

KACHEMAK BAY BROADCASTING, INC.

FINANCIAL STATEMENTS

June 30, 2013 and 2012

KACHEMAK BAY BROADCASTING, INC.
FINANCIAL STATEMENTS

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1
Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	6
Notes to financial statements	7

Robert B. Lambe
Janice M. Tuter
Cynthia J. Wagner

INDEPENDENT AUDITOR'S REPORT

Boards of Directors
Kachemak Bay Broadcasting, Inc.

Soldotna Office:
189 S. Binkley Street
Suite 201
Soldotna, Alaska 99669
Phone: 907-262-9123
Fax: 907-262-3855

We have audited the accompanying financial statements of Kachemak Bay Broadcasting, Inc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

The Northern
Technology Group:
189 S. Binkley Street
Suite 201
Soldotna, Alaska 99669
Phone: 907-262-1455
Fax: 907-262-3855

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.

Website:
www.akcpas.com

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 Kachemak Bay Broadcasting, Inc as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lambe Tuter & Wagner

Lambe Tuter & Wagner CPAs
November 21, 2013

KACHEMAK BAY BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 468,745	\$ 384,724
Certificates of deposit	120,171	30,174
Underwriting receivable	20,937	32,804
Grant receivable	-	22,587
Unconditional promises to give	7,264	3,310
Prepaid expenses	18,139	17,109
Total current assets	<u>635,256</u>	<u>490,708</u>
PROPERTY AND EQUIPMENT	1,269,963	1,269,963
Less accumulated depreciation	<u>(755,954)</u>	<u>(703,901)</u>
	<u>514,009</u>	<u>566,062</u>
COMPUTER SOFTWARE	20,935	20,935
Less accumulated amortization	<u>(16,380)</u>	<u>(15,200)</u>
	<u>4,555</u>	<u>5,735</u>
OTHER ASSETS		
Certificates of deposit	99,295	251,685
Investment in The Homer Foundation	43,611	41,160
Donated equipment held for resale	15,000	35,000
	<u>157,906</u>	<u>327,845</u>
	<u>\$ 1,311,726</u>	<u>\$ 1,390,350</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 2,650	\$ 9,298
Underwriting deposits	2,379	36,113
Accrued expenses	20,851	26,994
Payable to Pickle Hill Public Broadcasting, Inc.	493	1,492
Total current liabilities	<u>26,373</u>	<u>73,897</u>
NET ASSETS		
Unrestricted	1,157,414	1,170,726
Temporarily restricted	84,328	104,567
Permanently restricted	43,611	41,160
Total net assets	<u>1,285,353</u>	<u>1,316,453</u>
	<u>\$ 1,311,726</u>	<u>\$ 1,390,350</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2013 and 2012

CHANGES IN UNRESTRICTED NET ASSETS FROM OPERATING ACTIVITIES	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER SUPPORT		
Underwriting	\$ 127,524	\$ 86,470
Membership dues	89,791	85,308
Service agreement	80,000	74,600
Fund-raising	25,512	26,341
Donated services	51,139	50,202
Broadcasting income	11,000	8,800
Other Income	732	4,034
	<u>385,698</u>	<u>335,755</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>272,878</u>	<u>301,658</u>
Total revenues and other support	<u>658,576</u>	<u>637,413</u>
EXPENSES		
Programming and production	224,171	229,222
Management and general	200,953	181,608
Broadcasting and technical	144,025	157,707
Fund-raising	88,327	83,407
TOTAL EXPENSES	<u>657,476</u>	<u>651,944</u>
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATING ACTIVITIES	<u>1,100</u>	<u>(14,531)</u>
FROM NON OPERATING ACTIVITIES		
Loss on value of donated asset held for resale	(20,000)	-
Interest	5,588	6,703
Investment earnings	2,451	5,126
	<u>(11,961)</u>	<u>11,829</u>
Net assets transferred to permanently restricted endowment	<u>(2,451)</u>	<u>(5,126)</u>
CHANGE IN UNRESTRICTED NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>(14,412)</u>	<u>6,703</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>(13,312)</u>	<u>(7,828)</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.
 STATEMENTS OF ACTIVITIES (CONT.)
 Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants received for operating purposes	252,639	274,691
Grants received for capital purchases	-	40,404
	<u>252,639</u>	<u>315,095</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>(272,878)</u>	<u>(301,658)</u>
INCREASE/(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(20,239)</u>	<u>13,437</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Net assets transferred to permanently restricted endowment	<u>2,451</u>	<u>5,126</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>2,451</u>	<u>5,126</u>
CHANGE IN NET ASSETS	(31,100)	10,735
NET ASSETS AT BEGINNING OF YEAR	<u>1,316,453</u>	<u>1,305,718</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,285,353</u>	<u>\$ 1,316,453</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members, contributors and granting agencies	\$ 543,902	\$ 582,821
Cash paid to suppliers and employees	(527,862)	(515,185)
Interest received	5,588	6,703
Net cash provided by operating activities	<u>21,628</u>	<u>74,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(47,404)
Purchases of software	-	(3,460)
Proceeds from certificates of deposit	62,393	61,431
Purchase of certificates of deposit	-	(35,000)
Cash provided (used) for investing activities	<u>62,393</u>	<u>(24,433)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,021	49,906
CASH AND CASH EQUIVALENTS, beginning	<u>384,724</u>	<u>334,818</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 468,745</u>	<u>\$ 384,724</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	<u>\$ (31,100)</u>	<u>\$ 10,735</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	53,233	62,448
Loss on value of donated asset held for resale	20,000	-
Decrease (increase) in underwriting receivables	11,867	(9,595)
Decrease (increase) in grants receivable	22,587	(1,625)
Decrease (increase) in unconditional promises to give	(3,954)	2,988
Decrease in payable to grantor	-	(9,460)
Increase in prepaid expenses	(1,030)	(1,896)
Increase (decrease) in accounts payable	(6,648)	1,318
Increase (decrease) in accrued expenses	(6,143)	3,852
Increase (decrease) in underwriting deposits	(33,734)	8,289
Increase (decrease) in payable to Pickle Hill Public Broadcasting, Inc.	(999)	1,492
Decrease in receivable from Pickle Hill Public Broadcasting, Inc.	-	10,919
Non-cash investment earnings	(2,451)	(5,126)
Total adjustments	<u>52,728</u>	<u>63,604</u>
	<u>\$ 21,628</u>	<u>\$ 74,339</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kachemak Bay Broadcasting, Inc. (KBBI) is a public, nonprofit radio station incorporated to provide and promote noncommercial educational radio broadcasting in the Kachemak Bay area.

Kachemak Bay Broadcasting, Inc. is under contract to provide for the operations of Pickle Hill Public Broadcasting, Inc.

The accounting policies that affect the more significant elements of Kachemak Bay Broadcasting, Inc. are summarized as follows:

a. Method of Accounting

Kachemak Bay Broadcasting, Inc. reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted amounts are those currently available at the discretion of the Board for the use in Kachemak Bay Broadcasting, Inc.'s operations.

Temporarily restricted amounts are those which are stipulated by donors or grantors for specific operating purposes. Revenue from grants and contracts are recognized as earned when the Corporation has incurred expenditures in compliance with the specific grant or contract.

Permanently restricted amounts are those for which the principal is stipulated by donors or grantors to be invested in perpetuity.

b. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues in the period received and as assets, decrease in liabilities or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Kachemak Bay Broadcasting, Inc.

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. Accounts Receivable

Kachemak Bay Broadcasting, Inc. extends credit for services rendered to underwriting customers on open accounts and receives payments for services in cash and trades.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of underwriters to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for doubtful accounts is considered necessary at June 30, 2013 and 2012.

Payments received in advance of services rendered are recorded as underwriting deposits.

d. Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 as of June 30, 2013 and \$300 as of June 30, 2012, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Property and equipment is recorded at cost, or in the case of donated property, at its estimated fair value as of the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which ranges from three to thirty-five years. Expenditures for repairs and maintenance are charged against operations as incurred.

e. Functional Expense Allocation

Directly identifiable expenses are charged to programs, fund-raising, and management and general expenses. Expenses related to more than one function are charged to each function on the basis of time studies and management estimates based upon prior experience. Management and general expenses include those expenses that are not directly chargeable to any other specific function but provide for the overall support and direction of the Corporation.

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with maturities of three months or less.

g. Use of Estimates

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

h. Subsequent Events

Subsequent events have been evaluated through November 21, 2013 which is the date the financial statements were available to be issued.

2. CONCENTRATION OF CREDIT RISK

The Corporation maintains cash funds on deposit with the same banking institution in excess of the FDIC insured limit of \$250,000.

3. GRANT RECEIVABLE

Grant receivable consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Corporation for Public Broadcasting	<u>\$ -</u>	<u>\$ 22,587</u>

4. CERTIFICATES OF DEPOSIT

Certificates of deposit in the amount of \$252,495 and \$314,868 at June 30, 2013 and 2012, respectively, bear interest at 0.8% to 3.0%, mature September 11, 2013 through December 16, 2016, and are classified as follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 33,029	\$ 33,009
Current assets	120,171	30,174
Other assets	99,295	251,685
	<u>\$ 252,495</u>	<u>\$ 314,868</u>

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

5. MAJOR FUNDING SOURCE

Kachemak Bay Broadcasting, Inc. receives a substantial portion of their annual funding through grants. The Corporation received \$130,924 and \$133,095 from the State of Alaska and \$121,715 and \$140,597 from the Corporation for Public Broadcasting during the years ended June 30, 2013 and 2012.

6. DONATED SERVICES

The value of donated services included as contributions in the financial statements and the corresponding program expenses and other assets for the year then ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Expenses:		
Broadcasting and technical	<u>\$ 51,139</u>	<u>\$ 50,202</u>
Revenue and other support:		
Donated services and equipment	<u>\$ 51,139</u>	<u>\$ 50,202</u>

Numerous volunteers have donated significant amounts of time to Kachemak Bay Broadcasting, Inc.'s program services and fund-raising efforts. No amounts have been reflected in the accompanying financial statements for the fair value of these services.

7. SERVICE AGREEMENT

Pickle Hill Public Broadcasting, Inc. operates under a service agreement with KBBI – Kachemak Bay Broadcasting, Inc. Under the terms of the agreement KBBI provides programming and manages all aspects of the operation of Pickle Hill Public Broadcasting, Inc. Revenue earned under the agreement was \$80,000 and \$74,600, respectively, for the years ended June 30, 2013 and 2012.

8. ADVERTISING

Kachemak Bay Broadcasting, Inc. uses advertising to promote their programs among the audience they serve. The production costs of advertising are expensed as incurred. Advertising costs totaled \$20,858 and \$11,943 for the years ended June 30, 2013 and 2012.

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

9. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 163,566	\$ 163,566
Buildings	598,236	598,236
Broadcast equipment	466,076	466,076
Furniture and fixtures	<u>42,085</u>	<u>42,085</u>
	1,269,963	1,269,963
Less accumulated depreciation	<u>(755,954)</u>	<u>(703,901)</u>
	<u>\$ 514,009</u>	<u>\$ 566,062</u>

Depreciation expense was \$52,053 and \$61,556 for the years ended June 30, 2013 and 2012, and is charged to management and general and broadcasting and technical.

During the year ended June 30, 2004, Kachemak Bay Broadcasting, Inc. purchased property and equipment in the amount of \$110,962 funded in part by a federal grant. The U.S. Department of Commerce retains a reversionary interest in property purchased under the grant project for a period of ten years. The net book value is recorded as temporarily restricted net assets at June 30, 2013 and 2012.

During the year ended June 30, 2008, Kachemak Bay Broadcasting, Inc. received a grant totaling \$116,012 from the Corporation for Public Broadcasting for construction of new digital transmitter site in Homer. The United States Department of Commerce retains a revisionary interest in property purchased under the grant project for a period of ten years. The net book value is recorded as temporarily restricted net assets at June 30, 2013 and 2012.

During the year ended June 30, 2012, Kachemak Bay Broadcasting, Inc. received a grant totaling \$39,051 from the Alaska Public Broadcasting, Inc. as an infrastructure improvement capital grant. The Denali Commission retains a reversionary interested in property purchased under this the grant project for a period of five years. The net book value is recorded as temporary restricted net assets at June 30, 2013 and 2012.

10. LINE OF CREDIT

The Corporation has an approved line of credit based on the value of its investment account with Edward Jones. The available credit line at June 30, 2013 and 2012 is \$127,198 and \$168,341 respectively at 6% interest. No draws have been made on the line of credit.

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

11. COMMITMENTS AND CONTINGENCIES

Kachemak Bay Broadcasting, Inc. receives grants that are subject to audit and adjustment by the grantor agencies. Any expenditures disallowed as a result of such audit and for which the grant monies had been expended would become a liability of the Corporation. As of June 30, 2013 and 2012, no such audits were pending.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available
for the following purposes or periods at June 30:

	<u>2013</u>	<u>2012</u>
Property and equipment, net		
PTFP	\$ -	\$ 4,629
Corporation of Public Broadcasting, Inc grant	52,200	63,802
Denali Commission, round 6 grant	32,128	36,136
	<u>\$ 84,328</u>	<u>\$ 104,567</u>

13. PERMANENTLY RESTRICTED ENDOWMENT FUNDS

Kachemak Bay Broadcasting, Inc. has an agreement with The Homer Foundation, a community foundation, whereby the foundation invests the permanently restricted funds of the KBBI – Bev Munro Endowment for the benefit of the Corporation. Kachemak Bay Broadcasting, Inc. earns income on its endowment fund which it may choose to receive or reinvest in the endowment fund. At June 30, 2013 and 2012, Kachemak Bay Broadcasting, Inc.’s endowment fund contributed costs with The Homer Foundation are \$43,611 and \$41,160. The Foundation allocated portfolio share for KBBI – Bev Munro Endowment Fund is reported at \$33,850 and \$37,917 at June 30, 2013 and 2012, respectively.

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

14. FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional expenses are classified as follows for the year ended June 30, 2013:

	Programming and Production	Management and General	Broadcasting and Technical	Fund- raising	Total
Personnel costs	\$ 162,699	\$ 131,413	\$ -	\$ 41,703	\$ 335,815
Depreciation	-	22,176	29,877	-	52,053
Programming and production costs	54,095	-	-	-	54,095
Technical support	-	-	51,139	-	51,139
Repairs/maintenance	-	1,638	13,424	27	15,089
Utilities	-	5,753	32,259	-	38,012
Advertising	1,328	544	-	18,986	20,858
Supplies	29	3,006	2,543	17,335	22,913
Travel	2,714	9,264	-	1,093	13,071
Professional fees	-	7,588	-	-	7,588
Insurance	-	9,170	-	-	9,170
Amortization	-	1,180	-	-	1,180
Survey	-	-	-	-	-
Other	3,306	9,221	14,783	9,183	36,493
	<u>\$ 224,171</u>	<u>\$ 200,953</u>	<u>\$ 144,025</u>	<u>\$ 88,327</u>	<u>\$ 657,476</u>

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

14. FUNCTIONAL CLASSIFICATION OF EXPENSES (CONT.)

Functional expenses are classified as follows for the year ended June 30, 2012:

	Programming and Production	Management and General	Broadcasting and Technical	Fund- raising	Total
Personnel costs	\$ 169,399	\$ 112,583	\$ -	\$ 44,166	\$ 326,148
Depreciation	-	23,309	38,247	-	61,556
Programming and production costs	53,408	-	-	-	53,408
Technical support	-	-	50,202	-	50,202
Utilities	-	6,000	33,495	-	39,495
Repairs/maintenance	-	2,873	24,167	-	27,040
Supplies	-	3,587	786	12,703	17,076
Advertising	302	295	-	11,346	11,943
Travel	1,731	6,463	666	1,688	10,548
Professional fees	-	9,161	-	-	9,161
Insurance	-	8,027	-	-	8,027
Amortization	-	892	-	-	892
Other	4,382	8,418	10,144	13,504	36,448
	<u>\$ 229,222</u>	<u>\$ 181,608</u>	<u>\$ 157,707</u>	<u>\$ 83,407</u>	<u>\$ 651,944</u>

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

14. SOURCES OF REVENUES AND OTHER SUPPORT

Sources of revenue and other support are summarized as follows for the year ended June 30, 2013:

	TEMPORARILY RESTRICTED GRANTS			UNRESTRICTED REVENUES AND OTHER SUPPORT			
	Balance 6/30/12	Grants Received in 2013	Grants Released from Restrictions in 2013	Balance 6/30/13	Temporarily Restricted Grants Released from Restrictions in 2013	Unrestricted Revenues and Other Support	Total Grants and Support for 2013
For Operations Revenue and Other Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,698	\$ 385,698
Operating Grants	-	252,639	(252,639)	-	252,639	-	252,639
	-	252,639	(252,639)	-	252,639	385,698	638,337
For Capital Grants	104,567	-	(20,239)	84,328	20,239	-	20,239
	<u>\$ 104,567</u>	<u>\$ 252,639</u>	<u>\$ (272,878)</u>	<u>\$ 84,328</u>	<u>\$ 272,878</u>	<u>\$ 385,698</u>	<u>\$ 658,576</u>

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

15. SOURCES OF REVENUES AND OTHER SUPPORT (CONT.)

Sources of revenue and other support are summarized as follows for the year ended June 30, 2012:

	<u>TEMPORARILY RESTRICTED GRANTS</u>			<u>UNRESTRICTED REVENUES AND OTHER SUPPORT</u>			
	Balance 6/30/11	Grants Received in 2012	Grants Released from Restrictions in 2012	Balance 6/30/12	Temporarily Restricted Grants Released from Restrictions in 2012	Unrestricted Revenues and Other Support	Total Grants and Support for 2012
For Operations Revenue and Other Support	\$ -			\$ -	\$ -	\$ 335,755	\$ 335,755
Operating Grants	-	274,692	(274,692)	-	274,692	-	274,692
	-	274,692	(274,692)	-	274,692	335,755	610,447
For Capital Grants	91,130	40,403	(26,966)	104,567	26,966	-	26,966
	<u>\$ 91,130</u>	<u>\$ 315,095</u>	<u>\$ (301,658)</u>	<u>\$ 104,567</u>	<u>\$ 301,658</u>	<u>\$ 335,755</u>	<u>\$ 637,413</u>

KACHEMAK BAY BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

16. INCOME TAXES

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2013 and 2012.

The Corporation files its form 990 in the U.S. federal jurisdiction for the State of Alaska. The Corporation is generally no longer subject to examination by the Internal Revenue Service for years before 2010.