

UNALASKA COMMUNITY BROADCASTING, INC.

Financial Statements

Years Ended June 30, 2011 and 2010

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

UNALASKA COMMUNITY BROADCASTING, INC.

Financial Statements

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UNALASKA COMMUNITY BROADCASTING, INC.

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Independent Auditors' Report

Members of the Board

Unalaska Community Broadcasting, Inc.

Unalaska, Alaska

Ladies and Gentlemen:

We have audited the accompanying statements of financial position of the Unalaska Community Broadcasting, Inc. (a nonprofit organization), as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Unalaska Community Broadcasting, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Unalaska Community Broadcasting, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Altman, Rogers & Co.

November 16, 2011

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UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Financial Position

June 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 176,823	114,704
Accounts receivable	6,787	7,063
Other receivables	-	7,767
Inventory	5,073	4,358
Prepaid expenses	4,958	4,552
Total current assets	<u>193,641</u>	<u>138,444</u>
Capital assets, net of accumulated depreciation of \$266,955 in 2011 and \$242,548 in 2010	<u>153,069</u>	<u>149,997</u>
Total assets	<u>\$ 346,710</u>	<u>288,441</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,254	5,038
Accrued payroll liabilities	1,519	1,261
Accrued leave	18,533	16,348
Deferred revenue	67,873	23,398
Total current liabilities	<u>89,179</u>	<u>46,045</u>
Net assets - unrestricted	<u>257,531</u>	<u>242,396</u>
Total liabilities and net assets	<u>\$ 346,710</u>	<u>288,441</u>

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Activities

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues and other support:		
Grants:		
Federal sources	\$ 180,770	197,530
State of Alaska	101,613	74,306
Local sources	89,814	92,124
Total grant support	<u>372,197</u>	<u>363,960</u>
Gaming:		
Pull-tab sales, net of payouts	<u>10,940</u>	<u>21,030</u>
Fundraising:		
Events	35,313	25,217
Donations	1,925	3,588
Membership dues	32,459	27,951
Total fundraising	<u>69,697</u>	<u>56,756</u>
General		
Underwriting services	12,652	11,190
Film production and bulletin board	25,587	23,952
Interest	682	667
Miscellaneous	8,675	20,111
Total general	<u>47,596</u>	<u>55,920</u>
In-kind	<u>79,392</u>	<u>76,982</u>
Total revenues and other support	<u>579,822</u>	<u>574,648</u>
Expenses:		
Program services:		
Television	126,065	105,665
Radio	306,091	275,259
Total program services	<u>432,156</u>	<u>380,924</u>
Support services:		
Fundraising	51,262	41,974
Management and general	81,269	114,989
Total support services	<u>132,531</u>	<u>156,963</u>
Total expenses	<u>564,687</u>	<u>537,887</u>
Change in unrestricted net assets	15,135	36,761
Net assets, beginning of year	<u>242,396</u>	<u>205,635</u>
Net assets, end of year	<u>\$ 257,531</u>	<u>242,396</u>

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Functional Expenses

Years Ended June 30, 2011 and 2010

2011

	Program Services			Support Services			Total Program and Support Services
	Television	Radio	Total Program Services	Fundraising	Management and General	Total Support Services	
Expenses:							
Personnel	\$ 81,474	196,057	277,531	28,269	21,184	49,453	326,984
Travel	56	5,918	5,974	137	1,111	1,248	7,222
Event related				6,795		6,795	6,795
Dues and fees	51	980	1,031	127	2,873	3,000	4,031
Program acquisition	1,600	38,216	39,816				39,816
Facilities	7,128	2,953	10,081		5,480	5,480	15,561
Office supplies	3,716	4,348	8,064	60	2,406	2,466	10,530
Audit					10,296	10,296	10,296
Equipment	3,646		3,646				3,646
Website development		63	63	4,599	4,451	9,050	9,113
In-kind rent					24,800	24,800	24,800
In-kind labor and services	21,143	22,641	43,784	10,808		10,808	54,592
Professional	1,055	17,681	18,736	240	1,800	2,040	20,776
Insurance					2,854	2,854	2,854
Postage and freight	265	1,199	1,464	227	345	572	2,036
Depreciation	5,931	16,035	21,966		2,441	2,441	24,407
Bad debt					1,170	1,170	1,170
Other					58	58	58
Total expenses	\$ 126,065	306,091	432,156	51,262	81,269	132,531	564,687

(continued)

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Functional Expenses, Continued

2010

	Program Services			Support Services			Total Program and Support Services
	<u>Television</u>	<u>Radio</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Support Services</u>	
Expenses:							
Personnel	\$ 79,818	167,576	247,394	33,567	9,906	43,473	290,867
Travel	36	10,384	10,420	150	193	343	10,763
Event related	-	-	-	7,556	-	7,556	7,556
Dues and fees	50	4,033	4,083	311	2,760	3,071	7,154
Program acquisition	222	28,856	29,078	-	-	-	29,078
Facilities	6,564	6,810	13,374	-	832	832	14,206
Office supplies	7,382	2,673	10,055	81	2,016	2,097	12,152
Audit	-	-	-	-	8,671	8,671	8,671
Equipment	749	9,301	10,050	-	-	-	10,050
Website development	-	6,873	6,873	-	46	46	6,919
In-kind rent	-	-	-	-	25,070	25,070	25,070
In-kind labor and services	-	-	-	-	51,912	51,912	51,912
Professional	6,075	23,389	29,464	309	5,856	6,165	35,629
Insurance	-	-	-	-	1,549	1,549	1,549
Staff training	963	1,200	2,163	-	-	-	2,163
Depreciation	3,735	14,108	17,843	-	5,223	5,223	23,066
Bad debt	-	-	-	-	955	955	955
Other	71	56	127	-	-	-	127
Total expenses	\$ 105,665	275,259	380,924	41,974	114,989	156,963	537,887

See accompanying notes to financial statements.

UNALASKA COMMUNITY BROADCASTING, INC.

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 15,135	36,761
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	24,407	23,066
Bad debt	1,170	955
(Increase) decrease in:		
Accounts receivable	(894)	(789)
Other receivables	7,767	(327)
Prepaid expense	(406)	(3,296)
Inventory	(715)	(2,566)
(Decrease) increase in:		
Accounts payable	(3,784)	1,458
Accrued payroll liabilities	258	(597)
Accrued leave	2,185	4,890
Deferred revenue	44,475	(12,084)
Net cash provided (used) by operating activities	<u>89,598</u>	<u>47,471</u>
Cash flows from investing activities:		
Construction in Progress	-	(7,250)
Purchase of equipment	(27,479)	(29,750)
Net cash provided (used) by investing activities	<u>(27,479)</u>	<u>(37,000)</u>
Net change in cash	62,119	10,471
Cash and cash equivalents, beginning of year	<u>114,704</u>	<u>104,233</u>
Cash and cash equivalents, end of year	\$ <u><u>176,823</u></u>	<u><u>114,704</u></u>
Supplemental disclosure of cash flow information:		
Donation of fixed asset	\$ <u><u>-</u></u>	<u><u>29,750</u></u>
Non-cash in-kind rent	\$ <u><u>24,800</u></u>	<u><u>25,070</u></u>
Non-cash in-kind labor and services	\$ <u><u>54,592</u></u>	<u><u>51,912</u></u>

See accompanying notes to financial statements.

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UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

Basis of Accounting

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

Basis of Presentation

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Unalaska Community Broadcasting and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations or when donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of Unalaska Community Broadcasting and/or the passage of time. When a 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. Currently, Unalaska Community Broadcasting does not have any temporarily restricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Unalaska Community Broadcasting. Generally, the donors of these assets permit Unalaska Community Broadcasting to use all or part of the income earned on any related investments for general or specific purposes. Currently, Unalaska Community Broadcasting does not have any permanently restricted net assets.

All net assets of Unalaska Community Broadcasting, Inc. were unrestricted at June 30, 2011 and 2010.

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

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

Unalaska Community Broadcasting did not receive any promises to give during the year ended June 30, 2011 or 2010 and had no receivable for contributions at year end.

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

Grant awards that are contributions - Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as restricted net assets.

Grant awards that are exchange transactions - Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

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

Cash and Cash Equivalents

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

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

Accounts Receivable

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

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

Prepaid Items

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

Inventory

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

Donated Services

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

Equipment

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

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

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

Annual Leave

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

Income Taxes

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

Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Organization's policy is to report interest and penalties associated with income taxes as interest expense and other expense, respectively. The Organization also is no longer subject to examinations by the federal and state tax authorities for years before June 30, 2007.

Functional Allocation of Expenses

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

Fair Value of Financial Instruments

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

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

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

(2) CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents follow:

	June 30, 2011		June 30, 2010	
	Book	Bank	Book	Bank
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Gaming account	\$ 20,658	21,281	32,338	32,338
Checking account	(9,141)	26,206	(2,380)	(2,380)
Petty cash	335	-	176	-
Savings	<u>164,971</u>	<u>164,971</u>	<u>84,570</u>	<u>84,570</u>
	<u>\$ 176,823</u>	<u>212,458</u>	<u>114,704</u>	<u>114,528</u>

(3) CAPITAL ASSETS

The following is a summary of changes in capital assets:

	July 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2011</u>
Construction in Progress, not being depreciated	\$ -	7,250	-	7,250	-	(7,250)	-
Broadcasting equipment	\$ 355,545	29,750	-	385,295	34,729	-	420,024
Less accumulated depreciation	(219,482)	(23,066)	-	(242,548)	34,729	-	(266,955)
	<u>\$ 136,063</u>	<u>13,934</u>	<u>-</u>	<u>149,997</u>	<u>10,322</u>	<u>(7,250)</u>	<u>153,069</u>

Depreciation expense for the years ended June 30, 2011 and 2010 is \$ 24,407 and \$23,066, respectively.

(4) DONATED PROPERTY AND SERVICES

Unalaska Community Broadcasting, Inc. recognized in-kind rent received from the City of Unalaska based on the fair market value of property. \$24,800 and \$25,070 was recognized as in-kind revenue and expenses during the years ended June 30, 2011 and 2010, respectively.

Donations of services meeting the requirements of GAAP are objectively determined and reported in the financial statements at the fair market value of the provided services. Donated services of \$54,592 and \$51,912 were recognized as in-kind contributions and expenses during the fiscal years ended June 30, 2011 and 2010, respectively.

UNALASKA COMMUNITY BROADCASTING, INC.

Notes to Financial Statements, Continued

Unalaska Community Broadcasting provides Public Service Announcements on Channel 8 television for local entities. These announcements do not meet the criteria for reporting as donations as specified by generally accepted accounting principles, therefore no amounts have been recorded in the accompanying financial statements, however management estimates the fair value of those announcements to be \$40,300 and \$37,200 for the years ended June 30, 2011 and 2010, respectively.

(5) CONCENTRATION OF CREDIT RISK

Unalaska Community Broadcasting, Inc. places its cash with financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2011 and 2010, respectively, per institution.

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

All balances were fully insured at June 30, 2011 and 2010, respectively.

(6) ECONOMIC DEPENDENCY

Unalaska Community Broadcasting, Inc. received 64% and 63% of its revenue from the City of Unalaska, the Alaska Public Broadcasting Commission and the Corporation for Public Broadcasting during the years ended June 30, 2011 and 2010, respectively. Without these revenue sources, the Organization would not be able to continue the same level of operations.

(7) GRANT CONTINGENCIES

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

(8) SUBSEQUENT EVENTS

Management has evaluated the risks of subsequent events through November 16, 2011, the date which the financials became available, to be issued.