

**TALKEETNA COMMUNITY RADIO, INC.**

Financial Statements

June 30, 2005 and 2004

# TALKEETNA COMMUNITY RADIO, INC.

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Independent Auditor's Report

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, 2005 and 2004, and the related statements of activities and net assets, statements of cash flows, and functional expenses for the years 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of Talkeetna Community Radio, Inc. as of June 30, 2005 and 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.

September 23, 2005

**TALKEETNA COMMUNITY RADIO, INC.**

Statements of Financial Position

June 30, 2005 and 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash	\$ 86,573	40,662
Accounts receivable	750	-
Grants receivable	-	8,575
Prepaid expenses	<u>12,467</u>	<u>5,396</u>
Total current assets	99,790	54,633
Property and equipment:		
Furniture and fixtures	17,140	15,463
Broadcast equipment	210,377	201,709
Leasehold improvements	<u>4,021</u>	<u>4,021</u>
Total property and equipment	231,538	221,193
Less accumulated depreciation	<u>(158,619)</u>	<u>(144,751)</u>
Net property and equipment	<u>72,919</u>	<u>76,442</u>
Total assets	\$ <u>172,709</u>	<u>131,075</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	215	250
Payroll liabilities	6,167	12,323
Deferred revenue	<u>25,000</u>	<u>12,788</u>
Total current liabilities	31,382	25,361
Net assets:		
Unrestricted net assets	131,327	105,714
Temporarily restricted net assets	<u>10,000</u>	<u>-</u>
Total net assets	<u>141,327</u>	<u>105,714</u>
Total liabilities and net assets	\$ <u>172,709</u>	<u>131,075</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**  
 Statements of Activities and Net Assets  
 For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Unrestricted support:		
Grant income	\$ 218,354	176,882
Program underwriting	27,680	24,847
In-kind donations	-	255
Other fundraising	20,908	35,235
Memberships	<u>24,445</u>	<u>12,296</u>
Total unrestricted support, net	291,387	249,515
Other unrestricted revenues:		
Gaming income	6,854	16,744
Interest income	323	156
Other income	<u>864</u>	<u>740</u>
Total unrestricted revenues	299,428	267,155
Expenses:		
Program services:		
Programming and production	100,475	101,565
Broadcasting and technical	<u>53,266</u>	<u>70,078</u>
Total program services	<u>153,741</u>	<u>171,643</u>
Supporting services:		
Administration	86,798	70,034
Fundraising	<u>33,276</u>	<u>53,553</u>
Total supporting services	<u>120,074</u>	<u>123,587</u>
Total expenses	<u>273,815</u>	<u>295,230</u>
Increase (decrease) in unrestricted net assets	25,613	(28,075)
Changes in temporarily restricted net assets - internet service grant revenue	<u>10,000</u>	<u>-</u>
Increase (decrease) in net assets	35,613	(28,075)
Net assets, at beginning of year	<u>105,714</u>	<u>133,789</u>
Net assets, ending	\$ <u>141,327</u>	<u>105,714</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**Statement of Functional Expense  
For the Year Ended June 30, 2005

	Programming and <u>Production</u>	Broadcasting and <u>Technical</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Personnel costs	\$ 58,508	23,864	20,506	54,598	157,476
Depreciation	4,749	8,535	400	184	13,868
Advertising	180	-	4,083	-	4,263
Supplies	1,889	7,758	2,207	2,147	14,001
Programming and production costs	21,785	-	13	-	21,798
Insurance	-	-	-	9,641	9,641
Telephone and postage	1,846	3,011	1,082	2,501	8,440
Utilities	1,260	4,121	521	2,115	8,017
Rents	9,391	1,050	4,000	5,288	19,729
Memberships and dues	288	175	-	45	508
Professional fees	579	2,746	250	6,435	10,010
Repairs and maintenance	-	335	-	3,164	3,499
Travel	-	1,671	97	98	1,866
Other expenses	-	-	117	582	699
	\$ <u>100,475</u>	<u>53,266</u>	<u>33,276</u>	<u>86,798</u>	<u>273,815</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.**

Statements of Cash Flows

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 35,613	(28,075)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on sale of assets	-	380
Depreciation	13,868	14,923
Change in grants receivable	8,575	3,123
Change in other receivables	(750)	-
Change in prepaid expenses	(7,071)	2,066
Change in accounts payable	(35)	62
Change in payroll liabilities	(6,156)	2,949
Change in deferred revenue	<u>12,212</u>	<u>504</u>
Total cash flow from operating activities	56,256	(4,068)
 Cash flow from investing activities - purchase of equipment	 <u>(10,345)</u>	 <u>-</u>
 Net increase (decrease) in cash	 45,911	 (4,068)
 Cash, beginning of period	 <u>40,662</u>	 <u>44,730</u>
 Cash, end of period	 \$ <u>86,573</u>	 <u>40,662</u>

See accompanying notes to financial statements.



# TALKEETNA COMMUNITY RADIO, INC.

## Notes to Financial Statements

June 30, 2005

(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. From time to time the amount of deposits exceeds the federally insured limits of the financial institution used by the Corporation. Management has evaluated this risk and believes the financial institution is sound and the likely hood of a loss resulting from this situation is minimal.

At June 30, 2005, the Corporation's cash and cash equivalents consisted of the following:

	<u>2005</u>		<u>2004</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	\$ 73,773	62,635	22,181	21,817
Savings accounts	<u>23,938</u>	<u>23,938</u>	<u>18,845</u>	<u>18,845</u>
	<u>\$ 97,711</u>	<u>86,573</u>	<u>41,026</u>	<u>40,662</u>

## TALKEETNA COMMUNITY RADIO, INC.

### Notes to Financial Statements, continued

(3) **Restricted Net Assets**

Temporarily restricted net assets are restricted by the terms of a grant agreement which restricts them for the use of an internet services acquisition program. At June 30, 2005, the balance of temporarily restricted net assets totaled \$10,000.

(4) **Operating Leases**

The Corporation leases operating facilities under an operating lease with a term of 10 years beginning April 1, 2002, renewal will be negotiated at the end of this term. The lease requires the Corporation to pay 85% of the annual tax levy on the real property. At June 30, 2005 the future minimum lease payments were as follows:

2005	\$ 12,000
2006	12,000
2007	12,000
2008	12,000
2009	<u>12,000</u>
Total	\$ <u>60,000</u>

(5) **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.

(6) **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.