

UNALASKA COMMUNITY BROADCASTING, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 and 2017  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Unalaska Community Broadcasting, Inc.  
Unalaska, AK

### **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, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2018 and 2017, 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.

*Elgee Rehfeld*

November 11, 2018

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 349,372	\$ 307,292
Grants and other receivables	10,661	5,011
Inventory	-	3,648
Prepaid expenses	-	3,370
Total current assets	<u>360,033</u>	<u>319,321</u>
Property and equipment, net	<u>112,616</u>	<u>136,954</u>
Total assets	<u><u>\$ 472,649</u></u>	<u><u>\$ 456,275</u></u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 19,842	\$ 6,909
Accrued annual leave	14,535	16,659
Deferred revenue	<u>8,786</u>	<u>12,337</u>
Total liabilities	<u>43,163</u>	<u>35,905</u>
Net assets:		
Unrestricted - invested in property and equipment	112,616	136,954
Unrestricted - undesignated	<u>316,870</u>	<u>283,416</u>
Total net assets	<u>429,486</u>	<u>420,370</u>
Total liabilities and net assets	<u><u>\$ 472,649</u></u>	<u><u>\$ 456,275</u></u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS:		
SUPPORT:		
In-kind contributions	\$ 27,580	\$ 34,220
Membership and donations	<u>40,318</u>	<u>37,168</u>
Total support	<u>67,898</u>	<u>71,388</u>
REVENUES:		
State and local grants	201,495	176,587
Corporation for public broadcasting grants	197,311	221,222
Underwriting	47,730	39,426
Other revenue	44,653	74,087
Interest income	<u>401</u>	<u>368</u>
Total revenues	<u>491,590</u>	<u>511,690</u>
Total revenues and support	<u>559,488</u>	<u>583,078</u>
EXPENSES:		
PROGRAM SERVICES:		
Technical and broadcasting	39,019	49,930
Programming and production	<u>260,912</u>	<u>313,562</u>
Total program services	<u>299,931</u>	<u>363,492</u>
SUPPORTING SERVICES:		
Management and general	166,781	160,598
Occupancy	44,838	48,266
Depreciation	24,338	32,589
Development	<u>14,484</u>	<u>28,484</u>
Total supporting services	<u>250,441</u>	<u>269,937</u>
Total expenses	<u>550,372</u>	<u>633,429</u>
Change in unrestricted net assets	9,116	(50,351)
NET ASSETS, Beginning of Year	<u>420,370</u>	<u>470,721</u>
NET ASSETS, End of Year	<u>\$ 429,486</u>	<u>\$ 420,370</u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 9,116	\$ (50,351)
Adjustment to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	24,338	32,589
Decrease (increase) in:		
Grants and other receivables	(5,650)	4,521
Inventory	3,648	3,496
Prepaid expenses	3,370	86
Increase (decrease) in:		
Accounts payable	12,933	1,179
Accrued annual leave	(2,124)	3,235
Deferred revenue	<u>(3,551)</u>	<u>12,337</u>
Net cash provided by operating activities	<u>42,080</u>	<u>7,092</u>
Net increase in cash and cash equivalents	42,080	7,092
Cash and cash equivalents - beginning of year	<u>307,292</u>	<u>300,200</u>
Cash and cash equivalents - end of year	<u><u>\$ 349,372</u></u>	<u><u>\$ 307,292</u></u>

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

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018 and 2017

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Unalaska Community Broadcasting, Inc. (the Organization) is a nonprofit entity established in 1984 for the purpose of maintaining a non-profit educational broadcasting facility for the coordination, production, and distribution of programming designed to serve the entertainment, informational, cultural, and safety needs of the people of Unalaska and adjacent islands.

Basis of Presentation and Revenue and Expense Recognition

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently or temporarily restricted net assets as of June 30, 2018 and 2017.

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

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.

Donated Services and Equipment

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-2 through 25-5 *Contributions Received*, and FASB ASC 958-605-25-16 through 25-17 *Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require special skills, are performed by people possessing those skills, and would otherwise be purchased by the Organization.

Individuals volunteer their time and assist the Organization with professional services. Donated professional services, meeting the definition of FASB ASC 958-605-25-16 through 25-17 as described above, are recorded as revenue and expense in the accompanying statement of activities as donated services at estimated fair values based upon standard valuation rates and job classifications. Donated time not meeting the criteria is not reflected in the financial statements.

# UNALASKA COMMUNITY BROADCASTING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Contributed equipment is recorded as contributions at estimated fair value on the date of donation and is reported as an increase in the unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, if any, are reported as restricted contributions.

Unalaska Community Broadcasting, Inc. recognized in-kind rent received from the City of Unalaska based on the fair market value of property. Accordingly, \$22,620 and \$22,620 was recognized as in-kind revenue and expenses during the years ended June 30, 2018 and 2017.

Donated goods and services of \$4,960 and \$11,600 were recognized as in-kind contributions during the fiscal years ended June 30, 2018 and 2017, respectively.

### Contributions Receivable

The Organization engages in an annual fundraising campaign manifested by offering special radio programs accompanied by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Contributions receivable are recorded at their estimated fair market value at the time the associated pledge was made. Management has determined all accounts to be collectible as of June 30, 2018 and 2017; therefore an allowance for doubtful accounts has not been assessed. The Organization had contributions receivable of \$598 and \$570 at June 30, 2018 and 2017, respectively.

Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Organization. This usage is consistent with appeals for contributions and pledges.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the balance sheet, and revenue and expenses for the period. Accordingly, actual results could differ from those estimates.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Cash equivalents consist primarily of bank deposits and money market accounts.

### Financial Instruments

The Organization's financial instruments consist primarily of cash, temporary investments, grant, and other receivables, none of which are held for trading purposes. The Organization estimates the fair value of all financial instruments does not differ materially from the carrying value reported in the accompanying statements of financial position.

### Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at estimated fair value. Purchases of assets with an expected useful life in excess of two years and in an amount in excess of \$5,000 are generally capitalized and depreciated. Purchases not meeting this policy are expensed. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, which range from 5 to 20 years.

## UNALASKA COMMUNITY BROADCASTING, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### Functional Expenses

Expenses are charged to program and supporting services on the basis of periodic time and expense studies and direct identification of expenditures incurred. Expenses not directly chargeable are allocated based on direct labor costs and estimates of actual usage.

#### Income Taxes

The Organization was incorporated under the laws of the State of Alaska as a nonprofit corporation and is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no required provision for income taxes for the fiscal years ended June 30, 2018 or 2017. The Organization follows the provisions of FASB ASC 740 *Income Taxes* and management believes that it has appropriate support for any tax positions taken. The Organization'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.

#### Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

#### Recent Accounting Pronouncements

##### ASU 2016-14

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

##### ASU 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *"Leases (Topic 842)."* The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 with early application permitted. The Organization plans to adopt ASU 2016-02 in its fiscal year ended June 30, 2021 and is currently evaluating the impact as a result of adoption.

##### ASU 2015-14

In August 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-14, *"Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date"* which modified ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure

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requirements. These standards are effective for not-for-profit entities reporting periods beginning after December 15, 2018. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Organization plans to adopt these standards in its fiscal year ended June 30, 2020 and is currently evaluating the impact as a result of adoption.

ASU 2016-18

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. ASU 2016-18 is effective for not-for-profit entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after 2019. The amendment is required to be applied retrospectively and early adoption is permitted. The Organization plans to adopt ASU 2016-18 in its fiscal year ended June 30, 2020 and does not anticipate a significant impact as a result of adoption.

ASU 2018-08

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2018. The Organization plans to adopt ASU 2018-08 in its fiscal year ended June 30, 2020 and is currently evaluating the impact as a result of adoption.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Broadcasting equipment	\$ 363,646	\$ 366,805
Total property and equipment	363,646	366,805
Less: Accumulated depreciation	<u>(251,030)</u>	<u>(229,851)</u>
Total property and equipment, net	<u>\$ 112,616</u>	<u>\$ 136,954</u>

Depreciation expense for the fiscal years ending June 30, 2018 and 2017 was \$24,338 and \$32,589, respectively.

**NOTE 3 – RETIREMENT PLAN**

The Organization participates in a simple IRA through American Funds Service Company. Eligibility is determined by individual employee income. Employees who have earned at least \$5,000 in the preceding calendar year, or that Unalaska Community Broadcasting, Inc. expects to

UNALASKA COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

compensate \$5,000 to or more in the coming year are eligible to participate. The Organization contributes 2% of each employee's gross salary pay per period. The total contribution expense for the years ended June 30, 2018 and 2017 were \$4,730 and \$6,034, respectively, which are included in personnel costs.

**NOTE 4 – CONCENTRATIONS AND CONTINGENCIES**

Public Funding

Unalaska Community Broadcasting, Inc. received 71% and 68% of its revenue from the City of Unalaska, the Alaska Public Broadcasting Commission and the Corporation for Public Broadcasting during the years ended June 30, 2018 and 2017, respectively. A significant decline in funding from these sources could have a material impact on the Organization's operations.

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 may not have been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are adjusted by such agencies. Management believes the material provisions of the grant awards have been accommodated and that no significant liability will result from the foregoing matters. Accordingly, no liabilities for amounts which may be payable have been recorded in the accompanying financial statements.

Excess Cash Balances

The Organization 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). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**NOTE 5 – SUBSEQUENT EVENT**

The Organization 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.

Subsequent to year end, Unalaska executed an agreement and joined the CoastAlaska Compact, effective July 1, 2018. The Compact agreement 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.

Joining the CoastAlaska Compact entails contributing all current assets and transferring all current liabilities to CoastAlaska. Unalaska retained respective ownership of all real and personal property and remains obligated for any mortgage debt related to that property. All operating revenues received or raised 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 ongoing management of CoastAlaska. However, Unalaska's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline.