

**UNALASKA COMMUNITY BROADCASTING, INC.**

**Financial Statements  
(With Independent Auditor's Report Thereon)**

**Years Ended June 30, 2014 and 2013**

*Altman, Rogers  
& Co.* | CERTIFIED  
PUBLIC  
ACCOUNTANT

**UNALASKA COMMUNITY BROADCASTING, INC.**

**Financial Statements**  
**(With Independent Auditor's Report Thereon)**

**Years Ended June 30, 2014 and 2013**

**UNALASKA COMMUNITY BROADCASTING, INC.**

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**Independent Auditor's Report**

**Members of the Board**

**Unalaska Community Broadcasting, Inc.**

**Unalaska, Alaska**

We have audited the accompanying financial statements of Unalaska Community Broadcasting, Inc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of the Board  
Unalaska Community Broadcasting, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unalaska Community Broadcasting, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Altman, Rogers & Co.*

Anchorage, Alaska  
November 20, 2014

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Financial Position

June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 303,007	288,898
Accounts receivable	5,486	9,575
Inventory	3,626	6,107
Total current assets	<u>312,119</u>	<u>304,580</u>
Equipment, net of accumulated depreciation of \$362,753 in 2014 and \$329,935 in 2013	<u>152,328</u>	<u>181,231</u>
Total assets	<u>\$ 464,447</u>	<u>485,811</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	-	278
Accrued payroll liabilities	-	3,408
Accrued leave	12,497	11,767
Deferred revenue	149,082	147,216
Total current liabilities	<u>161,579</u>	<u>162,669</u>
Net assets - unrestricted	<u>302,868</u>	<u>323,142</u>
Total liabilities and net assets	<u>\$ 464,447</u>	<u>485,811</u>

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Activities

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Revenues and support:</b>		
<b>Grants:</b>		
Federal sources	\$ 183,993	134,041
State of Alaska	132,615	130,924
Local sources	89,500	89,500
Total grant support	<u>406,108</u>	<u>354,465</u>
<b>Gaming:</b>		
Pull-tab sales, net of payouts	<u>13,560</u>	<u>12,645</u>
<b>Fundraising:</b>		
Events	9,080	27,816
Donations	3,081	5,138
Auction sales	18,832	-
Membership dues	32,148	33,393
Total fundraising	<u>63,141</u>	<u>66,347</u>
<b>General:</b>		
Underwriting services	23,440	25,458
Film production and bulletin board	20,839	19,072
Interest	332	383
Tower rental	1,500	-
Miscellaneous	2,578	23,192
Total general	<u>48,689</u>	<u>68,105</u>
<b>In-kind</b>	<u>69,322</u>	<u>63,526</u>
<b>Total revenues and support</b>	<u>600,820</u>	<u>565,088</u>
<b>Expenses:</b>		
<b>Program services:</b>		
Television	125,149	121,283
Radio	360,668	319,955
Total program services	<u>485,817</u>	<u>441,238</u>
<b>Support services:</b>		
Fundraising	57,460	51,929
Management and general	77,817	68,415
Total support services	<u>135,277</u>	<u>120,344</u>
<b>Total expenses</b>	<u>621,094</u>	<u>561,582</u>
<b>Change in unrestricted net assets</b>	<b>(20,274)</b>	<b>3,506</b>
<b>Net assets, beginning of year</b>	<u>323,142</u>	<u>319,636</u>
<b>Net assets, end of year</b>	<u>\$ 302,868</u>	<u>323,142</u>

See accompanying notes to financial statements.



UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Functional Expenses

Years Ended June 30, 2014 and 2013

2014

	Program Services			Support Services			Total Program and Support Services
	Television	Radio	Total Program Services	Fundraising	Management and General	Total Support Services	
Expenses:							
Personnel	\$ 103,607	214,940	318,547	34,814	9,316	44,130	362,677
Travel	-	2,198	2,198	-	-	-	2,198
Event related	247	747	994	7,873	138	8,011	9,005
Dues and fees	51	1,272	1,323	341	1,894	2,235	3,558
Program acquisition	-	39,708	39,708	-	-	-	39,708
Facilities	14,302	14,995	29,297	-	-	-	29,297
Office supplies	3,445	4,752	8,197	-	1,989	1,989	10,186
Audit	-	-	-	-	10,954	10,954	10,954
Staff and board training	-	-	-	-	5,270	5,270	5,270
Website development	-	3,600	3,600	-	-	-	3,600
Gaming	-	-	-	5,810	-	5,810	5,810
Engineering	517	7,163	7,680	-	-	-	7,680
In-kind rent	-	-	-	-	24,800	24,800	24,800
In-kind labor and services	2,675	28,447	31,122	7,954	5,446	13,400	44,522
Professional	-	9,946	9,946	500	15,449	15,949	25,895
Insurance	-	-	-	-	2,092	2,092	2,092
Postage and freight	238	82	320	66	109	175	495
Depreciation	-	32,818	32,818	-	-	-	32,818
Bad debt	-	-	-	-	360	360	360
Other	67	-	67	102	-	102	169
Total expenses	\$ 125,149	360,668	485,817	57,460	77,817	135,277	621,094

(continued)

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Functional Expenses, Continued

2013

	Program Services			Support Services			Total Program and Support Services
	Television	Radio	Total Program Services	Fundraising	Management and General	Total Support Services	
Expenses:							
Personnel	\$ 97,118	202,074	299,192	37,065	5,998	43,063	342,255
Travel	375	7,976	8,351	608	544	1,152	9,503
Event related	23	-	23	9,476	290	9,766	9,789
Dues and fees	50	1,411	1,461	106	3,075	3,181	4,642
Program acquisition	-	37,474	37,474	-	-	-	37,474
Facilities	12,546	14,837	27,383	-	2,693	-	27,383
Office supplies	2,921	4,949	7,870	52	9,709	2,745	10,615
Audit	-	-	-	-	-	9,709	9,709
Website development	568	567	1,135	-	-	-	1,135
In-kind rent	-	-	-	-	25,460	25,460	25,460
In-kind labor and services	3,545	16,230	19,775	4,622	5,174	9,796	29,571
Professional	3,000	3,000	6,000	-	12,000	12,000	18,000
Insurance	-	-	-	-	1,815	1,815	1,815
Postage and freight	47	53	100	-	320	320	420
Depreciation	1,090	31,384	32,474	-	562	562	33,036
Other	-	-	-	-	775	775	775
Total expenses	\$ 121,283	319,955	441,238	51,929	68,415	120,344	561,582

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (20,274)	3,506
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	32,818	33,036
(Increase) decrease in:		
Accounts receivable	4,089	3,161
Inventory	2,481	(3,370)
Prepaid expense	-	2,872
(Decrease) increase in:		
Accounts payable	(278)	(361)
Accrued payroll liabilities	(3,408)	2,048
Accrued leave	730	(7,481)
Deferred revenue	1,866	48,872
Net cash provided by operating activities	<u>18,024</u>	<u>82,283</u>
Cash flows provided (used) by investing activities:		
Purchase of equipment	<u>(3,915)</u>	<u>(29,277)</u>
Net increase in cash	14,109	53,006
Cash and cash equivalents, beginning of year	<u>288,898</u>	<u>235,892</u>
Cash and cash equivalents, end of year	<u>\$ 303,007</u>	<u>288,898</u>
Supplemental disclosure of cash flow information:		
Non-cash in-kind	<u>\$ 69,322</u>	<u>63,526</u>

See accompanying notes to financial statements.

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UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operations

Unalaska Community Broadcasting, Inc. (the Organization) is a nonprofit entity established in 1984 for the purpose of maintaining a non-profit educational broadcasting facility for the coordination, production, and distribution of programming designed to serve the entertainment, informational, cultural, and safety needs of the people of Unalaska and adjacent islands.

Basis of Accounting

Unalaska Community Broadcasting, Inc.'s financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, the financial statements reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization 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. A description of the three net asset categories follows:

*Unrestricted net assets* represent that portion of net assets of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted* net assets represent that portion of net assets of the Organization whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Organization. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* represent that portion of net assets of the Organization that have been restricted by donors to be maintained by the Organization in perpetuity.

All net assets of Unalaska Community Broadcasting, Inc. were unrestricted at June 30, 2014 and 2013.

## UNALASKA COMMUNITY BROADCASTING, INC.

### Notes to Financial Statements, Continued

#### Estimates

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Revenue Recognition

Unconditional promises to give cash and other assets to Unalaska Community Broadcasting are reported at fair value at the date the promise is received. Conditional promises to give and indicators of intentions to give are reported at the fair value at the date the contribution is received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is met in the same period that the contribution is received, the contribution is recorded as unrestricted.

Unalaska Community Broadcasting did not receive any promises to give during the years ended June 30, 2014 and 2013 and had no receivable for contributions at years end.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant awards that are contributions – grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the contribution is received or receivable.

Grant awards that are exchange transactions – exchange transactions revenue is recognized in the period when the related allowable expenses are incurred.

Program income is recognized at the time the services are provided by Unalaska Community Broadcasting and represents income for specific charges related to program activities.

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

## UNALASKA COMMUNITY BROADCASTING, INC.

### Notes to Financial Statements, Continued

#### Accounts Receivable

Accounts receivable are recorded on the accrual basis when the goods and services are billed and are considered delinquent or uncollectible on a case-by-case basis by management. Unalaska Community Broadcasting records an allowance for doubtful accounts for the estimated uncollectible portion of the accounts receivable. This estimate is based on management's historical collection experience and a review of current accounts receivable. Receivables are charged off when all collection efforts have been exhausted.

Management believes all receivables are collectible; accordingly, no allowance for uncollectible accounts has been established.

#### Prepaid Items

Payments made to vendors for services, which benefit future periods, are recorded as prepaid items.

#### Inventory

Inventory consists of pull-tab and gaming supplies. Inventory is valued at the lower of cost or realizable value using the first-in/first-out (FIFO) method.

#### Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Unalaska Community Broadcasting. In-kind contributions for space, supplies, and professional services are recorded in the statement of activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

#### Equipment

Purchased assets are recorded at cost or estimated cost when original cost is not available. Expenses for repairs and maintenance are charged to operating expense as incurred. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

All purchases for equipment in excess of \$5,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Broadcasting equipment is depreciated over 5-20 years.

## UNALASKA COMMUNITY BROADCASTING, INC.

### Notes to Financial Statements, Continued

#### Annual Leave

Full time employees can earn annual leave. Unused annual leave is accrued utilizing current salary cost as earned by employees and is recorded as a current liability in the period earned. Annual leave is accrued as a current liability because it is expected to be liquidated within one year.

#### Deferred Revenue

Deferred revenue represents cash amounts received, but for which revenue recognition criteria have not been met.

#### Income Taxes

The Organization is a nonprofit corporation exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code.

Although the organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Organization had no income derived from unrelated business activities as of June 30, 2014 or 2013.

The Organization classifies all interest and penalties related to tax contingencies as income tax expense. As of June 30, 2014 and 2013, there are no accrued interest or penalties. As of June 30, 2014 and 2013 there were no uncertain tax positions or unrecognized tax benefits for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date. The Organization files tax returns in the U.S. Federal Jurisdiction and the State of Alaska. As of 2014, the tax years that remain subject to examination begins with the tax year ending June 30, 2011.

#### Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of functional expenses is based on estimates of time devoted and expenses paid for the programs, fundraising and the general and administrative functions.

#### Fair Value of Financial Instruments

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.



UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable and (5) other current liabilities. The carrying amounts reported in the statements of financial position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

**(2) CASH AND CASH EQUIVALENTS**

Components of cash and cash equivalents follow:

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Book</u>	<u>Bank</u>	<u>Book</u>	<u>Bank</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Gaming account	\$ 25,739	26,898	13,855	15,063
Checking account	46,104	52,458	79,127	87,815
Petty cash	200	-	325	-
Savings	54,691	54,767	195,591	195,591
Undeposited Funds	226	-	-	-
Money Market	<u>176,047</u>	<u>176,047</u>	<u>-</u>	<u>-</u>
	<u>\$ 303,007</u>	<u>310,170</u>	<u>288,898</u>	<u>298,469</u>

**(3) CUSTODIAL CREDIT RISK**

Unalaska Community Broadcasting, Inc. places its cash with financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2014 and 2013, respectively, per institution.

**(4) EQUIPMENT**

The following is a summary of changes in equipment:

	<u>June 30,</u>	<u>June 30,</u>
	<u>2014</u>	<u>2013</u>
Broadcasting equipment	\$ 515,081	511,166
Less accumulated depreciation	<u>(362,753)</u>	<u>(329,935)</u>
	<u>\$ 152,328</u>	<u>181,231</u>

Depreciation expense for the years ended June 30, 2014 and 2013 is \$32,818 and \$33,036, respectively.

# UNALASKA COMMUNITY BROADCASTING, INC.

## Notes to Financial Statements, Continued

### (5) DONATED PROPERTY AND SERVICES

Unalaska Community Broadcasting, Inc. recognized in-kind rent received from the City of Unalaska based on the fair market value of property. Accordingly, \$24,800 and \$25,460 was recognized as in-kind revenue and expenses during the years ended June 30, 2014 and 2013.

Donations of goods and services meeting the requirements of GAAP are objectively determined and reported in the financial statements at the fair market value of the provided services. Donated goods and services of \$44,522 and \$38,066 were recognized as in-kind contributions during the fiscal years ended June 30, 2014 and 2013, respectively.

Additionally, Unalaska Community Broadcasting, Inc. received various volunteer services that did not meet revenue recognition criteria and, therefore, are not presented on the financial statements but are noted below:

Fundraising volunteer hours	65
Television volunteer hours	158
Radio volunteer hours	<u>30</u>
Total volunteer hours excluded from in-kind revenue	<u>253</u>

Unalaska Community Broadcasting provides Public Service Announcements for local entities. These announcements do not meet the criteria for reporting as donations as specified by generally accepted accounting principles, therefore no amounts have been recorded in the accompanying financial statements. However, management estimates the fair value of those announcements to be \$57,100 and \$57,100 for the years ended June 30, 2014 and 2013, respectively.

### (6) ECONOMIC DEPENDENCY

Unalaska Community Broadcasting, Inc. received 68% and 63% of its revenue from the City of Unalaska, the Alaska Public Broadcasting Commission and the Corporation for Public Broadcasting during the years ended June 30, 2014 and 2013, respectively. Without these revenue sources, the Organization would not be able to continue the same level of operations.

### (7) GRANT CONTINGENCIES

Amounts received or receivable from the federal government and the State of Alaska are subject to audit and adjustment. Unalaska Community Broadcasting, Inc. receives public broadcasting grants from the Corporation for Public Broadcasting and the Alaska Public Broadcasting Commission. Amounts received from these grants have been included in revenue as earned. Any disallowed claims, including amounts already collected, would become a liability of Unalaska Community Broadcasting, Inc.

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

**(8) RETIREMENT PLAN**

The Organization participates in a simple IRA through American Funds Service Company. Eligibility is determined by individual employee income. Employees who have earned at least \$5,000 in the preceding calendar year, or that Unalaska Community Broadcasting, Inc. expects to compensate \$5,000 or more in the coming year are eligible to participate. The Organization contributes 2% of each employee's gross salary per pay period. The total contribution expense for the years ended June 30, 2014 and 2013 were \$3,012 and \$4,596, respectively, which are included in personal costs.

**(9) SUBSEQUENT EVENTS**

Management has evaluated the risks of subsequent events through November 20, 2014, the date which the financials became available, to be issued. No events were deemed necessary for disclosure.