments</u>
2010	\$ 60,796
2011	60,796
2012	60,796
2013	60,796
2014	60,796
Thereafter	<u>220,127</u>
Total	<u>\$ 524,107</u>

NOTE 5 - CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies.

Although subjected to state and federal single audit requirements, certain grant amounts of CCBI 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.

Collateral – Operating Leases

As discussed in Note 4, three operating land leases with the State of Alaska were assigned to Juneau Economic Development Council (JEDC) as collateral for securing financing for the purchase of K3 Broadcast licenses and other assets. Anticipated repayment terms are described in Note 3.

NOTE 6 - ALASKA ONE, JOINT VENTURE

Alaska One Public Television Network, Inc. (Alaska One) was formed by three Alaska public television broadcasting stations in Juneau (CCBI-KTOO-TV), Bethel (KYUK) and Fairbanks (KUAC). The stations formed Alaska One to undertake cooperative activities, increase operational efficiencies and decrease costs in the production and broadcasting of public television in Alaska. Alaska One originated a public television programming service to be broadcast by members of Alaska One via transmitters and translators across Alaska. Alaska One started broadcasting on October 31, 1995 and was incorporated on August 13, 1997. Substantially all broadcasting of PBS services originates from KUAC in Fairbanks, Alaska. As of June 30, 2007, CoastAlaska, through the Compact of which CCBI is a member, performed substantially all of the membership, fundraising and collection of pledges and donations for Alaska One. Beginning July 1, 2007 these functions are now performed by KUAC in Fairbanks.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - KTOO LEGACY FOUNDATION

In 2001, the KTOO Legacy Foundation (Legacy) was formed under the State of Alaska Nonprofit corporation Act to support and assist CCBI in carrying out its purpose of constructing and operating nonprofit educational broadcasting facilities; and to receive, hold and use contributions for the purposes of supporting CCBI. All assets are to be attributed to CCBI or any successor organizations. CoastAlaska, on behalf of CCBI, performs all administrative functions for Legacy.

Due to the financial and operational interdependency of CoastAlaska, CCBI and Legacy, CoastAlaska includes the assets of Legacy in its financial statements. As of June 30, 2009 and 2008, Legacy's assets included cash balances received in contributions from individuals, less related investment losses, totaling \$77,558 and \$103,989, respectively. These amounts were invested with the Juneau Community Foundation in pooled investments through June 30, 2008. During 2009, the amounts in JCF were liquidated and placed in a cash account at a bank and are subject to FDIC coverage. These balances are reported as a liability to Legacy on CoastAlaska's statements of financial position.

NOTE 8 - K3 STATIONS ACQUISITION

On June 8, 2006, CCBI entered into an Asset Purchase Agreement ("Agreement") with a privately-held corporation to purchase the FCC licenses, transmitter equipment and other incidental assets for two radio stations in Juneau, Alaska. The Agreement also calls for the seller to lease the broadcast tower related to the two stations to CCBI over an initial four-year term with an optional six-year extension. Together, KTOO operates the new stations and its existing station as noncommercial public FM radio stations under the banner of "K3". On December 27, 2006 the transaction was consummated.

CCBI and CoastAlaska paid a total of approximately \$836,000 consisting of \$676,400 for the licenses transmitter equipment and other incidental assets, and approximately \$160,000 for start-up costs, closing costs and interest reserves.

CCBI financed the acquisition through the issuance of two loans. The first, from CoastAlaska, Inc., is an unsecured loan in an amount not to exceed of \$250,000. It is to be repaid interest free over ten years. Repayment will occur through CCBI's positive operating results. The balance on this loan at June 30 2009 and 2008 is \$213,000 and \$213,000, respectively. The second loan, from the Juneau Economic Development Corporation, in the initial amount of \$522,176, is secured by real property and is to be repaid over ten years at 8.5% per annum, with principal and interest capitalized for the first two years and the balance to be paid over the following eight years commencing January 1, 2009. The balance on this loan at June 30, 2009 and 2008 is \$578,995 and \$582,741, respectively. See also Note 3.