

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
For the Years Ended June 30, 2015 and 2014

7 public radio Stations
1 public TV Station

	<u>2015</u>	<u>2014</u>
ASSETS:		
Current Assets:		
Cash	\$ 1,408,696	\$ 1,414,328
Investments	617,627	603,560
Accounts receivable, net	221,694	182,861
Grants receivable	46,640	10,060
Contributions receivable, net	133,667	104,886
Prepaid expenses	<u>17,853</u>	<u>13,695</u>
Total Current Assets	2,446,177	2,329,390
Property and Equipment, net	<u>15,960</u>	<u>19,278</u>
Total Assets	<u><u>\$ 2,462,137</u></u>	<u><u>\$ 2,348,668</u></u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 301,958</u>	<u>\$ 269,663</u>
Total Current Liabilities	301,958	269,663
Deferred revenue	<u>123,511</u>	<u>142,493</u>
Total Liabilities	<u>425,469</u>	<u>412,156</u>
Net Assets:		
Unrestricted:		
Undesignated - available for operations	2,020,708	1,917,234
Designated - invested in property and equipment	<u>15,960</u>	<u>19,278</u>
Total Net Assets	<u>2,036,668</u>	<u>1,936,512</u>
Total Liabilities and Net Assets	<u><u>\$ 2,462,137</u></u>	<u><u>\$ 2,348,668</u></u>

The accompanying notes to financial statements are an integral part of these statements.

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Narrows Broadcasting Corporation (KFSK)

Report on the Financial Statements

We have audited the accompanying financial statements of Narrows Broadcasting Corporation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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.

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 Narrows Broadcasting Corporation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal 1999, Narrows Broadcasting Corporation and four other public radio stations in Southeast Alaska formed CoastAlaska, Inc. Administrative and financial activities of the seven public radio stations and Capital Community Broadcasting, Inc.'s public television station are now conducted under a Compact Agreement by and between the stations.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity by Member for the years ended June 30, 2015 and 2014, appearing on pages 21-26, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ERM

October 13, 2015

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
Property and Equipment, net	<u>\$ 356,394</u>	<u>\$ 395,588</u>
Total Assets	<u>\$ 356,394</u>	<u>\$ 395,588</u>
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>\$ 356,394</u>	<u>\$ 395,588</u>
Total Liabilities and Net Assets	<u>\$ 356,394</u>	<u>\$ 395,588</u>

The accompanying notes to financial statements are an integral part of these statements.

NARROWS BROADCASTING CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ -	\$ 7,515
Total Public Support, Revenue and Other Gains	<u>-</u>	<u>7,515</u>
Expenses		
Depreciation	<u>39,194</u>	<u>38,004</u>
Total Expenses	<u>39,194</u>	<u>38,004</u>
Change in unrestricted net assets	(39,194)	(30,489)
Net Assets, Beginning of Year	<u>395,588</u>	<u>426,077</u>
Net Assets, End of Year	<u>\$ 356,394</u>	<u>\$ 395,588</u>

The accompanying notes to financial statements are an integral part of these statements.

NARROWS BROADCASTING CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (39,194)	\$ (30,489)
Adjustments to reconcile change in net assets to net cash provided for operating activities		
Depreciation	<u>39,194</u>	<u>38,004</u>
Net Cash Provided by Operating Activities	<u>-</u>	<u>7,515</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	<u>-</u>	<u>(7,515)</u>
Net Cash Used For Investing Activities	<u>-</u>	<u>(7,515)</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of these statements.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Narrows Broadcasting Corporation (the "Corporation") is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KFSK-FM in Petersburg, Alaska), as described below.

On July 1, 1998 the Corporation joined with four other public broadcasting stations in Southeast Alaska to form CoastAlaska Incorporated, a non-profit corporation, that was organized to develop and promote the funding, conduct, and collaboration of public radio broadcasting within Southeast Alaska and to assist and facilitate the administration, business management, marketing and cooperation of its member stations in the most effective and efficient means possible. The members of CoastAlaska include public radio stations in Juneau (CCBI-KTOO-TV and KTOO-FM), Sitka (KCAW), Petersburg (KFSK), Wrangell (KSTK), and Ketchikan (KRBD). CoastAlaska operates under a Compact Agreement entered into on July 1, 1998.

During fiscal 1999, the members of CoastAlaska, as contemplated under the Compact, contributed all current assets, except certain excluded cash balances, and transferred all current liabilities to CoastAlaska. Each member retained respective ownership of all real and personal property of the stations and continues to remain obligated for any mortgage debt related to that property. In addition, the members retain ownership of their respective Federal Communications Commission (FCC) licenses, permits or other privileges, and maintain responsibility for programming, editorial practices and local production.

Annually, the members develop operating budgets for their stations, which are submitted to the CoastAlaska Board of Directors for review and approval. Budgets are prepared to assure the continued vitality of all the member stations. The budget for KTOO-TV is exempted from this review and approval process and remains with CCBI's Board of Directors. Each station's budget includes provisions for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements.

All operating revenues received or raised are contributed to CoastAlaska. All operating expenses are the responsibility of and are paid by CoastAlaska. CoastAlaska's Board of Directors has an Executive Director who is responsible for the administration of the Compact, the stations' budgets, and on-going management of CoastAlaska. However, each member's Board of Directors retains control over all local personnel decisions, including hiring, firing and discipline. CoastAlaska's Executive Director maintains a central office staff, which provides the following services to CoastAlaska and its members:

- Financial reporting, budgeting, monitoring, compliance with the budget and other regulatory requirements and all daily accounting functions
- Development of membership and underwriting support, and pledge fulfillment
- Engineering and engineering development
- Payroll and benefits administration
- Personnel and human resources administration
- Other administrative and financial operations

CoastAlaska is liable for the failure to provide any of the above-referenced services to the fullest extent provided by Alaska law.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each member of CoastAlaska has the right to nominate two of CoastAlaska's Board of Directors. A member can withdraw at any time, with six months notice, and the Compact will remain in effect as long as two or more stations remain members.

CoastAlaska also performs support services for other public radio stations, who are not members of CoastAlaska, around the state. Services provided include certain accounting, membership and grant reporting activities.

Basis of Presentation

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.

As discussed above and described in the Compact, all activity of each of the member stations of CoastAlaska, excluding the recording of real and personal property and related debt amounts, is contributed to and recorded in the financial statements of CoastAlaska. The accounting treatment for real and personal property and related debt amounts is discussed in the "Real and Personal Property and Depreciation" and "Long-Term Debt" notes below.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, 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. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets June 30, 2015 and 2014.

Cash and Cash Equivalents

Under the terms of the Compact, the Corporation retained ownership of a cash reserve account in the amount of \$87,141. During fiscal year 2004 the reserve was invested according to policy set forth by the Board of Directors of CoastAlaska. Any dividends and interest earnings on the investments become the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

Revenue Recognition

Support received from CoastAlaska for the maintenance, repair and replacement of real and personal property held by the stations and payment of the stations' obligations under long-term debt agreements is recorded when the associated costs or payments are incurred or payable. All support and revenue derived from the operation of the Corporation's radio station are contributed to and recorded by CoastAlaska.

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in the financial statements of CoastAlaska, Inc. The Corporation remains responsible for the conduct of its federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Personal Property and Depreciation

Property and equipment 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, which range from four to twenty five years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. Payments by CoastAlaska for repairs and maintenance of the Corporation's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of the Corporation for property and equipment acquisitions, major renewals and betterments are recorded as contributions by the Corporation as incurred.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Corporation considers all cash in checking, savings and money market accounts, to be cash.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2). There was no required provision for income taxes for fiscal years ended June 30, 2015 and 2014. On January 1, 2009, CoastAlaska adopted the provisions of FASB ASC 740 Income Taxes. The adoption of ASC 740 did not have any impact on its financial statements, and management believes that it has appropriate support for any tax positions taken. CoastAlaska's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

CoastAlaska has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the consolidated financial statements were available to be issued.

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2015 and 2014 are summarized below:

	<u>2015</u>	<u>2014</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	515,658	515,658
Broadcasting, production and programming equipment	521,865	521,865
Office fixtures and equipment	<u>3,600</u>	<u>3,600</u>
	1,066,123	1,066,123
Less accumulated depreciation	<u>(709,729)</u>	<u>(670,535)</u>
	<u>\$ 356,394</u>	<u>\$ 395,588</u>

Depreciation expense was \$39,194 and \$38,004 for fiscal years ended June 30, 2015 and 2014, respectively.

NOTE 3 - CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Although subjected to state and federal single audit requirements, certain grant amounts of the Corporation reflected in the financial statements of CoastAlaska have not been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are audited by such agencies.