

TALKEETNA COMMUNITY RADIO, INC.

Financial Statements

Years Ended
June 30, 2009 and 2008

TALKEETNA COMMUNITY RADIO, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

To the Board of Directors
Talkeetna Community Radio, Inc.
Talkeetna, Alaska

We have audited the accompanying statements of financial position of Talkeetna Community Radio, Inc. (a non-profit corporation) as of June 30, 2009 and 2008, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Talkeetna Community Radio, Inc.'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 Talkeetna Community Radio, Inc. as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

Anchorage, Alaska
August 24, 2009

TALKEETNA COMMUNITY RADIO, INC.

Statements of Financial Position

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets:		
Cash:		
Unrestricted	\$ 72,292	48,339
Temporarily restricted	14,000	4,950
Accounts receivable	4,038	6,598
Grants receivable	5,171	-
Prepaid expenses	8,041	10,990
Total current assets	<u>103,542</u>	<u>70,877</u>
Property and equipment:		
Furniture and fixtures	21,784	21,784
Broadcast equipment	385,043	385,043
Leasehold improvements	4,021	4,021
Building	299,648	-
Land	55,000	-
Total property and equipment	765,496	410,848
Less accumulated depreciation	<u>(280,090)</u>	<u>(242,923)</u>
Net property and equipment	<u>485,406</u>	<u>167,925</u>
Total assets	<u>\$ 588,948</u>	<u>238,802</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	2,655	-
Payroll liabilities	12,933	11,707
Current portion of long term debt	3,047	-
Deferred revenue	55,990	31,866
Total current liabilities	<u>74,625</u>	<u>43,573</u>
Long term debt	<u>77,568</u>	<u>-</u>
Total liabilities	<u>152,193</u>	<u>43,573</u>
Net assets:		
Unrestricted net assets, designated for:		
Operations	17,964	22,354
Property and equipment, net of related debt	404,791	167,925
Temporarily restricted net assets	14,000	4,950
Total net assets	<u>436,755</u>	<u>195,229</u>
Total liabilities and net assets	<u>\$ 588,948</u>	<u>238,802</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statements of Activities

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
From operating activities:		
Support and revenues:		
Support:		
Grant income	\$ 177,792	181,779
In-kind donations and contributed assets	3,611	150
Contributions	821	21,575
Temporarily restricted net assets released from restriction	-	4,265
Total support	<u>182,224</u>	<u>207,769</u>
Revenue:		
Program underwriting	32,962	20,663
Special events	11,353	6,714
Memberships	24,477	30,289
Other income	957	1,955
Total revenue	<u>69,749</u>	<u>59,621</u>
Total unrestricted support and revenues	<u>251,973</u>	<u>267,390</u>
Expenses:		
Program services:		
Programming and production	90,368	95,807
Broadcasting and technical	60,019	61,766
Total program services	<u>150,387</u>	<u>157,573</u>
Supporting services:		
Administration	136,572	115,098
Fundraising	6,435	10,040
Total supporting services	<u>143,007</u>	<u>125,138</u>
Total expenses	<u>293,394</u>	<u>282,711</u>
Decrease in unrestricted net assets from operating activities	<u>(41,421)</u>	<u>(15,321)</u>
From non-operating activities:		
Capital contributions:		
Grants	56,000	-
Foundation donations	211,000	-
Individual donations	1,200	-
Temporarily restricted net assets released from restriction	4,950	-
Interest income	747	960
Increase in unrestricted net assets from non-operating activities	<u>273,897</u>	<u>960</u>
Changes in temporarily restricted net assets:		
Capital contributions	14,000	4,950
Temporarily restricted net assets released from restriction	<u>(4,950)</u>	<u>(4,265)</u>
Increase in temporarily restricted net assets	<u>9,050</u>	<u>685</u>
Change in net assets	241,526	(13,676)
Net assets, at beginning of year	<u>195,229</u>	<u>208,905</u>
Net assets, ending	<u>\$ 436,755</u>	<u>195,229</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statement of Functional Expenses

Year Ended June 30, 2009

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Programming and Production</u>	<u>Broadcasting and Technical</u>	<u>Fundraising</u>	<u>Admin- istration</u>	
Personnel costs	\$ 64,761	-	-	92,047	156,808
Depreciation	2,092	30,826	132	4,117	37,167
Utilities	-	16,494	-	7,702	24,196
Programming and production costs	18,156	-	-	-	18,156
Professional fees	300	6,179	-	7,732	14,211
Insurance	-	-	-	8,939	8,939
Telephone and postage	1,187	3,362	1,331	2,031	7,911
Rents	2,993	-	2,400	2,400	7,793
Repairs and maintenance	-	2,004	10	3,824	5,838
Supplies	360	277	167	2,577	3,381
Advertising	-	-	2,165	65	2,230
Travel	207	877	-	623	1,707
Interest	-	-	-	1,319	1,319
Dues and subscriptions	312	-	50	360	722
Other expenses	-	-	180	2,836	3,016
	\$ <u>90,368</u>	<u>60,019</u>	<u>6,435</u>	<u>136,572</u>	<u>293,394</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statement of Functional Expenses

Year Ended June 30, 2008

	Program Services		Supporting Services		Total
	Programming and Production	Broadcasting and Technical	Fundraising	Admin- istration	
Personnel costs	\$ 65,977	27	1,267	79,170	146,441
Depreciation	3,116	32,030	141	1,111	36,398
Professional fees	-	13,770	-	6,068	19,838
Utilities	32	13,156	-	5,189	18,377
Programming and production costs	17,675	-	-	-	17,675
Rents	6,274	-	4,800	4,757	15,831
Insurance	-	-	-	8,641	8,641
Telephone and postage	935	1,263	1,240	3,009	6,447
Supplies	1,061	555	1,172	3,442	6,230
Advertising	40	-	1,400	75	1,515
Travel	318	500	-	223	1,041
Repairs and maintenance	60	465	-	30	555
Dues and subscriptions	293	-	-	-	293
Other expenses	26	-	20	3,383	3,429
	\$ 95,807	61,766	10,040	115,098	282,711

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 241,526	(13,676)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,167	36,398
Change in grants receivable	(5,171)	1,800
Change in other receivables	2,560	(2,130)
Change in prepaid expenses	2,949	(5,167)
Change in accounts payable	2,655	(3,824)
Change in payroll liabilities	1,226	117
Change in deferred revenue	24,124	6,866
Cash received restricted to long-term purposes	<u>(268,200)</u>	<u>-</u>
Net cash provided by operating activities	<u>38,836</u>	<u>20,384</u>
 Cash flows from investing activities - purchase of land and building	 <u>(354,648)</u>	 <u>-</u>
 Cash flows from financing activities:		
Proceeds from long-term borrowing	108,500	-
Payments on long-term debt	(27,885)	-
Cash received restricted to long-term purposes	<u>268,200</u>	<u>-</u>
Net cash provided by financing activities	<u>348,815</u>	<u>-</u>
 Net increase in cash	 33,003	 20,384
 Cash, beginning of period	 <u>53,289</u>	 <u>32,905</u>
 Cash, end of period	 \$ <u><u>86,292</u></u>	 <u><u>53,289</u></u>
 Reconciliation to the statements of financial position:		
Cash:		
Unrestricted	\$ 72,292	48,339
Temporarily restricted	<u>14,000</u>	<u>4,950</u>
Total cash	\$ <u><u>86,292</u></u>	<u><u>53,289</u></u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(1) **Organization and Summary of Significant Accounting Policies**

Organization

Talkeetna Community Radio, Incorporated (the Corporation) is a nonprofit, tax exempt charitable and public service entity engaged in noncommercial radio broadcasting in Talkeetna, Alaska. The Corporation operates as KTNA-FM Radio.

Summary of Significant Accounting Policies

Basis of Financial Statements

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.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue and Support

Revenues are recorded in the period earned when expenses have been incurred for the purpose specified by the grant or contract. Fund receipts in excess of expenses for ongoing programs are recorded as deferred revenue. Advances (deferred revenue) from funding agencies are considered liquidated when an expense is recorded.

Contributions from the general public are recognized as donations when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted contributions based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits and certificates of deposit maturing in one year or less.

Property and Equipment

Fixed assets, with an initial cost in excess of \$1,000, 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, ranging from 5 to 7 years.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

Organization and Summary of Significant Accounting Policies, continued

Special Events

Special events revenue has been recorded net of direct related expenses of \$28,308 and \$23,734 at June 30, 2009 and 2008, respectively.

Functional Expenses

Expenses are charged to program and supporting services based on actual costs. Expenses not directly chargeable are allocated based on square foot allocations and estimates of actual usage.

Income Taxes

The Corporation is recognized as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) **Cash and Cash Equivalents**

The Corporation's cash and cash equivalents are maintained in checking accounts and savings accounts. Of the Corporation's deposits at year-end, all are covered by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund.

At June 30, the Corporation's cash and cash equivalents consisted of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Bank</u>	<u>Carrying</u>	<u>Bank</u>	<u>Carrying</u>
	<u>Balance</u>	<u>Amount</u>	<u>Balance</u>	<u>Amount</u>
Checking accounts	\$ 46,092	46,626	21,228	20,723
Savings accounts	<u>39,666</u>	<u>39,666</u>	<u>32,566</u>	<u>32,566</u>
	<u>\$ 85,758</u>	<u>86,292</u>	<u>53,794</u>	<u>53,289</u>

(3) **Operating Leases**

The Corporation purchased the operating facilities that they had been leasing for several years on February 3, 2009. There are no future lease payments under this lease.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

(4) **Long Term Debt**

On February 3, 2009, the Corporation borrowed money from the US Department of Agriculture for the purchase of their operating facility. The original loan term was for 30 years at 4.5% interest, with monthly payments of \$551. The aggregate future scheduled maturities of long term debt are as follows:

<u>Year ending June 30,</u>	
2010	\$ 3,047
2011	3,187
2012	3,333
2013	3,486
2014	3,646
Thereafter	<u>63,916</u>
	<u>\$ 80,615</u>

(5) **Temporarily Restricted and Unrestricted Net Assets**

In 2009, temporarily restricted contributions were received for the future purchase of the building which the Corporation currently rents for operations. At June 30, 2009, the balance of temporarily restricted net assets totaled \$14,000.

	<u>Temporarily Restricted Support and Revenue</u>				<u>Unrestricted Support and Revenue</u>		
	June 30, 2008	Received in FY09	Released from Restriction	June 30, 2009	Temporarily Restricted Released	Unrestricted Received	<u>Total</u>
<i>Operating Activities:</i>							
Individuals	\$ -	-	-	-	-	4,132	4,132
Foundations	-	-	-	-	-	300	300
Corporations	-	-	-	-	-	-	-
Government	-	-	-	-	-	<u>177,792</u>	<u>177,792</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,224</u>	<u>182,224</u>
<i>Capital Activities:</i>							
Individuals	\$ 3,450	-	3,450	-	3,450	1,200	4,650
Foundations	-	14,000	-	14,000	-	211,000	211,000
Corporation	1,500	-	1,500	-	1,500	-	1,500
Government	-	-	-	-	-	<u>56,000</u>	<u>56,000</u>
	<u>4,950</u>	<u>14,000</u>	<u>4,950</u>	<u>14,000</u>	<u>4,950</u>	<u>268,200</u>	<u>273,150</u>
Total	<u>\$ 4,950</u>	<u>14,000</u>	<u>4,950</u>	<u>14,000</u>	<u>4,950</u>	<u>450,424</u>	<u>455,374</u>
Grants			\$ 177,792				
Contributions, in-kind and donated assets			4,432				
Capital contributions			268,200				
Temporarily restricted released			<u>4,950</u>				
Total			<u>\$ 455,374</u>				

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

Temporarily Restricted and Unrestricted Net Assets, continued

In 2008, temporarily restricted net assets are restricted by the terms of a grant agreement which restricted them for the use of an internet services acquisition program. At June 30, 2008, the balance of temporarily restricted net assets totaled \$4,950. The entire amount was used for the purposes of this grant and therefore, was released from restriction, for the year ended June 30, 2009.

	<u>Temporarily Restricted Support and Revenue</u>				<u>Unrestricted Support and Revenue</u>		
	June 30,	Received	Released	June 30,	Temporarily	Unrestricted	
	<u>2007</u>	<u>in FY08</u>	<u>from</u>	<u>2008</u>	<u>Restricted</u>	<u>Received</u>	<u>Total</u>
			<u>Restriction</u>		<u>Released</u>		
<i>Operating</i>							
<i>Activities:</i>							
Individuals	\$ -	-	-	-	-	5,325	5,325
Foundations	-	-	-	-	-	8,000	8,000
Corporations	-	-	-	-	-	8,400	8,400
Government	<u>4,265</u>	-	<u>4,265</u>	-	<u>4,265</u>	<u>181,779</u>	<u>186,044</u>
	<u>4,265</u>	-	<u>4,265</u>	-	<u>4,265</u>	<u>203,504</u>	<u>207,769</u>
<i>Capital</i>							
<i>Activities:</i>							
Individuals	-	3,450	-	3,450	-	-	-
Foundations	-	-	-	-	-	-	-
Corporation	-	1,500	-	1,500	-	-	-
Government	-	-	-	-	-	-	-
	-	<u>4,950</u>	-	<u>4,950</u>	-	-	-
Total	\$ <u>4,265</u>	<u>4,950</u>	<u>4,265</u>	<u>4,950</u>	<u>4,265</u>	<u>203,504</u>	<u>207,769</u>
Grants			\$ 181,779				
Contributions, in-kind and donated assets			21,725				
Temporarily restricted released			<u>4,265</u>				
Total			\$ <u>207,769</u>				

(6) **Concentrations**

A significant amount of the Corporation's funding comes from operating grants awarded by the State of Alaska and the Corporation for Public Broadcasting. Both funding sources are subject to budgetary pressures in recent years. A significant decline in funding from these sources could have a material impact on the Corporation's operations.

(7) **Contingencies**

Expenses reimbursed under grants and contracts are subject to audit by the granting agencies or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although management expects such amounts, if any, to be immaterial.