

TALKEETNA COMMUNITY RADIO, INC.

Financial Statements

June 30, 2004

TALKEETNA COMMUNITY RADIO, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's report	1
Statements of Financial Position	2
Statements of Activities and Net Assets	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-9

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

We have audited the accompanying statement of financial position of Talkeetna Community Radio, Inc. as of June 30, 2004, and the related statements of activities and net assets, statements of cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Talkeetna Community Radio, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Talkeetna Community Radio, Inc. for the year ended June 30, 2003 were audited by other auditors whose report, dated December 12, 2003, expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of Talkeetna Community Radio, Inc. as of June 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

December 27, 2004

TALKEETNA COMMUNITY RADIO, INC.

Statements of Financial Position
June 30, 2004 and 2003

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 40,662	44,730
Grants receivable	8,575	11,698
Prepaid expenses	<u>5,396</u>	<u>7,462</u>
Total current assets	54,633	63,890
Property and equipment:		
Furniture and fixtures	15,463	16,063
Broadcast equipment	201,709	201,709
Leasehold improvements	<u>4,021</u>	<u>4,021</u>
Total property and equipment	221,193	221,793
Less accumulated depreciation	<u>(144,751)</u>	<u>(130,048)</u>
Net property and equipment	<u>76,442</u>	<u>91,745</u>
Total assets	\$ <u><u>131,075</u></u>	<u><u>155,635</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	250	188
Payroll liabilities	12,323	9,374
Deferred revenue	<u>12,788</u>	<u>12,284</u>
Total current liabilities	25,361	21,846
Unrestricted net assets	<u>105,714</u>	<u>133,789</u>
Total liabilities and net assets	\$ <u><u>131,075</u></u>	<u><u>155,635</u></u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statements of Activities and Net Assets
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Unrestricted support:		
Grant income	\$ 176,882	151,874
Program underwriting	24,847	41,826
In-kind donations	255	2,153
Other fundraising	35,235	23,197
Memberships	<u>12,296</u>	<u>22,876</u>
Total unrestricted support, net	249,515	241,926
Other unrestricted revenues:		
Gaming income	16,744	30,989
Interest income	156	457
Other income	<u>740</u>	<u>2,469</u>
Total unrestricted revenues	267,155	275,841
Net assets released from restrictions	<u>-</u>	<u>5,091</u>
Total unrestricted revenue and other support	267,155	280,932
Expenses:		
Program services:		
Programming and production	101,565	87,672
Broadcasting and technical	<u>70,078</u>	<u>58,753</u>
Total program services	<u>171,643</u>	<u>146,425</u>
Supporting services:		
Administration	70,034	66,223
Fundraising	<u>53,553</u>	<u>63,527</u>
Total supporting services	<u>123,587</u>	<u>129,750</u>
Total expenses	<u>295,230</u>	<u>276,175</u>
Increase (decrease) in unrestricted net assets	(28,075)	4,757
Changes in temporarily restricted net assets		
Net assets released from restrictions	<u>-</u>	<u>(5,091)</u>
Decrease in net assets	(28,075)	(334)
Net assets, at beginning of year	<u>133,789</u>	<u>134,123</u>
Net assets, ending	\$ <u>105,714</u>	<u>133,789</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statement of Functional Expense
For the Year Ended June 30, 2004

	Programming and <u>Production</u>	Broadcasting and <u>Technical</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Personnel costs	\$ 60,015	41,649	38,031	40,164	179,859
Depreciation	4,905	8,849	438	731	14,923
Advertising	4,360	-	-	885	5,245
Supplies	1,050	3,186	9,536	1,910	15,682
Programming and production costs	14,191	3,733	-	-	17,924
Insurance	1,469	-	200	6,437	8,106
Telephone and postage	2,477	1,087	1,125	3,061	7,750
Utilities	1,611	4,740	31	1,224	7,606
Rents	9,125	1,288	2,929	5,246	18,588
Memberships and dues	146	-	-	474	620
Professional fees	659	2,306	968	8,778	12,711
Repairs and maintenance	675	60	-	20	755
Travel	877	3,180	185	523	4,765
Other expenses	5	-	110	581	696
	<u>\$ 101,565</u>	<u>70,078</u>	<u>53,553</u>	<u>70,034</u>	<u>295,230</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statement of Functional Expense
For the Year Ended June 30, 2003

	Programming and <u>Production</u>	Broadcasting and <u>Technical</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Personnel costs	\$ 54,728	27,645	37,877	32,005	152,255
Depreciation	2,985	6,039	550	500	10,074
Supplies	2,012	8,921	16,865	2,550	30,348
Programming and production costs	8,641	-	-	-	8,641
Insurance	1,344	-	425	7,205	8,974
Telephone and postage	2,808	1,852	1,071	3,105	8,836
Utilities	2,535	3,665	369	1,176	7,745
Rents	9,853	2,826	2,933	3,224	18,836
Memberships and dues	2,388	5,339	-	2,672	10,399
Professional fees	-	(261)	607	9,764	10,110
Repairs and maintenance	-	470	-	1,755	2,225
Travel	85	1,841	45	54	2,025
Other expenses	293	416	2,785	2,213	5,707
	<u>\$ 87,672</u>	<u>58,753</u>	<u>63,527</u>	<u>66,223</u>	<u>276,175</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (28,075)	(334)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on sale of assets	380	(2,088)
Depreciation	14,923	10,074
Change in grants receivable	3,123	967
Change in other receivables	-	75
Change in prepaid expenses	2,066	6,291
Change in accounts payable	62	(4,107)
Change in payroll liabilities	2,949	6,261
Change in deferred revenue	<u>504</u>	<u>11,106</u>
Total cash flow from operating activities	(4,068)	28,245
 Cash flow from investing activities:		
Sales of equipment	-	2,700
Purchase of equipment	<u>-</u>	<u>(51,377)</u>
Total cash flow from investing activities	-	(48,677)
 Net decrease in cash	(4,068)	(20,432)
 Cash, beginning of period	<u>44,730</u>	<u>65,162</u>
 Cash, end of period	\$ <u>40,662</u>	<u>44,730</u>
 Supplemental cash flow information		
Interest paid	\$ <u>-</u>	<u>221</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements

June 30, 2004

(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 Equivalents

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

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

Organization and Summary of Significant Accounting Policies, continued

Property and Equipment

Fixed assets 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.

Functional Expenses

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

At June 30, 2004, the Corporation's cash and cash equivalents consisted of the following:

	<u>2004</u>		<u>2003</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	\$ 22,181	21,817	49,451	20,606
Savings accounts	<u>18,845</u>	<u>18,845</u>	<u>24,127</u>	<u>24,124</u>
	\$ <u>41,026</u>	<u>40,662</u>	<u>73,578</u>	<u>44,730</u>

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

(3) **Operating Leases**

The company leases operating facilities under an operating lease with a term of up to 10 years beginning April 1, 2002. At June 30, 2004 the future minimum lease payments were as follows:

2005	\$ 12,000
2006	12,000
2007	12,000
2008	12,000
2009	12,000

(4) **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.

(5) **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.