

**TALKEETNA COMMUNITY RADIO, INC.**

Financial Statements

Years Ended  
June 30, 2008 and 2007

# 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	7-11

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, 2008 and 2007, 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, 2008 and 2007, 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  
October 10, 2008

**TALKEETNA COMMUNITY RADIO, INC.**

Statements of Financial Position

June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash:		
Unrestricted	\$ 48,339	28,640
Temporarily restricted	4,950	4,265
Accounts receivable	6,598	4,468
Grants receivable	-	1,800
Prepaid expenses	<u>10,990</u>	<u>5,823</u>
Total current assets	<u>70,877</u>	<u>44,996</u>
Property and equipment:		
Furniture and fixtures	21,784	21,784
Broadcast equipment	385,043	385,043
Leasehold improvements	<u>4,021</u>	<u>4,021</u>
Total property and equipment	410,848	410,848
Less accumulated depreciation	<u>(242,923)</u>	<u>(206,525)</u>
Net property and equipment	<u>167,925</u>	<u>204,323</u>
Total assets	<u>\$ 238,802</u>	<u>249,319</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	-	3,824
Payroll liabilities	11,707	11,590
Deferred revenue	<u>31,866</u>	<u>25,000</u>
Total current liabilities	<u>43,573</u>	<u>40,414</u>
Net assets:		
Unrestricted net assets, designated for:		
Operations	22,354	317
Property and equipment	167,925	204,323
Temporarily restricted net assets	<u>4,950</u>	<u>4,265</u>
Total net assets	<u>195,229</u>	<u>208,905</u>
Total liabilities and net assets	<u>\$ 238,802</u>	<u>249,319</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statements of Activities

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
From operating activities:		
Support and revenues:		
Support:		
Grant income	\$ 181,779	194,407
In-kind donations and contributed assets	150	112,340
Contributions	21,575	10,700
Temporarily restricted net assets released from restriction	<u>4,265</u>	<u>4,185</u>
Total support	<u>207,769</u>	<u>321,632</u>
Revenue:		
Program underwriting	20,663	23,129
Special events	6,714	8,994
Memberships	30,289	31,459
Other income	<u>1,955</u>	<u>3,857</u>
Total revenue	<u>59,621</u>	<u>67,439</u>
Total unrestricted support and revenues	<u>267,390</u>	<u>389,071</u>
Expenses:		
Program services:		
Programming and production	95,807	101,474
Broadcasting and technical	<u>61,766</u>	<u>81,442</u>
Total program services	<u>157,573</u>	<u>182,916</u>
Supporting services:		
Administration	115,098	115,360
Fundraising	<u>10,040</u>	<u>26,967</u>
Total supporting services	<u>125,138</u>	<u>142,327</u>
Total expenses	<u>282,711</u>	<u>325,243</u>
Increase (decrease) in unrestricted net assets from operating activities	<u>(15,321)</u>	<u>63,828</u>
From non-operating activities:		
Interest income	960	915
Gaming income	<u>-</u>	<u>2,075</u>
Increase in unrestricted net assets from non-operating activities	<u>960</u>	<u>2,990</u>
Changes in temporarily restricted net assets:		
Capital contributions	4,950	-
Temporarily restricted net assets released from restriction	<u>(4,265)</u>	<u>(4,185)</u>
Increase (decrease) in temporarily restricted net assets	<u>685</u>	<u>(4,185)</u>
Change in net assets	(13,676)	62,633
Net assets, at beginning of year	<u>208,905</u>	<u>146,272</u>
Net assets, ending	<u>\$ 195,229</u>	<u>208,905</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statement of Functional Expenses

Year Ended June 30, 2008

	<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	\$ 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
	<u>\$ 95,807</u>	<u>61,766</u>	<u>10,040</u>	<u>115,098</u>	<u>282,711</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statement of Functional Expenses

Year Ended June 30, 2007

	<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	\$ 67,898	31,513	18,086	80,434	197,931
Depreciation	3,419	26,103	183	967	30,672
Rents	9,875	-	5,200	5,765	20,840
Programming and production costs	17,519	-	-	-	17,519
Utilities	1,293	8,439	-	4,784	14,516
Insurance	-	609	-	9,379	9,988
Professional fees	-	4,070	-	5,906	9,976
Telephone and postage	864	3,424	1,459	2,192	7,939
Supplies	235	5,023	178	2,046	7,482
Travel	178	2,231	223	18	2,650
Repairs and maintenance	-	30	-	1,835	1,865
Advertising	-	-	1,423	-	1,423
Memberships and dues	193	-	-	65	258
Other expenses	-	-	215	1,969	2,184
	\$ <u>101,474</u>	<u>81,442</u>	<u>26,967</u>	<u>115,360</u>	<u>325,243</u>

See accompanying notes to financial statements.

**TALKEETNA COMMUNITY RADIO, INC.**

Statements of Cash Flows  
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (13,676)	62,633
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated assets	-	(112,340)
Depreciation	36,398	30,672
Change in grants receivable	1,800	(1,800)
Change in other receivables	(2,130)	4,726
Change in prepaid expenses	(5,167)	(1,808)
Change in accounts payable	(3,824)	2,974
Change in payroll liabilities	117	2,345
Change in deferred revenue	<u>6,866</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>20,384</u>	<u>(12,598)</u>
Cash flows from investing activities - purchase of equipment	<u>-</u>	<u>(27,274)</u>
Net increase (decrease) in cash	20,384	(39,872)
Cash, beginning of period	<u>32,905</u>	<u>72,777</u>
Cash, end of period	\$ <u><u>53,289</u></u>	<u><u>32,905</u></u>
Reconciliation to the statement of financial position:		
Cash:		
Unrestricted	\$ 48,339	28,640
Temporarily restricted	<u>4,950</u>	<u>4,265</u>
Total cash	\$ <u><u>53,289</u></u>	<u><u>32,905</u></u>
Supplemental non-cash flow disclosures - non-cash investing activities - donated assets	\$ <u><u>-</u></u>	<u><u>112,340</u></u>

See accompanying notes to financial statements.

# TALKEETNA COMMUNITY RADIO, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

(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 \$23,734 and \$17,968 at June 30, 2008 and 2007, 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.

##### Reclassification

Certain amounts for 2007 have been reclassified in order to conform to the 2008 presentation. This reclassification had no effect on net asset.

#### (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>2008</u>		<u>2007</u>	
	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Checking accounts	\$ 21,228	20,723	18,011	15,067
Savings accounts	<u>32,566</u>	<u>32,566</u>	<u>12,524</u>	<u>17,838</u>
	<u>\$ 53,794</u>	<u>53,289</u>	<u>30,535</u>	<u>32,905</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, 2008 the future minimum lease payments were as follows:

2008	\$ 12,000
2009	12,000
2010	12,000
2011	12,000
2012	<u>3,000</u>
	<u>\$ 51,000</u>

(4) **Temporarily Restricted and Unrestricted Net assets**

In 2008, temporarily restricted contributions were received for the future purchase of the building which the Corporation currently rents for operations. At June 30, 2008, the balance of temporarily restricted net assets totaled \$4,950.

	<u>Temporarily Restricted Support and Revenue</u>				<u>Unrestricted Support and Revenue</u>		
	June 30, 2007	Received in FY08	Released from Restriction	June 30, 2008	Temporarily Restricted Released	Unrestricted Received	<u>Total</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							
Foundations	-	3,450	-	3,450	-	-	-
Corporation	-	500	-	500	-	-	-
Government	-	<u>1,000</u>	-	<u>1,000</u>	-	-	-
	-	<u>4,950</u>	-	<u>4,950</u>	-	-	-
<b>Total</b>	<b>\$ <u>4,265</u></b>	<b><u>4,950</u></b>	<b><u>4,265</u></b>	<b><u>4,950</u></b>	<b><u>4,265</u></b>	<b><u>203,504</u></b>	<b><u>207,769</u></b>
Grants			\$ 181,779				
Contributions, in-kind and donated assets			21,725				
Temporarily restricted released			<u>4,265</u>				
<b>Total</b>			<b>\$ <u>207,769</u></b>				

## TALKEETNA COMMUNITY RADIO, INC.

### Notes to Financial Statements, continued

#### **Temporarily Restricted and Unrestricted Net assets, continued**

In 2007, 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, 2007, the balance of temporarily restricted net assets totaled \$4,265. The entire amount was used for the purposes of this grant and therefore, was released from restriction, for the year ended June 30, 2008.

	<u>Temporarily Restricted Support and Revenue</u>				<u>Unrestricted Support and Revenue</u>		
	June 30, 2006	Received in FY07	Released from Restriction	June 30, 2007	Temporarily Restricted Released	Unrestricted Received	Total
<i>Operating</i>							
<i>Activities:</i>							
Individuals	\$ -	-	-	-	-	700	700
Foundations	-	-	-	-	-	127,640	127,640
Corporations	-	-	-	-	-	10,600	10,600
Government	<u>8,450</u>	<u>-</u>	<u>4,185</u>	<u>4,265</u>	<u>4,185</u>	<u>178,507</u>	<u>182,692</u>
	<u>8,450</u>	<u>-</u>	<u>4,185</u>	<u>4,265</u>	<u>4,185</u>	<u>317,447</u>	<u>321,632</u>
<i>Capital</i>							
<i>Activities:</i>							
Individuals	-	-	-	-	-	-	-
Foundations	-	-	-	-	-	-	-
Corporation	-	-	-	-	-	-	-
Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>8,450</u></b>	<b><u>-</u></b>	<b><u>4,185</u></b>	<b><u>4,265</u></b>	<b><u>4,185</u></b>	<b><u>317,447</u></b>	<b><u>321,632</u></b>
Grants			\$ 194,407				
Contributions, in-kind and donated assets			123,040				
Temporarily restricted released			<u>4,185</u>				
<b>Total</b>			<b>\$ <u>321,632</u></b>				

(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.

## TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

(7) **Subsequent Event**

In fiscal year 2008, the Corporation entered into negotiations to purchase and improve a building currently rented for operations. The Corporation has received approval for grants and contributions totaling \$301,500 and a loan for \$96,500 to fund the purchase. Management estimates the purchase transaction will be executed during fiscal year 2009.