

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended
June 30, 2015 and 2014

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

COASTALASKA, INC., AND MEMBER STATIONS

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June 30, 2015 and 2014

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COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

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June 30, 2015 and 2014

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ELGEE REHFELD MERTZ, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CoastAlaska, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of CoastAlaska, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 CoastAlaska, Inc. 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, five non-profit Alaska corporations, which operate seven noncommercial public radio stations and one noncommercial public television in Southeast Alaska, formed CoastAlaska, Inc. Administrative and financial activities of the seven radio stations and public television station are now conducted under a Compact Agreement by and between the stations.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Activity by Member for the years ended June 30, 2015 and 2014 appearing on pages 21-26 and the Schedule of State Financial Assistance on page 14 are presented for purposes of additional analysis as required by management and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 Schedule of State Financial Assistance and the Schedule of Activity by Member are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015 on our consideration of CoastAlaska, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CoastAlaska, Inc.'s internal control over financial reporting and compliance.



October 13, 2015

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

| | 2015 | 2014 |
|---|--------------|--------------|
| 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 | 17,853 | 13,695 |
| Total Current Assets | 2,446,177 | 2,329,390 |
| Property and Equipment, net | 15,960 | 19,278 |
| Total Assets | \$ 2,462,137 | \$ 2,348,668 |
| LIABILITIES AND NET ASSETS: | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 301,958 | \$ 269,663 |
| Total Current Liabilities | 301,958 | 269,663 |
| Deferred revenue | 123,511 | 142,493 |
| Total Liabilities | 425,469 | 412,156 |
| Net Assets: | | |
| Unrestricted: | | |
| Undesignated - available for operations | 2,020,708 | 1,917,234 |
| Designated - invested in property and equipment | 15,960 | 19,278 |
| Total Net Assets | 2,036,668 | 1,936,512 |
| Total Liabilities and Net Assets | \$ 2,462,137 | \$ 2,348,668 |

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

COASTALASKA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Changes in Unrestricted Net Assets from Operating Activities: | | |
| SUPPORT: | | |
| Contributions | \$ 832,632 | \$ 778,019 |
| Membership | <u>694,167</u> | <u>657,447</u> |
| Total support | <u>1,526,799</u> | <u>1,435,466</u> |
| REVENUES: | | |
| Government and CPB operating grants | 2,558,568 | 2,977,302 |
| Underwriting income | 1,079,907 | 1,024,829 |
| Rental, special events and other income | 444,781 | 368,524 |
| Royalties and production income | 56,913 | 82,084 |
| Broadcast income | <u>325,000</u> | <u>325,000</u> |
| Total revenues | <u>4,465,169</u> | <u>4,777,739</u> |
| NET ASSETS RELEASED FROM RESTRICTION: | | |
| Other operating grants | <u>32,843</u> | <u>30,955</u> |
| TOTAL REVENUES and SUPPORT | <u>6,024,811</u> | <u>6,244,160</u> |
| EXPENSES: | | |
| PROGRAM SERVICES: | | |
| Programming and productions | 2,028,011 | 1,965,643 |
| Technical | <u>1,193,875</u> | <u>1,139,396</u> |
| Total program services | <u>3,221,886</u> | <u>3,105,039</u> |
| SUPPORTING SERVICES: | | |
| Management and general | 1,179,753 | 1,164,903 |
| Development | 822,188 | 768,355 |
| Occupancy | 462,644 | 452,641 |
| Support to member stations: | | |
| For equipment repairs and replacement | <u>262,597</u> | <u>601,024</u> |
| Total supporting services | <u>2,727,182</u> | <u>2,986,923</u> |
| TOTAL EXPENSES | <u>5,949,068</u> | <u>6,091,962</u> |
| Change in Unrestricted Net Assets from Operating Activities | 75,743 | 152,198 |
| Change in Unrestricted Net Assets From Non-Operating Activities | | |
| Interest and investment income, net | <u>24,413</u> | <u>96,085</u> |
| Change in Unrestricted Net Assets | <u>100,156</u> | <u>248,283</u> |
| Changes in Temporarily Restricted Net Assets: | | |
| Support - Other operating grants | 357,843 | 355,955 |
| Net assets released from restrictions | <u>(357,843)</u> | <u>(355,955)</u> |
| Change in Temporarily Restricted Net Assets | <u>-</u> | <u>-</u> |
| Change in Net Assets | 100,156 | 248,283 |
| NET ASSETS, Beginning of Year | <u>1,936,512</u> | <u>1,688,229</u> |
| NET ASSETS, End of Year | <u>\$ 2,036,668</u> | <u>\$ 1,936,512</u> |

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

COASTALASKA, INC.

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 | \$ 100,156 | \$ 248,283 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 3,318 | 3,318 |
| Unrealized loss (gain) from investments | 24,141 | (43,601) |
| (Increase) Decrease in: | | |
| Accounts receivable | (38,833) | (22,923) |
| Contributions receivable | (28,781) | (14,981) |
| Grants receivable | (36,580) | (9,031) |
| Prepaid expenses | (4,158) | 45,144 |
| Increase (Decrease) in: | | |
| Accounts payable and accrued liabilities | 32,295 | (71,082) |
| Deferred revenue | (18,982) | 13,732 |
| Net Cash Provided By Operating Activities | <u>32,576</u> | <u>148,859</u> |
| Cash Flows From Investing Activities: | | |
| Cash paid for purchase of investments, net | <u>(38,208)</u> | <u>(43,538)</u> |
| Net Cash Used For Investing Activities | <u>(38,208)</u> | <u>(43,538)</u> |
| Net Increase (Decrease) In Cash | (5,632) | 105,321 |
| Cash at Beginning of Year | <u>1,414,328</u> | <u>1,309,007</u> |
| Cash at End of Year | <u><u>\$ 1,408,696</u></u> | <u><u>\$ 1,414,328</u></u> |
| Supplemental disclosure of cash paid during the year for: | | |
| Interest | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On July 1, 1998 five non-profit Alaska corporations, which operate seven noncommercial public radio stations and one noncommercial public television in Southeast Alaska, formed CoastAlaska, Inc., 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 Capital Community Broadcasting, Inc. (CCBI - "KTOO-TV" and "KTOO-FM"), Raven Radio Broadcasting Corporation ("KCAW"), Wrangell Radio Group ("KSTK"), Narrows Broadcasting Corporation ("KFSK"), and Rainbird Community Broadcasting ("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 continue 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 station's 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.

COASTALASKA, INC.

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 and Revenue and Expense Recognition

The financial statements of CoastAlaska 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.

Contributions and grants that are considered unrestricted are recorded as revenue in the statement of activity when received. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a temporarily restricted contribution or grant is received and released from restriction in the same year it is considered unrestricted.

CoastAlaska follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds are deemed to be earned and reported as revenues when CoastAlaska has incurred expenditures on behalf of the member stations in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue

All expenditures related to grants received from state or federal agencies and associated revenues derived from these grants are recorded in these financial statements. Each member station remains responsible for the conduct of their respective federal and state grants in accordance with laws and regulations and the provisions of the grant agreements.

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, CoastAlaska 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 restricted net assets June 30, 2015 and 2014.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Cash and Cash Equivalents

Under the terms of the Compact, each station retained ownership of a cash reserve account. The total of these accounts was \$204,180 at June 30, 1999. During fiscal 2004 the reserve cash was held in an investment account according to policy set forth by the Board of Directors, and CoastAlaska reflected the ownership of this investment basis by the member stations, by reflecting the amount as a liability in the accompanying financial statements. Any income or loss from the investments became the property of CoastAlaska. During 2005, the member stations voted to transfer these reserves to CoastAlaska.

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 of assets and liabilities as of the date of the balance sheet, and revenue and expenses for the period. Accordingly, actual results could differ from those estimates.

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair market value. Accordingly, CoastAlaska accounts for its marketable equity securities and certificates of deposit at fair value. Investments include stocks and mutual funds holding debt securities. Investments also include certificates of deposits with maturities more than 90 days subsequent to the end of the fiscal year and money market funds, that are designated for unspecified reserves. Unrealized gains and losses are included in the change in net assets. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 3.

Fair Value Measurements

CoastAlaska adopted FASB ASC 820 *Fair Value Measurement and Disclosure*, effective for the year ended June 30, 2009. FASB ASC 820 provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principle market for the asset or liability being measured. There was no impact to net assets as a result of the adoption of FASB ASC 820.

Real and Personal Property and Depreciation

Property and equipment of the member stations continues to be recorded in the financial statements of the respective members. Expenditures incurred by CoastAlaska for repairs and maintenance of the member stations' property and equipment are charged to operating expense as incurred. Expenditures incurred by CoastAlaska on behalf of the members' stations for property and equipment acquisitions, major renewals and betterments are recorded as contributions to the member stations as incurred. According to the terms and conditions of the National Telecommunications and Information Administration grants, which were received in years prior to 1995, the federal government retains a priority reversionary interest for ten years in equipment purchased with grant proceeds.

Statement of Cash Flows

For the purpose of the statement of cash flows, CoastAlaska considers all cash in checking, savings and money market accounts, excluding those classified as investments, to be cash.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

CoastAlaska is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The organization applied for and received a group exemption to include all member stations and the Legacy Foundation as subordinates under its tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to CoastAlaska's tax-exempt purpose is subject to taxation as unrelated business income. 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.

Contributions Receivable

Contributions receivable, less an appropriate allowance for uncollectible pledges, are recorded at their estimated fair market value at the time the associated pledge was made. CoastAlaska had contributions receivable of \$133,667 and \$104,886 at June 30, 2015 and 2014. CoastAlaska writes off uncollected pledges in excess of 180 days and management feels it is not necessary to record allowances for pledges less than 180 days.

Donated Services and Equipment

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-2 through 25-5 *Contributions Received*, and FASB ASC 958-605-25-16 through 25-17 *Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by CoastAlaska.

Individuals volunteer their time and assist the Organization with professional services. Donated professional services, meeting the definition of FASB ASC 958-605-25-16 through 25-17 as described above, are recorded as revenue and expense in the accompanying statement of activities as donated services at estimated fair values based upon standard valuation rates and job classifications. Donated time not meeting the criteria is not reflected in the financial statements.

Contributed equipment is recorded as contributions at estimated fair value on the date of donation and is reported as an increase in the unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, if any, are reported as restricted contributions.

Functional Allocation of Expenses

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

Support Services

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.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment in total for all member stations at June 30, 2015 and 2014 are summarized below. All property and equipment owned by member stations is recorded in the financial statements of the member stations:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Held by Member Stations: | | |
| Building and improvements | \$ 4,525,522 | \$ 4,416,310 |
| Broadcasting, production and programming equipment | 5,514,545 | 6,040,466 |
| Office fixtures and equipment | 124,118 | 124,118 |
| Land | 662,212 | 662,212 |
| Held by CoastAlaska: | | |
| Broadcasting, production and programming equipment | 54,923 | 54,923 |
| Office fixtures and equipment | <u>4,753</u> | <u>4,753</u> |
| | 10,886,073 | 11,302,782 |
| Less accumulated depreciation, CoastAlaska | (43,716) | (40,398) |
| Less accumulated depreciation, member stations | <u>(6,040,031)</u> | <u>(6,187,408)</u> |
| | <u>\$ 4,802,326</u> | <u>\$ 5,074,976</u> |

Depreciation expense was \$3,318 and \$3,318 for CoastAlaska, and \$531,930 and \$584,692 for member stations for the fiscal years ending June 30, 2015 and 2014, respectively.

NOTE 3 - INVESTMENTS

Cost and fair value of marketable equity securities at June 30, 2015 are as follows:

| | <u>Amortized Cost</u> | <u>Unrealized Gains</u> | <u>Fair Value</u> |
|----------------------------------|---------------------------|-----------------------------|-----------------------|
| Equity Securities | \$ 308,243 | \$ 84,314 | \$ 392,557 |
| Money Market Funds | 60,946 | - | 60,946 |
| Government and Agency Securities | 17,622 | 544 | 18,166 |
| Corporate Bonds | 68,330 | 3,089 | 71,419 |
| Mutual Funds | <u>72,815</u> | <u>1,724</u> | <u>74,539</u> |
| Total | <u>\$ 527,956</u> | <u>\$ 89,671</u> | <u>\$ 617,627</u> |

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Continued)

Cost and fair value of marketable equity securities at June 30, 2014 are as follows:

| | Amortized Cost | Unrealized Gains | Fair Value |
|----------------------------------|-------------------|---------------------|-------------------|
| Equity Securities | \$ 282,437 | \$ 104,545 | \$ 386,982 |
| Money Market Funds | 61,745 | - | 61,745 |
| Government and Agency Securities | 28,669 | 1,239 | 29,908 |
| Corporate Bonds | 45,778 | 4,993 | 50,771 |
| Mutual Funds | <u>71,119</u> | <u>3,035</u> | <u>74,154</u> |
| Total | <u>\$ 489,748</u> | <u>\$ 113,812</u> | <u>\$ 603,560</u> |

Investment and interest income (loss) includes the following at June 30:

| | 2015 | 2014 |
|------------------------------|------------------|------------------|
| Interest and dividend income | \$ 14,544 | \$ 13,403 |
| Realized gains | 44,099 | 47,899 |
| Management fees | (10,089) | (8,818) |
| Unrealized gains (losses) | <u>(24,141)</u> | <u>43,601</u> |
| Total | <u>\$ 24,413</u> | <u>\$ 96,085</u> |

NOTE 4 - FAIR VALUE MEASUREMENT

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principle or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets as liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|----------------------------------|-------------------|-------------------|-------------|-------------|
| Investments: | | | | |
| Equity Securities | \$ 392,557 | \$ 392,557 | \$ - | \$ - |
| Money Market Funds | 60,946 | 60,946 | - | - |
| Mutual Funds | 74,539 | 74,539 | - | - |
| Corporate Bonds | 71,419 | 71,419 | - | - |
| Government and Agency Securities | <u>18,166</u> | <u>18,166</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 617,627</u> | <u>\$ 617,627</u> | <u>\$ -</u> | <u>\$ -</u> |

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

| Investments: | Fair Value | Level 1 | Level 2 | Level 3 |
|----------------------------------|-----------------------|-----------------------|-----------------|-----------------|
| Equity Securities | \$ 386,982 | \$ 386,982 | \$ - | \$ - |
| Money Market Funds | 61,745 | 61,745 | - | - |
| Mutual Funds | 74,154 | 74,154 | - | - |
| Corporate Bonds | 50,771 | 50,771 | - | - |
| Government and Agency Securities | <u>29,908</u> | <u>29,908</u> | - | - |
| Total | <u>\$ 603,560</u> | <u>\$ 603,560</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 5 - OPERATING LEASES

CCBI has a consolidated operating land lease with the State of Alaska that was formerly three separate leases. Consolidation of the leases occurred in fiscal year 2012. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The expenses associated with these leases are recorded in the financial statements of CoastAlaska. As of June 30, 2015, the Schedule of Minimum Future Land Lease Payments is as follows:

| <u>Year Ending June 30</u> | <u>Schedule of Minimum Future Land Lease Payments</u> |
|----------------------------|---|
| 2016 | \$ 94,000 |
| 2017 | 94,000 |
| 2018 | 94,000 |
| 2019 | 94,000 |
| 2020 | 94,000 |
| Thereafter | <u>141,000</u> |
| Total | <u>\$ 611,000</u> |

NOTE 6 - PENSION EXPENSE

On January 1, 1999, CoastAlaska became the plan sponsor for a retirement plan designed under the provisions of section 403(b) of the Internal Revenue Code. The CoastAlaska contribution to the plan is a discretionary amount of 4% and 4%, of each employee's salary in 2015 and 2014, respectively. There is no required employer matching contribution. The contribution is paid as accrued.

Plan participants employed prior to January 1, 2009 are 100% vested in all salary deferral and employer discretionary contributions upon entering the plan. Effective on January 1, 2009, new employees are eligible for employer discretionary contributions after one-year of service. Once eligible, employer discretionary contributions, if any, are fully vested.

Pension expense was \$74,843 and \$70,611 for fiscal 2015 and 2014, respectively.

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts of member stations 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 member stations 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.

Excess Cash Balances

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

COASTALASKA, INC.
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2015

| <u>State Grantor / Program Title</u> | <u>Grant Number</u> | <u>Program Award</u> | <u>Receivable July 1, 2014</u> | <u>Revenue Received</u> | <u>Amount Expended</u> | <u>Receivable June 30, 2015</u> |
|---------------------------------------|-------------------------|--------------------------|------------------------------------|-----------------------------|----------------------------|-------------------------------------|
| Department of Administration | | | | | | |
| Major program: | | | | | | |
| Alaska Public Broadcasting Commission | 215919 | \$ 686,669 | \$ - | \$ 686,669 | \$ 686,669 | \$ - |
| | | <u>\$ 686,669</u> | <u>\$ -</u> | <u>\$ 686,669</u> | <u>\$ 686,669</u> | <u>\$ -</u> |

The accompanying Notes to Schedule of State Financial Assistance are an integral part of this statement.

COASTALASKA, INC.

NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2015

GENERAL

The accompanying Schedule of State Financial Assistance presents the activity of CoastAlaska Inc.

BASIS OF ACCOUNTING

The accompanying Schedule of State Financial Assistance is presented using the accrual basis of accounting, which is described in CoastAlaska Inc.'s financial statements.

RECONCILIATION OF SCHEDULE OF STATE FINANCIAL ASSISTANCE TO FINANCIAL STATEMENTS

The following is a reconciliation of contributions reported in the financial statements to expenditures reported in the schedule of State Financial Assistance:

| | |
|--|-------------------|
| Government and CPB operating grants as reflected in the Statement of Activities | \$ 2,558,568 |
| Less: Capital grants support and support from CPB | (1,666,156) |
| Less: Alaska Public Broadcasting, Inc. discretionary funds | <u>(4,843)</u> |
| Appropriation From Alaska Public Broadcasting Commission (APBC) | 887,569 |
| Less: Grants awarded directly to Capital Community Broadcasting Inc. and not considered CoastAlaska, Inc. grants for compliance purposes | <u>(200,900)</u> |
| Total expenditures per Schedule of State Financial Assistance | <u>\$ 686,669</u> |

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
CoastAlaska, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of CoastAlaska, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CoastAlaska, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CoastAlaska, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of CoastAlaska, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CoastAlaska, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink, consisting of the letters 'ERM' in a cursive, stylized font.

October 13, 2015

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

To the Board of Directors of
CoastAlaska, Inc.

Report on Compliance for Each Major State Program

We have audited CoastAlaska, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of CoastAlaska, Inc.'s major state programs for the year ended June 30, 2015. CoastAlaska, Inc.'s major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CoastAlaska, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about CoastAlaska, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of CoastAlaska, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, CoastAlaska, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of CoastAlaska, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CoastAlaska, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CoastAlaska, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.



October 13, 2015

COASTALASKA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) over financial reporting?
- Significant deficiencies identified that are not considered to be material weakness(es)?

_____ Yes x No

_____ Yes x None Reported

Noncompliance material to financial statements noted?

_____ Yes x No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

_____ Yes x No

_____ Yes x None Reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Dollar threshold used to distinguish a state major program:

\$50,000

Section II – Financial Statement Findings

None in 2015

Section III – State Award Findings and Questioned Costs

None in 2015

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2015

| | SITKA | PETERSBURG | KETCHIKAN | WRANGELL | JUNEAU | | REGIONAL | Total |
|--------------------------------|----------------|----------------|----------------|----------------|------------------|------------------|----------------|------------------|
| | KCAW-FM | KFSK-FM | KRBD-FM | KSTK-FM | KTOO-FM | KTOO-TV | SERVICES | |
| SUPPORT AND REVENUE: | | | | | | | | |
| Membership Revenue | \$ 155,237 | \$ 83,643 | \$ 107,164 | \$ 39,180 | \$ 301,683 | \$ 7,260 | \$ - | \$ 694,167 |
| Contributions | 9,700 | 2,600 | 57 | 300 | - | 39,114 | 500 | 52,271 |
| Underwriting Revenue | 160,959 | 93,580 | 103,234 | 48,424 | 290,272 | 383,438 | - | 1,079,907 |
| Interest and Investment Income | - | - | - | - | - | - | 24,413 | 24,413 |
| Gain on sale of fixed assets | - | - | - | - | - | 3,811 | - | 3,811 |
| Production Income | - | 829 | 50 | 7,120 | 615 | 48,140 | - | 56,754 |
| Royalties | - | - | - | - | - | 159 | - | 159 |
| Miscellaneous Income | 806 | - | - | - | - | 2,500 | 1,295 | 4,601 |
| Rental Income | 28,686 | 19,048 | 4,200 | 23,323 | 9,143 | 21,333 | - | 105,733 |
| Sales Income | 18,462 | 352 | 1,363 | 800 | 687 | 5,302 | - | 26,966 |
| Fee for Accounting | - | - | - | - | - | - | 130,899 | 130,899 |
| APBC Grants | 137,334 | 137,334 | 137,334 | 137,334 | 137,334 | 200,900 | - | 887,570 |
| CPB Grants | 140,910 | 124,848 | 132,721 | 119,161 | 161,830 | 733,732 | - | 1,413,202 |
| Capital Grants | - | - | - | 43,296 | 7,350 | 207,150 | - | 257,796 |
| Other Operating Grants | 1,000 | 9,000 | 1,000 | - | 8,843 | 338,000 | - | 357,843 |
| Fundraising Revenues: | | | | | | | | |
| Special Events | 28,846 | 12,662 | 9,230 | 924 | 41,201 | 814 | - | 93,677 |
| Auction | - | - | 6,951 | 3,945 | 9,647 | - | - | 20,543 |
| Gaming | 10,531 | 2,230 | 35,520 | 10,270 | - | - | - | 58,551 |
| In-kind Contributions | 112,479 | 52,559 | 94,603 | 55,963 | 113,823 | 350,934 | - | 780,361 |
| Total Support and Revenue | <u>804,950</u> | <u>538,685</u> | <u>633,427</u> | <u>490,040</u> | <u>1,082,428</u> | <u>2,342,587</u> | <u>157,107</u> | <u>6,049,224</u> |
| EXPENSES: | | | | | | | | |
| PROGRAMMING EXPENSES | | | | | | | | |
| Salary and Related Expenses | 191,865 | 109,625 | 137,694 | 83,768 | 365,686 | 571,580 | 63,782 | 1,524,000 |
| Media Stock | 236 | - | - | - | - | 3,305 | - | 3,541 |
| Contract Labor - Programming | - | 1,425 | 1,080 | 645 | 165 | 17,208 | - | 20,523 |
| Production Costs | 106 | - | - | - | 355 | 9,847 | - | 10,308 |
| Prog/Prod Travel | 13,057 | 1,678 | 55 | - | 372 | 13,950 | 3,340 | 32,452 |
| Music Library | 359 | 313 | - | 180 | 634 | 3,150 | - | 4,636 |
| Audience Survey | - | - | - | 300 | 7,000 | - | - | 7,300 |
| Affiliation Fees | 21,825 | 19,210 | 23,006 | 16,706 | 36,180 | 133,491 | - | 250,418 |
| Program Acquisitions | 20,976 | 20,881 | 18,238 | 15,610 | 41,490 | 14,690 | - | 131,885 |
| News Services | 1,206 | 5,990 | 3,579 | 5,946 | 7,980 | - | - | 24,701 |
| Outreach | - | - | 222 | - | - | - | - | 222 |
| Studio Maintenance | - | - | - | - | - | 107 | - | 107 |
| In-kind - Programming | - | - | 3,900 | - | 4,205 | 9,813 | - | 17,918 |
| Total Programming Expenses | <u>249,630</u> | <u>159,122</u> | <u>187,774</u> | <u>123,155</u> | <u>464,067</u> | <u>777,141</u> | <u>67,122</u> | <u>2,028,011</u> |
| TECHNICAL EXPENSES | | | | | | | | |
| Salary and Related Expenses | - | - | - | - | - | 70,702 | 201,354 | 272,056 |
| Transmission Charges | 8,683 | 8,683 | 8,683 | 8,683 | 8,683 | 210,000 | - | 253,415 |
| Contract Labor | 300 | 1,020 | 300 | 300 | 900 | 65,990 | - | 68,810 |

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2015

| | SITKA | PETERSBURG | KETCHIKAN | WRANGELL | JUNEAU | | REGIONAL | Total |
|---------------------------------------|---------|------------|-----------|----------|---------|---------|----------|-----------|
| | KCAW-FM | KFSK-FM | KRBD-FM | KSTK-FM | KTOO-FM | KTOO-TV | SERVICES | |
| TECHNICAL EXPENSES (continued) | | | | | | | | |
| Engineering Supplies | 153 | - | 70 | 975 | 178 | 114 | - | 1,490 |
| Tech/Broadcast Travel | - | - | 102 | - | - | 2,065 | 7,308 | 9,475 |
| Translators' Expenses | 3 | 8,250 | 15,885 | 287 | 35 | 156 | - | 24,616 |
| Computer Hardware | 1,893 | 2,585 | 216 | 4,252 | 8,132 | 19,748 | 3,951 | 40,777 |
| Computer Software | 3,486 | 63 | 239 | 134 | 887 | 26,933 | 14,233 | 45,975 |
| Internet Services | 5,158 | 4,146 | 4,846 | 3,908 | 4,085 | 18,284 | 1,184 | 41,611 |
| Broadcast Equipment Purchase | 6,009 | 3,576 | 7,857 | 1,139 | 1,581 | 4,261 | - | 24,423 |
| Broadcast Equipment Maintenance | 1,486 | 6,186 | 840 | 2,803 | 7,839 | 19,361 | 136 | 38,651 |
| In-kind - Technical | 35,844 | 31,398 | 32,312 | 29,661 | 41,642 | 201,719 | - | 372,576 |
| Total Technical Expenses | 63,015 | 65,907 | 71,350 | 52,142 | 73,962 | 639,333 | 228,166 | 1,193,875 |
| DEVELOPMENT EXPENSES | | | | | | | | |
| Salary and Related Expenses | 78,980 | 69,567 | 60,931 | 42,782 | 29,664 | 73,272 | 76,155 | 431,351 |
| Premiums | 6,524 | 4,235 | 4,976 | 1,686 | 5,912 | - | - | 23,333 |
| Advertising | - | 383 | 125 | 141 | 241 | - | 549 | 1,439 |
| Development Travel | 360 | 167 | 446 | 337 | 1,595 | 461 | 744 | 4,110 |
| Printing | 2,311 | 963 | 860 | 524 | 2,239 | - | 331 | 7,228 |
| Special Events | 6,961 | 3,135 | 16,999 | 5,123 | 15,715 | - | - | 47,933 |
| Credit Card Fees | - | - | - | - | - | - | 20,831 | 20,831 |
| Retail Inventory | 11,629 | 182 | 2,000 | 409 | 1,337 | 145 | - | 15,702 |
| Volunteers | 97 | 740 | 330 | 757 | 269 | - | - | 2,193 |
| Bulk Mail Postage | 882 | 447 | 855 | 251 | 1,492 | 40 | - | 3,967 |
| In-kind - Development | 55,760 | 5,791 | 38,928 | 3,498 | 48,037 | 112,087 | - | 264,101 |
| Total Development Expenses | 163,504 | 85,610 | 126,450 | 55,508 | 106,501 | 186,005 | 98,610 | 822,188 |
| OCCUPANCY EXPENSES | | | | | | | | |
| Rent | 1,208 | - | - | - | 37,675 | 71,354 | - | 110,237 |
| Building Maintenance | 3,510 | 2,494 | 661 | 1,705 | 10,267 | 22,099 | - | 40,736 |
| Janitorial Supplies | 608 | 1,953 | 351 | 587 | 4,456 | 10,397 | - | 18,352 |
| Telephone | 6,140 | 5,616 | 6,982 | 4,548 | 6,698 | 13,678 | 2,835 | 46,497 |
| Utilities | 27,152 | 13,073 | 15,260 | 3,794 | 22,426 | 52,689 | - | 134,394 |
| Insurance | 12,238 | 9,851 | 10,920 | 10,848 | 13,659 | 31,869 | 3,429 | 92,814 |
| In-kind - Occupancy | 1,848 | - | 3,120 | 9,290 | 1,607 | 3,749 | - | 19,614 |
| Total Occupancy Expenses | 52,704 | 32,987 | 37,294 | 30,772 | 96,788 | 205,835 | 6,264 | 462,644 |
| ADMINISTRATIVE EXPENSES | | | | | | | | |
| Salary and Related Expenses | 93,617 | 80,764 | 76,580 | 70,334 | 47,865 | 239,831 | 296,811 | 905,802 |

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2015

| | SITKA | PETERSBURG | KETCHIKAN | WRANGELL | JUNEAU | | REGIONAL | Total |
|---|-----------|------------|------------|-----------|-----------|-----------|-----------|------------|
| | KCAW-FM | KFSK-FM | KRBD-FM | KSTK-FM | KTOO-FM | KTOO-TV | SERVICES | |
| ADMINISTRATIVE EXPENSES (continued) | | | | | | | | |
| Office Supplies | 5,131 | 1,304 | 416 | 4,393 | 1,299 | 2,632 | 314 | 15,489 |
| Administrative Travel | 814 | 516 | 1,334 | 698 | 1,611 | 1,678 | 4,153 | 10,804 |
| Administrative Staff Training | 225 | - | - | - | - | - | - | 225 |
| Postage | 638 | 782 | 689 | 720 | 1,855 | 1,257 | 1,553 | 7,494 |
| Dues & Subscriptions | 1,619 | 680 | 1,538 | 707 | 933 | 2,050 | 2,575 | 10,102 |
| Printing | 306 | - | 462 | - | - | - | 562 | 1,330 |
| Office Equipment Rental | - | - | - | - | 1,855 | 4,625 | - | 6,480 |
| Office Equipment Purchase | - | - | - | - | 921 | 2,148 | - | 3,069 |
| Contract Labor | 1,481 | 988 | 1,317 | 865 | 3,322 | 5,883 | - | 13,856 |
| Board/Admin | 1,300 | 1,600 | 563 | 920 | 513 | - | 4,857 | 9,753 |
| Audit | - | - | - | - | - | - | 26,550 | 26,550 |
| Legal Fees | - | - | - | - | 488 | 1,463 | - | 1,951 |
| Taxes | 1,535 | - | - | 1,098 | - | - | - | 2,633 |
| Bank and Investment Consult Fees | - | 1 | 31 | - | 99 | 525 | 10,772 | 11,428 |
| Depreciation Expense | - | - | - | - | - | - | 3,318 | 3,318 |
| Other | - | - | - | - | - | 43,317 | - | 43,317 |
| In-kind - Admin | 19,027 | 15,370 | 16,343 | 13,514 | 18,332 | 23,566 | - | 106,152 |
| Administrative Expenses before CoastAlaska Support | 125,693 | 102,005 | 99,273 | 93,249 | 79,093 | 328,975 | 351,465 | 1,179,753 |
| CoastAlaska Support | 137,983 | 95,221 | 113,191 | 76,203 | 206,171 | - | (628,769) | - |
| Total Administrative Expenses | 263,676 | 197,226 | 212,464 | 169,452 | 285,264 | 328,975 | (277,304) | 1,179,753 |
| Total Expenses | 792,529 | 540,852 | 635,332 | 431,029 | 1,026,582 | 2,137,289 | 122,858 | 5,686,471 |
| Revenue in Excess of Expenses before capital items | 12,421 | (2,167) | (1,905) | 59,011 | 55,846 | 205,298 | 34,249 | 362,753 |
| CAPITAL ITEMS | | | | | | | | |
| Assets capitalized by stations, net of loss on disposal | - | - | - | 44,879 | 26,821 | 190,897 | - | 262,597 |
| Change in Net Assets | \$ 12,421 | \$ (2,167) | \$ (1,905) | \$ 14,132 | \$ 29,025 | \$ 14,401 | \$ 34,249 | \$ 100,156 |

See Independent Auditor's Report

COASTALASKA, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2014

| | SITKA | PETERSBURG | KETCHIKAN | WRANGELL | JUNEAU | | REGIONAL | Total |
|-----------------------------------|----------------|----------------|----------------|----------------|------------------|------------------|----------------|------------------|
| | KCAW-FM | KFSK-FM | KRBD-FM | KSTK-FM | KTOO-FM | KTOO-TV | SERVICES | |
| SUPPORT AND REVENUE: | | | | | | | | |
| Membership Revenue | \$ 140,509 | \$ 77,003 | \$ 102,340 | \$ 35,184 | \$ 298,011 | \$ 4,400 | \$ - | \$ 657,447 |
| Contributions | 8,040 | 1,256 | 293 | - | - | 38,160 | - | 47,749 |
| Underwriting Revenue | 146,722 | 85,255 | 97,371 | 54,060 | 306,806 | 334,615 | - | 1,024,829 |
| Interest and Investment Income | - | - | - | - | - | - | 96,085 | 96,085 |
| Production Income | - | 1,118 | 300 | 7,120 | 755 | 72,498 | - | 81,791 |
| Royalties | - | - | - | - | - | 293 | - | 293 |
| Miscellaneous Income | - | - | 930 | - | 188 | 5,138 | 416 | 6,672 |
| Rental Income | 29,400 | 18,221 | 4,200 | 16,299 | 9,669 | 22,560 | - | 100,349 |
| Sales Income | 17,581 | 865 | 90 | 735 | 732 | 7,140 | - | 27,143 |
| Fee for Accounting | - | - | - | - | - | - | 81,550 | 81,550 |
| APBC Grants | 138,219 | 138,219 | 138,219 | 138,219 | 138,219 | 200,900 | - | 891,995 |
| CPB Grants | 143,710 | 124,172 | 134,724 | 120,016 | 164,641 | 868,184 | - | 1,555,447 |
| Capital Grants | - | - | 35,000 | 11,860 | - | 483,000 | - | 529,860 |
| Other Operating Grants | 1,522 | 9,969 | 1,272 | 516 | 1,520 | 341,156 | - | 355,955 |
| Fundraising Revenues: | | | | | | | | |
| Special Events | 22,821 | 9,557 | 1,560 | 1,767 | 28,247 | 3,337 | - | 67,289 |
| Auction | - | - | 6,373 | 2,370 | 14,861 | - | - | 23,604 |
| Gaming | 8,770 | 5,337 | 37,230 | 10,580 | - | - | - | 61,917 |
| In-kind Contributions | 106,133 | 56,076 | 95,891 | 81,707 | 91,892 | 298,571 | - | 730,270 |
| Total Support and Revenue | 763,427 | 527,048 | 655,793 | 480,433 | 1,055,541 | 2,679,952 | 178,051 | 6,340,245 |
| EXPENSES: | | | | | | | | |
| PROGRAMMING EXPENSES | | | | | | | | |
| Salary and Related Expenses | 181,012 | 99,915 | 134,680 | 83,939 | 369,609 | 539,808 | 60,841 | 1,469,804 |
| Media Stock | - | - | - | 35 | - | 3,153 | - | 3,188 |
| Contract Labor - Programming | - | 690 | 540 | - | - | 18,133 | - | 19,363 |
| Production Costs | 248 | - | - | 225 | 268 | 22,352 | - | 23,093 |
| Prog/Prod Travel | 10,429 | 2,293 | 1,377 | 230 | 320 | 8,073 | 2,133 | 24,855 |
| Music Library | 356 | 268 | - | 165 | 80 | 3,150 | - | 4,019 |
| Affiliation Fees | 25,892 | 18,412 | 22,325 | 16,436 | 34,616 | 138,701 | - | 256,382 |
| Program Acquisitions | 18,241 | 20,196 | 17,148 | 15,289 | 37,131 | 13,947 | - | 121,952 |
| News Services | 5,946 | 5,946 | 4,167 | 5,946 | 7,897 | - | - | 29,902 |
| Outreach | - | - | 23 | - | 25 | - | - | 48 |
| In-kind - Programming | 950 | 1,130 | 2,527 | 950 | 1,704 | 5,776 | - | 13,037 |
| Total Programming Expenses | 243,074 | 148,850 | 182,787 | 123,215 | 451,650 | 753,093 | 62,974 | 1,965,643 |
| TECHNICAL EXPENSES | | | | | | | | |
| Salary and Related Expenses | - | - | 3,000 | - | - | 70,590 | 139,704 | 213,294 |
| Transmission Charges | 8,380 | 8,380 | 8,380 | 8,380 | 8,380 | 210,000 | - | 251,900 |
| Contract Labor | 1,500 | - | - | 846 | 4,775 | 76,255 | 3,615 | 86,991 |

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2014

| | SITKA | PETERSBURG | KETCHIKAN | WRANGELL | JUNEAU | | REGIONAL | Total |
|---------------------------------|---------|------------|-----------|----------|---------|---------|----------|-----------|
| | KCAW-FM | KFSK-FM | KRBD-FM | KSTK-FM | KTOO-FM | KTOO-TV | SERVICES | |
| TECHNICAL EXPENSES (continued) | | | | | | | | |
| Engineering Supplies | 346 | - | 59 | 349 | 27 | - | 35 | 816 |
| Tech/Broadcast Travel | 614 | - | 165 | 1,021 | 846 | - | 14,639 | 17,285 |
| Translators' Expenses | 808 | 8,083 | 15,892 | 608 | 4 | - | - | 25,395 |
| Computer Hardware | 2,674 | 698 | 329 | 3,493 | 2,770 | 9,395 | 3,966 | 23,325 |
| Computer Software | 109 | 198 | 35 | 71 | 916 | 33,418 | 15,940 | 50,687 |
| Internet Services | 3,015 | 3,548 | 3,941 | 4,255 | 2,892 | 10,964 | 921 | 29,536 |
| Broadcast Equipment Purchase | 676 | 730 | 18,118 | 2,798 | 3,374 | 1,790 | 42 | 27,528 |
| Broadcast Equipment Maintenance | 1,412 | 1,524 | 840 | 4,118 | 6,667 | 12,177 | - | 26,738 |
| In-kind - Technical | 34,906 | 33,371 | 33,327 | 55,393 | 37,305 | 191,599 | - | 385,901 |
| Total Technical Expenses | 54,440 | 56,532 | 84,086 | 81,332 | 67,956 | 616,188 | 178,862 | 1,139,396 |
| DEVELOPMENT EXPENSES | | | | | | | | |
| Salary and Related Expenses | 75,868 | 67,876 | 46,759 | 30,787 | 54,153 | 59,222 | 79,311 | 413,976 |
| Premiums | 4,310 | 3,551 | 4,933 | 1,705 | 8,669 | - | - | 23,168 |
| Advertising | - | 250 | - | 10 | 103 | 10 | 462 | 835 |
| Development Travel | 468 | 439 | 477 | 477 | 570 | 5 | 4,057 | 6,493 |
| Printing | 1,445 | 863 | 853 | 218 | 2,492 | 256 | - | 6,127 |
| Fundraising | 5,727 | 2,653 | 13,705 | 4,593 | 15,318 | 5,705 | - | 47,701 |
| Credit Card Fees | - | - | - | - | - | - | 18,347 | 18,347 |
| Retail Inventory | 8,999 | - | - | - | - | 2,873 | - | 11,872 |
| Volunteers | 277 | 234 | 399 | 824 | 578 | 101 | - | 2,413 |
| Bulk Mail Postage | 634 | 374 | 1,050 | 231 | 1,704 | 91 | - | 4,084 |
| In-kind - Development | 57,669 | 7,902 | 44,309 | 3,551 | 36,560 | 83,348 | - | 233,339 |
| Total Development Expenses | 155,397 | 84,142 | 112,485 | 42,396 | 120,147 | 151,611 | 102,177 | 768,355 |
| OCCUPANCY EXPENSES | | | | | | | | |
| Rent | - | - | - | - | 37,658 | 73,315 | - | 110,973 |
| Building Maintenance | 4,775 | 3,246 | 1,329 | 733 | 7,946 | 18,803 | - | 36,832 |
| Janitorial Supplies | 508 | 1,471 | 469 | 276 | 4,246 | 9,907 | - | 16,877 |
| Telephone | 5,970 | 5,337 | 7,426 | 4,425 | 6,518 | 13,359 | 2,898 | 45,933 |
| Utilities | 24,585 | 9,847 | 17,868 | 5,274 | 24,557 | 57,605 | - | 139,736 |
| Insurance | 12,214 | 9,410 | 10,447 | 9,130 | 12,635 | 28,654 | 3,082 | 85,572 |
| In-kind - Occupancy | - | - | 3,620 | 9,200 | 1,169 | 2,729 | - | 16,718 |
| Total Occupancy Expenses | 48,052 | 29,311 | 41,159 | 29,038 | 94,729 | 204,372 | 5,980 | 452,641 |
| ADMINISTRATIVE EXPENSES | | | | | | | | |
| Salary and Related Expenses | 88,742 | 77,803 | 66,960 | 70,619 | 55,028 | 320,530 | 271,927 | 951,609 |

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year ended June 30, 2014

| | SITKA | PETERSBURG | KETCHIKAN | WRANGELL | JUNEAU | | REGIONAL | Total |
|--|-----------|------------|-----------|-----------|-----------|-----------|------------|------------|
| | KCAW-FM | KFSK-FM | KRBD-FM | KSTK-FM | KTOO-FM | KTOO-TV | SERVICES | |
| ADMINISTRATIVE EXPENSES (continued) | | | | | | | | |
| Office Supplies | 1,718 | 1,434 | 33 | 2,216 | 786 | 1,612 | 948 | 8,747 |
| Administrative Travel | 552 | 620 | 820 | 409 | 637 | 2,368 | 7,553 | 12,959 |
| Postage | 796 | 672 | 794 | 638 | 2,210 | 1,668 | 1,624 | 8,402 |
| Dues & Subscriptions | 1,560 | 1,231 | 1,384 | 700 | 1,572 | 2,587 | 2,461 | 11,495 |
| Printing | - | 7 | - | - | - | - | - | 7 |
| Office Equipment Rental | - | - | - | - | 2,022 | 4,718 | - | 6,740 |
| Office Equipment Purchase | 40 | - | 20 | - | 724 | 1,689 | 953 | 3,426 |
| Contract Labor | 1,452 | 969 | 1,291 | 848 | 1,615 | 3,437 | - | 9,612 |
| Board/Admin | 5,403 | 1,242 | 1,235 | 862 | 1,115 | 1,800 | 4,754 | 16,411 |
| Audit | - | - | - | - | - | - | 26,530 | 26,530 |
| Legal Fees | - | - | - | - | 1,314 | 2,646 | - | 3,960 |
| Taxes | 1,535 | - | - | 1,098 | - | - | - | 2,633 |
| Bank and Investment Consult Fees | 31 | 40 | 66 | - | - | - | 9,775 | 9,912 |
| Depreciation Expense | - | - | - | - | - | - | 3,318 | 3,318 |
| Other | - | - | - | - | - | 7,867 | - | 7,867 |
| In-kind - Admin | 12,608 | 13,673 | 12,108 | 12,613 | 15,154 | 15,119 | - | 81,275 |
| Administrative Expenses before CoastAlaska Support | 114,437 | 97,691 | 84,711 | 90,003 | 82,177 | 366,041 | 329,843 | 1,164,903 |
| CoastAlaska Support | 136,943 | 94,914 | 114,830 | 79,301 | 215,927 | - | (641,915) | - |
| Total Administrative Expenses | 251,380 | 192,605 | 199,541 | 169,304 | 298,104 | 366,041 | (312,072) | 1,164,903 |
| Total Expenses | 752,343 | 511,440 | 620,058 | 445,285 | 1,032,586 | 2,091,305 | 37,921 | 5,490,938 |
| Revenue in Excess of Expenses before capital items | 11,084 | 15,608 | 35,735 | 35,148 | 22,955 | 588,647 | 140,130 | 849,307 |
| CAPITAL ITEMS | | | | | | | | |
| Assets capitalized by stations | - | 7,515 | 14,816 | 11,859 | 6,546 | 560,288 | - | 601,024 |
| Change in Net Assets | \$ 11,084 | \$ 8,093 | \$ 20,919 | \$ 23,289 | \$ 16,409 | \$ 28,359 | \$ 140,130 | \$ 248,283 |

See Independent Auditor's Report

ELGEE REHFELD MERTZ, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Raven Radio Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Raven Radio Foundation, Inc. (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 Raven Radio Foundation, Inc. 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, Raven Radio Foundation, Inc. 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.



October 13, 2015

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| ASSETS: | | |
| Property and Equipment, net | <u>\$ 1,183,302</u> | <u>\$ 1,248,687</u> |
| Total Assets | <u><u>\$ 1,183,302</u></u> | <u><u>\$ 1,248,687</u></u> |
| LIABILITIES AND NET ASSETS: | | |
| Net Assets: | | |
| Unrestricted: Designated - invested in property and equipment, unavailable for spending | <u>\$ 1,183,302</u> | <u>\$ 1,248,687</u> |
| Total Liabilities and Net Assets | <u><u>\$ 1,183,302</u></u> | <u><u>\$ 1,248,687</u></u> |

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

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|-------------------------------------|--------------|--------------|
| CHANGES IN UNRESTRICTED NET ASSETS: | | |
| Expenses | | |
| Depreciation | \$ 65,385 | \$ 65,429 |
| Total Expenses | 65,385 | 65,429 |
| Change in unrestricted net assets | (65,385) | (65,429) |
| Net Assets, Beginning of Year | 1,248,687 | 1,314,116 |
| Net Assets, End of Year | \$ 1,183,302 | \$ 1,248,687 |

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

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|-------------|-------------|
| Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities | | |
| Change in Net Assets | \$ (65,385) | \$ (65,429) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 65,385 | 65,429 |
| Net Cash Provided By Operating Activities | - | - |
| Net Change In Cash | - | - |
| Cash at Beginning of Year | - | - |
| Cash at End of Year | \$ - | \$ - |

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

RAVEN RADIO FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and CoastAlaska, Inc.

Raven Radio Foundation, Inc. (the "Corporation") is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KCAW-FM in Sitka, 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 continue 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 stations' 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.

RAVEN RADIO FOUNDATION, INC.

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 \$42,928 at June 30, 1999. During fiscal 2004 the reserve account was invested in accordance with the policy set forth by the Board of Directors of CoastAlaska. Any dividend and interest earnings on this reserve becomes 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.

RAVEN RADIO FOUNDATION, INC.

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 five 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.

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of the Corporation's long-term debt are recognized as revenue when the amounts are to be paid by CoastAlaska. All long-term debt amounts are recorded in the financial statements of the Corporation.

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.

RAVEN RADIO FOUNDATION, INC.

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 | \$ 497,312 | \$ 497,312 |
| Building and improvements | 827,989 | 827,989 |
| Broadcasting, production and programming equipment | 544,345 | 544,345 |
| Office fixtures and equipment | <u>7,094</u> | <u>7,094</u> |
| | 1,876,740 | 1,876,740 |
| Less accumulated depreciation | <u>(693,438)</u> | <u>(628,053)</u> |
| | <u>\$ 1,183,302</u> | <u>\$ 1,248,687</u> |

Depreciation expense was \$65,385 and \$65,429 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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Narrows Broadcasting Corporation

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.

Handwritten signature in black ink, consisting of the letters 'ERM' in a cursive, stylized font.

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><u>\$ 356,394</u></u> | <u><u>\$ 395,588</u></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><u>\$ 356,394</u></u> | <u><u>\$ 395,588</u></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><u>\$ 356,394</u></u> | <u><u>\$ 395,588</u></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> | <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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainbird Community Broadcasting Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Rainbird Community 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 Rainbird Community 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, Rainbird Community 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.

Handwritten signature in black ink, consisting of the letters 'ERM' in a cursive, stylized font.

October 13, 2015

RAINBIRD COMMUNITY BROADCASTING CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2015 and 2014

| | 2015 | 2014 |
|--|------------|------------|
| ASSETS: | | |
| Property and Equipment, net | \$ 739,598 | \$ 795,745 |
| Total Assets | \$ 739,598 | \$ 795,745 |
| LIABILITIES AND NET ASSETS: | | |
| Net Assets: | | |
| Unrestricted: designated - invested in property and equipment, unavailable for spending | \$ 739,598 | \$ 795,745 |
| Total Net Assets | 739,598 | 795,745 |
| Total Liabilities and Net Assets | \$ 739,598 | \$ 795,745 |

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

RAINBIRD COMMUNITY 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 | \$ - | \$ 14,816 |
| Total Public Support, Revenue and Other Gains | <u>-</u> | <u>14,816</u> |
| Expenses | | |
| Depreciation | <u>56,147</u> | <u>53,679</u> |
| Total Expenses | <u>56,147</u> | <u>53,679</u> |
| Change in unrestricted net assets | (56,147) | (38,863) |
| Net Assets, Beginning of Year | <u>795,745</u> | <u>834,608</u> |
| Net Assets, End of Year | <u><u>\$ 739,598</u></u> | <u><u>\$ 795,745</u></u> |

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

RAINBIRD COMMUNITY 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 | \$ (56,147) | \$ (38,863) |
| Adjustments to reconcile change in net assets | | |
| to net cash provided by operating activities | | |
| Depreciation | <u>56,147</u> | <u>53,679</u> |
| Net Cash Provided By Operating Activities | <u>-</u> | <u>14,816</u> |
| Cash Flows From Investing Activities: | | |
| Cash paid for fixed assets and capital improvements | <u>-</u> | <u>(14,816)</u> |
| Net Cash Used For Investing Activities | <u>-</u> | <u>(14,816)</u> |
| Net Change In Cash | - | - |
| Cash at Beginning of Year | <u>-</u> | <u>-</u> |
| Cash at End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

RAINBIRD COMMUNITY 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.

Rainbird Community Broadcasting Corporation (the "Corporation") is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KRBD-FM in Ketchikan, 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 continue 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.

RAINBIRD COMMUNITY 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 \$29,405. During fiscal year 2004 the reserve was invested according to policy set forth by the Board of Directors of CoastAlaska. Any dividend and interest earnings on the investment reserve 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.

RAINBIRD COMMUNITY 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.

RAINBIRD COMMUNITY 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 | \$ 130,900 | \$ 130,900 |
| Building and improvements | 573,948 | 573,948 |
| Broadcasting, production and programming equipment | 568,152 | 568,152 |
| Office fixtures and equipment | <u>9,700</u> | <u>9,700</u> |
| | 1,282,700 | 1,282,700 |
| Less accumulated depreciation | <u>(543,102)</u> | <u>(486,955)</u> |
| | <u>\$ 739,598</u> | <u>\$ 795,745</u> |

Depreciation expense was \$56,147 and \$53,679 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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wrangell Radio Group, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Wrangell Radio Group, Inc. (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 Wrangell Radio Group, Inc. 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, Wrangell Radio Group, Inc. 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.

Handwritten signature in black ink, consisting of the letters 'ERM' in a cursive, stylized font.

October 13, 2015

WRANGELL RADIO GROUP, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| ASSETS: | | |
| Property and Equipment, net | <u>\$ 210,174</u> | <u>\$ 198,133</u> |
| Total Assets | <u><u>\$ 210,174</u></u> | <u><u>\$ 198,133</u></u> |
| LIABILITIES AND NET ASSETS: | | |
| Net Assets: | | |
| Unrestricted: designated - invested in property and equipment, unavailable for spending | <u>\$ 210,174</u> | <u>\$ 198,133</u> |
| Total Liabilities and Net Assets | <u><u>\$ 210,174</u></u> | <u><u>\$ 198,133</u></u> |

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

WRANGELL RADIO GROUP, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|------------|------------|
| CHANGES IN UNRESTRICTED NET ASSETS: | | |
| Public Support, Revenue and Other Gains | | |
| Support from CoastAlaska for equipment repairs and replacements | \$ 44,879 | \$ 11,859 |
| Total Public Support, Revenue and Other Gains | 44,879 | 11,859 |
| Expenses | | |
| Depreciation | 32,838 | 31,928 |
| Total Expenses | 32,838 | 31,928 |
| Change in unrestricted net assets | 12,041 | (20,069) |
| Net Assets, Beginning of Year | 198,133 | 218,202 |
| Net Assets, End of Year | \$ 210,174 | \$ 198,133 |

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

WRANGELL RADIO GROUP, INC.

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 | \$ 12,041 | \$ (20,069) |
| Adjustments to reconcile change in net assets to net cash provided for operating activities | | |
| Depreciation | <u>32,838</u> | <u>31,928</u> |
| Net Cash Provided By Operating Activities | <u>44,879</u> | <u>11,859</u> |
| Cash Flows From Investing Activities | | |
| Cash paid for fixed assets and capital improvements | <u>(44,879)</u> | <u>(11,859)</u> |
| Net Cash Used For Investing Activities | <u>(44,879)</u> | <u>(11,859)</u> |
| Net Change in Cash | - | - |
| Cash at Beginning of Year | <u>-</u> | <u>-</u> |
| Cash at End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

WRANGELL RADIO GROUP, INC.

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.

Wrangell Radio Group, Inc. (the "Corporation") is a non-profit Alaska corporation, which operates a noncommercial public FM radio station (KSTK-FM in Wrangell, 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.

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

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$522. During fiscal year 2004 the reserve cash was invested according to policy set forth by the CoastAlaska Board of Directors. Any dividends and interest earnings on this cash becomes 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.

WRANGELL RADIO GROUP, INC.

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 Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization 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.

WRANGELL RADIO GROUP, INC.

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 | \$ 9,000 | \$ 9,000 |
| Building and improvements | 330,434 | 287,384 |
| Broadcasting, production and programming equipment | 423,167 | 421,338 |
| Office fixtures and equipment | <u>14,704</u> | <u>14,704</u> |
| | 777,305 | 732,426 |
| Less accumulated depreciation | <u>(567,131)</u> | <u>(534,293)</u> |
| | <u>\$ 210,174</u> | <u>\$ 198,133</u> |

Depreciation expense was \$32,838 and \$31,928 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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capital Community Broadcasting, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Community Broadcasting, Inc. (CCBI), 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 CCBI 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, CCBI 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.

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October 13, 2015

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| ASSETS: | | |
| Property and equipment, net | \$ 2,296,898 | \$ 2,417,545 |
| Intangibles | <u>621,400</u> | <u>621,400</u> |
| Total Assets | <u>\$ 2,918,298</u> | <u>\$ 3,038,945</u> |
| LIABILITIES AND NET ASSETS: | | |
| Net Assets: | | |
| Unrestricted, designated - invested in property and equipment, unavailable for spending | <u>\$ 2,918,298</u> | <u>\$ 3,038,945</u> |
| Total Liabilities and Net Assets | <u>\$ 2,918,298</u> | <u>\$ 3,038,945</u> |

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

CAPITAL COMMUNITY BROADCASTING, INC.

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 | \$ 261,026 | \$ 574,714 |
| Total Public Support, Revenue and Other Gains | <u>261,026</u> | <u>574,714</u> |
| Expenses | | |
| Depreciation | 338,365 | 395,652 |
| Loss on disposal of asset | 43,308 | 7,880 |
| Total Expenses | <u>381,673</u> | <u>403,532</u> |
| Change in unrestricted net assets | (120,647) | 171,182 |
| Net Assets, Beginning of Year | <u>3,038,945</u> | <u>2,867,763</u> |
| Net Assets, End of Year | <u>\$ 2,918,298</u> | <u>\$ 3,038,945</u> |

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

CAPITAL COMMUNITY BROADCASTING, INC.

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 Used By Operating Activities | | |
| Change in Net Assets | \$ (120,647) | \$ 171,182 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 338,365 | 395,652 |
| Loss on disposal of asset | <u>43,308</u> | <u>7,880</u> |
| Net Cash Provided By Operating Activities | <u>261,026</u> | <u>574,714</u> |
| Cash Flows From Investing Activities: | | |
| Cash paid for fixed assets and capital improvements | <u>(261,026)</u> | <u>(574,714)</u> |
| Net Cash Used For Investing Activities | <u>(261,026)</u> | <u>(574,714)</u> |
| Cash at Beginning of Year | <u>-</u> | <u>-</u> |
| Cash at End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

CAPITAL COMMUNITY BROADCASTING, INC.

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.

Capital Community Broadcasting, Inc. (CCBI) is a non-profit Alaska corporation, which operates a noncommercial public television station (KTOO-TV in Juneau, Alaska) and a noncommercial public FM radio station (KTOO-FM in Juneau, Alaska), as described below.

On July 1, 1998 CCBI 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's 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 continue 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 excepted from this review and approval process and remains with CCBI's Board of Directors. Each stations' 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.

CAPITAL COMMUNITY BROADCASTING, INC.

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 CCBI 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, CCBI retained ownership of a cash reserve account in the amount of \$44,184. During fiscal year 2004 the reserve cash was invested according to policy set forth by the CoastAlaska Board of Directors. Any dividends and interest earnings on this cash becomes 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 CCBI's radio and television 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. CCBI 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.

CAPITAL COMMUNITY BROADCASTING, INC.

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 three to forty 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 CCBI's property and equipment are recognized as revenue when the amounts are to be paid by CoastAlaska. Expenditures incurred by CoastAlaska on behalf of CCBI for property and equipment acquisitions, major renewals and betterments are recorded as contributions by CCBI as incurred.

Long-Term Debt

Expenditures incurred by CoastAlaska for payment of CCBI's long-term debt are recognized as revenue when the amounts are to be paid by CoastAlaska. All long-term debt amounts are recorded in the financial statements of CCBI.

Statement of Cash Flows

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

Income Taxes

CCBI 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 CCBI's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the CCBI 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.

CAPITAL COMMUNITY BROADCASTING, INC.

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> |
| Building and improvements | \$ 2,277,493 | \$ 2,211,322 |
| Broadcasting, production and programming equipment | 3,457,016 | 3,984,775 |
| Office fixtures and equipment | <u>89,020</u> | <u>89,020</u> |
| | 5,823,529 | 6,285,117 |
| Less accumulated depreciation | <u>(3,526,631)</u> | <u>(3,867,572)</u> |
| | <u>\$ 2,296,898</u> | <u>\$ 2,417,545</u> |

Depreciation expense was \$338,365 and \$395,652 for fiscal years ended June 30, 2015 and 2014.

NOTE 3 - OPERATING LEASES

Capital Community Broadcasting, Inc has a consolidated operating land lease with the State of Alaska that was formerly three separate leases. Consolidation of the leases occurred in fiscal year 2012. Lease payments are subject to adjustment at each five-year interval based on appraised rental value of land. The expenses associated with these leases are recorded in the financial statements of CoastAlaska.

As of June 30, 2015, the Schedule of Minimum Future Land Lease Payments is as follows:

| <u>Year Ending June 30</u> | <u>Schedule of Minimum Future Land Lease Payments</u> |
|----------------------------|---|
| 2016 | \$ 94,000 |
| 2017 | 94,000 |
| 2018 | 94,000 |
| 2019 | 94,000 |
| 2020 | 94,000 |
| Thereafter | <u>141,000</u> |
| Total | <u>\$ 611,000</u> |

NOTE 4 - CONTINGENT LIABILITIES

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies. Although subjected to state and federal single audit requirements, certain grant amounts of CCBI 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.