

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended
June 30, 2016 and 2015

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

COASTALASKA, INC., AND MEMBER STATIONS

FINANCIAL STATEMENTS

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June 30, 2016 and 2015

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COASTALASKA, INC., AND MEMBER STATIONS

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June 30, 2016 and 2015

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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 organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, 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, 2016 and 2015, 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 audit was 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, 2016 and 2015 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 audit 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 Activity by Member and the Schedule of State Financial Assistance 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 November 17, 2016 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.



November 17, 2016

COASTALASKA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS:		
Current Assets:		
Cash	\$ 1,765,620	\$ 1,408,696
Investments	697,836	617,627
Accounts receivable, net	295,014	221,694
Grants receivable	13,000	46,640
Contributions receivable, net	145,304	133,667
Prepaid expenses	20,876	17,853
Total Current Assets	2,937,650	2,446,177
Property and Equipment, net	12,642	15,960
Total Assets	\$ 2,950,292	\$ 2,462,137
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 446,627	\$ 301,958
Deferred revenue	318,346	123,511
Total Current Liabilities	764,973	425,469
Total Liabilities	764,973	425,469
Net Assets:		
Unrestricted:		
Undesignated - available for operations	2,172,677	2,020,708
Designated - invested in property and equipment	12,642	15,960
Total Net Assets	2,185,319	2,036,668
Total Liabilities and Net Assets	\$ 2,950,292	\$ 2,462,137

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

COASTALASKA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016	2015
Changes in Unrestricted Net Assets from Operating Activities:		
SUPPORT:		
Contributions	\$ 891,484	\$ 832,632
Membership	741,587	694,167
Total support	<u>1,633,071</u>	<u>1,526,799</u>
REVENUES:		
Government and CPB operating grants	2,243,264	2,558,568
Underwriting income	1,059,925	1,079,907
Rental, special events and other income	501,688	444,781
Royalties and production income	75,687	56,913
Broadcast income	325,000	325,000
Total revenues	<u>4,205,564</u>	<u>4,465,169</u>
NET ASSETS RELEASED FROM RESTRICTION:		
Other operating grants	58,062	32,843
TOTAL REVENUES and SUPPORT	<u>5,896,697</u>	<u>6,024,811</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and productions	1,934,373	2,028,011
Technical	1,167,705	1,193,875
Total program services	<u>3,102,078</u>	<u>3,221,886</u>
SUPPORTING SERVICES:		
Management and general	1,200,707	1,179,753
Development	904,531	822,188
Occupancy	426,500	462,644
Support to member stations:		
For equipment repairs and replacement	135,580	262,597
Total supporting services	<u>2,667,318</u>	<u>2,727,182</u>
TOTAL EXPENSES	<u>5,769,396</u>	<u>5,949,068</u>
Change in Unrestricted Net Assets from Operating Activities	127,301	75,743
Change in Unrestricted Net Assets From Non-Operating Activities		
Interest and investment income, net	21,350	24,413
Change in Unrestricted Net Assets	<u>148,651</u>	<u>100,156</u>
Changes in Temporarily Restricted Net Assets:		
Support - Other operating grants	383,062	357,843
Net assets released from restrictions	<u>(383,062)</u>	<u>(357,843)</u>
Change in Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>
Change in Net Assets	148,651	100,156
NET ASSETS, Beginning of Year	<u>2,036,668</u>	<u>1,936,512</u>
NET ASSETS, End of Year	<u>\$ 2,185,319</u>	<u>\$ 2,036,668</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ 148,651	\$ 100,156
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,318	3,318
Unrealized loss from investments	5,223	24,141
(Increase) Decrease in:		
Accounts receivable	(73,320)	(38,833)
Contributions receivable	(11,637)	(28,781)
Grants receivable	33,640	(36,580)
Prepaid expenses	(3,023)	(4,158)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	144,669	32,295
Deferred revenue	194,835	(18,982)
Net Cash Provided By Operating Activities	<u>442,356</u>	<u>32,576</u>
Cash Flows From Investing Activities:		
Cash paid for purchase of investments, net	<u>(85,432)</u>	<u>(38,208)</u>
Net Cash Used For Investing Activities	<u>(85,432)</u>	<u>(38,208)</u>
Net Increase (Decrease) In Cash	356,924	(5,632)
Cash at Beginning of Year	<u>1,408,696</u>	<u>1,414,328</u>
Cash at End of Year	<u>\$ 1,765,620</u>	<u>\$ 1,408,696</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, 2016 and 2015

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. (CoastAlaska), 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 it's 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 temporarily restricted net assets at June 30, 2016 and 2015. There were no permanently restricted net assets at June 30, 2016 and 2015.

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 reports its investments in accordance with FASB ASC 820 *Fair Value Measurement and Disclosure*. 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.

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, 2016 and 2015. CoastAlaska follows the provisions of FASB ASC 740 *Income Taxes* 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 \$145,304 and \$133,667 at June 30, 2016 and 2015. 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, 2016 and 2015 are summarized below. All property and equipment owned by member stations is recorded in the financial statements of the member stations:

	<u>2016</u>	<u>2015</u>
Held by Member Stations:		
Building and improvements	\$ 4,616,680	\$ 4,525,522
Broadcasting, production and programming equipment	5,314,903	5,514,545
Office fixtures and equipment	124,118	124,118
Land	662,212	662,212
Held by CoastAlaska:		
Broadcasting, production and programming equipment	52,576	54,923
Office fixtures and equipment	<u>4,753</u>	<u>4,753</u>
	10,775,242	10,886,073
Less accumulated depreciation, CoastAlaska	(44,687)	(43,716)
Less accumulated depreciation, member stations	<u>(6,297,252)</u>	<u>(6,040,031)</u>
	<u>\$ 4,433,303</u>	<u>\$ 4,802,326</u>

Depreciation expense was \$3,318 and \$3,318 for CoastAlaska, and \$501,285 and \$531,929 for member stations for the fiscal years ending June 30, 2016 and 2015, respectively.

NOTE 3 - INVESTMENTS

Cost and fair value of marketable equity securities at June 30, 2016 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Equity Securities	\$ 322,540	\$ 75,028	\$ 397,568
Money Market Funds	131,071	-	131,071
Government and Agency Securities	16,355	2,393	18,748
Corporate Bonds	69,164	5,424	74,588
Mutual Funds	<u>74,258</u>	<u>1,603</u>	<u>75,861</u>
Total	<u>\$ 613,388</u>	<u>\$ 84,448</u>	<u>\$ 697,836</u>

COASTALASKA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Continued)

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

	Amortized Cost	Unrealized Gains	Fair Value
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>

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

	2016	2015
Interest and dividend income	\$ 15,562	\$ 14,544
Realized gains	21,056	44,099
Management fees	(10,045)	(10,089)
Unrealized gains (losses)	<u>(5,223)</u>	<u>(24,141)</u>
Total	<u>\$ 21,350</u>	<u>\$ 24,413</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, 2016 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 397,568	\$ 397,568	\$ -	\$ -
Money Market Funds	131,071	131,071	-	-
Mutual Funds	75,861	75,861	-	-
Corporate Bonds	74,588	74,588	-	-
Government and Agency Securities	<u>18,748</u>	<u>18,748</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 697,836</u>	<u>\$ 697,836</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, 2015 are as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
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>	-	-
 Total	 <u>\$ 617,627</u>	 <u>\$ 617,627</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, 2016, 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>
2017	\$ 94,000
2018	94,000
2019	94,000
2020	94,000
2021	94,000
Thereafter	<u>47,000</u>
Total	<u>\$ 517,000</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% of each employee's salary in both 2016 and 2015. 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 \$80,689 and \$74,843 for fiscal 2016 and 2015, 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

CoastAlaska 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). CoastAlaska 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, 2016

<u>State Grantor / Program Title</u>	<u>Grant Number</u>	<u>Program Award</u>	<u>Receivable July 1, 2015</u>	<u>Revenue Received</u>	<u>Amount Expended</u>	<u>Receivable June 30, 2016</u>
Department of Administration						
Major program:						
Alaska Public Broadcasting Commission	216919	<u>\$ 563,583</u>	<u>\$ -</u>	<u>\$ 563,583</u>	<u>\$ 563,583</u>	<u>\$ -</u>
		<u>\$ 563,583</u>	<u>\$ -</u>	<u>\$ 563,583</u>	<u>\$ 563,583</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, 2016

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	\$ 2,243,264
Less: Capital grants support and support from CPB	<u>(1,525,681)</u>
Appropriation From Alaska Public Broadcasting Commission (APBC)	717,583
Less: Grants awarded directly to Capital Community Broadcasting Inc. and not considered CoastAlaska, Inc. grants for compliance purposes	<u>(154,000)</u>
Total expenditures per Schedule of State Financial Assistance	<u>\$ 563,583</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, 2016, 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 November 17, 2016.

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.

November 17, 2016

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 program for the year ended June 30, 2016. CoastAlaska, Inc.'s major state program is 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 CoastAlaska, Inc.'s major state program 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 the 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 its major state program for the year ended June 30, 2016.

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 its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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.



November 17, 2016

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, 2016

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 program:

- 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 program:

Unmodified

Dollar threshold used to distinguish a state major program:

\$50,000

Section II – Financial Statement Findings

None in 2016

Section III – State Award Findings and Questioned Costs

None in 2016

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, 2016

	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	\$ 171,333	\$ 95,123	\$ 113,659	\$ 35,882	\$ 316,908	\$ 8,682	\$ -	\$ 741,587
Contributions	8,800	1,759	-	-	6,915	57,204	200	74,878
Underwriting Revenue	138,284	89,872	93,704	42,267	284,540	411,258	-	1,059,925
Interest and Investment Income	-	-	-	-	-	-	21,350	21,350
Production Income	-	75	100	7,120	690	67,382	-	75,367
Royalties	-	-	-	-	-	320	-	320
Miscellaneous Income	-	-	-	-	-	-	861	861
Rental Income	29,800	19,620	4,200	27,119	11,797	27,525	-	120,061
Sales Income	19,448	1,030	2,063	890	185	3,039	-	26,655
Fee for Accounting	-	-	-	-	7,017	8,980	148,480	164,477
APBC Grants	112,771	112,771	112,771	112,771	112,771	154,000	-	717,855
CPB Grants	137,464	124,097	130,296	121,118	158,757	781,981	-	1,453,713
Capital Grants	8,700	-	-	17,996	6,000	39,000	-	71,696
Other Operating Grants	2,354	14,907	1,725	697	8,712	344,667	10,000	383,062
Fundraising Revenues:								
Special Events	26,705	9,172	6,693	766	47,263	1,128	-	91,727
Auction	-	-	6,808	2,677	8,619	-	-	18,104
Gaming	9,571	15,310	42,247	12,215	-	460	-	79,803
In-kind Contributions	110,535	63,013	94,113	56,664	127,218	365,063	-	816,606
Total Support and Revenue	775,765	546,749	608,379	438,182	1,097,392	2,270,689	180,891	5,918,047
EXPENSES:								
PROGRAMMING EXPENSES								
Salary and Related Expenses	193,794	113,495	138,762	82,530	329,004	618,125	63,637	1,539,347
Media Stock	-	-	-	-	-	3,612	-	3,612
Contract Labor - Programming	-	652	780	-	-	63,030	-	64,462
Production Costs	290	-	75	-	96	12,401	-	12,862
Prog/Prod Travel	9,522	391	573	769	631	14,988	1,381	28,255
Music Library	344	240	-	180	628	3,150	-	4,542
Affiliation Fees	21,250	19,570	18,023	13,264	36,717	33,765	-	142,589
Program Acquisitions	17,014	19,237	11,018	7,777	40,608	15,185	-	110,839
News Services	-	5,946	870	2,213	8,015	-	-	17,044
Outreach	-	-	25	-	50	-	-	75
Studio Maintenance	-	-	-	-	-	951	-	951
In-kind - Programming	1,240	580	837	-	1,091	6,047	-	9,795
Total Programming Expenses	243,454	160,111	170,963	106,733	416,840	771,254	65,018	1,934,373
TECHNICAL EXPENSES								
Salary and Related Expenses	-	-	-	-	-	72,109	208,380	280,489
Transmission Charges	8,953	8,953	8,953	8,953	8,953	210,000	-	254,765
Contract Labor	-	-	-	-	180	64,165	700	65,045

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2016

	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	15	-	145	45	324	109	17	655
Tech/Broadcast Travel	-	-	160	36	-	123	9,265	9,584
Translators' Expenses	-	9,033	15,391	360	163	-	-	24,947
Computer Hardware	545	1,590	755	288	2,831	9,644	2,929	18,582
Computer Software	1,291	38	-	51	2,478	44,856	16,701	65,415
Internet Services	3,969	4,136	4,376	4,400	6,205	21,375	1,067	45,528
Broadcast Equipment Purchase	2,119	1,158	1,372	585	1,136	7,215	123	13,708
Broadcast Equipment Maintenance	1,297	1,515	840	1,799	2,030	2,807	14	10,302
In-kind - Technical	33,269	31,925	37,159	30,720	45,514	200,098	-	378,685
Total Technical Expenses	51,458	58,348	69,151	47,237	69,814	632,501	239,196	1,167,705
DEVELOPMENT EXPENSES								
Salary and Related Expenses	79,462	74,138	63,958	42,470	36,542	62,502	102,972	462,044
Premiums	6,762	4,303	3,357	-	4,292	-	-	18,714
Advertising	-	265	217	-	72	-	318	872
Development Travel	355	61	362	151	37	-	2,177	3,143
Printing	1,592	505	330	226	1,597	-	-	4,250
Special Events	10,297	6,303	21,462	4,730	19,352	542	-	62,686
Credit Card Fees	-	-	-	-	-	-	23,319	23,319
Retail Inventory	7,838	-	2,537	346	-	-	-	10,721
Volunteers	284	-	128	716	112	28	-	1,268
Bulk Mail Postage	878	430	682	354	1,772	-	-	4,116
In-kind - Development	58,264	15,177	38,531	5,477	60,625	135,324	-	313,398
Total Development Expenses	165,732	101,182	131,564	54,470	124,401	198,396	128,786	904,531
OCCUPANCY EXPENSES								
Rent	604	-	-	-	37,700	71,412	-	109,716
Building Maintenance	2,792	456	975	1,190	4,749	10,141	-	20,303
Janitorial Supplies	602	2,216	383	278	4,235	9,881	-	17,595
Telephone	6,024	6,091	6,911	4,326	6,075	13,095	2,685	45,207
Utilities	25,415	12,476	15,598	3,225	20,740	48,765	-	126,219
Insurance	12,280	9,886	10,866	10,850	12,719	29,677	3,082	89,360
In-kind - Occupancy	880	2,240	3,276	8,500	961	2,243	-	18,100
Total Occupancy Expenses	48,597	33,365	38,009	28,369	87,179	185,214	5,767	426,500
ADMINISTRATIVE EXPENSES								
Salary and Related Expenses	88,771	84,626	74,000	70,677	102,972	262,753	289,000	972,799

(continued)

See Independent Auditor's Report

COASTALASKA, INC.

SUPPLEMENTAL SCHEDULE OF ACTIVITY BY MEMBER

For the Year Ended June 30, 2016

	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	1,074	625	461	1,302	1,701	1,843	935	7,941
Administrative Travel	1,456	317	354	63	1,400	3,644	6,038	13,272
Postage	1,120	360	996	571	2,301	1,244	1,344	7,936
Dues & Subscriptions	1,429	690	840	547	924	1,699	2,781	8,910
Printing	-	-	455	-	-	-	-	455
Office Equipment Rental	-	-	-	-	1,698	3,961	-	5,659
Office Equipment Purchase	647	-	-	-	642	1,497	-	2,786
Contract Labor	1,496	998	1,330	874	1,812	2,342	-	8,852
Board/Admin	813	1,073	1,151	1,128	1,052	349	141	5,707
Audit	-	-	-	-	-	-	27,057	27,057
Legal Fees	-	-	-	-	1,293	3,017	-	4,310
Taxes	1,535	-	-	2,370	-	-	-	3,905
Bank and Investment Consult Fees	508	209	256	54	419	649	11,624	13,719
Depreciation Expense	-	-	-	-	-	-	3,318	3,318
Other	-	-	-	10,725	-	6,728	-	17,453
In-kind - Admin	16,882	13,091	14,310	11,967	19,027	21,351	-	96,628
Administrative Expenses before CoastAlaska Support	115,731	101,989	94,153	100,278	135,241	311,077	342,238	1,200,707
CoastAlaska Support	140,372	100,581	112,098	82,619	205,798	-	(641,468)	-
Total Administrative Expenses	256,103	202,570	206,251	182,897	341,039	311,077	(299,230)	1,200,707
Total Expenses	765,344	555,576	615,938	419,706	1,039,273	2,098,442	139,537	5,633,816
Revenue in Excess of Expenses before capital items	10,421	(8,827)	(7,559)	18,476	58,119	172,247	41,354	284,231
CAPITAL ITEMS								
Assets capitalized by stations, net of loss on disposal	10,158	-	-	6,243	33,319	85,860	-	135,580
Change in Net Assets	\$ 263	\$ (8,827)	\$ (7,559)	\$ 12,233	\$ 24,800	\$ 86,387	\$ 41,354	\$ 148,651

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	
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	804,950	538,685	633,427	490,040	1,082,428	2,342,587	157,107	6,049,224
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	249,630	159,122	187,774	123,155	464,067	777,141	67,122	2,028,011
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
Fundraising	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	-	-	-	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

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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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November 17, 2016

RAVEN RADIO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS:		
Property and Equipment, net	\$ 1,129,405	\$ 1,183,302
Total Assets	\$ 1,129,405	\$ 1,183,302
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: Designated - invested in property and equipment, unavailable for spending	\$ 1,129,405	\$ 1,183,302
Total Net Assets	1,129,405	1,183,302
Total Liabilities and Net Assets	\$ 1,129,405	\$ 1,183,302

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, 2016 and 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 10,158	\$ -
Total Public Support, Revenue and Other Gains	10,158	-
Expenses		
Depreciation	64,055	65,385
Total Expenses	64,055	65,385
Change in unrestricted net assets	(53,897)	(65,385)
Net Assets, Beginning of Year	1,183,302	1,248,687
Net Assets, End of Year	\$ 1,129,405	\$ 1,183,302

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, 2016 and 2015

	2016	2015
Reconciliation of the Change in Net Assets To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (53,897)	\$ (65,385)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	64,055	65,385
Net Cash Provided By Operating Activities	10,158	-
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(10,158)	-
Net Cash Used For Investing Activities	(10,158)	-
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, 2016 and 2015

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 Inc. (CoastAlaska), 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 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, 2016 and 2015.

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 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. 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.

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, 2016 and 2015. 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

The Corporation 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, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Land	\$ 497,312	\$ 497,312
Building and improvements	827,989	827,989
Broadcasting, production and programming equipment	530,164	544,345
Office fixtures and equipment	<u>7,094</u>	<u>7,094</u>
	1,862,559	1,876,740
Less accumulated depreciation	<u>(733,154)</u>	<u>(693,438)</u>
	<u>\$ 1,129,405</u>	<u>\$ 1,183,302</u>

Depreciation expense was \$64,055 and \$65,385 for fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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.

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

November 17, 2016

NARROWS BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Property and Equipment, net	<u>\$ 317,671</u>	<u>\$ 356,394</u>
Total Assets	<u><u>\$ 317,671</u></u>	<u><u>\$ 356,394</u></u>
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>\$ 317,671</u>	<u>\$ 356,394</u>
Total Liabilities and Net Assets	<u><u>\$ 317,671</u></u>	<u><u>\$ 356,394</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Expenses		
Depreciation	<u>\$ 38,723</u>	<u>\$ 39,194</u>
Total Expenses	<u>38,723</u>	<u>39,194</u>
Change in unrestricted net assets	(38,723)	(39,194)
Net Assets, Beginning of Year	<u>356,394</u>	<u>395,588</u>
Net Assets, End of Year	<u><u>\$ 317,671</u></u>	<u><u>\$ 356,394</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of the Change in Net Assets		
To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (38,723)	\$ (39,194)
Adjustments to reconcile change in net assets		
to net cash provided for operating activities		
Depreciation	<u>38,723</u>	<u>39,194</u>
Net Cash Provided by Operating Activities	<u>-</u>	<u>-</u>
Net Change In Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

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

NARROWS BROADCASTING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015. 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

The Corporation 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, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	515,658	515,658
Broadcasting, production and programming equipment	490,456	521,865
Office fixtures and equipment	<u>3,600</u>	<u>3,600</u>
	1,034,714	1,066,123
Less accumulated depreciation	<u>(717,043)</u>	<u>(709,729)</u>
	<u>\$ 317,671</u>	<u>\$ 356,394</u>

Depreciation expense was \$38,723 and \$39,194 for fiscal years ended June 30, 2016 and 2015, 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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ELGEE REHFELD MERTZ, LLC

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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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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.

November 17, 2016

RAINBIRD COMMUNITY BROADCASTING CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Property and Equipment, net	<u>\$ 684,462</u>	<u>\$ 739,598</u>
Total Assets	<u><u>\$ 684,462</u></u>	<u><u>\$ 739,598</u></u>
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	<u>\$ 684,462</u>	<u>\$ 739,598</u>
Total Liabilities and Net Assets	<u><u>\$ 684,462</u></u>	<u><u>\$ 739,598</u></u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Expenses		
Depreciation	<u>\$ 55,136</u>	<u>\$ 56,147</u>
Total Expenses	<u>55,136</u>	<u>56,147</u>
Change in unrestricted net assets	(55,136)	(56,147)
Net Assets, Beginning of Year	<u>739,598</u>	<u>795,745</u>
Net Assets, End of Year	<u><u>\$ 684,462</u></u>	<u><u>\$ 739,598</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of the Change in Net Assets		
To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (55,136)	\$ (56,147)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	<u>55,136</u>	<u>56,147</u>
Net Cash Provided By Operating Activities	<u>-</u>	<u>-</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, 2016 and 2015

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 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.

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, 2016 and 2015.

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, 2016 and 2015. 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, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Land	\$ 130,900	\$ 130,900
Building and improvements	573,948	573,948
Broadcasting, production and programming equipment	565,054	568,152
Office fixtures and equipment	<u>9,700</u>	<u>9,700</u>
	1,279,602	1,282,700
Less accumulated depreciation	<u>(595,140)</u>	<u>(543,102)</u>
	<u>\$ 684,462</u>	<u>\$ 739,598</u>

Depreciation expense was \$55,136 and \$56,147 for fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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.

November 17, 2016

WRANGELL RADIO GROUP, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS:		
Property and Equipment, net	\$ 183,051	\$ 210,174
Total Assets	\$ 183,051	\$ 210,174
LIABILITIES AND NET ASSETS:		
Net Assets:		
Unrestricted: designated - invested in property and equipment, unavailable for spending	\$ 183,051	\$ 210,174
Total Liabilities and Net Assets	\$ 183,051	\$ 210,174

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, 2016 and 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 6,243	\$ 44,879
Total Public Support, Revenue and Other Gains	6,243	44,879
Expenses		
Depreciation	33,366	32,838
Total Expenses	33,366	32,838
Change in unrestricted net assets	(27,123)	12,041
Net Assets, Beginning of Year	210,174	198,133
Net Assets, End of Year	\$ 183,051	\$ 210,174

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, 2016 and 2015

	2016	2015
Reconciliation of the Change in Net Assets		
To Net Cash Provided By Operating Activities		
Change in Net Assets	\$ (27,123)	\$ 12,041
Adjustments to reconcile change in net assets to net cash provided for operating activities		
Depreciation	33,366	32,838
Net Cash Provided By Operating Activities	6,243	44,879
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	(6,243)	(44,879)
Net Cash Used For Investing Activities	(6,243)	(44,879)
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.

WRANGELL RADIO GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015. 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, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Land	\$ 9,000	\$ 9,000
Building and improvements	347,402	330,434
Broadcasting, production and programming equipment	363,507	423,167
Office fixtures and equipment	<u>14,704</u>	<u>14,704</u>
	734,613	777,305
Less accumulated depreciation	<u>(551,562)</u>	<u>(567,131)</u>
	<u>\$ 183,051</u>	<u>\$ 210,174</u>

Depreciation expense was \$33,366 and \$32,838 for fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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.



November 17, 2016

CAPITAL COMMUNITY BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Property and equipment, net	\$ 2,106,072	\$ 2,296,898
Beneficial interest:		
Juneau Community Foundation	218,858	77,685
Intangibles	<u>621,400</u>	<u>621,400</u>
Total Assets	<u>\$ 2,946,330</u>	<u>\$ 2,995,983</u>
LIABILITIES AND NET ASSETS:		
Payable to KTOO Legacy Foundation	<u>\$ 218,858</u>	<u>\$ 77,685</u>
Total Liabilities	<u>218,858</u>	<u>77,685</u>
Net Assets:		
Unrestricted, designated - invested in property and equipment, unavailable for spending	<u>2,727,472</u>	<u>2,918,298</u>
Total Liabilities and Net Assets	<u>\$ 2,946,330</u>	<u>\$ 2,995,983</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public Support, Revenue and Other Gains		
Support from CoastAlaska for equipment repairs and replacements	\$ 125,907	\$ 261,026
Total Public Support, Revenue and Other Gains	<u>125,907</u>	<u>261,026</u>
Expenses		
Depreciation	310,005	338,365
Loss on disposal of asset	<u>6,728</u>	<u>43,308</u>
Total Expenses	<u>316,733</u>	<u>381,673</u>
Change in unrestricted net assets	(190,826)	(120,647)
Net Assets, Beginning of Year	<u>2,918,298</u>	<u>3,038,945</u>
Net Assets, End of Year	<u><u>\$ 2,727,472</u></u>	<u><u>\$ 2,918,298</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of the Change in Net Assets To Net Cash Used By Operating Activities		
Change in Net Assets	\$ (190,826)	\$ (120,647)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	310,005	338,365
Loss on disposal of asset	<u>6,728</u>	<u>43,308</u>
Net Cash Provided By Operating Activities	<u>125,907</u>	<u>261,026</u>
Cash Flows From Investing Activities:		
Cash paid for fixed assets and capital improvements	<u>(125,907)</u>	<u>(261,026)</u>
Net Cash Used For Investing Activities	<u>(125,907)</u>	<u>(261,026)</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, 2016 and 2015

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 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 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, 2016 and 2015.

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.

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, 2016 and 2015. 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.

NOTE 2 – JUNEAU COMMUNITY FOUNDATION FUND

During fiscal year 2010, CCBI, KTOO Legacy Foundation (Legacy), a nonprofit foundation affiliated with CCBI entered into an Endowment Agreement (Agreement) with the Juneau Community Foundation (JCF), an unrelated community foundation. Under the Agreement, Legacy transferred \$77,685 to JCF, which established the KTOO Legacy (Fund) with the proceeds. During fiscal year 2016, an additional \$141,173 was transferred. Under the Agreement JCF will hold, manage and invest the Fund for the charitable purpose of Legacy. CCBI's Board of Directors may request that earnings and principal of the Fund be distributed subject to the terms of the Agreement and approval of the JCF Board of Directors. CCBI has granted variance power to JCF only if CCBI ceases to exist or is no longer a qualified charitable organization. The variance power is further limited in that JCF may

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – JUNEAU COMMUNITY FOUNDATION FUND (Continued)

transfer the interest in the Fund after consultation with members of the final Board of Directors of CCBI. Accordingly, CCBI has recognized a beneficial interest in the JCF Fund.

CCBI, Inc. records the beneficial interest at cost and will recognize earnings in the Fund upon distribution by JCF. During fiscal years 2016 and 2015, CCBI received no distributions from JCF.

CCBI's beneficial interest is comingled with other entities that have placed accounts with JCF. At June 30, 2016 and 2015, JCF reported to CCBI that the account had a total market value of \$47,714,028 and \$51,000,935, and an adjusted cost basis of \$48,108,520 and \$49,412,935, respectively. CCBI's reported share of the account had a market value of \$254,507 and \$116,991 at June 30, 2016 and 2015, respectively. The account is invested in index funds and cash equivalents.

NOTE 3 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 2,351,682	\$ 2,277,493
Broadcasting, production and programming equipment	3,365,723	3,457,016
Office fixtures and equipment	<u>89,020</u>	<u>89,020</u>
	5,806,425	5,823,529
Less accumulated depreciation	<u>(3,700,353)</u>	<u>(3,526,631)</u>
	<u>\$ 2,106,072</u>	<u>\$ 2,296,898</u>

Depreciation expense was \$310,005 and \$338,365 for fiscal years ended June 30, 2016 and 2015.

NOTE 4 - 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, 2016, 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>
2017	\$ 94,000
2018	94,000
2019	94,000
2020	94,000
2021	94,000
Thereafter	<u>47,000</u>
Total	<u>\$ 517,000</u>

CAPITAL COMMUNITY BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - 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.