

**KACHEMAK BAY BROADCASTING, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

KACHEMAK BAY BROADCASTING, INC.  
FINANCIAL STATEMENTS

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# LAMBE, TUTER & WAGNER

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

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Boards of Directors  
Kachemak Bay Broadcasting, Inc.

We have audited the statements of financial position of Kachemak Bay Broadcasting, Inc. (a nonprofit corporation) as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kachemak Bay Broadcasting, Inc. as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lambe Tuter & Wagner*

January 25, 2013

KACHEMAK BAY BROADCASTING, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, unrestricted	\$ 384,724	\$ 334,818
Certificates of deposit	30,174	30,096
Underwriting receivable	32,804	23,209
Grant receivable	22,587	20,962
Unconditional promises to give	3,310	6,298
Receivable from Pickle Hill Public Broadcasting, Inc.	-	10,919
Prepaid Expenses	17,109	15,213
Total current assets	<u>490,708</u>	<u>441,515</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation	1,269,963	1,222,559
	<u>(703,901)</u>	<u>(642,345)</u>
	<u>566,062</u>	<u>580,214</u>
<b>COMPUTER SOFTWARE</b>		
Less accumulated amortization	20,935	17,475
	<u>(15,200)</u>	<u>(14,308)</u>
	<u>5,735</u>	<u>3,167</u>
<b>OTHER ASSETS</b>		
Certificates of Deposit	251,685	278,194
Investment in Homer foundation	41,160	36,034
Donated equipment held for resale	35,000	35,000
	<u>327,845</u>	<u>349,228</u>
	<u>\$ 1,390,350</u>	<u>\$ 1,374,124</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,298	\$ 7,980
Underwriting deposits	36,113	27,824
Accrued expenses	26,994	23,142
Payable to Pickle Hill Public Broadcasting, Inc.	1,492	-
Payable to Grantor	-	9,460
Total current liabilities	<u>73,897</u>	<u>68,406</u>
<b>NET ASSETS</b>		
Unrestricted	1,170,726	1,178,554
Temporarily restricted	104,567	91,130
Permanently restricted	41,160	36,034
Total net assets	<u>1,316,453</u>	<u>1,305,718</u>
	<u>\$ 1,390,350</u>	<u>\$ 1,374,124</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2012 and 2011

CHANGES IN UNRESTRICTED NET ASSETS FROM OPERATING ACTIVITIES	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER SUPPORT		
Underwriting	\$ 86,470	\$ 121,761
Membership dues	85,308	85,643
Service agreement	74,600	74,600
Fund-raising	26,341	34,969
Donated services	50,202	34,929
Broadcasting income	8,800	11,000
Other Income	4,034	640
	<u>335,755</u>	<u>363,542</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>301,658</u>	<u>321,585</u>
Total revenues and other support	<u>637,413</u>	<u>685,127</u>
EXPENSES		
Programming and production	229,222	204,387
Management and general	181,608	190,259
Broadcasting and technical	157,707	130,694
Fund-raising	83,407	76,014
Total expenses	<u>651,944</u>	<u>601,354</u>
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATING ACTIVITIES	<u>(14,531)</u>	<u>83,773</u>
FROM NON-OPERATING ACTIVITIES		
Interest	6,703	8,244
Investment return	5,126	2,850
	<u>11,829</u>	<u>11,094</u>
Net assets transferred to permanently restricted endowment	<u>(5,126)</u>	<u>(2,850)</u>
CHANGE IN UNRESTRICTED NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>6,703</u>	<u>8,244</u>
INCREASE (DECREASE) IN UNRESTRICTED ACTIVITIES	<u>(7,828)</u>	<u>92,017</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.  
STATEMENTS OF ACTIVITIES (CONT.)  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants received for operating purposes	274,691	273,885
Grants received for capital purchases	40,404	-
	<u>315,095</u>	<u>273,885</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>(301,658)</u>	<u>(321,585)</u>
INCREASE/(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>13,437</u>	<u>(47,700)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Net assets transferred to permanently restricted endowment	<u>5,126</u>	<u>2,850</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>5,126</u>	<u>2,850</u>
CHANGE IN NET ASSETS	10,735	47,167
NET ASSETS AT BEGINNING OF YEAR	<u>1,305,718</u>	<u>1,258,551</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,316,453</u></u>	<u><u>\$ 1,305,718</u></u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.  
 STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members, contributors and granting agencies	\$ 582,821	\$ 497,539
Cash paid to suppliers and employees	(515,185)	(462,657)
Interest received	6,703	8,244
Net cash provided by operating activities	<u>74,339</u>	<u>43,126</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(47,404)	(43,336)
Purchases of software	(3,460)	-
Proceeds from certificates of deposit	61,431	-
Purchase of certificates of deposit	(35,000)	(55,477)
Cash used for investing activities	<u>(24,433)</u>	<u>(98,813)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	49,906	(55,687)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>334,818</u>	<u>390,505</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$ 384,724</u>	<u>\$ 334,818</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>CHANGE IN NET ASSETS</b>	<u>\$ 10,735</u>	<u>\$ 47,167</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation and amortization	62,448	59,042
Decrease (increase) in underwriting receivables	(9,595)	110
Increase in grants receivable	(1,625)	(487)
Decrease in unconditional promises to give	2,988	6,212
Increase (decrease) in payable to grantor	(9,460)	9,460
Increase in prepaid expenses	(1,896)	(4,724)
Increase in accounts payable	1,318	4,463
Increase (decrease) in accrued expenses	3,852	(2,974)
Increase (decrease) in underwriting deposits	8,289	(18,727)
Increase (decrease) in payable to Pickle Hill Public Broadcasting, Inc.	1,492	(42,647)
Decrease (increase) in receivable from Pickle Hill Public Broadcasting, Inc.	10,919	(10,919)
Non-cash investment earnings	(5,126)	(2,850)
Total adjustments	<u>63,604</u>	<u>(4,041)</u>
	<u>\$ 74,339</u>	<u>\$ 43,126</u>

See notes to financial statements.

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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, 2012 and 2011

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, 2012 and 2011.

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 \$300 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 general and administrative services. 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. General and administrative 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, 2012 and 2011

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 original 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 January 25 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Corporation for Public Broadcasting	<u>\$ 22,587</u>	<u>\$ 20,962</u>

4. CERTIFICATES OF DEPOSIT

Certificates of deposit in the amount of \$314,868 and \$308,290 at June 30, 2012 and 2011, respectively, bear interest at .8% to 3%, mature September 14, 2012 through December 16, 2016, and are classified as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 33,009	\$ -
Current assets	30,174	30,096
Other assets	<u>251,685</u>	<u>278,194</u>
	<u>\$ 314,868</u>	<u>\$ 308,290</u>

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

5. MAJOR FUNDING SOURCE

Kachemak Bay Broadcasting, Inc. receives a substantial portion of their annual funding through grants. The Corporation received \$133,095 and \$142,762 from the State of Alaska and \$140,597 and \$128,868 from the Corporation for Public Broadcasting during the years ended June 30, 2012 and 2011.

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, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Expenses:		
Broadcasting and technical	<u>\$ 50,202</u>	<u>\$ 34,929</u>
Revenue and other support:		
Donated services and equipment	<u>\$ 50,202</u>	<u>\$ 34,929</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 \$74,600 for the years ended June 30, 2012 and 2011.

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 \$11,943 and \$21,565 for the years ended June 30, 2012 and 2011.

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

9. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 163,566	\$ 163,566
Buildings	598,236	592,200
Broadcast equipment	466,076	426,591
Furniture and fixtures	42,085	40,202
	<u>1,269,963</u>	<u>1,222,559</u>
Less accumulated depreciation	<u>(703,901)</u>	<u>(642,345)</u>
	<u>\$ 566,062</u>	<u>\$ 580,214</u>

Depreciation expense was \$61,556 and \$58,554 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011.

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, 2012 and 2011.

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 the period of five years. The net book value is recorded as temporary restricted net assets at June 30, 2012 and 2011.

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, 2012 and 2011 is \$168,341 at 6% interest. No draws have been made on the line of credit.

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

11. PAYABLE TO GRANTORS

The Corporation has received funds in advance through various programs but has not spent all such funds as of yearend. In compliance with the policy for the recognition of income, the Corporation has not yet recognized such funds as support and revenue. Payable to grantors at June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Alaska Public Broadcasting, Inc. Capital Grant	<u>\$ -</u>	<u>\$ 9,460</u>

12. 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, 2012 and 2011, no such audits were pending.

13. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Property and equipment, net		
PTFP	\$ 4,629	\$ 15,729
Corporation of Public Broadcasting, Inc grant	63,802	75,404
Denali Commission, round 6 grant	36,136	-
	<u>\$ 104,567</u>	<u>\$ 91,133</u>

14. PERMANENTLY RESTRICTED ENDOWMENT FUNDS

Kachemak Bay Broadcasting, Inc. makes endowments to the Homer Foundation, a community foundation. 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, 2012 and 2011, Kachemak Bay Broadcasting, Inc.'s endowment fund contributed costs with the Homer Foundation were \$41,160 and \$36,034. The Foundation allocated portfolio share for Kachemak Bay Broadcasting, Inc. is reported at \$37,917 and \$37,061 at June 30, 2012 and 2011, respectively.

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

15. FUNCTIONAL CLASSIFICATION OF EXPENSES

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, 2012 and 2011

15. FUNCTIONAL CLASSIFICATION OF EXPENSES (CONT.)

Functional expenses are classified as follows for the year ended June 30, 2011:

	Programming and Production	Management and General	Broadcasting and Technical	Fund- raising	Total
Personnel costs	\$ 157,237	\$ 112,677	\$ -	\$ 37,567	\$ 307,481
Depreciation	-	23,114	35,440	-	58,554
Programming and production costs	43,552	-	-	-	43,552
Technical support	-	-	34,929	-	34,929
Repairs/maintenance	-	3,127	18,721	270	22,118
Utilities	-	4,864	29,629	-	34,493
Advertising	776	4,695	975	15,119	21,565
Supplies	108	5,090	705	11,894	17,797
Travel	989	2,092	-	834	3,915
Professional fees	-	9,119	-	-	9,119
Insurance	-	8,663	-	-	8,663
Amortization	-	488	-	-	488
Survey	-	5,725	-	-	5,725
Other	1,725	10,605	10,295	10,330	32,955
	<u>\$ 204,387</u>	<u>\$ 190,259</u>	<u>\$ 130,694</u>	<u>\$ 76,014</u>	<u>\$ 601,354</u>

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

16. SOURCE OF REVENUES AND OTHER SUPPORT

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
For Capital Grants	-	274,692	(274,692)	-	274,692	335,755	610,447
	<u>91,130</u>	<u>40,403</u>	<u>(26,966)</u>	<u>104,567</u>	<u>26,966</u>	<u>-</u>	<u>26,966</u>
	<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, 2012 and 2011

16. SOURCE OF REVENUES AND OTHER SUPPORT (CONT.)

Sources of revenue and other support are summarized as follows for the year ended June 30, 2011:

	<u>TEMPORARILY RESTRICTED GRANTS</u>			<u>UNRESTRICTED REVENUES AND OTHER SUPPORT</u>			
	Balance 6/30/10	Grants Received in 2011	Grants Released from Restrictions in 2011	Balance 6/30/11	Temporarily Restricted Grants Released from Restrictions in 2011	Unrestricted Revenues and Other Support	Total Grants and Support for 2011
For Operations Revenue and Other Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,542	\$ 363,542
Operating Grants	<u>25,000</u>	<u>273,885</u>	<u>(298,885)</u>	<u>-</u>	<u>298,885</u>	<u>-</u>	<u>298,885</u>
	25,000	273,885	(298,885)	-	298,885	363,542	662,427
For Capital Grants	<u>113,830</u>	<u>-</u>	<u>(22,700)</u>	<u>91,130</u>	<u>22,700</u>	<u>-</u>	<u>22,700</u>
	<u>\$ 138,830</u>	<u>\$ 273,885</u>	<u>\$ (321,585)</u>	<u>\$ 91,130</u>	<u>\$ 321,585</u>	<u>\$ 363,542</u>	<u>\$ 685,127</u>

KACHEMAK BAY BROADCASTING, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

17. INCOME TAXES

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application 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 2012 and 2011.

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 2008.