

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended

June 30, 2020 and 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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 CoastAlaska, Inc. as of June 30, 2020 and 2019, 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 year 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 six radio stations (including KUCB which was added in 2019) and one 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 accompanying Schedule of Activity by Member for the years ended June 30, 2020 and 2019 appearing on pages 20-25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Activity by Member is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 13, 2020

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS:		
Current Assets:		
Cash	\$ 3,340,390	\$ 1,829,438
Accounts receivable, net	275,141	170,835
Grants receivable	88,671	25,782
Contributions receivable, net	200,739	177,714
Prepaid expenses	14,474	45,173
Total Current Assets	3,919,415	2,248,942
Investments	970,881	952,637
Property and Equipment, net	150,469	133,827
Total Assets	\$ 5,040,765	\$ 3,335,406
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 351,567	\$ 274,574
Deferred revenue	32,180	33,662
Refundable advance	1,158,006	297,181
Rental deposits	-	750
Paycheck Protection Program loan	719,060	-
Total Current Liabilities	2,260,813	606,167
Total Liabilities	2,260,813	606,167
Net Assets -		
Without Donor Restrictions:		
Undesignated - available for operations	2,366,945	2,366,905
Designated - future station use	262,538	228,507
Designated - invested in property and equipment	150,469	133,827
Total Net Assets	2,779,952	2,729,239
Total Liabilities and Net Assets	\$ 5,040,765	\$ 3,335,406

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

COASTALASKA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	2020	2019
Changes in Net Assets Without Donor Restrictions:		
REVENUES AND SUPPORT:		
Contributions	\$ 449,648	\$ 686,611
Membership	1,087,908	849,783
Government and CPB operating grants	2,556,258	2,552,037
Underwriting income	1,007,643	965,507
Rental, special events and other income	706,495	729,671
Royalties and production income	67,515	53,653
Broadcast income	355,000	355,000
Other operating grants	352,337	216,986
TOTAL REVENUES AND SUPPORT	6,582,804	6,409,248
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	2,644,219	2,849,741
Technical	1,574,075	1,361,888
Total program services	4,218,294	4,211,629
SUPPORTING SERVICES:		
General and administrative	1,652,539	1,629,488
Fundraising and member development	692,621	781,274
Total supporting services	2,345,160	2,410,762
TOTAL EXPENSES	6,563,454	6,622,391
Change in Net Assets Without Donor Restrictions from Operating Activities	19,350	(213,143)
Change in Net Assets Without Donor Restrictions from Non-Operating Activities:		
Contribution of Assets from Unalaska Community Broadcasting, Inc. (KUCB)	-	316,870
Interest and investment income, net	31,363	59,468
Change in Net Assets Without Donor Restrictions	50,713	163,195
NET ASSETS, Beginning of Year	2,729,239	2,566,044
NET ASSETS, End of Year	\$ 2,779,952	\$ 2,729,239

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

COASTALASKA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash inflows from operations:		
Cash received from grants and government contracts	\$ 3,705,049	\$ 2,847,781
Cash received from contributions and fundraising	1,182,304	1,231,617
Cash received from underwriting	903,337	1,068,135
Cash received from other sources	1,129,010	1,138,324
Cash received from investment income	56,793	45,629
Cash outflows for operations:		
Payments for salaries, benefits and payroll taxes to employees	(3,708,687)	(4,002,817)
Payments to suppliers	(2,399,592)	(1,986,948)
Net cash provided by operating activities	868,214	341,721
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(43,674)	(33,178)
Purchase and construction of buildings and equipment	(32,648)	(10,485)
Net cash used for investing activities	(76,322)	(43,663)
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds from Paycheck Protection Program loan	719,060	-
Net cash provided by financing activities	719,060	-
Net change in cash	1,510,952	298,058
Cash, beginning of year	1,829,438	1,531,380
Cash, end of year	\$ 3,340,390	\$ 1,829,438

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

COAST ALASKA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2020
	Programming and Production	Technical	Total	General and Administrative	Fundraising and Member Development	
DIRECT EXPENSES:						
Salaries and related expenses	\$ 1,949,092	\$ 237,130	\$ 2,186,222	\$ 1,154,173	\$ 368,292	\$ 3,708,687
Supplies and equipment	4,998	520,968	525,966	6,634	-	532,600
Professional fees	233,089	117,393	350,482	143,056	27,346	520,884
Occupancy	262,098	31,865	293,963	155,185	49,517	498,665
Transmission expense	-	479,005	479,005	-	-	479,005
Acquisitions expense	174,264	-	174,264	-	-	174,264
Other expenses	-	-	-	52,014	67,158	119,172
Advertising	-	-	-	-	94,607	94,607
Special events	-	-	-	-	78,652	78,652
Travel and transportation	20,678	18,106	38,784	6,394	577	45,755
Rental and maintenance of equipment	-	12,865	12,865	7,852	-	20,717
Postage and shipping	-	-	-	6,005	6,472	12,477
Dues and subscriptions	-	-	-	9,883	-	9,883
Printing and publications	-	-	-	308	-	308
Total direct expenses	2,644,219	1,417,332	4,061,551	1,541,504	692,621	6,295,676
FIXED ASSETS CAPITALIZED, NET OF DELETIONS	-	156,743	156,743	111,035	-	267,778
Total expenses	\$ 2,644,219	\$ 1,574,075	\$ 4,218,294	\$ 1,652,539	\$ 692,621	\$ 6,563,454

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

COAST ALASKA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2019
	Programming and Production	Technical	Total	General and Administrative	Fundraising and Member Development	
DIRECT EXPENSES:						
Salaries and related expenses	\$ 2,191,814	\$ 262,731	\$ 2,454,545	\$ 1,113,998	\$ 434,274	\$ 4,002,817
Transmission expense	-	816,492	816,492	-	-	816,492
Occupancy	284,157	34,041	318,198	144,413	56,302	518,913
Professional fees	125,134	42,882	168,016	167,473	11,430	346,919
Acquisitions expense	203,829	-	203,829	-	-	203,829
Other expenses	-	-	-	60,643	72,081	132,724
Advertising	-	-	-	-	117,614	117,614
Supplies and equipment	6,102	97,318	103,420	8,685	-	112,105
Special events	-	-	-	-	79,951	79,951
Travel and transportation	38,705	14,869	53,574	11,922	1,892	67,388
Rental and maintenance of equipment	-	17,856	17,856	8,175	-	26,031
Dues and subscriptions	-	-	-	15,268	-	15,268
Postage and shipping	-	-	-	7,082	7,730	14,812
Printing and publications	-	-	-	119	-	119
Total direct expenses	2,849,741	1,286,189	4,135,930	1,537,778	781,274	6,454,982
FIXED ASSETS CAPITALIZED, NET OF DELETIONS	-	75,699	75,699	91,710	-	167,409
Total expenses	<u>\$ 2,849,741</u>	<u>\$ 1,361,888</u>	<u>\$ 4,211,629</u>	<u>\$ 1,629,488</u>	<u>\$ 781,274</u>	<u>\$ 6,622,391</u>

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, 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 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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

- Personnel and human resources administration
- Other administrative and financial operations

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

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

CoastAlaska 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.

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

Programming and Production

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

Technical Services

CoastAlaska technical products are radio and television broadcast signals, as well as digital content on the web. CoastAlaska stations produce eight FM broadcast services as well as KTOO TV and 360North television signals.

Basis of Accounting

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.

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.

All expenditures related to grants received from state or federal agencies, and associated support 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.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions

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

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

Membership

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

COASTALASKA, INC.

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and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

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

Underwriting Income

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Royalties and Production Income

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Broadcast Income

Broadcast income consists of an operating grant to broadcast the State of Alaska Legislature and considered a nonreciprocal transaction restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Member Cash

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.

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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, money market funds, government and agency securities, corporate bonds, and mutual funds at fair value. Investments include stocks and mutual funds holding debt securities. Investments also include money market funds that are designated for unspecified reserves. Unrealized gains and losses are included in the change in net assets. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 4 and Note 5.

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 \$1,000 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.

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, 2020 and 2019. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing CoastAlaska's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses

COASTALASKA, INC.

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for program services are segregated from management and general expenses. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

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

Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$200,739 and \$177,714 at June 30, 2020 and 2019. CoastAlaska writes off uncollected pledges in excess of 180 days and management feels it is not necessary to record allowances for pledges less than 180 days.

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the 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. The Organization adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Organization's financial position, results of operations, or cash flows, the impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB

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NOTES TO THE FINANCIAL STATEMENTS

issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Organization until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Organization plans to adopt ASU 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

Leases (Topic 842)

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

Reclassification

Certain amounts presented for the prior year have been reclassified to conform to the current year presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2020:

Financial assets, at year-end*	\$ 4,875,822
Less those unavailable for general expenditures within one year, due to -	
Board designations -	
Designated for future station use	<u>(262,538)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,613,284</u>

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment in total for all member stations at June 30, 2020 and 2019 are summarized below. All property and equipment owned by member stations are recorded in the financial statements of the member stations:

	<u>2020</u>	<u>2019</u>
Held by Member Stations:		
Building and improvements	\$ 4,476,992	\$ 4,365,956
Broadcasting, production and programming equipment	4,969,277	4,865,877
Office fixtures and equipment	75,188	75,188
Land	<u>653,212</u>	<u>653,212</u>
	10,174,669	9,960,233
Less accumulated depreciation	<u>(6,916,016)</u>	<u>(6,570,675)</u>
Total Held by Member Stations	<u>\$ 3,259,653</u>	<u>\$ 3,389,558</u>
	<u>2020</u>	<u>2019</u>
Held by CoastAlaska:		
Building and improvements	\$ 347,402	\$ 347,402
Broadcasting, production and programming equipment	379,196	394,581
Office fixtures and equipment	22,135	22,135
Land	<u>9,000</u>	<u>9,000</u>
	757,733	773,118
Less accumulated depreciation, CoastAlaska	<u>(607,264)</u>	<u>(639,291)</u>
Total Held by CoastAlaska	<u>\$ 150,469</u>	<u>\$ 133,827</u>

Depreciation expense was \$16,008 and \$20,343 for CoastAlaska, and \$398,683 and \$420,348 for member stations for the fiscal years ending June 30, 2020 and 2019, respectively and is included in Other expenses on the Statement of Functional Expenses.

NOTE 4 – INVESTMENTS

Cost and fair value of marketable equity securities at June 30, 2020 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Equity Securities	\$ 402,900	\$ 92,492	\$ 495,392
Money Market Funds	255,904	-	255,904
Government and Agency Securities	22,065	6,663	28,728
Corporate Bonds	103,719	9,065	112,784
Mutual Funds	<u>82,403</u>	<u>(4,330)</u>	<u>78,073</u>
Total	<u>\$ 866,991</u>	<u>\$ 103,890</u>	<u>\$ 970,881</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Cost and fair value of marketable equity securities at June 30, 2019 are as follows:

	Amortized Cost	Unrealized Gains	Fair Value
Equity Securities	\$ 363,026	\$ 126,274	\$ 489,300
Money Market Funds	250,433	-	250,433
Government and Agency Securities	21,593	2,083	23,676
Corporate Bonds	96,480	4,344	100,824
Mutual Funds	91,785	(3,381)	88,404
Total	<u>\$ 823,317</u>	<u>\$ 129,320</u>	<u>\$ 952,637</u>

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

	2020	2019
Interest and dividend income	\$ 21,879	\$ 22,459
Realized gains	47,557	35,354
Management fees	(12,643)	(12,184)
Unrealized gains	(25,430)	13,839
Total	<u>\$ 31,363</u>	<u>\$ 59,468</u>

NOTE 5 – 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, 2020 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 495,392	\$ 495,392	\$ -	\$ -
Money Market Funds	255,904	255,904	-	-
Mutual Funds	78,073	78,073	-	-
Corporate Bonds	112,784	112,784	-	-
Government and Agency Securities	28,728	28,728	-	-
Total	<u>\$ 970,881</u>	<u>\$ 970,881</u>	<u>\$ -</u>	<u>\$ -</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 489,300	\$ 489,300	\$ -	\$ -
Money Market Funds	250,433	250,433	-	-
Mutual Funds	88,404	88,404	-	-
Corporate Bonds	100,824	100,824	-	-
Government and Agency Securities	<u>23,676</u>	<u>23,676</u>	-	-
Total	<u>\$ 952,637</u>	<u>\$ 952,637</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

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

The Organization has not accrued interest for the PPP loan at June 30, 2020 as they have determined the amount to be nominal. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the Covered Period. CoastAlaska intends to use the proceeds for purposes consistent with the PPP. As legal forgiveness for the PPP loan has not yet been determined and because CoastAlaska believes the full amount of the loan will either be forgiven or paid back within the next 12 months, CoastAlaska has recorded the PPP loan in its entirety as a current liability on the accompanying Statement of Financial Position. Upon legal forgiveness, CoastAlaska will record the resulting forgiveness of the PPP loan and accrued interest as a gain on extinguishment of debt.

NOTE 7 – REFUNDABLE ADVANCES

CoastAlaska receives various operating and capital grants that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as grant revenue when donor conditions are met. Refundable advances consisted of \$1,144,488 and \$242,094 of operating grants and \$13,518 and \$55,087 of capital grants as of June 30, 2020 and 2019, respectfully.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

CoastAlaska has received donations from supporters of KCAW totaling \$232,538 and \$228,507 as of June 30, 2020 and 2019, respectively, that the Board of Directors has set as designated for future use by KCAW station management through the setup of a legacy foundation at a future date to be determined.

CoastAlaska has received bequests from supporters of KFSK totaling \$30,000 as of June 30, 2020 that the Board of Directors has set as designated for future use by KFSK station management.

NOTE 9 – 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. The operating land lease was extended on June 25, 2020. 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, 2020, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

<u>Year Ending June 30</u>	<u>Schedule of Minimum Future Land and Equipment Lease Payments</u>
2021	\$ 108,090
2022	114,017
2023	114,017
2024	114,017
2025	114,017
Thereafter	<u>2,696,812</u>
Total	<u>\$ 3,260,970</u>

NOTE 10 – 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 2020 and 2019. 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 \$84,561 and \$91,336 for fiscal 2020 and 2019, respectively.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – 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 12 – ADMITTANCE OF UNALASKA COMMUNITY BROADCASTING, INC. TO THE COMPACT

On July 1, 2018 KUCB in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, to CoastAlaska. The contribution of assets to CoastAlaska totaled \$316,870.

NOTE 13 – SUBSEQUENT EVENTS

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

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, CoastAlaska was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Organization cannot be estimated at this time.

Separation of CCBI from the Compact

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

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2020

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
SUPPORT AND REVENUE:								
Membership Revenue	\$ 252,326	\$ 145,712	\$ 147,581	\$ 54,979	\$ 440,510	\$ 4,585	\$ 42,215	\$ 1,087,908
Contributions	26,754	30,007	3,451	339	1,358	52,791	2,721	117,421
Underwriting Revenue	120,365	84,561	95,053	67,907	297,124	300,368	42,265	1,007,643
Interest and Investment Income	-	-	-	-	-	-	31,363	31,363
Gain on Sale of Fixed Assets	5,000	-	-	-	-	-	-	5,000
Production Income	200	-	750	14,156	238	44,573	7,120	67,037
Royalties	150	-	-	-	-	303	25	478
Miscellaneous Income	-	-	-	-	900	2,101	1,327	4,328
Rental Income	29,300	30,523	5,400	7,700	11,030	25,737	25,910	135,600
Sales Income	18,680	598	3,508	1,839	489	1,818	674	27,606
Fee for Accounting	-	-	-	-	17,254	17,552	251,168	285,974
CPB Grants	127,740	121,205	132,510	185,030	151,521	1,020,730	138,777	1,877,513
Capital Grants	10,899	10,000	-	6,310	135,469	511,265	4,802	678,745
Other Operating Grants	11,520	40,748	9,393	111,977	22,950	497,135	13,614	707,337
Fundraising Revenues:								
Special Events	15,083	6,008	3,150	12,907	59,615	-	8,033	104,796
Auction	-	2,556	7,565	-	-	-	8,095	18,216
Gaming	15,762	24,500	69,270	3,413	3,250	-	8,780	124,975
In-kind Contributions	31,537	34,477	48,491	49,577	44,222	63,699	60,224	332,227
Total Support and Revenue	665,316	530,895	526,122	516,134	1,185,930	2,542,657	647,113	6,614,167
EXPENSES:								
PROGRAMMING EXPENSES:								
Salary and Related Expenses	206,031	142,374	107,750	178,631	304,393	850,471	159,442	1,949,092
Media Stock	96	-	-	-	-	2,266	-	2,362
Contract Labor - Programming	-	113	60	2,844	6,268	214,406	38	223,729
Production Costs	1,126	-	-	148	3,478	13,985	-	18,737
Prog/Prod Travel	9,321	556	462	3,956	-	6,383	-	20,678
Music Library	1,203	240	-	312	250	-	180	2,185
Audience Survey	-	-	-	-	7,000	2,360	-	9,360
Affiliation Fees	4,250	3,750	3,750	3,750	12,500	-	2,200	30,200
Program Acquisitions	15,254	10,466	11,760	5,595	42,276	17,914	8,900	112,165
News Services	-	-	-	-	7,482	-	-	7,482
Studio Maintenance	-	-	-	-	-	451	-	451
In-kind - Programming	495	-	-	320	-	4,000	865	5,680
Total Programming Expenses	237,776	157,499	123,782	195,556	383,647	1,112,236	171,625	2,382,121

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.
 SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
 For the Year Ended June 30, 2020

	SITKA KCAW-FM	PETERSBURG KFSK-FM	KETCHIKAN KRBD-FM	UNALASKA KUCB-FM	JUNEAU		COASTALASKA KSTK-FM	Total
					KTOO-FM	KTOO-TV		
TECHNICAL EXPENSES:								
Salary and Related Expenses	-	-	-	-	-	-	237,130	237,130
Transmission Charges	13,900	10,300	10,300	1,400	10,300	189,000	8,128	243,328
Contract Labor	-	-	-	2,918	33,914	80,561	-	117,393
Engineering Supplies	344	-	-	-	-	-	20	364
Tech/Broadcast Travel	10,197	-	-	1,154	-	-	6,755	18,106
Translators' Expenses	29	9,020	16,421	-	2,869	6,695	251	35,285
Computer Hardware	10,011	-	2,762	402	6,453	15,000	2,641	37,269
Computer Software	590	73	563	538	1,855	53,174	12,328	69,121
Internet Services	4,210	4,842	3,898	18,835	6,858	23,919	5,273	67,835
Broadcast Equipment Purchase	3,735	3,652	-	3,739	7,559	393,605	2,288	414,578
Broadcast Equipment Maintenance	1,250	1,568	914	56	3,532	3,211	1,970	12,501
In-kind - Technical	17,733	20,133	17,733	17,733	857	19,412	38,956	132,557
Total Technical Expenses	61,999	49,588	52,591	46,775	74,197	784,577	315,740	1,385,467
DEVELOPMENT EXPENSES:								
Salary and Related Expenses	48,146	58,712	78,771	-	56,122	58,090	68,451	368,292
Premiums	5,586	1,386	-	8,944	2,407	-	-	18,323
Contract Labor	886	-	-	200	1,060	10,500	14,700	27,346
Advertising	25	20	92	-	-	-	1,530	1,667
Development Travel	75	-	-	-	143	164	195	577
Printing	2,100	1,146	252	197	2,606	-	171	6,472
Special Events	8,709	8,126	30,551	489	26,628	-	4,149	78,652
Retail Inventory	10,986	-	2,563	-	-	45	500	14,094
Credit Card Fees	-	-	-	-	-	-	31,071	31,071
Volunteers	87	-	-	-	-	-	136	223
Bulk Mail Postage	811	385	258	104	1,716	-	173	3,447
In-kind - Development	2,080	3,740	17,960	-	38,341	29,819	1,000	92,940
Total Development Expenses	79,491	73,515	130,447	9,934	129,023	98,618	122,076	643,104
OCCUPANCY EXPENSES:								
Rent	-	-	-	-	37,175	76,942	-	114,117
Building Maintenance	5,508	4,519	516	-	8,203	12,988	98	31,832
Janitorial Supplies	638	-	-	3,000	4,213	9,830	218	17,899
Telephone	6,577	4,311	5,804	5,929	4,647	10,467	4,208	41,943
Utilities	23,815	11,876	20,486	14,720	25,853	60,854	4,754	162,358
Insurance	12,797	10,094	10,997	1,586	11,496	26,823	14,083	87,876
In-kind - Occupancy	-	1,700	572	22,620	2,774	6,474	8,500	42,640
Total Occupancy Expenses	49,335	32,500	38,375	47,855	94,361	204,378	31,861	498,665

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2020

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
ADMINISTRATIVE EXPENSES:								
Salary and Related Expenses	83,147	92,897	76,851	89,955	101,793	175,357	534,173	1,154,173
Office Supplies	719	1,521	310	447	931	1,271	1,005	6,204
Administrative Travel	17	679	352	1,579	872	533	2,362	6,394
Administrative Staff Training	-	-	-	-	23	53	20	96
Postage	1,102	662	520	660	1,675	226	1,160	6,005
Dues & Subscriptions	1,411	689	814	502	1,620	2,825	2,022	9,883
Printing	-	-	308	-	-	-	-	308
Office Equipment Rental	-	-	520	-	2,200	5,132	-	7,852
Office Equipment Purchase	80	-	-	-	105	245	-	430
Contract Labor	1,526	1,018	1,357	454	1,716	24,916	891	31,878
Board/Admin	960	945	972	2,272	1,116	3,188	9,123	18,576
Audit	-	-	-	-	-	3,273	23,575	26,848
Legal Fees	-	-	-	-	1,269	4,960	725	6,954
Taxes	1,535	-	-	-	-	-	2,372	3,907
Bank and Investment Consult Fees	820	351	689	114	562	304	16,126	18,966
Depreciation Expense	-	-	-	-	-	-	16,008	16,008
Other	-	-	-	8,531	4,896	-	-	13,427
In-kind - Admin	11,229	8,904	12,226	8,904	2,250	3,994	10,903	58,410
Administrative Expenses before CoastAlaska Support	102,546	107,666	94,919	113,418	121,028	226,277	620,465	1,386,319
CoastAlaska Support	106,860	83,289	82,397	90,485	174,412	-	(537,443)	-
Total Administrative Expenses	209,406	190,955	177,316	203,903	295,440	226,277	83,022	1,386,319
Total Expenses	638,007	504,057	522,511	504,023	976,668	2,426,086	724,324	6,295,676
Revenue (Deficit) in Excess of Expenses before Capital Items	27,309	26,838	3,611	12,111	209,262	116,571	(77,211)	318,491
CAPITAL ITEMS -								
Assets Capitalized by Stations, Net of Deletions	-	10,259	-	339	138,821	118,359	-	267,778
Change in Net Assets	\$ 27,309	\$ 16,579	\$ 3,611	\$ 11,772	\$ 70,441	\$ (1,788)	\$ (77,211)	\$ 50,713

See Independent Auditor's Report.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2019

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
SUPPORT AND REVENUE:								
Membership Revenue	\$ 184,467	\$ 108,097	\$ 114,251	\$ 41,661	\$ 364,311	\$ 3,672	\$ 33,324	\$ 849,783
Contributions	13,460	1,234	1,460	164	167	55,800	67	72,352
Underwriting Revenue	123,054	78,893	93,959	47,784	307,432	275,827	38,558	965,507
Interest and Investment Income	-	-	-	80	-	-	59,388	59,468
Contribution of Assets from KUCB	-	-	-	-	-	-	316,870	316,870
Gain on Sale of Fixed Assets	1,500	-	-	-	-	-	-	1,500
Production Income	671	-	-	3,450	587	41,115	7,120	52,943
Royalties	-	-	-	-	-	710	-	710
Miscellaneous Income	-	-	-	-	499	1,164	1,214	2,877
Rental Income	30,000	29,634	5,400	7,700	9,954	23,227	30,165	136,080
Sales Income	20,801	295	2,049	1,300	2,190	2,399	378	29,412
Fee for Accounting	-	-	-	-	17,060	69,776	216,899	303,735
APBC Grants	76,590	76,590	76,590	76,590	76,590	154,000	76,590	613,540
CPB Grants	146,736	121,027	123,668	185,464	153,232	946,557	111,951	1,788,635
Capital Grants	-	-	-	18,476	104,506	14,931	11,949	149,862
Other Operating Grants	6,713	37,250	8,150	117,689	-	388,822	13,362	571,986
Fundraising Revenues:								
Special Events	16,861	9,734	10,900	10,384	81,932	-	12,381	142,192
Auction	-	2,274	6,989	13,435	-	-	9,245	31,943
Gaming	9,573	14,670	46,270	3,689	-	-	7,730	81,932
In-kind Contributions	56,893	55,399	83,301	27,580	87,489	211,656	91,941	614,259
Total Support and Revenue	687,319	535,097	572,987	555,446	1,205,949	2,189,656	1,039,132	6,785,586
EXPENSES:								
PROGRAMMING EXPENSES:								
Salary and Related Expenses	215,149	140,406	128,471	221,575	378,342	943,984	163,887	2,191,814
Media Stock	-	-	-	-	15	1,992	-	2,007
Contract Labor - Programming	-	360	438	19,820	-	87,978	2,538	111,134
Production Costs	104	11	-	1,928	417	17,521	-	19,981
Prog/Prod Travel	10,468	814	139	1,766	2,132	21,641	1,745	38,705
Music Library	440	240	-	59	283	2,450	180	3,652
Audience Survey	-	-	-	-	14,000	-	-	14,000
Affiliation Fees	3,750	4,450	3,750	3,750	19,544	-	2,200	37,444
Program Acquisitions	17,607	17,509	11,633	8,667	41,980	16,989	8,450	122,835
News Services	-	-	(13)	-	6,906	-	-	6,893
Studio Maintenance	-	-	-	-	-	443	-	443
In-kind - Programming	4,755	772	-	4,960	414	967	4,808	16,676
Total Programming Expenses	252,273	164,562	144,418	262,525	464,033	1,093,965	183,808	2,565,584

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2019

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
TECHNICAL EXPENSES:								
Salary and Related Expenses	-	-	-	-	-	57,669	205,062	262,731
Transmission Charges	13,725	10,125	10,125	1,689	10,125	189,000	8,212	243,001
Contract Labor	-	-	-	798	12,625	29,459	-	42,882
Engineering Supplies	360	170	46	33	-	12	26	647
Tech/Broadcast Travel	-	-	-	3,301	132	839	10,597	14,869
Translators' Expenses	29	9,020	16,239	-	37,653	87,857	288	151,086
Computer Hardware	200	-	3,004	307	3,701	9,842	4,540	21,594
Computer Software	1,257	42	229	1,841	1,339	43,020	19,007	66,735
Internet Services	5,322	4,144	4,343	16,965	8,497	33,713	3,500	76,484
Broadcast Equipment Purchase	541	409	879	-	1,685	4,652	823	8,989
Broadcast Equipment Maintenance	1,455	1,464	906	580	5,274	5,558	1,972	17,209
In-kind - Technical	33,779	35,161	37,733	-	32,759	152,548	53,941	345,921
Total Technical Expenses	56,668	60,535	73,504	25,514	113,790	614,169	307,968	1,252,148
DEVELOPMENT EXPENSES:								
Salary and Related Expenses	36,465	57,856	75,692	-	73,925	65,824	124,512	434,274
Premiums	6,495	3,874	-	7,306	3,086	-	-	20,761
Contract Labor	-	-	-	-	1,430	10,000	-	11,430
Advertising	114	250	25	1,000	32	17	798	2,236
Development Travel	-	785	-	-	-	851	256	1,892
Printing	2,188	1,051	589	139	2,691	137	935	7,730
Special Events	6,741	7,293	28,795	946	27,284	-	8,892	79,951
Retail Inventory	10,687	-	625	1,775	-	36	1,086	14,209
Credit Card Fees	-	-	-	98	-	-	32,330	32,428
Volunteers	149	-	53	142	629	309	251	1,533
Bulk Mail Postage	670	395	199	91	1,595	-	200	3,150
In-kind - Development	4,627	5,054	22,786	-	35,910	36,617	10,384	115,378
Total Development Expenses	68,136	76,558	128,764	11,497	146,582	113,791	179,644	724,972
OCCUPANCY EXPENSES:								
Rent	-	-	-	-	46,629	71,826	-	118,455
Building Maintenance	2,985	1,145	1,180	-	7,910	18,456	3,763	35,439
Janitorial Supplies	565	240	69	3,000	4,040	9,427	32	17,373
Telephone	7,295	5,382	5,531	5,915	3,220	8,047	7,253	42,643
Utilities	26,193	13,600	20,288	17,139	25,407	59,778	5,223	167,628
Insurance	12,630	9,950	10,588	1,143	13,577	31,680	13,675	93,243
In-kind - Occupancy	-	1,700	2,912	22,620	2,520	5,880	8,500	44,132
Total Occupancy Expenses	49,668	32,017	40,568	49,817	103,303	205,094	38,446	518,913

(continued)

See Independent Auditor's Report.

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER
For the Year Ended June 30, 2019

	SITKA	PETERSBURG	KETCHIKAN	UNALASKA	JUNEAU		COASTALASKA	Total
	KCAW-FM	KFSK-FM	KRBD-FM	KUCB-FM	KTOO-FM	KTOO-TV	KSTK-FM	
ADMINISTRATIVE EXPENSES:								
Salary and Related Expenses	89,502	95,683	57,067	92,768	98,982	243,046	436,950	1,113,998
Office Supplies	1,153	1,215	79	501	1,336	1,964	659	6,907
Administrative Travel	3,702	649	395	189	608	304	6,075	11,922
Administrative Staff Training	1,945	-	-	-	3	7	149	2,104
Postage	1,702	672	584	268	2,461	100	1,295	7,082
Dues & Subscriptions	1,554	772	883	1,028	1,231	2,152	7,648	15,268
Printing	119	-	-	-	-	-	-	119
Office Equipment Rental	29	-	323	-	2,347	5,476	-	8,175
Office Equipment Purchase	-	-	-	-	-	-	1,778	1,778
Contract Labor	1,526	1,018	1,357	454	2,853	4,733	891	12,832
Board/Admin	921	1,215	-	-	1,105	1,407	9,305	13,953
Audit	-	-	-	1,800	-	-	23,275	25,075
Legal Fees	-	-	-	296	3,251	7,586	9,281	20,414
Taxes	1,535	-	-	-	-	-	2,372	3,907
Bank and Investment Consult Fees	439	202	282	296	448	200	15,133	17,000
Depreciation Expense	-	-	-	-	-	-	20,343	20,343
Other	4,593	-	-	-	10,840	89	4,814	20,336
In-kind - Admin	13,732	12,712	19,870	-	15,886	15,644	14,308	92,152
Administrative Expenses before CoastAlaska Support	122,452	114,138	80,840	97,600	141,351	282,708	554,276	1,393,365
CoastAlaska Support	117,318	89,976	91,613	78,022	178,157	-	(555,086)	-
Total Administrative Expenses	239,770	204,114	172,453	175,622	319,508	282,708	(810)	1,393,365
Total Expenses	666,515	537,786	559,707	524,975	1,147,216	2,309,727	709,056	6,454,982
Revenue (Deficit) in Excess of Expenses before Capital Items	20,804	(2,689)	13,280	30,471	58,733	(120,071)	330,076	330,604
CAPITAL ITEMS -								
Assets Capitalized by Stations, Net of Deletions	7,427	2,806	3,800	16,747	72,007	64,622	-	167,409
Change in Net Assets	\$ 13,377	\$ (5,495)	\$ 9,480	\$ 13,724	\$ (13,274)	\$ (184,693)	\$ 330,076	\$ 163,195

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, 2020 and 2019, 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, 2020 and 2019, 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 six public radio stations (including KUCB which was added in 2019) 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, 2020 and 2019, appearing on pages 20-25, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 13, 2020

RAVEN RADIO FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

	2020	2019
ASSETS -		
Property and Equipment, net	\$ 927,118	\$ 978,280
Total Assets	\$ 927,118	\$ 978,280
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 927,118	\$ 978,280
Total Liabilities and Net Assets	\$ 927,118	\$ 978,280

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for		
equipment repairs and replacements	\$ -	\$ 7,427
Contributions	58,291	70,353
Membership	252,326	184,467
Government and CPB operating grants	138,639	223,326
Underwriting income	120,365	123,054
Rental, special events and other income	83,825	78,735
Royalties and production income	350	671
Other operating grants	11,520	6,713
Total Public Support, Revenue and Other Gains	<u>665,316</u>	<u>694,746</u>
Administrative Expenses:		
Pass-through funding to CoastAlaska	665,316	687,319
Depreciation	51,162	53,616
Total Administrative Expenses	<u>716,478</u>	<u>740,935</u>
Change in Net Assets Without Donor Restrictions	(51,162)	(46,189)
Net Assets, Beginning of Year	<u>978,280</u>	<u>1,024,469</u>
Net Assets, End of Year	<u>\$ 927,118</u>	<u>\$ 978,280</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (51,162)	\$ (46,189)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>51,162</u>	<u>53,616</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>7,427</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>-</u>	<u>(7,427)</u>
Net Cash Used For Investing Activities	<u>-</u>	<u>(7,427)</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, 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:

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Basis of Accounting

The financial statements of 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.

The Corporation 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.

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.

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to report

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

information regarding its financial position and activities according to the following net asset classifications:

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

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

Classification of Transactions

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

Revenue Recognition

Contributions

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

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

Membership

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

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

Underwriting Income

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Royalties and Production Income

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Cash

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.

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

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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 a Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2020 and 2019. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

Leases (Topic 842)

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

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Land	\$ 497,312	\$ 497,312
Building and improvements	837,965	837,965
Broadcasting, production and programming equipment	484,973	484,973
Office fixtures and equipment	<u>10,538</u>	<u>10,538</u>
	1,830,788	1,830,788
Less accumulated depreciation	<u>(903,670)</u>	<u>(852,508)</u>
	<u>\$ 927,118</u>	<u>\$ 978,280</u>

Depreciation expense was \$51,162 and \$53,616 for fiscal years ended June 30, 2020 and 2019, respectively.

RAVEN RADIO FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 – SUBSEQUENT EVENTS

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

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Raven Radio Foundation, Inc. was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



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, 2020 and 2019, 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, 2020 and 2019, 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 six public radio stations (including KUCB which was added in 2019) 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, 2020 and 2019, appearing on pages 20-25, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 13, 2020

NARROWS BROADCASTING CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

	2020	2019
ASSETS -		
Property and Equipment, net	\$ 200,920	\$ 217,385
Total Assets	\$ 200,920	\$ 217,385
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 200,920	\$ 217,385
Total Liabilities and Net Assets	\$ 200,920	\$ 217,385

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for		
equipment repairs and replacements	\$ 10,259	\$ 2,806
Contributions	64,484	56,633
Membership	145,712	108,097
Government and CPB operating grants	131,205	197,617
Underwriting income	84,561	78,893
Rental, special events and other income	64,185	56,607
Other operating grants	40,748	37,250
Total Public Support, Revenue and Other Gains	<u>541,154</u>	<u>537,903</u>
Administrative Expenses:		
Pass-through funding to CoastAlaska	530,895	535,097
Depreciation	26,724	29,708
Total Administrative Expenses	<u>557,619</u>	<u>564,805</u>
Change in Net Assets Without Donor Restrictions	(16,465)	(26,902)
Net Assets, Beginning of Year	<u>217,385</u>	<u>244,287</u>
Net Assets, End of Year	<u>\$ 200,920</u>	<u>\$ 217,385</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (16,465)	\$ (26,902)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>26,724</u>	<u>29,708</u>
Net Cash Provided by Operating Activities	<u>10,259</u>	<u>2,806</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>(10,259)</u>	<u>(2,806)</u>
Net Cash Used For Investing Activities	<u>(10,259)</u>	<u>(2,806)</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, 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:

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Basis of Accounting

The financial statements of 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.

The Corporation 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.

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

Basis of Presentation

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

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

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

Classification of Transactions

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

Revenue Recognition

Contributions

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

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

Membership

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

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

Underwriting Income

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Cash

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.

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 \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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 a Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2020 and 2019. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

Leases (Topic 842)

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

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	515,658	515,658
Broadcasting, production and programming equipment	503,521	493,262
Office fixtures and equipment	<u>3,600</u>	<u>3,600</u>
	1,047,779	1,037,520
Less accumulated depreciation	<u>(846,859)</u>	<u>(820,135)</u>
	<u>\$ 200,920</u>	<u>\$ 217,385</u>

Depreciation expense was \$26,724 and \$29,708 for fiscal years ended June 30, 2020 and 2019, respectively.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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 – SUBSEQUENT EVENTS

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

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Narrows Broadcasting Corporation was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



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, 2020 and 2019, 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, 2020 and 2019, 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 six public radio stations (including KUCB which was added in 2019) 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, 2020 and 2019, appearing on pages 20-25, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 13, 2020

RAINBIRD COMMUNITY BROADCASTING CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

	2020	2019
ASSETS -		
Property and Equipment, net	\$ 511,625	\$ 548,263
Total Assets	\$ 511,625	\$ 548,263
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	\$ 511,625	\$ 548,263
Total Liabilities and Net Assets	\$ 511,625	\$ 548,263

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT		
DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for		
equipment repairs and replacements	\$ -	\$ 3,800
Contributions	51,942	84,761
Membership	147,581	114,251
Government and CPB operating grants	132,510	200,258
Underwriting income	95,053	93,959
Rental, special events and other income	88,893	71,608
Royalties and production income	750	-
Other operating grants	9,393	8,150
Total Public Support, Revenue and Other Gains	<u>526,122</u>	<u>576,787</u>
Administrative Expenses:		
Pass-through funding to CoastAlaska	526,122	572,987
Depreciation	36,638	39,222
Total Administrative Expenses	<u>562,760</u>	<u>612,209</u>
Change in Net Assets Without Donor Restrictions	(36,638)	(35,422)
Net Assets, Beginning of Year	<u>548,263</u>	<u>583,685</u>
Net Assets, End of Year	<u>\$ 511,625</u>	<u>\$ 548,263</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (36,638)	\$ (35,422)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>36,638</u>	<u>39,222</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>3,800</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>-</u>	<u>(3,800)</u>
Net Cash Used For Investing Activities	<u>-</u>	<u>(3,800)</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, 2020 and 2019

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.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, 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:

RAINBIRD COMMUNITY BROADCASTING CORPORATION

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

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

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

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

Basis of Accounting

The financial statements of 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.

The Corporation 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.

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.

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to report

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

information regarding its financial position and activities according to the following net asset classifications:

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

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

Classification of Transactions

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

Revenue Recognition

Contributions

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

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

Membership

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

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

Underwriting Income

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Royalties and Production Income

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Cash

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.

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

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred. Expenditures in excess of \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

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 a Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2020 and 2019. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

Leases (Topic 842)

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

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

	2020	2019
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	560,306	562,646
Office fixtures and equipment	9,700	9,700
	<u>1,274,854</u>	<u>1,277,194</u>
Less accumulated depreciation	<u>(763,229)</u>	<u>(728,931)</u>
	<u>\$ 511,625</u>	<u>\$ 548,263</u>

RAINBIRD COMMUNITY BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was \$36,638 and \$39,222 for fiscal years ended June 30, 2020 and 2019, 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 – SUBSEQUENT EVENTS

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

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Rainbird Community Broadcasting Corporation was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Unalaska Community Broadcasting, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Unalaska Community Broadcasting, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 Unalaska Community Broadcasting, Inc. as of June 30, 2020 and 2019, 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 year 2019, Unalaska Community Broadcasting, Inc. joined the CoastAlaska Compact. Administrative and financial activities of the six 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, 2020 and 2019 appearing on pages 20-25, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 13, 2020

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS -		
Property and Equipment, net	<u>\$ 84,631</u>	<u>\$ 105,025</u>
Total Assets	<u><u>\$ 84,631</u></u>	<u><u>\$ 105,025</u></u>
LIABILITIES AND NET ASSETS -		
Net Assets -		
Without Donor Restrictions	<u>\$ 84,631</u>	<u>\$ 105,025</u>
Total Liabilities and Net Assets	<u><u>\$ 84,631</u></u>	<u><u>\$ 105,025</u></u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for equipment repairs and replacements	\$ 339	\$ 16,747
Contributions	49,916	27,744
Membership	54,979	41,661
Government and CPB operating grants	191,340	280,530
Underwriting income	67,907	47,784
Rental, special events and other income	25,859	36,588
Royalties and production income	14,156	3,450
Other operating grants	111,977	117,689
Total Public Support, Revenue and Other Gains	<u>516,473</u>	<u>572,193</u>
Administrative Expenses:		
Pass-through funding to CoastAlaska	516,134	555,446
Contribution of assets to CoastAlaska	-	316,870
Depreciation	20,733	24,338
Total Administrative Expenses	<u>536,867</u>	<u>896,654</u>
Change in Net Assets Without Donor Restrictions	(20,394)	(324,461)
Net Assets, Beginning of Year	<u>105,025</u>	<u>429,486</u>
Net Assets, End of Year	<u>\$ 84,631</u>	<u>\$ 105,025</u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (20,394)	\$ (324,461)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Contribution of assets to CoastAlaska	-	316,870
Depreciation	20,733	24,338
Net Cash Provided By Operating Activities	<u>339</u>	<u>16,747</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>(339)</u>	<u>(16,747)</u>
Net Cash Used For Investing Activities	<u>(339)</u>	<u>(16,747)</u>
Net Change in Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Unalaska Community Broadcasting, Inc. (the Corporation or KUCB) is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KUCB-FM in Unalaska, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other noncommercial public radio stations and one noncommercial public television station in Southeast Alaska to form CoastAlaska Inc. (CoastAlaska), a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The 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.

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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
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UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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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.

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UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

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

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UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Underwriting Income

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

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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 \$1,000 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 a Corporation that is not a private foundation under section 509(a)(2).

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

There was no required provision for income taxes for fiscal year ended June 30, 2020. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

Leases (Topic 842)

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

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Broadcasting, production and programming equipment	\$ 329,082	\$ 341,539
Less accumulated depreciation	<u>(244,451)</u>	<u>(236,514)</u>
	<u>\$ 84,631</u>	<u>\$ 105,025</u>

Depreciation expense was \$20,733 and \$24,338 for the years ended June 30, 2020 and 2019, 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 – ADMITTANCE OF UNALASKA COMMUNITY BROADCASTING, INC. TO THE COMPACT

On July 1, 2018 KUCB in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, to CoastAlaska. The contribution of assets to CoastAlaska totaled \$316,870.

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – SUBSEQUENT EVENTS

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

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, Unalaska Community Broadcasting, Inc. was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.



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, 2020 and 2019, 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, 2020 and 2019, 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 six public radio stations (including KUCB which was added in 2019) 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, 2020 and 2019, appearing on pages 20-25, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elgee Rehfeld

November 13, 2020

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Property and equipment, net	\$ 1,534,358	\$ 1,540,605
Beneficial interest -		
Juneau Community Foundation	222,409	209,358
Intangibles	<u>621,400</u>	<u>621,400</u>
Total Assets	<u>\$ 2,378,167</u>	<u>\$ 2,371,363</u>
LIABILITIES AND NET ASSETS:		
Liabilities -		
Payable to KTOO Legacy Foundation	<u>\$ 222,409</u>	<u>\$ 209,358</u>
Total Liabilities	<u>222,409</u>	<u>209,358</u>
Net Assets -		
Without Donor Restrictions	<u>2,155,758</u>	<u>2,162,005</u>
Total Liabilities and Net Assets	<u>\$ 2,378,167</u>	<u>\$ 2,371,363</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public Support, Revenue and Other Gains:		
Support from CoastAlaska for		
equipment repairs and replacements	\$ 257,180	\$ 136,629
Contributions	162,070	355,112
Membership	445,095	367,983
Government and CPB operating grants	1,818,985	1,449,816
Underwriting income	597,492	583,259
Rental, special events and other income	139,746	208,201
Royalties and production income	45,114	42,412
Other operating grants	520,085	388,822
Total Public Support, Revenue and Other Gains	<u>3,985,767</u>	<u>3,532,234</u>
Administrative Expenses:		
Pass-through funding to CoastAlaska	3,728,587	3,395,605
Depreciation	263,427	273,464
Total Administrative Expenses	<u>3,992,014</u>	<u>3,669,069</u>
Change in Net Assets Without Donor Restrictions	(6,247)	(136,835)
Net Assets, Beginning of Year	<u>2,162,005</u>	<u>2,298,840</u>
Net Assets, End of Year	<u>\$ 2,155,758</u>	<u>\$ 2,162,005</u>

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

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of the Change in Net Assets Without Donor Restrictions To Net Cash Provided By Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ (6,247)	\$ (136,835)
Adjustment to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	<u>263,427</u>	<u>273,464</u>
Net Cash Provided By Operating Activities	<u>257,180</u>	<u>136,629</u>
Cash Flows From Investing Activities -		
Cash paid for fixed assets and capital improvements, net	<u>(257,180)</u>	<u>(136,629)</u>
Net Cash Used For Investing Activities	<u>(257,180)</u>	<u>(136,629)</u>
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

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

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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.

On July 1, 2018 Unalaska Community Broadcasting, Inc. (KUCB) in Unalaska joined the CoastAlaska compact and transferred/contributed all assets, liabilities, revenue, and expenses, with the exception of KUCB's fixed assets, associated accumulated depreciation and long-term debt, 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

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

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

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

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

Basis Accounting

The financial statements of 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.

CCBI 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.

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.

Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

CCBI. These net assets may be used at the discretion of the CCBI's management and the board of directors.

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

Classification of Transactions

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

Revenue Recognition

Contributions

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

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

Membership

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

Grant Revenue

Grants or contracts awarded to the Corporation from government, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Underwriting Income

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Rental, Special Events and Other Income

Revenue from rented radio tower space, special events, and merchandise sales are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Royalties and Production Income

Revenue from royalties and television production are recorded when earned. Unearned revenues are reported as deferred revenue in the statement of financial position. Management evaluates receivables from rental, special events and other income for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Cash

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.

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 \$1,000 for land, buildings, and equipment with a useful life of at least three years are capitalized.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 a Corporation that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2020 and 2019. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

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

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the 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. The Corporation adopted ASU No. 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU No. 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Corporation's financial position, results of operations, or cash flows, the impact of adoption

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU No. 2020-05 *Effective Dates for Certain Entities* that deferred the effective date for the Corporation until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Corporation plans to adopt ASU No. 2014-09 as amended by ASU No. 2020-05, in its fiscal year ending June 30, 2021.

Leases (Topic 842)

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

NOTE 2 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 2,549,421	\$ 2,438,385
Broadcasting, production and programming equipment	3,091,394	2,983,457
Office fixtures and equipment	<u>51,350</u>	<u>51,350</u>
	5,692,165	5,473,192
Less accumulated depreciation	<u>(4,157,807)</u>	<u>(3,932,587)</u>
	<u>\$ 1,534,358</u>	<u>\$ 1,540,605</u>

Depreciation expense was \$263,427 and \$273,464 for fiscal years ended June 30, 2020 and 2019.

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – JUNEAU COMMUNITY FOUNDATION FUND

During fiscal year 2010, CCBI's 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 Corporation. The variance power is further limited in that JCF may transfer the interest in the Fund after consultation with members of the final Board of Directors of CCBI. Accordingly, CCBI has recognized a beneficial interest in the JCF Fund.

CCBI records the beneficial interest at cost and will recognize earnings in the Fund upon distribution by JCF. During fiscal years 2020 and 2019, 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, 2020 and 2019, JCF reported to CCBI the account had a total market value of \$60,849,755 and \$59,814,520, and an adjusted cost basis of \$50,544,005 and \$50,368,768, respectively. CCBI's reported share of the account had a market value of \$338,439 and \$312,709 at June 30, 2020 and 2019, 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. The operating land lease was extended on June 25, 2020. 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, 2020, the Schedule of Minimum Future Land and Equipment Lease Payments is as follows:

<u>Year Ending June 30</u>	Schedule of Minimum Future Land and Equipment <u>Lease Payments</u>
2021	\$ 108,090
2022	114,017
2023	114,017
2024	114,017
2025	114,017
Thereafter	<u>2,696,812</u>
Total	<u>\$ 3,260,970</u>

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTE 7 – SUBSEQUENT EVENTS

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

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, CCBI was subject to reduced operations temporarily during fiscal year 2020 and has continued into fiscal year 2021. Due to economic uncertainty, the continued overall impact of the disruption to the Corporation cannot be estimated at this time.

Separation of KTOO from the Compact

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