

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended
June 30, 2018 and 2017

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

COASTALASKA, INC., AND MEMBER STATIONS

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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 statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 five noncommercial public radio stations and one noncommercial public television in Southeast Alaska, formed CoastAlaska, Inc. Administrative and financial activities of the five radio stations and one 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, 2018 and 2017 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.

Elgee Rehfeld

October 19, 2018

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS:		
Current Assets:		
Cash	\$ 1,531,380	\$ 1,666,381
Accounts receivable, net	273,463	195,068
Grants receivable	27,274	16,495
Contributions receivable, net	170,326	157,621
Prepaid expenses	26,364	16,098
Total Current Assets	2,028,807	2,051,663
Investments	905,620	866,674
Property and Equipment, net	148,499	9,799
Total Assets	\$ 3,082,926	\$ 2,928,136
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 262,555	\$ 302,064
Deferred revenue	253,577	141,524
Rental deposits	750	-
Total Current Liabilities	516,882	443,588
Total Liabilities	516,882	443,588
Net Assets -		
Unrestricted:		
Undesignated - available for operations	2,188,812	2,251,429
Designated - future station use	228,733	223,320
Designated - invested in property and equipment	148,499	9,799
Total Net Assets	2,566,044	2,484,548
Total Liabilities and Net Assets	\$ 3,082,926	\$ 2,928,136

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

COASTALASKA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets from Operating Activities:		
SUPPORT:		
Contributions	\$ 750,396	\$ 1,103,074
Membership	<u>773,347</u>	<u>779,196</u>
Total support	<u>1,523,743</u>	<u>1,882,270</u>
REVENUES:		
Government and CPB operating grants	2,270,295	2,597,498
Underwriting income	939,774	899,638
Rental, special events and other income	699,312	569,299
Royalties and production income	<u>86,937</u>	<u>84,387</u>
Total revenues	<u>3,996,318</u>	<u>4,150,822</u>
NET ASSETS RELEASED FROM RESTRICTION:		
Broadcast income	355,000	355,000
Other operating grants	<u>98,955</u>	<u>63,699</u>
Total net assets released from restriction	<u>453,955</u>	<u>418,699</u>
TOTAL REVENUES and SUPPORT	<u>5,974,016</u>	<u>6,451,791</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and productions	2,402,616	2,289,139
Technical	<u>1,191,561</u>	<u>1,176,399</u>
Total program services	<u>3,594,177</u>	<u>3,465,538</u>
SUPPORTING SERVICES:		
Management and general	1,260,556	1,277,164
Development	743,664	886,145
Occupancy	445,932	453,558
Support to member stations - For equipment repairs and replacement	<u>33,057</u>	<u>137,806</u>
Total supporting services	<u>2,483,209</u>	<u>2,754,673</u>
TOTAL EXPENSES	<u>6,077,386</u>	<u>6,220,211</u>
Change in Unrestricted Net Assets from Operating Activities	(103,370)	231,580
Change in Unrestricted Net Assets From Non-Operating Activities:		
Acquisition of Wrangell Radio Group, Inc. (KSTK)	134,008	-
Interest and investment income, net	<u>50,858</u>	<u>67,649</u>
Change in Unrestricted Net Assets	81,496	299,229
Changes in Temporarily Restricted Net Assets:		
Support - Other operating grants	453,955	418,699
Net assets released from restrictions	<u>(453,955)</u>	<u>(418,699)</u>
Change in Net Assets	81,496	299,229
NET ASSETS, Beginning of Year	<u>2,484,548</u>	<u>2,185,319</u>
NET ASSETS, End of Year	<u>\$ 2,566,044</u>	<u>\$ 2,484,548</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, 2018 and 2017

	2018	2017
Reconciliation of the Change in Net Assets		
To Net Cash Provided By (Used For) Operating Activities		
Change in Net Assets	\$ 81,496	\$ 299,229
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	2,739	2,843
Donation of property and equipment, net	(134,008)	-
Unrealized gain from investments	(5,859)	(25,174)
(Increase) Decrease in:		
Accounts receivable, net	(78,395)	99,946
Contributions receivable, net	(12,705)	(12,317)
Grants receivable	(10,779)	(3,495)
Prepaid expenses	(10,266)	4,778
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(39,509)	(144,563)
Rental deposits	750	-
Deferred revenue	112,053	(176,822)
Net Cash Provided By (Used for) Operating Activities	(94,483)	44,425
Cash Flows From Investing Activities:		
Cash paid for purchase of property	(7,431)	-
Cash paid for purchase of investments, net	(33,087)	(143,664)
Net Cash Used For Investing Activities	(40,518)	(143,664)
Net Decrease In Cash	(135,001)	(99,239)
Cash at Beginning of Year	1,666,381	1,765,620
Cash at End of Year	\$ 1,531,380	\$ 1,666,381
Supplemental disclosure of noncash investing activities:		
Donation of property and equipment, net	\$ 134,008	\$ -

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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On July 1, 1998 five non-profit Alaska corporations, which operate five noncommercial public radio stations and one noncommercial public television station in Southeast Alaska, formed CoastAlaska, Inc. (CoastAlaska or the Organization), a 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.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska. See Note 9 for more details.

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, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 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" note 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 its 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, by member stations are recorded in their respective financial statements and passed through to CoastAlaska and are then 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. Permanently restricted net

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no temporarily or permanently restricted net assets at June 30, 2018 and 2017.

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.

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. Expenditures in excess of \$5,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

Statement of Cash Flows

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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, 2018 and 2017. 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 \$170,326 and \$157,621 at June 30, 2018 and 2017. CoastAlaska writes off uncollected pledges in excess of 180 days and management feels it is not necessary to record allowances for pledges less than 180 days.

Donated Services and Equipment

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-2 through 25-5 *Contributions Received*, and FASB ASC 958-605-25-16 through 25-17 *Contributed Services*, 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.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Recent Accounting Pronouncements

ASU 2016-14

In August 2016, the Financial Accounting Standards 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 Standards 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, 2021 and is currently evaluating the impact as a result of adoption.

ASU 2015-14

In August 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-14, "*Revenue from Contracts with Customers (Topic 606): 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. These standards are effective for not-for-profit entities reporting periods beginning after December 15, 2018. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Organization plans to adopt these standards in its fiscal year ended June 30, 2020 and is currently evaluating the impact as a result of adoption.

ASU 2016-18

In November 2016, the Financial Accounting Standards 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, 2020. Other than changes in presentation, the Organization does not expect any other impact as a result of adoption.

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, 2018 and 2017 are summarized below. All property and equipment owned by member stations is recorded in the financial statements of the member stations:

	<u>2018</u>	<u>2017</u>
Held by Member Stations:		
Building and improvements	\$ 4,297,590	\$ 4,627,462
Broadcasting, production and programming equipment	4,902,290	5,274,690
Office fixtures and equipment	79,735	93,695
Land	653,212	662,212
Held by CoastAlaska:		
Building and improvements	609,516	-
Broadcasting, production and programming equipment	141,902	52,576
Office fixtures and equipment	22,135	4,753
Land	<u>9,000</u>	<u>-</u>
	10,715,380	10,715,388
Less accumulated depreciation, CoastAlaska	(634,054)	(47,530)
Less accumulated depreciation, member stations	<u>(6,402,946)</u>	<u>(6,576,363)</u>
	<u>\$ 3,678,380</u>	<u>\$ 4,091,495</u>

Depreciation expense was \$2,739 and \$2,843 for CoastAlaska, and \$450,864 and \$476,771 for member stations for the fiscal years ending June 30, 2018 and 2017, respectively.

NOTE 3 - INVESTMENTS

Cost and fair value of marketable equity securities at June 30, 2018 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Equity Securities	\$ 353,403	\$ 121,015	\$ 474,418
Money Market Funds	249,828	-	249,828
Government and Agency Securities	16,501	151	16,652
Corporate Bonds	84,508	(957)	83,551
Mutual Funds	<u>85,899</u>	<u>(4,728)</u>	<u>81,171</u>
Total	<u>\$ 790,138</u>	<u>\$ 115,482</u>	<u>\$ 905,620</u>

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>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 20,005	\$ 16,163
Realized gains	36,818	37,042
Management fees	(11,824)	(10,730)
Unrealized gains	<u>5,859</u>	<u>25,174</u>
Total	<u>\$ 50,858</u>	<u>\$ 67,649</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, 2018 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity Securities	\$ 474,418	\$ 474,418	\$ -	\$ -
Money Market Funds	249,828	249,828	-	-
Mutual Funds	81,171	81,171	-	-
Corporate Bonds	83,551	83,551	-	-
Government and Agency Securities	<u>16,652</u>	<u>16,652</u>	-	-
Total	<u>\$ 905,620</u>	<u>\$ 905,620</u>	<u>\$ -</u>	<u>\$ -</u>

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>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - NET ASSETS DESIGNATED FOR STATION USE

CoastAlaska has received donations from supporters of KCAW totaling \$228,733 and \$223,320 for the fiscal years ending June 30, 2018 and 2017, respectively, that the Board of Directors has set as designated for future use by KCAW station management through the setup of a legacy foundation. These amounts are reflected as designated for future station 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. CCBI also has various equipment leases. 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, 2018, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

	Schedule of Minimum Future Land and Equipment Lease Payments
<u>Year Ending June 30</u>	<u>Lease Payments</u>
2019	\$ 105,000
2020	102,400
2021	102,400
2022	55,400
2023	8,400
Thereafter	<u>126,000</u>
Total	<u>\$ 499,600</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 2018 and 2017. 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 \$93,122 and \$83,556 for fiscal 2018 and 2017, respectively.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Grants and Contracts

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

Excess Cash Balances

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

NOTE 9 - ACQUISITION OF WRANGELL RADIO GROUP, INC.

On May 12, 2018 CoastAlaska acquired Wrangell Radio Group, Inc. (KSTK), a non-profit Alaska corporation that operates a noncommercial public FM radio station in Wrangell, Alaska. In accordance with the acquisition, CoastAlaska purchased KSTK's intangible property and KSTK donated \$134,008 of property and equipment to CoastAlaska, which comprised the total identifiable net assets assumed and recognized by CoastAlaska at the acquisition date.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year end, CoastAlaska executed an agreement to admit Unalaska Community Broadcasting, Inc. (KUCB) into the CoastAlaska Compact, as described in Note 1, effective July 1, 2018. The agreement stipulates that KUCB contribute all current assets and transfer all current liabilities to CoastAlaska. KUCB retains their respective ownership of all real and personal property and remains obligated for any mortgage debt related to that property. All operating revenues received or raised by KUCB are to be contributed to CoastAlaska. All operating expenses of KUCB will be the responsibility of, and are paid by, CoastAlaska. KUCB's Board of Directors will retain control over all local personnel decisions, including hiring, firing, and discipline.

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.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2018

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	JUNEAU		COASTALASKA KSTK-FM	Total
				KTOO-FM	KTOO-TV		
SUPPORT AND REVENUE:							
Membership Revenue	\$ 170,877	\$ 106,828	\$ 110,163	\$ 351,818	\$ 2,580	\$ 31,081	\$ 773,347
Contributions	22,998	2,017	7,400	2,539	51,788	50	86,792
Underwriting Revenue	142,880	81,834	97,469	304,913	268,282	44,396	939,774
Interest and Investment Income	-	-	-	-	-	50,858	50,858
Acquisition of KSTK	-	-	-	-	-	134,008	134,008
Production Income	278	-	-	465	78,912	7,120	86,775
Royalties	-	-	-	-	162	-	162
Miscellaneous Income	-	-	-	-	-	963	963
Rental Income	30,000	28,770	4,900	10,693	24,950	28,449	127,762
Sales Income	21,987	375	2,015	1,265	3,863	500	30,005
Fee for Accounting	-	-	-	16,756	35,678	270,598	323,032
APBC Grants	80,016	80,016	80,016	80,016	154,000	80,016	554,080
CPB Grants	133,981	121,882	125,495	154,818	1,042,789	114,488	1,693,453
Capital Grants	-	-	-	-	6,513	16,249	22,762
Other Operating Grants	1,750	42,500	1,375	8,500	372,400	27,430	453,955
Fundraising Revenues:							
Special Events	15,270	9,227	8,040	93,479	563	8,303	134,882
Auction	-	-	7,670	-	-	3,205	10,875
Gaming	8,130	16,160	39,823	-	-	7,680	71,793
In-kind Contributions	61,883	58,214	78,234	81,873	299,250	84,150	663,604
Total Support and Revenue	690,050	547,823	562,600	1,107,135	2,341,730	909,544	6,158,882
EXPENSES:							
PROGRAMMING EXPENSES:							
Salary and Related Expenses	204,502	136,488	131,796	432,019	960,828	119,527	1,985,160
Media Stock	-	-	-	-	2,646	-	2,646
Contract Labor - Programming	-	583	75	1,125	130,195	9,163	141,141
Production Costs	93	-	-	487	19,556	-	20,136
Prog/Prod Travel	11,693	1,562	983	833	29,169	2,561	46,801
Music Library	300	240	-	240	4,244	345	5,369
Audience Survey	-	-	-	14,000	-	-	14,000
Affiliation Fees	4,500	7,872	4,500	19,660	-	2,500	39,032
Program Acquisitions	17,330	16,971	11,424	40,737	16,203	8,045	110,710
News Services	-	1,251	790	6,906	-	-	8,947
Outreach	23	-	-	-	-	-	23
Studio Maintenance	-	-	-	-	647	-	647
In-kind - Programming	13,759	612	1,000	2,631	3,219	6,783	28,004
Total Programming Expenses	252,200	165,579	150,568	518,638	1,166,707	148,924	2,402,616

See Independent Auditor's Report

(continued)

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2018

	SITKA	PETERSBURG	KETCHIKAN	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KTOO-FM	KTOO-TV	KSTK-FM	
TECHNICAL EXPENSES:							
Salary and Related Expenses	-	-	-	-	74,475	215,762	290,237
Transmission Charges	10,500	10,500	10,500	10,500	210,000	8,866	260,866
Contract Labor	380	380	380	-	62,000	380	63,520
Engineering Supplies	162	132	390	-	40	547	1,271
Tech/Broadcast Travel	-	-	-	-	-	7,918	7,918
Translators' Expenses	1,800	9,000	16,245	-	-	667	27,712
Computer Hardware	1,291	1,051	362	4,206	12,573	10,402	29,885
Computer Software	860	188	18	1,019	40,396	16,467	58,948
Internet Services	7,011	3,950	4,003	8,359	26,520	5,251	55,094
Broadcast Equipment Purchase	918	3,778	1,101	298	3,461	4,797	14,353
Broadcast Equipment Maintenance	1,593	1,368	1,968	3,598	-	1,954	10,481
In-kind - Technical	29,736	28,451	32,197	26,050	208,799	46,043	371,276
Total Technical Expenses	54,251	58,798	67,164	54,030	638,264	319,054	1,191,561
DEVELOPMENT EXPENSES:							
Salary and Related Expenses	60,114	56,794	75,349	50,094	84,404	121,384	448,139
Premiums	2,369	3,586	-	3,238	-	-	9,193
Contract Labor	-	-	-	106	7,748	644	8,498
Advertising	12	450	24	68	247	762	1,563
Development Travel	676	323	121	450	771	15,490	17,831
Printing	1,451	384	392	1,552	-	342	4,121
Special Events	8,564	7,007	20,344	30,312	-	6,288	72,515
Retail Inventory	12,588	-	747	-	118	1,951	15,404
Credit Card Fees	-	-	-	-	-	26,591	26,591
Volunteers	530	55	50	130	-	860	1,625
Bulk Mail Postage	992	291	207	1,505	-	458	3,453
In-kind - Development	2,780	7,704	20,986	36,336	60,940	5,985	134,731
Total Development Expenses	90,076	76,594	118,220	123,791	154,228	180,755	743,664
OCCUPANCY EXPENSES:							
Rent	-	-	-	44,900	71,992	-	116,892
Building Maintenance	5,575	796	1,370	5,446	12,584	1,801	27,572
Janitorial Supplies	584	370	93	4,174	9,731	214	15,166
Telephone	6,693	5,296	5,376	3,720	8,211	6,713	36,009
Utilities	23,789	12,042	17,769	22,070	51,478	6,165	133,313
Insurance	12,639	9,869	9,786	12,833	29,943	15,378	90,448
In-kind - Occupancy	-	1,700	3,882	1,719	8,978	10,253	26,532
Total Occupancy Expenses	49,280	30,073	38,276	94,862	192,917	40,524	445,932

See Independent Auditor's Report

(continued)

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2018

	SITKA	PETERSBURG	KETCHIKAN	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KTOO-FM	KTOO-TV	KSTK-FM	
ADMINISTRATIVE EXPENSES:							
Salary and Related Expenses	70,792	89,953	75,419	94,316	271,408	408,467	1,010,355
Office Supplies	991	415	696	899	1,509	1,397	5,907
Administrative Travel	583	52	639	569	1,078	7,309	10,230
Postage	1,723	618	732	1,874	470	1,544	6,961
Dues & Subscriptions	1,045	630	865	1,397	1,885	3,753	9,575
Printing	-	-	119	-	-	88	207
Office Equipment Rental	-	-	528	2,200	5,133	1,473	9,334
Office Equipment Purchase	368	-	-	361	843	9,198	10,770
Contract Labor	3,326	1,018	1,357	1,697	2,035	891	10,324
Board/Admin	560	320	576	531	1,622	5,381	8,990
Audit	-	-	-	-	-	27,050	27,050
Legal Fees	-	-	-	357	833	24,201	25,391
Taxes	1,535	-	-	-	-	2,370	3,905
Bank and Investment Consult Fees	358	223	180	592	75	14,329	15,757
Depreciation Expense	-	-	-	-	-	2,739	2,739
In-kind - Admin	15,608	19,747	20,169	15,137	17,314	15,086	103,061
Administrative Expenses before CoastAlaska Support	96,889	112,976	101,280	119,930	304,205	525,276	1,260,556
CoastAlaska Support	126,646	93,314	99,203	185,991	-	(505,154)	-
Total Administrative Expenses	223,535	206,290	200,483	305,921	304,205	20,122	1,260,556
Total Expenses	669,342	537,334	574,711	1,097,242	2,456,321	709,379	6,044,329
Revenue (Deficit) in Excess of Expenses before capital items	20,708	10,489	(12,111)	9,893	(114,591)	200,165	114,553
CAPITAL ITEMS -							
Assets capitalized by stations, net of loss on disposal	7,882	-	-	5,259	16,448	3,468	33,057
Change in Net Assets	\$ 12,826	\$ 10,489	\$ (12,111)	\$ 4,634	\$ (131,039)	\$ 196,697	\$ 81,496

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	
SUPPORT AND REVENUE:								
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	972,345	539,959	579,088	399,841	1,099,897	2,665,162	263,148	6,519,440
EXPENSES:								
PROGRAMMING EXPENSES:								
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	224,695	157,884	144,327	67,345	477,845	1,152,407	64,636	2,289,139

(continued)

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	
TECHNICAL EXPENSES:								
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
DEVELOPMENT EXPENSES:								
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
Fundraising	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
OCCUPANCY EXPENSES:								
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

(continued)

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		
OCCUPANCY EXPENSES (continued):								
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
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
Administrative Staff Training	-	-	15	-	-	-	99	114
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 (Deficit) 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	-	-	-	-	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



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, 2018 and 2017, 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, 2018 and 2017, 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 five 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, 2018 and 2017, 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.

Elgee Rehfeld

October 19, 2018

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS -		
Property and Equipment, net	\$ 1,024,469	\$ 1,068,853
Total Assets	\$ 1,024,469	\$ 1,068,853
LIABILITIES AND NET ASSETS -		
Net Assets -		
Unrestricted, designated - invested in property and equipment, unavailable for spending	\$ 1,024,469	\$ 1,068,853
Total Liabilities and Net Assets	\$ 1,024,469	\$ 1,068,853

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, 2018 and 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 7,882	\$ -
Contributions	84,881	354,188
Membership	170,877	181,396
Government and CPB operating grants	213,997	220,272
Underwriting income	142,880	137,313
Rental, special events and other income	75,387	76,929
Royalties and production income	278	-
Other operating grants	1,750	2,247
Total Public Support, Revenue and Other Gains	697,932	972,345
Expenses:		
Pass-through funding to CoastAlaska	690,050	972,345
Depreciation	52,266	60,552
Total Expenses	742,316	1,032,897
Change in Unrestricted Net Assets	(44,384)	(60,552)
Net Assets, Beginning of Year	1,068,853	1,129,405
Net Assets, End of Year	\$ 1,024,469	\$ 1,068,853

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, 2018 and 2017

	2018	2017
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Provided By Operating Activities		
Change in Unrestricted Net Assets	\$ (44,384)	\$ (60,552)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	52,266	60,552
Net Cash Provided By Operating Activities	7,882	-
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(7,882)	-
Net Cash Used For Investing Activities	(7,882)	-
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 June 30, 2018 and 2017

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

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 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 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" note 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.

The Corporation 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 the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

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 are recorded in the Corporation's financial statements and passed through to, and 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.

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets June 30, 2018 and 2017.

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.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from five to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$5,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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, 2018 and 2017. 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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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. Management has evaluated its tax positions for the years ended June 30, 2015 through 2018 in conformity with accounting principles generally accepted in the United States and has determined it has no uncertain tax positions required to be disclosed.

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.

Reclassifications

Certain fiscal year 2017 balances have been reclassified to conform to the current financial statements presentation.

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.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Land	\$ 497,312	\$ 497,312
Building and improvements	827,989	827,989
Broadcasting, production and programming equipment	534,602	530,164
Office fixtures and equipment	<u>10,538</u>	<u>7,094</u>
	1,870,441	1,862,559
Less accumulated depreciation	<u>(845,972)</u>	<u>(793,706)</u>
	<u>\$ 1,024,469</u>	<u>\$ 1,068,853</u>

Depreciation expense was \$52,266 and \$60,552 for fiscal years ended June 30, 2018 and 2017, 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
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, 2018 and 2017, 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, 2018 and 2017, 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 five 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, 2018 and 2017, 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.

Elgee Rehfeld

October 19, 2018

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS -		
Property and Equipment, net	<u>\$ 244,287</u>	<u>\$ 280,108</u>
Total Assets	<u><u>\$ 244,287</u></u>	<u><u>\$ 280,108</u></u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Unrestricted, designated - invested in property and equipment, unavailable for spending	<u>\$ 244,287</u>	<u>\$ 280,108</u>
Total Liabilities and Net Assets	<u><u>\$ 244,287</u></u>	<u><u>\$ 280,108</u></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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains:		
Contributions	\$ 60,231	\$ 67,965
Membership	106,828	112,017
Government and CPB operating grants	201,898	204,709
Underwriting income	81,834	85,070
Rental, special events and other income	54,532	51,898
Royalties and production income	-	40
Other operating grants	42,500	25,097
Total Public Support, Revenue and Other Gains	<u>547,823</u>	<u>546,796</u>
Expenses:		
Pass-through funding to CoastAlaska	547,823	546,796
Depreciation	35,821	37,563
Total Expenses	<u>583,644</u>	<u>584,359</u>
Change in Unrestricted Net Assets	(35,821)	(37,563)
Net Assets, Beginning of Year	<u>280,108</u>	<u>317,671</u>
Net Assets, End of Year	<u><u>\$ 244,287</u></u>	<u><u>\$ 280,108</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, 2018 and 2017

	2018	2017
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Provided By Operating Activities		
Change in Unrestricted Net Assets	\$ (35,821)	\$ (37,563)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	35,821	37,563
Net Cash Provided by Operating Activities	-	-
Net Change In Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

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

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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 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 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" note 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.

The Corporation 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 the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

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 are recorded in the Corporation's financial statements and passed through to, and 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.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets June 30, 2018 and 2017.

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.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$5,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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, 2018 and 2017. 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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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. Management has evaluated its tax positions for the years ended June 30, 2015 through 2018 in conformity with accounting principles generally accepted in the United States and has determined it has no uncertain tax positions required to be disclosed.

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.

Reclassifications

Certain fiscal year 2017 balances have been reclassified to conform to the current financial statements presentation.

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.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</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>(790,427)</u>	<u>(754,606)</u>
	<u>\$ 244,287</u>	<u>\$ 280,108</u>

Depreciation expense was \$35,821 and \$37,563 for fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 Rainbird Community Broadcasting Corporation as of June 30, 2018 and 2017, 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 five 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, 2018 and 2017, 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.

Elgee Rehfeld

October 19, 2018

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS -		
Property and Equipment, net	<u>\$ 583,685</u>	<u>\$ 632,944</u>
Total Assets	<u><u>\$ 583,685</u></u>	<u><u>\$ 632,944</u></u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Unrestricted, designated - invested in property and equipment, unavailable for spending	<u>\$ 583,685</u>	<u>\$ 632,944</u>
Total Liabilities and Net Assets	<u><u>\$ 583,685</u></u>	<u><u>\$ 632,944</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains:		
Contributions	\$ 85,634	\$ 97,469
Membership	110,163	112,017
Government and CPB operating grants	205,511	210,895
Underwriting income	97,469	95,731
Rental, special events and other income	62,448	60,554
Royalties and production income	-	175
Other operating grants	<u>1,375</u>	<u>2,247</u>
Total Public Support, Revenue and Other Gains	<u>562,600</u>	<u>579,088</u>
Expenses:		
Pass-through funding to CoastAlaska	562,600	579,088
Depreciation	<u>49,259</u>	<u>51,518</u>
Total Expenses	<u>611,859</u>	<u>630,606</u>
Change in Unrestricted Net Assets	(49,259)	(51,518)
Net Assets, Beginning of Year	<u>632,944</u>	<u>684,462</u>
Net Assets, End of Year	<u><u>\$ 583,685</u></u>	<u><u>\$ 632,944</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Provided By Operating Activities		
Change in Unrestricted Net Assets	\$ (49,259)	\$ (51,518)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	<u>49,259</u>	<u>51,518</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

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

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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 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 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" note 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.

The Corporation 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 the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

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 are recorded in the Corporation's financial statements and passed through to, and 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.

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets June 30, 2018 and 2017.

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.

Management's Use of Estimates

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

Real and Personal Property and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from four to twenty-five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$5,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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, 2018 and 2017. 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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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. Management has evaluated its tax positions for the years ended June 30, 2015 through 2018 in conformity with accounting principles generally accepted in the United States and has determined it has no uncertain tax positions required to be disclosed.

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.

Reclassifications

Certain fiscal year 2017 balances have been reclassified to conform to the current financial statements presentation.

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.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	558,846	565,054
Office fixtures and equipment	<u>9,700</u>	<u>9,700</u>
	1,273,394	1,279,602
Less accumulated depreciation	<u>(689,709)</u>	<u>(646,658)</u>
	<u>\$ 583,685</u>	<u>\$ 632,944</u>

Depreciation expense was \$49,259 and \$51,518 for fiscal years ended June 30, 2018 and 2017, 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
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 the period ended May 11, 2018 and the year ended June 30, 2017, and the related statements of activities and cash flows for the period and year then ended, respectively, 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 May 11, 2018 and June 30, 2017, and the changes in its net assets and its cash flows for the period and year, respectively, 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 five 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, 2018 and 2017 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.

Elgee Rehfeld

October 19, 2018

WRANGELL RADIO GROUP, INC.
STATEMENTS OF FINANCIAL POSITION
May 11, 2018 and June 30, 2017

	May 11, 2018	2017
ASSETS -		
Property and Equipment, net	\$ 134,008	\$ 155,554
Total Assets	\$ 134,008	\$ 155,554
LIABILITIES AND NET ASSETS -		
Net Assets -		
Unrestricted, designated - invested in property and equipment, unavailable for spending	\$ 134,008	\$ 155,554
Total Liabilities and Net Assets	\$ 134,008	\$ 155,554

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

WRANGELL RADIO GROUP, INC.

STATEMENTS OF ACTIVITIES

For the Period Ended May 11, 2018 and the Year Ended June 30, 2017

	<u>May 11, 2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 3,468	\$ -
Contributions	50,661	63,308
Membership	31,081	37,578
Government and CPB operating grants	194,504	201,310
Underwriting income	44,396	47,744
Rental, special events and other income	48,137	40,534
Royalties and production income	7,120	7,120
Other operating grants	956	2,247
Total Public Support, Revenue and Other Gains	<u>380,323</u>	<u>399,841</u>
Expenses:		
Pass-through funding to CoastAlaska	376,855	399,841
Depreciation	25,014	27,497
Total Expenses	<u>401,869</u>	<u>427,338</u>
Change in Unrestricted Net Assets	(21,546)	(27,497)
Net Assets, Beginning of Year	<u>155,554</u>	<u>183,051</u>
Net Assets, End of Year	<u>\$ 134,008</u>	<u>\$ 155,554</u>

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

WRANGELL RADIO GROUP, INC.

STATEMENTS OF CASH FLOWS

For the Period Ended May 11, 2018 and the Year Ended June 30, 2017

	<u>May 11, 2018</u>	<u>2017</u>
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Provided By Operating Activities		
Change in Unrestricted Net Assets	\$ (21,546)	\$ (27,497)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	<u>25,014</u>	<u>27,497</u>
Net Cash Provided By Operating Activities	<u>3,468</u>	<u>-</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	<u>(3,468)</u>	<u>-</u>
Net Cash Used For Investing Activities	<u>(3,468)</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.

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended May 11, 2018 and the Year Ended June 30, 2017

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

WRANGELL RADIO GROUP, 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 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 and Revenue and Expense Recognition

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" note 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.

The Corporation 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 the Corporation has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

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 are recorded in the Corporation's financial statements and passed through to, and 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.

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

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

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. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets June 30, 2018 and 2017.

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.

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.

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. Expenditures in excess of \$5,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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, 2018 and 2017. 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. Management has evaluated its tax positions for the years ended June 30, 2015 through 2018 in conformity with accounting principles generally accepted in the United States and has determined it has no uncertain tax positions required to be disclosed.

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

Reclassifications

Certain fiscal year 2017 balances have been reclassified to conform to the current financial statements presentation.

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.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at May 11, 2018 and June 30, 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Land	\$ 9,000	\$ 9,000
Building and improvements	347,402	347,402
Broadcasting, production and programming equipment	351,440	355,255
Office fixtures and equipment	<u>14,704</u>	<u>14,704</u>
	722,546	726,361
Less accumulated depreciation	<u>(588,538)</u>	<u>(570,807)</u>
	<u>\$ 134,008</u>	<u>\$ 155,554</u>

Depreciation expense was \$25,014 and \$27,497 for the period ended May 11, 2018 and the year ended June 30, 2017, 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.

NOTE 4 - ACQUISITION OF THE CORPORATION BY COASTALASKA, INC.

On December 8, 2017 the Corporation executed an agreement and acquisition of the Corporation by CoastAlaska, Inc, a nonprofit 501(c)(3) corporation. Under this agreement the Corporation donated its net property and equipment to CoastAlaska, Inc. at fair market value and sold its intangible property to CoastAlaska, Inc. The acquisition has an effective date of May 12, 2018.

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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, 2018 and 2017, 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, 2018 and 2017, 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 five 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, 2018 and 2017, 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.

Elgee Rehfeld

October 19, 2018

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
Property and equipment, net	\$ 1,677,440	\$ 1,944,237
Beneficial interest-		
Juneau Community Foundation	209,358	219,358
Intangibles	<u>621,400</u>	<u>621,400</u>
Total Assets	<u>\$ 2,508,198</u>	<u>\$ 2,784,995</u>
LIABILITIES AND NET ASSETS:		
Payable to KTOO Legacy Foundation	<u>\$ 209,358</u>	<u>\$ 219,358</u>
Total Liabilities	<u>209,358</u>	<u>219,358</u>
Net Assets:		
Unrestricted:		
Designated - invested in property and equipment, unavailable for spending	1,677,440	1,944,237
Undesignated	<u>621,400</u>	<u>621,400</u>
Total Unrestricted Net Assets	<u>2,298,840</u>	<u>2,565,637</u>
Total Liabilities and Net Assets	<u>\$ 2,508,198</u>	<u>\$ 2,784,995</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, 2018 and 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 21,707	\$ 178,109
Contributions	435,450	520,138
Membership	354,398	343,025
Government and CPB operating grants	1,438,136	1,760,312
Underwriting income	573,195	533,780
Rental, special events and other income	187,247	143,891
Royalties and production income	79,539	77,052
Other operating grants	380,900	386,861
Total Public Support, Revenue and Other Gains	3,470,572	3,943,168
Expenses:		
Pass-through funding to CoastAlaska	3,448,865	3,765,059
Depreciation	288,504	299,641
Loss on disposal of asset	-	40,303
Total Expenses	3,737,369	4,105,003
Change in Unrestricted Net Assets	(266,797)	(161,835)
Net Assets, Beginning of Year	2,565,637	2,727,472
Net Assets, End of Year	\$ 2,298,840	\$ 2,565,637

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, 2018 and 2017

	2018	2017
Reconciliation of the Change in Unrestricted Net Assets To Net Cash Used By Operating Activities		
Change in Unrestricted Net Assets	\$ (266,797)	\$ (161,835)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	288,504	299,641
Loss on disposal of asset	-	40,303
Net Cash Provided By Operating Activities	21,707	178,109
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(21,707)	(178,109)
Net Cash Used For Investing Activities	(21,707)	(178,109)
Cash at Beginning of Year	-	-
Cash at End of Year	\$ -	\$ -

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, 2018 and 2017

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 noncommercial public radio 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.

On May 12, 2018 KSTK was acquired by CoastAlaska through the purchase of KSTK's intangible property and the donation of KSTK's net property and equipment was made to CoastAlaska.

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

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 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 the 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" note 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.

CCBI 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 CCBI has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue in the financial statements of CoastAlaska.

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 stations 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 are recorded in CCBI's financial statements and passed through to, and recorded in, the financial statements of CoastAlaska. 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.

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-

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

210-45-1, CCBI 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. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets June 30, 2018 and 2017.

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.

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

Broadcast Rights

Programming broadcast rights are expensed annually as purchased.

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. Expenditures in excess of \$5,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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, 2018 and 2017. 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,

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

in general, have a three-year statute of limitations. Management has evaluated its tax positions for the years ended June 30, 2015 through 2018 in conformity with accounting principles generally accepted in the United States and has determined it has no uncertain tax positions required to be disclosed.

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.

Reclassifications

Certain fiscal year 2017 balances have been reclassified to conform to the current financial statements presentation.

Subsequent Events

CCBI 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 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 2,379,996	\$ 2,362,464
Broadcasting, production and programming equipment	3,318,385	3,333,762
Office fixtures and equipment	<u>55,897</u>	<u>58,597</u>
	5,754,278	5,754,823
Less accumulated depreciation	<u>(4,076,838)</u>	<u>(3,810,586)</u>
	<u>\$ 1,677,440</u>	<u>\$ 1,944,237</u>

Depreciation expense was \$288,504 and \$299,641 for fiscal years ended June 30, 2018 and 2017.

NOTE 3 - 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

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

CCBI, Inc. records the beneficial interest at cost and will recognize earnings in the Fund upon distribution by JCF. During fiscal years 2018 and 2017, CCBI received distributions of \$10,000 and \$-0-, respectively.

CCBI's beneficial interest is comingled with other entities that have placed accounts with JCF. At June 30, 2018 and 2017, JCF reported to CCBI the account had a total market value of \$56,895,696 and \$47,714,028, and an adjusted cost basis of \$49,184,022 and \$48,094,566, respectively. CCBI's reported share of the account had a market value of \$299,065 and \$289,631 at June 30, 2018 and 2017, respectively. The account is invested in index funds and cash equivalents.

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. CCBI also has various equipment leases. 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, 2018, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:7070

<u>Year Ending June 30</u>	Schedule of Minimum Future Land and Equipment <u>Lease Payments</u>
2019	\$ 105,000
2020	102,400
2021	102,400
2022	55,400
2023	8,400
Thereafter	<u>126,000</u>
Total	<u>\$ 499,600</u>

NOTE 5 - INTANGIBLE ASSETS

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

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

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - 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.

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