

UNALASKA COMMUNITY BROADCASTING, INC.

**Financial Statements
(With Auditors' Report Thereon)**

Years Ended June 30, 2012 and 2011

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

UNALASKA COMMUNITY BROADCASTING, INC.

**Financial Statements
(With Auditors' Report Thereon)**

Years Ended June 30, 2012 and 2011

UNALASKA COMMUNITY BROADCASTING, INC.

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Independent Auditors' Report

Members of the Board
Unalaska Community Broadcasting, Inc.
Unalaska, Alaska

Ladies and Gentlemen:

We have audited the accompanying statements of financial position of the Unalaska Community Broadcasting, Inc. (a nonprofit organization), as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Unalaska Community Broadcasting, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Unalaska Community Broadcasting, Inc. as of June 30, 2012 and 2011, 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.

Altman, Rogers & Co.

November 28, 2012
Anchorage, Alaska

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UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Financial Position

June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 235,892	176,823
Accounts receivable	12,736	6,787
Inventory	2,737	5,073
Prepaid expenses	<u>2,872</u>	<u>4,958</u>
Total current assets	254,237	193,641
Capital assets, net of accumulated depreciation of \$296,899 in 2012 and \$266,955 in 2011	<u>184,990</u>	<u>153,069</u>
Total assets	<u>\$ 439,227</u>	<u>346,710</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	639	1,254
Accrued payroll liabilities	1,360	1,519
Accrued leave	19,248	18,533
Deferred revenue	<u>98,344</u>	<u>67,873</u>
Total current liabilities	119,591	89,179
Net assets - unrestricted	<u>319,636</u>	<u>257,531</u>
Total liabilities and net assets	<u>\$ 439,227</u>	<u>346,710</u>

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Activities

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues and support:		
Grants:		
Federal sources	\$ 227,222	180,770
State of Alaska	130,331	101,613
Local sources	94,937	89,814
Total grant support	<u>452,490</u>	<u>372,197</u>
Gaming:		
Pull-tab sales, net of payouts	<u>14,571</u>	<u>10,940</u>
Fundraising:		
Events	35,945	35,313
Donations	2,722	1,925
Membership dues	31,184	32,459
Total fundraising	<u>69,851</u>	<u>69,697</u>
General:		
Underwriting services	17,842	12,652
Film production and bulletin board	24,293	25,587
Interest	458	682
Miscellaneous	5,612	8,675
Total general	<u>48,205</u>	<u>47,596</u>
In-kind	<u>53,459</u>	<u>79,392</u>
Total revenues and support	<u>638,576</u>	<u>579,822</u>
Expenses:		
Program services:		
Television	107,832	126,065
Radio	342,425	306,091
Total program services	<u>450,257</u>	<u>432,156</u>
Support services:		
Fundraising	50,972	51,262
Management and general	75,242	81,269
Total support services	<u>126,214</u>	<u>132,531</u>
Total expenses	<u>576,471</u>	<u>564,687</u>
Change in unrestricted net assets	62,105	15,135
Net assets, beginning of year	<u>257,531</u>	<u>242,396</u>
Net assets, end of year	<u>\$ 319,636</u>	<u>257,531</u>

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Functional Expenses

Years Ended June 30, 2012 and 2011

2012

	Program Services			Support Services			Total Program and Support Services
	Television	Radio	Total Program Services	Fundraising	Management and General	Total Support Services	
Expenses:							
Personnel	\$ 84,871	201,143	286,014	33,266	5,958	39,224	325,238
Travel	1,897	8,572	10,469	379	-	379	10,848
Event related	149	-	149	9,952	267	10,219	10,368
Dues and fees	50	1,324	1,374	460	2,208	2,668	4,042
Program acquisition	-	38,555	38,555	-	-	-	38,555
Facilities	9,788	22,108	31,896	-	-	-	31,896
Supplies	2,942	11,157	14,099	-	360	360	14,459
Audit	-	-	-	-	12,400	12,400	12,400
Website development	-	4,675	4,675	-	-	-	4,675
In-kind rent	-	-	-	-	24,800	24,800	24,800
In-kind labor and services	6,740	6,139	12,879	6,197	9,583	15,780	28,659
Professional	330	19,679	20,009	-	4,330	4,330	24,339
Insurance	-	-	-	573	4,961	5,534	5,534
Postage and freight	62	525	587	145	374	519	1,106
Depreciation	1,003	28,548	29,551	-	393	393	29,944
Other	-	-	-	-	9,608	9,608	9,608
Total expenses	\$ 107,832	342,425	450,257	50,972	75,242	126,214	576,471

(continued)

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Functional Expenses, Continued

2011

	Program Services			Support Services			Total Program and Support Services
	Television	Radio	Total Program Services	Fundraising	Management and General	Total Support Services	
Expenses:							
Personnel	\$ 81,474	196,057	277,531	28,269	21,184	49,453	326,984
Travel	56	5,918	5,974	137	1,111	1,248	7,222
Event related	-	-	-	6,795	-	6,795	6,795
Dues and fees	51	980	1,031	127	2,873	3,000	4,031
Program acquisition	1,600	38,216	39,816	-	-	-	39,816
Facilities	7,128	2,953	10,081	-	5,480	5,480	15,561
Office supplies	3,716	4,348	8,064	60	2,406	2,466	10,530
Audit	-	-	-	-	10,296	10,296	10,296
Equipment	3,646	-	3,646	-	-	-	3,646
Website development	-	63	63	4,599	4,451	9,050	9,113
In-kind rent	-	-	-	-	24,800	24,800	24,800
In-kind labor and services	21,143	22,641	43,784	10,808	-	10,808	54,592
Professional	1,055	17,681	18,736	240	1,800	2,040	20,776
Insurance	-	-	-	-	2,854	2,854	2,854
Postage and freight	265	1,199	1,464	227	345	572	2,036
Depreciation	5,931	16,035	21,966	-	2,441	2,441	24,407
Other	-	-	-	-	1,228	1,228	1,228
Total expenses	\$ 126,065	306,091	432,156	51,262	81,269	132,531	564,687

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 62,105	15,135
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	29,944	24,407
(Increase) decrease in:		
Accounts receivable	(5,949)	276
Other receivables	-	7,767
Inventory	2,336	(715)
Prepaid expense	2,086	(406)
(Decrease) increase in:		
Accounts payable	(615)	(3,784)
Accrued payroll liabilities	(159)	258
Accrued leave	715	2,185
Deferred revenue	30,471	44,475
Net cash provided by operating activities	<u>120,934</u>	<u>89,598</u>
Cash flows from provided (used) by investing activities:		
Purchase of equipment	<u>(61,865)</u>	<u>(27,479)</u>
Net change in cash	59,069	62,119
Cash and cash equivalents, beginning of year	<u>176,823</u>	<u>114,704</u>
Cash and cash equivalents, end of year	<u>\$ 235,892</u>	<u>176,823</u>
Supplemental disclosure of cash flow information:		
Non-cash in-kind rent	<u>\$ 24,800</u>	<u>24,800</u>
Non-cash in-kind labor and services	<u>\$ 28,659</u>	<u>54,592</u>

See accompanying notes to financial statements.

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UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements

June 30, 2012 and 2011

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

Operations

Unalaska Community Broadcasting, Inc. 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 follow 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 depreciation 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, 2012 and 2011.

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 year ended June 30, 2012 or 2011 and had no receivable for contributions at year 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 20 years, which is the estimated useful life.

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.

Income Taxes

Unalaska Community Broadcasting, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, the accompanying statements do not reflect a provision for income taxes.

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's policy is to report interest and penalties associated with income taxes as interest expense and other expense, respectively. The Organization also is no longer subject to examinations by the federal and state tax authorities for years before June 30, 2008. Management has taken no uncertain tax positions.

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.

The Organization discloses its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

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 balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

(2) CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents follow:

	<u>June 30, 2012</u>		<u>June 30, 2011</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	\$ 12,445	12,758	20,658	21,281
Checking account	7,789	42,516	(9,141)	26,206
Petty cash	334	-	335	-
Savings	<u>215,324</u>	<u>215,324</u>	<u>164,971</u>	<u>164,971</u>
	<u>\$ 235,892</u>	<u>270,598</u>	<u>176,823</u>	<u>212,458</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, 2012 and 2011, respectively, per institution.

From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

All balances were fully insured at June 30, 2012 and 2011, respectively.

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

(4) CAPITAL ASSETS

The following is a summary of changes in capital assets:

	July 1, 2010	Additions	Deletions	June 30, 2011	Additions	Deletions	June 30, 2012
Construction in Progress, not being depreciated	\$ 7,250	-	(7,250)	-	-	-	-
Broadcasting equipment	\$ 385,295	34,729	-	420,024	61,865	-	481,889
Less accumulated depreciation	(232,226)	34,729	-	(266,955)	(29,944)	-	(296,899)
	\$ 160,319	-	(7,250)	153,069	31,921	-	184,990

Depreciation expense for the years ended June 30, 2012 and 2011 is \$ 29,944 and \$24,407, respectively.

(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. \$24,800 was recognized as in-kind revenue and expenses during the years ended June 30, 2012 and 2011.

Donations of 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 services of \$28,659 and \$54,592 were recognized as in-kind contributions and expenses during the fiscal years ended June 30, 2012 and 2011, respectively.

Unalaska Community Broadcasting provides Public Service Announcements on Channel 8 television 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 \$52,300 and \$40,300 for the years ended June 30, 2012 and 2011, respectively.

(6) ECONOMIC DEPENDENCY

Unalaska Community Broadcasting, Inc. received 61% and 64% 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, 2012 and 2011, respectively. Without these revenue sources, the Organization would not be able to continue the same level of operations.

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

(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.

(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 UCB 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, 2012 and 2011 were \$4,494 and \$1,173, respectively, which are included in personal costs.

(9) SUBSEQUENT EVENTS

Management has evaluated the risks of subsequent events through November 28, 2012, the date which the financials became available, to be issued. No events were deemed necessary for disclosure.

