

**TALKEETNA COMMUNITY RADIO, INC.**

Financial Statements

Years Ended  
June 30, 2006 and 2005

# TALKEETNA COMMUNITY RADIO, INC.

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RSM McGladrey Network  
An Independently Owned Member

Offices in Anchorage  
Kenai & Seward

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. as of June 30, 2006 and 2005, and the related statements of activities, 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 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 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, 2006 and 2005, 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.*

July 28, 2006  
Anchorage, Alaska

**TALKEETNA COMMUNITY RADIO, INC.**

Statements of Financial Position

June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash	\$ 72,777	86,573
Accounts receivable	9,194	750
Prepaid expenses	<u>4,015</u>	<u>12,467</u>
Total current assets	<u>85,986</u>	<u>99,790</u>
Property and equipment:		
Furniture and fixtures	19,206	17,140
Broadcast equipment	248,007	210,377
Leasehold improvements	<u>4,021</u>	<u>4,021</u>
Total property and equipment	271,234	231,538
Less accumulated depreciation	<u>(175,853)</u>	<u>(158,619)</u>
Net property and equipment	<u>95,381</u>	<u>72,919</u>
Total assets	\$ <u>181,367</u>	<u>172,709</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	850	215
Payroll liabilities	9,245	6,167
Deferred revenue	<u>25,000</u>	<u>25,000</u>
Total current liabilities	<u>35,095</u>	<u>31,382</u>
Net assets:		
Unrestricted net assets	137,822	131,327
Temporarily restricted net assets	<u>8,450</u>	<u>10,000</u>
Total net assets	<u>146,272</u>	<u>141,327</u>
Total liabilities and net assets	\$ <u>181,367</u>	<u>172,709</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statements of Activities

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Unrestricted support and revenues:		
Grant income	\$ 219,084	218,354
Program underwriting	25,684	27,680
In-kind donations	15,868	-
Other fundraising	36,567	20,908
Memberships	26,717	24,445
Gaming income	1,402	6,854
Interest income	458	323
Other income	315	864
Temporarily restricted net assets released from restriction	<u>1,550</u>	<u>-</u>
Total unrestricted support and revenues	<u>327,645</u>	<u>299,428</u>
Expenses:		
Program services:		
Programming and production	104,087	100,475
Broadcasting and technical	<u>75,765</u>	<u>53,266</u>
Total program services	<u>179,852</u>	<u>153,741</u>
Supporting services:		
Administration	114,150	86,798
Fundraising	<u>27,148</u>	<u>33,276</u>
Total supporting services	<u>141,298</u>	<u>120,074</u>
Total expenses	<u>321,150</u>	<u>273,815</u>
Increase in unrestricted net assets	<u>6,495</u>	<u>25,613</u>
Changes in temporarily restricted net assets:		
Internet service grant revenue	-	10,000
Temporarily restricted net assets released from restriction	<u>(1,550)</u>	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>(1,550)</u>	<u>10,000</u>
Change in net assets	4,945	35,613
Net assets, at beginning of year	<u>141,327</u>	<u>105,714</u>
Net assets, ending	\$ <u>146,272</u>	<u>141,327</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statement of Functional Expenses

Year Ended June 30, 2006

	Programming and <u>Production</u>	Broadcasting and <u>Technical</u>	<u>Fundraising</u>	Admin- <u>istration</u>	<u>Total</u>
Personnel costs	\$ 70,400	37,653	16,866	71,497	196,416
Depreciation	4,073	12,047	183	931	17,234
Advertising	105	-	1,497	-	1,602
Supplies	314	15,906	2,720	4,261	23,201
Programming and production costs	16,875	-	-	-	16,875
Insurance	-	-	-	9,844	9,844
Telephone and postage	864	3,041	936	2,047	6,888
Utilities	1,721	4,513	-	4,136	10,370
Rents	8,298	-	4,800	5,653	18,751
Memberships and dues	440	150	-	310	900
Professional fees	188	1,100	120	8,344	9,752
Repairs and maintenance	-	-	10	2,798	2,808
Travel	719	1,305	-	(72)	1,952
Other expenses	90	50	16	4,401	4,557
	<u>\$ 104,087</u>	<u>75,765</u>	<u>27,148</u>	<u>114,150</u>	<u>321,150</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statement of Functional Expenses

Year Ended June 30, 2005

	Programming and <u>Production</u>	Broadcasting and <u>Technical</u>	<u>Fundraising</u>	Admin- <u>istration</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.**

Statements of Cash Flows  
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,945	35,613
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated assets	(15,868)	-
Depreciation	17,234	13,868
Change in grants receivable	-	8,575
Change in other receivables	(8,444)	(750)
Change in prepaid expenses	8,452	(7,071)
Change in accounts payable	635	(35)
Change in payroll liabilities	3,078	(6,156)
Change in deferred revenue	<u>-</u>	<u>12,212</u>
Net cash provided by operating activities	10,032	56,256
Cash flows from investing activities - purchase of equipment	<u>(23,828)</u>	<u>(10,345)</u>
Net increase (decrease) in cash	(13,796)	45,911
Cash, beginning of period	<u>86,573</u>	<u>40,662</u>
Cash, end of period	\$ <u>72,777</u>	<u>86,573</u>

See accompanying notes to financial statements.



# TALKEETNA COMMUNITY RADIO, INC.

## Notes to Financial Statements

June 30, 2006 and 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.

**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 \$21,054 and \$5,899 at June 30, 2006 and 2005 respectively and is included in "other fundraising" revenue on the statement of activities.

#### 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.

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

	<u>2006</u>		<u>2005</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	\$ 29,886	26,634	73,773	62,635
Savings accounts	<u>46,143</u>	<u>46,143</u>	<u>23,938</u>	<u>23,938</u>
	<u>\$ 76,029</u>	<u>72,777</u>	<u>97,711</u>	<u>86,573</u>

## TALKEETNA COMMUNITY RADIO, INC.

### Notes to Financial Statements, continued

(3) **Operating Leases**

The Corporation leases operating facilities under an operating lease with a term of up to 10 years beginning April 1, 2002. At June 30, 2006 the future minimum lease payments were as follows:

2007	\$ 12,000
2008	12,000
2009	12,000
2010	12,000
2011	12,000
2012	<u>3,000</u>
	\$ <u>63,000</u>

(4) **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, 2006, the balance of temporarily restricted net assets totaled \$8,450. \$1,550 was used for the purposes of this grant and therefore, was released from restriction, for the year ended June 30, 2006.

(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.