

TALKEETNA COMMUNITY RADIO, INC.

Financial Statements

Years Ended
June 30, 2011 and 2010

(This page left blank intentionally)

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	7-12

(This page left blank intentionally)



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, 2011 and 2010, and the related statements of activities, functional expenses and cash flows. 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, 2011 and 2010, and the changes in its net assets 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
September 9, 2011

TALKEETNA COMMUNITY RADIO, INC.

Statements of Financial Position

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash:		
Unrestricted	\$ 5,926	20,669
Temporarily restricted	43,591	46,496
Accounts receivable	5,331	3,810
Grants receivable	1,056	-
Prepaid expenses	7,419	7,012
Total current assets	<u>63,323</u>	<u>77,987</u>
Property and equipment:		
Furniture and fixtures	26,968	26,968
Broadcast equipment	368,879	368,879
Building	303,669	303,669
Land	55,000	55,000
Assets held for sale	1,319	1,319
Total property and equipment	755,835	755,835
Less accumulated depreciation	(327,375)	(286,066)
Net property and equipment	<u>428,460</u>	<u>469,769</u>
Total assets	<u>\$ 491,783</u>	<u>547,756</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	-	761
Payroll liabilities	10,423	19,419
Current portion of long term debt	3,333	3,187
Deferred revenue	34,970	45,496
Total current liabilities	<u>48,726</u>	<u>68,863</u>
Long term debt	71,049	74,374
Total liabilities	<u>119,775</u>	<u>143,237</u>
Net assets:		
Unrestricted net assets, designated for:		
Operations	9,309	11,311
Property and equipment, net of related debt	354,078	392,208
Temporarily restricted net assets	8,621	1,000
Total net assets	<u>372,008</u>	<u>404,519</u>
Total liabilities and net assets	<u>\$ 491,783</u>	<u>547,756</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statements of Activities
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
From operating activities:		
Support and revenues:		
Support:		
Grant income	\$ 249,530	240,892
In-kind donations and contributed assets	2,556	1,400
Contributions	4,196	9,439
Temporarily restricted net assets released from restriction	<u>1,000</u>	<u>-</u>
Total support	<u>257,282</u>	<u>251,731</u>
Revenue:		
Program underwriting	25,444	24,080
Special events	6,737	9,005
Memberships	24,605	27,461
Other income	<u>1,464</u>	<u>3,015</u>
Total revenue	<u>58,250</u>	<u>63,561</u>
Total unrestricted support and revenues	<u>315,532</u>	<u>315,292</u>
Expenses:		
Program services:		
Programming and production	129,012	114,770
Broadcasting and technical	<u>55,951</u>	<u>71,694</u>
Total program services	<u>184,963</u>	<u>186,464</u>
Supporting services:		
Administration	141,267	150,339
Fundraising	<u>29,611</u>	<u>12,235</u>
Total supporting services	<u>170,878</u>	<u>162,574</u>
Total expenses	<u>355,841</u>	<u>349,038</u>
Decrease in unrestricted net assets from operating activities	<u>(40,309)</u>	<u>(33,746)</u>
From non-operating activities:		
Temporarily restricted net assets released from restriction	-	14,000
Interest income	<u>177</u>	<u>510</u>
Increase in unrestricted net assets from non-operating activities	<u>177</u>	<u>14,510</u>
Changes in temporarily restricted net assets:		
Contributions	8,621	1,000
Temporarily restricted net assets released from restriction	<u>(1,000)</u>	<u>(14,000)</u>
Increase (decrease) in temporarily restricted net assets	<u>7,621</u>	<u>(13,000)</u>
Change in net assets	(32,511)	(32,236)
Net assets, at beginning of year	<u>404,519</u>	<u>436,755</u>
Net assets, end of year	<u>\$ 372,008</u>	<u>404,519</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services		Supporting Services		Total
	Programming and Production	Broadcasting and Technical	Fundraising	Admin- istration	
Personnel costs	\$ 88,518	-	22,263	93,717	204,498
Depreciation	1,581	30,544	101	9,083	41,309
Programming and production costs	35,152	-	-	-	35,152
Utilities	-	16,750	-	6,509	23,259
Professional fees	224	5,012	1,500	9,663	16,399
Insurance	-	-	-	11,027	11,027
Telephone and postage	1,064	1,371	1,738	1,192	5,365
Repairs and maintenance	-	2,111	-	2,530	4,641
Supplies	1,195	152	1,612	813	3,772
Interest	-	-	-	3,433	3,433
Advertising	-	-	529	2,254	2,783
Dues and subscriptions	492	-	250	140	882
Travel	-	-	-	150	150
Other expenses	786	11	1,618	756	3,171
	\$ <u>129,012</u>	<u>55,951</u>	<u>29,611</u>	<u>141,267</u>	<u>355,841</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statement of Functional Expenses

Year Ended June 30, 2010

	Program Services		Supporting Services		Total
	Programming and Production	Broadcasting and Technical	Fundraising	Admin- istration	
Personnel costs	\$ 82,128	-	5,258	99,198	186,584
Depreciation	1,898	30,354	131	8,426	40,809
Programming and production costs	26,583	-	-	-	26,583
Professional fees	200	14,316	1,200	10,484	26,200
Utilities	-	16,992	-	6,101	23,093
Supplies	2,393	4,381	2,315	2,799	11,888
Insurance	-	-	-	10,469	10,469
Telephone and postage	1,267	2,090	1,465	1,771	6,593
Repairs and maintenance	-	3,072	-	2,899	5,971
Interest	-	-	-	3,558	3,558
Rents	-	-	-	2,155	2,155
Advertising	12	-	1,623	575	2,210
Travel	97	489	-	180	766
Dues and subscriptions	192	-	-	390	582
Other expenses	-	-	243	1,334	1,577
	\$ <u>114,770</u>	<u>71,694</u>	<u>12,235</u>	<u>150,339</u>	<u>349,038</u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (32,511)	(32,236)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	41,309	40,809
Change in grants receivable	(1,521)	5,171
Change in other receivables	(1,056)	228
Change in prepaid expenses	(407)	1,029
Change in accounts payable	(761)	(1,894)
Change in payroll liabilities	(8,996)	6,486
Change in deferred revenue	<u>(10,526)</u>	<u>(10,494)</u>
Net cash provided by (used in) operating activities	(14,469)	9,099
Cash flows from investing activities - purchase of property and equipment	-	(25,172)
Cash flows from financing activities - payments on long-term debt	<u>(3,179)</u>	<u>(3,054)</u>
Net decrease in cash	(17,648)	(19,127)
Cash, beginning of period	<u>67,165</u>	<u>86,292</u>
Cash, end of period	\$ <u><u>49,517</u></u>	<u><u>67,165</u></u>
Reconciliation to the statements of financial position - cash:		
Unrestricted	\$ 5,926	20,669
Temporarily restricted	<u>43,591</u>	<u>46,496</u>
Total cash	\$ <u><u>49,517</u></u>	<u><u>67,165</u></u>
Supplemental disclosure of cash flow information - cash paid during the year for interest	\$ <u><u>3,433</u></u>	<u><u>3,558</u></u>

See accompanying notes to financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(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 Accounting Standards Codification (ASC) No. 958-605 and 958-205. ASC 958-605 establishes standards of financial accounting and reporting for contributions received and contributions made. This statement also establishes standards for recognizing expirations of restrictions on contributions received and accounting for contributed services, collections of works of art, historical treasures and similar assets acquired by contributions or by other means.

Under the provisions of ASC 958-205, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are reported as follows:

- *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* – Temporarily restricted resources are restricted by the donor, grantor, or other outside parties whose restrictions either expire by the passage of time or can be fulfilled and removed by actions of the Agency. Revenues associated with these resources are earned when the Agency undertakes the necessary action or other restrictions are met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

Organization and Summary of Significant Accounting Policies, continued

Revenue and Support, continued

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

Cash consists of bank deposits.

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.

Special Events

Special events revenue has been recorded net of direct related expenses of \$10,352 and \$13,640 at June 30, 2011 and 2010, 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.

The Corporation applies the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes and annually reviews its tax positions taken in accordance with the recognition standards. The Corporation believes that it has no uncertain tax positions which would require disclosure or adjustment in these financial statements.

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

Organization and Summary of Significant Accounting Policies, continued

Fair Value Measurements

The Corporation measures certain items in these financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, other than in a forced liquidation or distress sale.

The Corporation's financial assets and liabilities carried at fair value have been classified based on a hierarchy as defined in generally accepted accounting standards and are generally measured using the market approach or the income approach.

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.

Subsequent Events

The Corporation has evaluated subsequent events through September 9, 2011, the date on which the financial statements were issued.

(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. Temporarily restricted cash consists of advanced grant funds and temporarily restricted contributions on hand at June 30, 2011.

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

	<u>2011</u>		<u>2010</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	\$ 12,927	35,224	36,293	37,309
Savings accounts	<u>39,293</u>	<u>14,293</u>	<u>29,856</u>	<u>29,856</u>
	<u>\$ 52,220</u>	<u>49,517</u>	<u>66,149</u>	<u>67,165</u>

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

(3) **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:

Year ending <u>June 30</u>	
2012	\$ 3,333
2013	3,486
2014	3,646
2015	3,814
2016	3,989
Thereafter	<u>56,114</u>
	<u>\$ 74,382</u>

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

In 2011, temporarily restricted contributions were received for a Sustainability Snapshot from the Mat-Su Health Foundation. This snapshot is expected to be paid for in 2012. At June 30, 2011, the balance of temporarily restricted net assets totaled \$8,621.

	<u>Temporarily Restricted</u> <u>Support and Revenue</u>			<u>Unrestricted Support and Revenue</u>			
	June 30, <u>2010</u>	Received <u>in FY11</u>	from <u>Restriction</u>	June 30, <u>2011</u>	Temporarily <u>Restricted</u>	Unrestricted <u>Received</u>	
<i>Operating</i>							
<i>Activities:</i>							
Individuals	\$ -	-	-	-	-	3,737	3,737
Foundations	1,000	8,621	1,000	8,621	1,000	1,500	1,500
Corporations	-	-	-	-	-	2,515	2,515
Government	-	-	-	-	-	249,530	249,530
	<u>1,000</u>	<u>8,621</u>	<u>1,000</u>	<u>8,621</u>	<u>1,000</u>	<u>257,282</u>	<u>257,282</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>
Total	<u>\$ 1,000</u>	<u>8,621</u>	<u>1,000</u>	<u>8,621</u>	<u>1,000</u>	<u>257,282</u>	<u>257,282</u>

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

Temporarily Restricted and Unrestricted Net Assets, continued

Reconciliation of the Statement of Activities:

Grants	\$ 249,530
In kind services	2,556
Contributions	4,196
Temporarily restricted released	<u>1,000</u>
Total	<u>\$ 257,282</u>

In 2010, temporarily restricted contributions were received for an intern position from the Alaska Broadcasters Association. At June 30, 2010, the balance of temporarily restricted net assets totaled \$1,000. The entire amount was used for its intended purpose and therefore, was released from restriction, for the year ended June 30, 2011.

	<u>Temporarily Restricted</u> <u>Support and Revenue</u>			<u>Unrestricted Support and Revenue</u>			<u>Total</u>
	June 30, 2009	Received in FY10	Released from Restriction	June 30, 2010	Temporarily Restricted Released	Unrestricted Received	
<i>Operating</i>							
<i>Activities:</i>							
Individuals	\$ -	-	-	-	-	1,589	1,589
Foundations	-	1,000	-	1,000	-	7,250	7,250
Corporations	-	-	-	-	-	2,000	2,000
Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,892</u>	<u>240,892</u>
	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>251,731</u>	<u>251,731</u>
<i>Capital</i>							
<i>Activities:</i>							
Individuals	-	-	-	-	-	-	-
Foundations	14,000	-	14,000	-	14,000	-	14,000
Corporation	-	-	-	-	-	-	-
Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>14,000</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total	<u>\$ 14,000</u>	<u>1,000</u>	<u>14,000</u>	<u>1,000</u>	<u>14,000</u>	<u>251,731</u>	<u>265,731</u>

Reconciliation of the Statement of Activities:

Grants	\$ 240,892
In kind services	1,400
Contributions	9,439
Temporarily restricted released	<u>14,000</u>
Total	<u>\$ 265,731</u>

TALKEETNA COMMUNITY RADIO, INC.

Notes to Financial Statements, continued

(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.