

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended  
June 30, 2017 and 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CoastAlaska, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CoastAlaska, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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.

## ***Other Matters***

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Activity by Member for the years ended June 30, 2017 and 2016 appearing on pages 15-20 is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Activity by Member is fairly stated in all material respects in relation to the financial statements as a whole.



October 1, 2017

COASTALASKA, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 and 2016

	2017	2016
ASSETS:		
Current Assets:		
Cash	\$ 1,666,381	\$ 1,765,620
Investments	866,674	697,836
Accounts receivable, net	195,068	295,014
Grants receivable	16,495	13,000
Contributions receivable, net	157,621	145,304
Prepaid expenses	16,098	20,876
Total Current Assets	2,918,337	2,937,650
Property and Equipment, net	9,799	12,642
Total Assets	\$ 2,928,136	\$ 2,950,292
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 302,064	\$ 446,627
Deferred revenue	141,524	318,346
Total Current Liabilities	443,588	764,973
Total Liabilities	443,588	764,973
Net Assets -		
Unrestricted:		
Undesignated - available for operations	2,251,429	2,061,415
Designated - future station use	223,320	111,262
Designated - invested in property and equipment	9,799	12,642
Total Net Assets	2,484,548	2,185,319
Total Liabilities and Net Assets	\$ 2,928,136	\$ 2,950,292

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

COASTALASKA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets from Operating Activities:		
SUPPORT:		
Contributions	\$ 1,103,074	\$ 891,484
Membership	<u>779,196</u>	<u>741,587</u>
Total support	<u>1,882,270</u>	<u>1,633,071</u>
REVENUES:		
Government and CPB operating grants	2,597,498	2,243,264
Underwriting income	899,638	1,059,925
Rental, special events and other income	569,299	501,688
Royalties and production income	84,387	75,687
Broadcast income	<u>355,000</u>	<u>325,000</u>
Total revenues	<u>4,505,822</u>	<u>4,205,564</u>
NET ASSETS RELEASED FROM RESTRICTION-		
Other operating grants	<u>63,699</u>	<u>58,062</u>
TOTAL REVENUES and SUPPORT	<u>6,451,791</u>	<u>5,896,697</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and productions	2,289,139	1,934,373
Technical	<u>1,176,399</u>	<u>1,167,705</u>
Total program services	<u>3,465,538</u>	<u>3,102,078</u>
SUPPORTING SERVICES:		
Management and general	1,277,164	1,200,707
Development	886,145	904,531
Occupancy	453,558	426,500
Support to member stations:		
For equipment repairs and replacement	<u>137,806</u>	<u>135,580</u>
Total supporting services	<u>2,754,673</u>	<u>2,667,318</u>
TOTAL EXPENSES	<u>6,220,211</u>	<u>5,769,396</u>
Change in Unrestricted Net Assets from Operating Activities	231,580	127,301
Change in Unrestricted Net Assets From Non-Operating Activities -		
Interest and investment income, net	<u>67,649</u>	<u>21,350</u>
Change in Unrestricted Net Assets	<u>299,229</u>	<u>148,651</u>
Changes in Temporarily Restricted Net Assets:		
Support - Other operating grants	418,699	383,062
Net assets released from restrictions	<u>(418,699)</u>	<u>(383,062)</u>
Change in Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>
Change in Net Assets	299,229	148,651
NET ASSETS, Beginning of Year	<u>2,185,319</u>	<u>2,036,668</u>
NET ASSETS, End of Year	<u>\$ 2,484,548</u>	<u>\$ 2,185,319</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets -	\$ 299,229	\$ 148,651
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,843	3,318
Unrealized loss (gain) from investments	(25,174)	5,223
(Increase) Decrease in:		
Accounts receivable	99,946	(73,320)
Contributions receivable	(12,317)	(11,637)
Grants receivable	(3,495)	33,640
Prepaid expenses	4,778	(3,023)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(144,563)	144,669
Deferred revenue	(176,822)	194,835
Net Cash Provided By Operating Activities	<u>44,425</u>	<u>442,356</u>
Cash Flows From Investing Activities:		
Cash paid for purchase of investments, net	<u>(143,664)</u>	<u>(85,432)</u>
Net Cash Used For Investing Activities	<u>(143,664)</u>	<u>(85,432)</u>
Net Increase (Decrease) In Cash	(99,239)	356,924
Cash at Beginning of Year	<u>1,765,620</u>	<u>1,408,696</u>
Cash at End of Year	<u>\$ 1,666,381</u>	<u>\$ 1,765,620</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, 2017 and 2016

**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. (CoastAlaska or the Organization), 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

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

#### Basis of 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 follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether it's federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds are deemed to be earned and reported as revenues when CoastAlaska has incurred expenditures on behalf of the member stations in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue

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*. 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 temporarily or permanently restricted net assets at June 30, 2017 and 2016.

#### 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

#### 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.

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

#### Real and Personal Property and Depreciation

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

#### 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.

#### 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, 2017 and 2016. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

#### Contributions Receivable

Contributions receivable are recorded at their estimated fair market value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$157,621 and \$145,304 at June 30, 2017 and 2016. 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.

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### 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*, 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.

Individuals volunteer their time and assist the Organization with professional services. Donated professional services, 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 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.

#### Support Services

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

#### Recent Accounting Pronouncements

##### ASU 2016-14

In August 2016, the Financial Accounting Standard Board (FASB) issued ASU No. 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*." This ASU makes improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The amendment is required to be applied retrospectively and early adoption is permitted. The Organization plans to adopt ASU 2016-14 in its fiscal year ended June 30, 2019. Other than changes in presentation, the Organization does not expect any other impact as a result of adoption.

##### ASU 2016-02

In February 2016, the Financial Accounting Standard Board (FASB) issued ASU No. 2016-02, "*Leases (Topic 842)*." The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 with early application permitted. the Organization plans to adopt ASU 2016-02 in its fiscal year ended June 30, 2020 and does not anticipate a significant impact as a result of adoption.

## COASTALASKA, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### ASU 2015-14

In August 2015, the Financial Accounting Standard Board (FASB) issued ASU No. 2015-14, “*Deferral of the Effective Date*” which modified ASU No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*” which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09 is effective for not-for-profits entities annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date annual periods beginning after 15 December 2016. the Organization plans to adopt ASU 2015-14 in its fiscal year ended June 30, 2019 and does not anticipate a significant impact as a result of adoption.

#### ASU 2016-18

In November 2016, the Financial Accounting Standard Board (FASB) issued ASU No. 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash.*” This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. ASU 2016-18 is effective for not-for-profit entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after 2019. The amendment is required to be applied retrospectively and early adoption is permitted. the Organization plans to adopt ASU 2016-18 in its fiscal year ended June 30, 2019 and does not anticipate a significant impact as a result of adoption.

#### Subsequent Events

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

#### Reclassifications

Certain fiscal year 2016 balances have been reclassified to conform to the current financial statements presentation.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment in total for all member stations at June 30, 2017 and 2016 are summarized below. All property and equipment owned by member stations is recorded in the financial statements of the member stations:

	<u>2017</u>	<u>2016</u>
Held by Member Stations:		
Building and improvements	\$ 4,627,462	\$ 4,616,680
Broadcasting, production and programming equipment	5,274,690	5,314,903
Office fixtures and equipment	93,695	124,118
Land	662,212	662,212
Held by CoastAlaska:		
Broadcasting, production and programming equipment	52,576	52,576
Office fixtures and equipment	<u>4,753</u>	<u>4,753</u>
	10,715,388	10,775,242
Less accumulated depreciation, CoastAlaska	(47,530)	(44,687)
Less accumulated depreciation, member stations	<u>(6,576,363)</u>	<u>(6,297,252)</u>
	<u>\$ 4,091,495</u>	<u>\$ 4,433,303</u>

Depreciation expense was \$2,843 and \$3,318 for CoastAlaska, and \$476,771 and \$501,285 for member stations for the fiscal years ending June 30, 2017 and 2016, respectively.

**NOTE 3 - INVESTMENTS**

Cost and fair value of marketable equity securities at June 30, 2017 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Equity Securities	\$ 329,464	\$ 107,707	\$ 437,171
Money Market Funds	244,582	-	244,582
Government and Agency Securities	16,927	1,059	17,986
Corporate Bonds	80,272	2,181	82,453
Mutual Funds	<u>85,807</u>	<u>(1,325)</u>	<u>84,482</u>
Total	<u>\$ 757,052</u>	<u>\$ 109,622</u>	<u>\$ 866,674</u>

Cost and fair value of marketable equity securities at June 30, 2016 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Equity Securities	\$ 322,540	\$ 75,028	\$ 397,568
Money Market Funds	131,071	-	131,071
Government and Agency Securities	16,355	2,393	18,748
Corporate Bonds	69,164	5,424	74,588
Mutual Funds	<u>74,258</u>	<u>1,603</u>	<u>75,861</u>
Total	<u>\$ 613,388</u>	<u>\$ 84,448</u>	<u>\$ 697,836</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 16,163	\$ 15,562
Realized gains	37,042	21,056
Management fees	(10,730)	(10,045)
Unrealized gains (losses)	<u>25,174</u>	<u>(5,141)</u>
Total	<u>\$ 67,649</u>	<u>\$ 21,350</u>

**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, 2017 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity Securities	\$ 437,171	\$ 437,171	-	-
Money Market Funds	244,582	244,582	-	-
Mutual Funds	84,482	84,482	-	-
Corporate Bonds	82,453	82,453	-	-
Government and Agency Securities	<u>17,986</u>	<u>17,986</u>	-	-
Total	<u>\$ 866,674</u>	<u>\$ 866,674</u>	<u>-</u>	<u>-</u>

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity Securities	\$ 397,568	\$ 397,568	-	-
Money Market Funds	131,071	131,071	-	-
Mutual Funds	75,861	75,861	-	-
Corporate Bonds	74,588	74,588	-	-
Government and Agency Securities	<u>18,748</u>	<u>18,748</u>	-	-
Total	<u>\$ 697,836</u>	<u>\$ 697,836</u>	<u>-</u>	<u>-</u>



COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5 - NET ASSETS DESIGNATED FOR STATION USE**

CoastAlaska has received donations from supporters of KCAW totaling \$223,320 and \$111,262 for the fiscal years ending June 30, 2017 and 2016, respectively, that the Board of Directors has set designated for future use by KCAW station management. These amounts are reflected as designated for future statement use in the accompanying statements of financial position.

**NOTE 6 - OPERATING LEASES**

CCBI has a consolidated operating land lease with the State of Alaska that was formerly three separate leases. Consolidation of the leases occurred in fiscal year 2012. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The expenses associated with these leases are recorded in the financial statements of CoastAlaska. As of June 30, 2017, 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>
2018	\$ 94,000
2019	94,000
2020	94,000
2021	94,000
2022	47,000
Thereafter	<u>-</u>
Total	<u>\$ 423,000</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 4% of each employee's salary in both 2017 and 2016. 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 \$83,556 and \$80,689 for fiscal 2017 and 2016, respectively.

**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. 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.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Excess Cash Balances

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

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2017

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
<b>SUPPORT AND REVENUE</b>								
Membership Revenue	\$ 181,396	\$ 105,180	\$ 112,017	\$ 37,578	\$ 333,668	\$ 9,357	\$ -	\$ 779,196
Contributions	234,070	3,815	2,448	-	180	45,623	6	286,142
Underwriting Revenue	137,313	85,070	95,731	47,744	288,205	245,575	-	899,638
Interest and Investment Income	-	-	-	-	-	-	67,649	67,649
Production Income	-	40	175	7,120	440	76,076	-	83,851
Royalties	-	-	-	-	-	536	-	536
Miscellaneous Income	-	-	-	-	715	1,668	818	3,201
Rental Income	30,000	24,108	4,200	25,118	8,256	19,264	-	110,946
Sales Income	18,282	410	2,225	100	15	3,014	-	24,046
Fee for Accounting	-	-	-	-	16,237	16,429	194,675	227,341
APBC Grants	80,907	80,907	80,907	80,907	80,907	154,000	-	558,535
CPB Grants	139,365	123,802	129,988	120,403	159,406	1,192,511	-	1,865,475
Capital Grants	-	-	-	-	-	173,488	-	173,488
Other Operating Grants	2,247	25,097	2,247	2,247	3,247	383,614	-	418,699
Fundraising Revenues:								
Special Events	18,640	7,100	8,045	1,074	66,038	-	-	100,897
Auction	-	2,260	7,357	3,230	12,255	-	-	25,102
Gaming	10,007	18,020	38,727	11,012	-	-	-	77,766
In-kind Contributions	120,118	64,150	95,021	63,308	130,328	344,007	-	816,932
Total Support and Revenue	<u>972,345</u>	<u>539,959</u>	<u>579,088</u>	<u>399,841</u>	<u>1,099,897</u>	<u>2,665,162</u>	<u>263,148</u>	<u>6,519,440</u>
<b>EXPENSES</b>								
<b>PROGRAMMING EXPENSES</b>								
Salary and Related Expenses	190,426	123,854	125,807	56,586	405,465	837,091	63,967	1,803,196
Media Stock	-	-	-	-	-	3,350	-	3,350
Contract Labor - Programming	-	-	825	-	825	246,798	-	248,448
Production Costs	133	-	-	-	235	12,841	-	13,209
Prog/Prod Travel	9,980	986	321	111	1,804	27,710	669	41,581
Music Library	310	240	-	180	315	3,150	-	4,195
Affiliation Fees	4,500	8,862	4,500	2,500	19,481	-	-	39,843
Program Acquisitions	17,150	17,762	11,219	7,968	40,723	15,738	-	110,560
News Services	-	5,976	909	-	7,659	-	-	14,544
Studio Maintenance	-	-	-	-	-	1,106	-	1,106
In-kind - Programming	2,196	204	746	-	1,338	4,623	-	9,107
Total Programming Expenses	<u>224,695</u>	<u>157,884</u>	<u>144,327</u>	<u>67,345</u>	<u>477,845</u>	<u>1,152,407</u>	<u>64,636</u>	<u>2,289,139</u>

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2017

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	WRANGELL KSTK-FM	JUNEAU		REGIONAL SERVICES	Total
					KTOO-FM	KTOO-TV		
<b>TECHNICAL EXPENSES</b>								
Salary and Related Expenses	-	-	-	3,342	-	73,469	214,585	291,396
Transmission Charges	10,130	10,130	10,130	9,096	10,130	210,000	-	259,616
Contract Labor	-	-	-	-	1,278	65,082	-	66,360
Engineering Supplies	193	42	215	2,439	404	171	41	3,505
Tech/Broadcast Travel	-	-	57	-	-	1,275	3,364	4,696
Translators' Expenses	-	9,013	16,786	1,674	-	-	-	27,473
Computer Hardware	-	139	4	6,179	5,103	16,167	-	27,592
Computer Software	1,634	647	159	560	3,086	34,532	17,344	57,962
Internet Services	2,773	1,785	2,692	2,424	8,144	25,478	675	43,971
Broadcast Equipment Purchase	1,369	3,531	229	589	1,855	9,848	-	17,421
Broadcast Equipment Maintenance	1,425	1,455	908	1,828	2,062	(13)	36	7,701
In-kind - Technical	33,451	32,395	34,487	29,930	44,883	193,560	-	368,706
Total Technical Expenses	50,975	59,137	65,667	58,061	76,945	629,569	236,045	1,176,399
<b>DEVELOPMENT EXPENSES</b>								
Salary and Related Expenses	82,782	56,301	71,061	41,808	29,475	72,071	84,698	438,196
Premiums	3,728	3,307	-	-	1,400	-	-	8,435
Contract Labor	-	-	-	-	-	2,500	-	2,500
Advertising	-	304	-	-	45	-	756	1,105
Development Travel	303	254	386	304	167	390	597	2,401
Printing	2,270	732	1,163	1,085	2,420	49	29	7,748
Special Events	7,064	8,041	20,091	4,573	29,824	-	-	69,593
Retail Inventory	12,053	-	1,830	-	-	-	-	13,883
Credit Card Fees	-	-	-	-	-	-	24,928	24,928
Volunteers	346	59	145	883	76	15	-	1,524
Bulk Mail Postage	736	373	176	258	812	-	-	2,355
In-kind - Development	66,008	15,199	38,820	4,246	65,375	123,829	-	313,477
Total Development Expenses	175,290	84,570	133,672	53,157	129,594	198,854	111,008	886,145
<b>OCCUPANCY EXPENSES</b>								
Rent	-	-	-	-	41,551	71,753	-	113,304
Building Maintenance	3,104	1,907	2,199	1,287	10,290	24,010	-	42,797
Janitorial Supplies	1,090	1,057	266	369	4,187	9,771	-	16,740
Telephone	6,166	5,620	5,332	4,598	5,176	11,919	2,159	40,970
Utilities	24,747	12,889	16,601	3,896	22,094	51,940	-	132,167
Insurance	12,538	9,768	10,981	10,839	12,366	28,853	3,558	88,903
In-kind - Occupancy	1,040	1,700	3,655	8,500	1,135	2,647	-	18,677
Total Occupancy Expenses	48,685	32,941	39,034	29,489	96,799	200,893	5,717	453,558

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COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2017

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	WRANGELL KSTK-FM	JUNEAU		REGIONAL SERVICES	Total
					KTOO-FM	KTOO-TV		
ADMINISTRATIVE EXPENSES								
Salary and Related Expenses	91,522	85,473	79,984	71,577	100,953	256,214	327,243	1,012,966
Office Supplies	1,371	927	365	176	1,285	2,496	1,080	7,700
Administrative Travel	520	458	107	256	897	3,122	4,128	9,488
Postage	1,430	1,005	1,199	340	1,891	1,055	1,239	8,159
Dues & Subscriptions	1,476	420	865	577	1,354	1,728	2,975	9,395
Printing	7	-	242	-	-	-	405	654
Office Equipment Rental	-	-	59	-	1,998	4,661	-	6,718
Office Equipment Purchase	-	-	-	-	375	1,141	-	1,516
Contract Labor	1,526	1,018	1,357	891	1,697	2,035	110	8,634
Board/Admin	647	1,266	101	682	591	165	2,177	5,629
Audit	-	-	-	-	-	-	27,050	27,050
Legal Fees	-	-	-	-	758	1,769	-	2,527
Taxes	1,535	-	-	2,370	-	-	-	3,905
Bank and Investment Consult Fees	392	250	137	32	392	390	12,316	13,909
Depreciation Expense	-	-	-	-	-	-	2,843	2,843
Other	-	-	-	-	8,689	40,303	-	48,992
In-kind - Admin	17,423	14,652	17,313	20,632	17,597	19,348	-	106,965
Administrative Expenses before CoastAlaska Support	117,849	105,469	101,744	97,533	138,477	334,427	381,665	1,277,164
CoastAlaska Support	137,954	96,846	107,344	77,851	191,501	-	(611,496)	-
Total Administrative Expenses	255,803	202,315	209,088	175,384	329,978	334,427	(229,831)	1,277,164
Total Expenses	755,448	536,847	591,788	383,436	1,111,161	2,516,150	187,575	6,082,405
Revenue in Excess of Expenses before capital items	216,897	3,112	(12,700)	16,405	(11,264)	149,012	75,573	437,035
CAPITAL ITEMS								
Assets capitalized by stations, net of loss on disposal	-	-	-	-	7,060	130,746	-	137,806
Change in Net Assets	\$ 216,897	\$ 3,112	\$ (12,700)	\$ 16,405	\$ (18,324)	\$ 18,266	\$ 75,573	\$ 299,229

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2016

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
<b>SUPPORT AND REVENUE:</b>								
Membership Revenue	\$ 171,333	\$ 95,123	\$ 113,659	\$ 35,882	\$ 316,908	\$ 8,682	\$ -	\$ 741,587
Contributions	8,800	1,759	-	-	6,915	57,204	200	74,878
Underwriting Revenue	138,284	89,872	93,704	42,267	284,540	411,258	-	1,059,925
Interest and Investment Income	-	-	-	-	-	-	21,350	21,350
Production Income	-	75	100	7,120	690	67,382	-	75,367
Royalties	-	-	-	-	-	320	-	320
Miscellaneous Income	-	-	-	-	-	-	861	861
Rental Income	29,800	19,620	4,200	27,119	11,797	27,525	-	120,061
Sales Income	19,448	1,030	2,063	890	185	3,039	-	26,655
Fee for Accounting	-	-	-	-	7,017	8,980	148,480	164,477
APBC Grants	112,771	112,771	112,771	112,771	112,771	154,000	-	717,855
CPB Grants	137,464	124,097	130,296	121,118	158,757	781,981	-	1,453,713
Capital Grants	8,700	-	-	17,996	6,000	39,000	-	71,696
Other Operating Grants	2,354	14,907	1,725	697	8,712	344,667	10,000	383,062
<b>Fundraising Revenues:</b>								
Special Events	26,705	9,172	6,693	766	47,263	1,128	-	91,727
Auction	-	-	6,808	2,677	8,619	-	-	18,104
Gaming	9,571	15,310	42,247	12,215	-	460	-	79,803
In-kind Contributions	110,535	63,013	94,113	56,664	127,218	365,063	-	816,606
Total Support and Revenue	<u>775,765</u>	<u>546,749</u>	<u>608,379</u>	<u>438,182</u>	<u>1,097,392</u>	<u>2,270,689</u>	<u>180,891</u>	<u>5,918,047</u>
<b>EXPENSES:</b>								
<b>PROGRAMMING EXPENSES</b>								
Salary and Related Expenses	193,794	113,495	138,762	82,530	329,004	618,125	63,637	1,539,347
Media Stock	-	-	-	-	-	3,612	-	3,612
Contract Labor - Programming	-	652	780	-	-	63,030	-	64,462
Production Costs	290	-	75	-	96	12,401	-	12,862
Prog/Prod Travel	9,522	391	573	769	631	14,988	1,381	28,255
Music Library	344	240	-	180	628	3,150	-	4,542
Affiliation Fees	21,250	19,570	18,023	13,264	36,717	33,765	-	142,589
Program Acquisitions	17,014	19,237	11,018	7,777	40,608	15,185	-	110,839
News Services	-	5,946	870	2,213	8,015	-	-	17,044
Outreach	-	-	25	-	50	-	-	75
Studio Maintenance	-	-	-	-	-	951	-	951
In-kind - Programming	1,240	580	837	-	1,091	6,047	-	9,795
Total Programming Expenses	<u>243,454</u>	<u>160,111</u>	<u>170,963</u>	<u>106,733</u>	<u>416,840</u>	<u>771,254</u>	<u>65,018</u>	<u>1,934,373</u>

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COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2016

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	WRANGELL KSTK-FM	JUNEAU		REGIONAL SERVICES	Total
					KTOO-FM	KTOO-TV		
<b>TECHNICAL EXPENSES</b>								
Salary and Related Expenses	-	-	-	-	-	72,109	208,380	280,489
Transmission Charges	8,953	8,953	8,953	8,953	8,953	210,000	-	254,765
Contract Labor	-	-	-	-	180	64,165	700	65,045
Engineering Supplies	15	-	145	45	324	109	17	655
Tech/Broadcast Travel	-	-	160	36	-	123	9,265	9,584
Translators' Expenses	-	9,033	15,391	360	163	-	-	24,947
Computer Hardware	545	1,590	755	288	2,831	9,644	2,929	18,582
Computer Software	1,291	38	0	51	2,478	44,856	16,701	65,415
Internet Services	3,969	4,136	4,376	4,400	6,205	21,375	1,067	45,528
Broadcast Equipment Purchase	2,119	1,158	1,372	585	1,136	7,215	123	13,708
Broadcast Equipment Maintenance	1,297	1,515	840	1,799	2,030	2,807	14	10,302
In-kind - Technical	33,269	31,925	37,159	30,720	45,514	200,098	-	378,685
<b>Total Technical Expenses</b>	<b>51,458</b>	<b>58,348</b>	<b>69,151</b>	<b>47,237</b>	<b>69,814</b>	<b>632,501</b>	<b>239,196</b>	<b>1,167,705</b>
<b>DEVELOPMENT EXPENSES</b>								
Salary and Related Expenses	79,462	74,138	63,958	42,470	36,542	62,502	102,972	462,044
Premiums	6,762	4,303	3,357	-	4,292	-	-	18,714
Advertising	-	265	217	-	72	-	318	872
Development Travel	355	61	362	151	37	-	2,177	3,143
Printing	1,592	505	330	226	1,597	-	-	4,250
Fundraising	10,297	6,303	21,462	4,730	19,352	542	-	62,686
Credit Card Fees	-	-	-	-	-	-	23,319	23,319
Retail Inventory	7,838	-	2,537	346	-	-	-	10,721
Volunteers	284	-	128	716	112	28	-	1,268
Bulk Mail Postage	878	430	682	354	1,772	-	-	4,116
In-kind - Development	58,264	15,177	38,531	5,477	60,625	135,324	-	313,398
<b>Total Development Expenses</b>	<b>165,732</b>	<b>101,182</b>	<b>131,564</b>	<b>54,470</b>	<b>124,401</b>	<b>198,396</b>	<b>128,786</b>	<b>904,531</b>
<b>OCCUPANCY EXPENSES</b>								
Rent	604	-	-	-	37,700	71,412	-	109,716
Building Maintenance	2,792	456	975	1,190	4,749	10,141	-	20,303
Janitorial Supplies	602	2,216	383	278	4,235	9,881	-	17,595
Telephone	6,024	6,091	6,911	4,326	6,075	13,095	2,685	45,207
Utilities	25,415	12,476	15,598	3,225	20,740	48,765	-	126,219
Insurance	12,280	9,886	10,866	10,850	12,719	29,677	3,082	89,360
In-kind - Occupancy	880	2,240	3,276	8,500	961	2,243	-	18,100
<b>Total Occupancy Expenses</b>	<b>48,597</b>	<b>33,365</b>	<b>38,009</b>	<b>28,369</b>	<b>87,179</b>	<b>185,214</b>	<b>5,767</b>	<b>426,500</b>

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See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2016

	SITKA	PETERSBURG	KETCHIKAN	WRANGELL	JUNEAU		REGIONAL	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KSTK-FM	KTOO-FM	KTOO-TV	SERVICES	
<b>ADMINISTRATIVE EXPENSES</b>								
Salary and Related Expenses	88,771	84,626	74,000	70,677	102,972	262,753	289,000	972,799
Office Supplies	1,074	625	461	1,302	1,701	1,843	935	7,941
Administrative Travel	1,456	317	354	63	1,400	3,644	6,038	13,272
Postage	1,120	360	996	571	2,301	1,244	1,344	7,936
Dues & Subscriptions	1,429	690	840	547	924	1,699	2,781	8,910
Printing	-	-	455	-	-	-	-	455
Office Equipment Rental	-	-	-	-	1,698	3,961	-	5,659
Office Equipment Purchase	647	-	-	-	642	1,497	-	2,786
Contract Labor	1,496	998	1,330	874	1,812	2,342	-	8,852
Board/Admin	813	1,073	1,151	1,128	1,052	349	141	5,707
Audit	-	-	-	-	-	-	27,057	27,057
Legal Fees	-	-	-	-	1,293	3,017	-	4,310
Taxes	1,535	-	-	2,370	-	-	-	3,905
Bank and Investment Consult Fees	508	209	256	54	419	649	11,624	13,719
Depreciation Expense	-	-	-	-	-	-	3,318	3,318
Other	-	-	-	10,725	-	6,728	-	17,453
In-kind - Admin	16,882	13,091	14,310	11,967	19,027	21,351	-	96,628
Administrative Expenses before CoastAlaska Support	115,731	101,989	94,153	100,278	135,241	311,077	342,238	1,200,707
CoastAlaska Support	140,372	100,581	112,098	82,619	205,798	-	(641,468)	-
Total Administrative Expenses	256,103	202,570	206,251	182,897	341,039	311,077	(299,230)	1,200,707
Total Expenses	765,344	555,576	615,938	419,706	1,039,273	2,098,442	139,537	5,633,816
Revenue in Excess of Expenses before capital items	10,421	(8,827)	(7,559)	18,476	58,119	172,247	41,354	284,231
<b>CAPITAL ITEMS</b>								
Assets capitalized by stations	10,158	-	-	6,243	33,319	85,860	-	135,580
Change in Net Assets	\$ 263	\$ (8,827)	\$ (7,559)	\$ 12,233	\$ 24,800	\$ 86,387	\$ 41,354	\$ 148,651

See Independent Auditor's Report



# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Raven Radio Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Raven Radio Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2017 and 2016, appearing on pages 15-20, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



October 1, 2017

RAVEN RADIO FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 and 2016

	2017	2016
ASSETS:		
Property and Equipment, net	\$ 1,068,853	\$ 1,129,405
Total Assets	\$ 1,068,853	\$ 1,129,405
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted, designated - invested in property and equipment, unavailable for spending	\$ 1,068,853	\$ 1,129,405
Total Net Assets	1,068,853	1,129,405
Total Liabilities and Net Assets	\$ 1,068,853	\$ 1,129,405

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, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ -	\$ 10,158
Total Public Support, Revenue and Other Gains	-	10,158
Expenses		
Depreciation	60,552	64,055
Total Expenses	60,552	64,055
Change in unrestricted net assets	(60,552)	(53,897)
Net Assets, Beginning of Year	1,129,405	1,183,302
Net Assets, End of Year	\$ 1,068,853	\$ 1,129,405

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, 2017 and 2016

	2017	2016
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (60,552)	\$ (53,897)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	60,552	64,055
Net Cash Provided By Operating Activities	-	10,158
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	-	(10,158)
Net Cash Used For Investing Activities	-	(10,158)
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, 2017 and 2016

**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 Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The 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 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.

## RAVEN RADIO FOUNDATION, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

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

#### Basis of 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*. 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, 2017 and 2016.

#### 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 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. 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.

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from five to twenty five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions; major renewals and betterments are recorded as contributions by the Corporation as incurred.

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, 2017 and 2016. On January 1, 2009, CoastAlaska adopted the provisions of FASB ASC 740 Income Taxes. The adoption of ASC 740 did not have any impact on its financial statements, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Subsequent Events

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



RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Land	\$ 497,312	\$ 497,312
Building and improvements	827,989	827,989
Broadcasting, production and programming equipment	530,164	530,164
Office fixtures and equipment	<u>7,094</u>	<u>7,094</u>
	1,862,559	1,862,559
Less accumulated depreciation	<u>(793,706)</u>	<u>(733,154)</u>
	<u>\$ 1,068,853</u>	<u>\$ 1,129,405</u>

Depreciation expense was \$60,552 and \$64,055 for fiscal years ended June 30, 2017 and 2016, 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. 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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# ELGEE REHFELD MERTZ, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Narrows Broadcasting Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Narrows Broadcasting Corporation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2017 and 2016, appearing on pages 15-20, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, consisting of the letters 'E', 'R', and 'M' in a cursive, stylized font.

October 1, 2017

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Property and Equipment, net	\$ 280,108	\$ 317,671
Total Assets	<u>\$ 280,108</u>	<u>\$ 317,671</u>
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted, designated - invested in property and equipment, unavailable for spending	<u>\$ 280,108</u>	<u>\$ 317,671</u>
Total Liabilities and Net Assets	<u>\$ 280,108</u>	<u>\$ 317,671</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS-		
Expenses		
Depreciation	<u>\$ 37,563</u>	<u>\$ 38,723</u>
Total Expenses	<u>37,563</u>	<u>38,723</u>
Change in unrestricted net assets	(37,563)	(38,723)
Net Assets, Beginning of Year	<u>317,671</u>	<u>356,394</u>
Net Assets, End of Year	<u><u>\$ 280,108</u></u>	<u><u>\$ 317,671</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of the Change in Unreconciled Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (37,563)	\$ (38,723)
Adjustments to reconcile change in unreconciled net assets to net cash provided for operating activities		
Depreciation	<u>37,563</u>	<u>38,723</u>
Net Cash Provided by Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

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, 2017 and 2016

### 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.



## NARROWS BROADCASTING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

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

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

#### Basis of 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*. 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, 2017 and 2016.

#### 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.

# NARROWS BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

### Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions; major renewals and betterments are recorded as contributions by the Corporation as incurred.

### 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, 2017 and 2016. On January 1, 2009, CoastAlaska adopted the provisions of FASB ASC 740 Income Taxes. The adoption of ASC 740 did not have any impact on its financial statements, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

### Functional Allocation of Expenses

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

### Subsequent Events

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	515,658	515,658
Broadcasting, production and programming equipment	490,456	490,456
Office fixtures and equipment	<u>3,600</u>	<u>3,600</u>
	1,034,714	1,034,714
Less accumulated depreciation	<u>(754,606)</u>	<u>(717,043)</u>
	<u>\$ 280,108</u>	<u>\$ 317,671</u>

Depreciation expense was \$37,563 and \$38,723 for fiscal years ended June 30, 2017 and 2016, 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. 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 AUDITOR'S REPORT

To the Board of Directors  
Rainbird Community Broadcasting Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rainbird Community Broadcasting Corporation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

KRBD Word

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2017 and 2016, appearing on pages 15-20, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

October 1, 2017

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS-		
Property and Equipment, net	<u>\$ 632,944</u>	<u>\$ 684,462</u>
Total Assets	<u><u>\$ 632,944</u></u>	<u><u>\$ 684,462</u></u>
LIABILITIES AND NET ASSETS:		
Net Assets-		
Unrestricted, designated - invested in property and equipment, unavailable for spending	<u>\$ 632,944</u>	<u>\$ 684,462</u>
Total Liabilities and Net Assets	<u><u>\$ 632,944</u></u>	<u><u>\$ 684,462</u></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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Expenses		
Depreciation	\$ 51,518	\$ 55,136
Total Expenses	<u>51,518</u>	<u>55,136</u>
Change in unrestricted net assets	(51,518)	(55,136)
Net Assets, Beginning of Year	<u>684,462</u>	<u>739,598</u>
Net Assets, End of Year	<u><u>\$ 632,944</u></u>	<u><u>\$ 684,462</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (51,518)	\$ (55,136)
Adjustments to reconcile change unreconciled in net assets to net cash provided by operating activities		
Depreciation	<u>51,518</u>	<u>55,136</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

### 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 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.

# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### Basis of 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*. 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, 2017 and 2016.

### 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.

# RAINBIRD COMMUNITY BROADCASTING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

### Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions; major renewals and betterments are recorded as contributions by the Corporation as incurred.

### 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, 2017 and 2016. On January 1, 2009, CoastAlaska adopted the provisions of FASB ASC 740 Income Taxes. The adoption of ASC 740 did not have any impact on its financial statements, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

### Functional Allocation of Expenses

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

### Subsequent Events

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	565,054	565,054
Office fixtures and equipment	<u>9,700</u>	<u>9,700</u>
	1,279,602	1,279,602
Less accumulated depreciation	<u>(646,658)</u>	<u>(595,140)</u>
	<u>\$ 632,944</u>	<u>\$ 684,462</u>

Depreciation expense was \$51,518 and \$55,136 for fiscal years ended June 30, 2017 and 2016, 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. 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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# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wrangell Radio Group, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Wrangell Radio Group, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2017 and 2016, appearing on pages 15-20, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in cursive script, appearing to read "ERM".

October 1, 2017



WRANGELL RADIO GROUP, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 and 2016

	2017	2016
ASSETS-		
Property and Equipment, net	\$ 155,554	\$ 183,051
Total Assets	\$ 155,554	\$ 183,051
LIABILITIES AND NET ASSETS-		
Net Assets-		
Unrestricted, designated - invested in property and equipment, unavailable for spending	\$ 155,554	\$ 183,051
Total Liabilities and Net Assets	\$ 155,554	\$ 183,051

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, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ -	\$ 6,243
Total Public Support, Revenue and Other Gains	-	6,243
Expenses		
Depreciation	27,497	33,366
Total Expenses	27,497	33,366
Change in unrestricted net assets	(27,497)	(27,123)
Net Assets, Beginning of Year	183,051	210,174
Net Assets, End of Year	\$ 155,554	\$ 183,051

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, 2017 and 2016

	2017	2016
Reconciliation of the Change in Unreconciled Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (27,497)	\$ (27,123)
Adjustments to reconcile change in unreconciled net assets to net cash provided for operating activities		
Depreciation	27,497	33,366
Net Cash Provided By Operating Activities	-	6,243
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	-	(6,243)
Net Cash Used For Investing Activities	-	(6,243)
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, 2017 and 2016

**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.

## WRANGELL RADIO GROUP, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

#### 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*. 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, 2017 and 2016.

#### 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.

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions; major renewals and betterments are recorded as contributions by the Corporation as incurred.

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, 2017 and 2016. On January 1, 2009, CoastAlaska adopted the provisions of FASB ASC 740 Income Taxes. The adoption of ASC 740 did not have any impact on its financial statements, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Subsequent Events

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

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Land	\$ 9,000	\$ 9,000
Building and improvements	347,402	347,402
Broadcasting, production and programming equipment	355,255	363,507
Office fixtures and equipment	<u>14,704</u>	<u>14,704</u>
	726,361	734,613
Less accumulated depreciation	<u>(570,807)</u>	<u>(551,562)</u>
	<u>\$ 155,554</u>	<u>\$ 183,051</u>

Depreciation expense was \$27,497 and \$33,366 for fiscal years ended June 30, 2017 and 2016, 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. 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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# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Capital Community Broadcasting, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Capital Community Broadcasting, Inc. (CCBI), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCBI as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, CCBI 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.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2017 and 2016, appearing on pages 15-20, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in cursive script, appearing to read "ERM".

October 1, 2017

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Property and equipment, net	\$ 1,944,237	\$ 2,106,072
Beneficial interest-		
Juneau Community Foundation	219,358	218,858
Intangibles	<u>621,400</u>	<u>621,400</u>
Total Assets	<u>\$ 2,784,995</u>	<u>\$ 2,946,330</u>
LIABILITIES AND NET ASSETS:		
Payable to KTOO Legacy Foundation	<u>219,358</u>	<u>218,858</u>
Total Liabilities	<u>219,358</u>	<u>218,858</u>
Net Assets-		
Unrestricted, designated - invested in property and equipment, unavailable for spending	<u>2,565,637</u>	<u>2,727,472</u>
Total Liabilities and Net Assets	<u>\$ 2,784,995</u>	<u>\$ 2,946,330</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 178,109	\$ 125,907
Total Public Support, Revenue and Other Gains	<u>178,109</u>	<u>125,907</u>
Expenses		
Depreciation	299,641	310,005
Loss on disposal of asset	<u>40,303</u>	<u>6,728</u>
Total Expenses	<u>339,944</u>	<u>316,733</u>
Change in unrestricted net assets	(161,835)	(190,826)
Net Assets, Beginning of Year	<u>2,727,472</u>	<u>2,918,298</u>
Net Assets, End of Year	<u><u>\$ 2,565,637</u></u>	<u><u>\$ 2,727,472</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Used By Operating Activities		
Change in Net Assets	\$ (161,835)	\$ (190,826)
Adjustments to reconcile change in unreconciled net assets to net cash provided by operating activities		
Depreciation	299,641	310,005
Loss on disposal of asset	<u>40,303</u>	<u>6,728</u>
Net Cash Provided By Operating Activities	<u>178,109</u>	<u>125,907</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	<u>(178,109)</u>	<u>(125,907)</u>
Net Cash Used For Investing Activities	<u>(178,109)</u>	<u>(125,907)</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, 2017 and 2016

**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 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 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.

## CAPITAL COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

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

#### Basis of 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*. 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, 2017 and 2016.

#### 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.

# CAPITAL COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### Real and Personal Property and Depreciation

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

### 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, 2017 and 2016. On January 1, 2009, CoastAlaska adopted the provisions of FASB ASC 740 Income Taxes. The adoption of ASC 740 did not have any impact on its financial statements, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

### Functional Allocation of Expenses

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

### Subsequent Events

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

## **NOTE 2 – JUNEAU COMMUNITY FOUNDATION FUND**

During fiscal year 2010, CCBI, KTOO Legacy Foundation (Legacy), a nonprofit foundation affiliated with CCBI entered into an Endowment Agreement (Agreement) with the Juneau Community Foundation (JCF), an unrelated community foundation. Under the Agreement, Legacy transferred \$77,685 to JCF, which established the KTOO Legacy (Fund) with the proceeds. During fiscal year 2016, an additional \$141,173 was transferred. Under the Agreement JCF will hold, manage and invest the Fund for the charitable purpose of Legacy. CCBI's Board of Directors may request that earnings and principal of the Fund be distributed subject to the terms of the Agreement and approval of the JCF Board of Directors. CCBI has granted variance power to JCF only if CCBI ceases to exist or is no longer a qualified charitable organization. The variance power is further limited in that JCF may transfer the interest in the Fund after consultation with members of the final Board of Directors of CCBI. Accordingly, CCBI has recognized a beneficial interest in the JCF Fund.



CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

CCBI, Inc. records the beneficial interest at cost and will recognize earnings in the Fund upon distribution by JCF. During fiscal years 2017 and 2016, CCBI received no distributions from JCF.

CCBI's beneficial interest is comingled with other entities that have placed accounts with JCF. At June 30, 2017 and 2016, JCF reported that CCBI that the account had a total market value of \$53,065,918 and \$47,714,028, and an adjusted cost basis of \$48,094,566 and \$48,108,520, respectively. CCBI's reported share of the account had a market value of \$289,631 and \$254,507 at June 30, 2017 and 2016, respectively. The account is invested in index funds and cash equivalents.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment at June 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 2,362,464	\$ 2,351,682
Broadcasting, production and programming equipment	3,333,762	3,365,723
Office fixtures and equipment	<u>58,597</u>	<u>89,020</u>
	5,754,823	5,806,425
Less accumulated depreciation	<u>(3,810,586)</u>	<u>(3,700,353)</u>
	<u>\$ 1,944,237</u>	<u>\$ 2,106,072</u>

Depreciation expense was \$299,641 and \$310,005 for fiscal years ended June 30, 2017 and 2016.

**NOTE 4 - OPERATING LEASES**

CCBI has a consolidated operating land lease with the State of Alaska that was formerly three separate leases. Consolidation of the leases occurred in fiscal year 2012. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The expenses associated with these leases are recorded in the financial statements of CoastAlaska.

As of June 30, 2017, 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>
2018	\$ 94,000
2019	94,000
2020	94,000
2021	94,000
2022	47,000
Thereafter	<u>-</u>
Total	<u>\$ 423,000</u>

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5 - CONTINGENT LIABILITIES**

Grants and Contracts

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