

**Terminal Radio, Inc.  
Audited Financial Statements**

**June 30, 2020 and 2019**

**TERMINAL RADIO, INC.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Terminal Radio, Inc.  
Valdez, Alaska

We have audited the accompanying financial statements of Terminal Radio, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, statements of functional expenses, and statements of 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 Terminal Radio, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Foster and Company, LLC*

Foster and Company, LLC  
Wasilla, Alaska

December 28, 2020

**TERMINAL RADIO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 89,703	\$ 26,022
Accounts and Grant Receivable, net	2,069	5,360
Inventories	1,420	872
Prepaid Expenses	6,629	5,453
Total Current Assets	99,821	37,707
Property and Equipment, net	137,672	149,357
TOTAL ASSETS	237,493	187,064
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	286	5,798
Accrued Expenses	14,847	12,679
TOTAL LIABILITIES	15,133	18,477
NET ASSETS		
Net Assets without Donor Restrictions		
Undesignated	83,702	18,229
Net Investment in Property and Equipment	137,672	149,357
	221,374	167,586
Net Assets with Donor Restrictions	986	1,001
TOTAL NET ASSETS	222,360	168,587
TOTAL LIABILITIES AND NET ASSETS	\$ 237,493	\$ 187,064

See Independent Auditor's Report and Notes to the Financial Statements

**TERMINAL RADIO, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets without Donor Restrictions		
Revenue and Support:		
Grants and Donations	\$ 257,415	\$ 193,772
Gaming Proceeds	28,812	23,170
Underwriting Contributions	8,976	30,286
In-Kind Contributions	33,356	55,991
Rental Income	37,500	37,500
Membership Dues	5,245	7,020
Other	8,684	2,654
	<u>379,988</u>	<u>350,393</u>
 Total Net Assets Released from Restrictions	 <u>27,248</u>	 <u>23,936</u>
 Total Revenue and Support	 <u>407,236</u>	 <u>374,329</u>
Expenses		
Programming and Production	132,357	157,054
Broadcasting and Transmission	66,673	85,121
Management and General	136,794	124,395
Fundraising and Gaming	12,992	14,226
Rental Expenses	4,632	5,511
	<u>353,448</u>	<u>386,307</u>
 Total Expenses	 <u>353,448</u>	 <u>386,307</u>
 Increase/(Decrease) in Unrestricted Net Assets	 <u>53,788</u>	 <u>(11,978)</u>
Changes in Net Assets with Donor Restrictions		
Grants	<u>27,233</u>	<u>23,348</u>
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>(27,248)</u>	<u>(23,936)</u>
 Increase/(Decrease) in Net Assets with Donor Restrictions	 <u>(15)</u>	 <u>(588)</u>
 Changes in Net Assets	 53,773	 (12,566)
 Net Assets - Beginning of Year	 <u>168,587</u>	 <u>181,153</u>
 Net Assets - End of Year	 <u>\$ 222,360</u>	 <u>\$ 168,587</u>

See Independent Auditor's Report and Notes to the Financial Statements

**TERMINAL RADIO, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2020 and 2019

	PROGRAM		ADMINISTRATION AND GENERAL			2020 Totals
	Programming and Production	Broadcasting and Transmissions	Management and General	Fundraising and Gaming	Rental	
Personnel Costs	\$ 73,057	-	82,420	7,270	-	\$ 162,747
Program Costs	14,826	-	-	-	-	14,826
Contract Services	-	2,700	8,500	-	-	11,200
Telephone and Internet	10,508	8,113	3,606	-	-	22,227
Repairs and Maintenance	-	-	388	-	870	1,258
Rent	-	11,728	-	-	-	11,728
Supplies	3,494	120	3,004	3,267	-	9,885
Utilities	-	20,586	8,873	-	762	30,221
Postage	-	-	100	22	-	122
Insurance	-	4,207	9,494	-	-	13,701
Other	116	11,007	7,679	2,433	3,000	24,235
Total Cash Operating Expenses	102,001	58,461	124,064	12,992	4,632	302,150
Broadcast Support (in-kind)	30,356	3,000	-	-	-	33,356
Depreciation	-	5,212	12,730	-	-	17,942
<b>TOTALS</b>	<b>\$ 132,357</b>	<b>66,673</b>	<b>136,794</b>	<b>12,992</b>	<b>4,632</b>	<b>\$ 353,448</b>

	PROGRAM		ADMINISTRATION AND GENERAL			2019 Totals
	Programming and Production	Broadcasting and Transmissions	Management and General	Fundraising and Gaming	Rental	
Personnel Costs	\$ 77,664	-	74,418	10,874	-	\$ 162,956
Program Costs	26,283	-	-	240	-	26,523
Contract Services	-	1,409	8,750	-	-	10,159
Telephone and Internet	13,087	8,820	4,473	-	-	26,380
Repairs and Maintenance	-	-	779	-	768	1,547
Rent	-	11,221	-	-	-	11,221
Supplies	5,133	54	241	1,263	-	6,691
Travel	1,000	-	-	-	-	1,000
Utilities	-	21,155	7,814	-	1,743	30,712
Postage	-	-	59	55	-	114
Insurance	-	1,039	11,673	-	-	12,712
Other	116	747	3,458	1,794	3,000	9,115
Total Cash Operating Expenses	123,283	44,445	111,665	14,226	5,511	299,130
Loss on Disposition of Assets	-	13,311	-	-	-	13,311
Broadcast Support (in-kind)	33,771	22,220	-	-	-	55,991
Depreciation	-	5,145	12,730	-	-	17,875
<b>TOTALS</b>	<b>\$ 157,054</b>	<b>85,121</b>	<b>124,395</b>	<b>14,226</b>	<b>5,511</b>	<b>\$ 386,307</b>

See Independent Auditor's Report and Notes to the Financial Statements

**TERMINAL RADIO, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ 53,773	\$ (12,566)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	17,942	17,875
(Increase) Decrease in operating assets		
Accounts and Grants Receivable	3,291	6,254
Inventory	(548)	361
Prepaid Expenses and Other Assets	(1,176)	(1,315)
Increase (Decrease) in operating liabilities		
Accounts Payable	(5,512)	486
Accrued Expenses	2,168	(2,045)
Deferred Revenue	-	(2,466)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>69,938</b>	<b>6,584</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(6,257)	(3,594)
Recapture of Depreciation	-	(111,595)
Disposal of Property and Equipment	-	124,906
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(6,257)</b>	<b>9,717</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>63,681</b>	<b>16,301</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>26,022</b>	<b>9,721</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 89,703</b>	<b>\$ 26,022</b>

See Independent Auditor's Report and Notes to the Financial Statements

**TERMINAL RADIO, INC.**  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Operation** – Terminal Radio, Inc. (KCHU) is a public service radio station whose purpose is to serve the educational, cultural and informational needs of the south-central Alaskan community in the Copper River Basin and Prince William Sound areas. Terminal Radio, Inc., is a non-profit 501(c)(3) organization since 1980, governed by a nine-member Board of Directors. As such, the accompanying statements of financial position and related statements of activities and statements of cash flows reflect the assets owned by the Organization. Terminal Radio, Inc. is funded by a variety of sources including but not limited to membership dues, federal, state and local grants, gaming operations, underwriting, in-kind donations, and other miscellaneous sources of funding. The Organization's office is located in Valdez, Alaska and operates a station there as KCHU 770 AM. In addition, the Organization has additional licensed stations located in Glennallen (KXGA 90.5 FM) and McCarthy (KXKM 89.7FM) and is repeated by translators in Cordova, Chenega Bay and Tatitlek at 88.1 FM, and Whittier at 88.3 FM.

**Financial Statement Presentation** – The Organization's accounting records are maintained on the accrual basis of accounting under which revenues are recognized when earned and expenses when incurred.

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of The Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Use of Estimates** – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.



**TERMINAL RADIO, INC.**  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue and Support** – In accordance with FASB ASC 958-065, *Not-for-Profit Entities: Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a “release of restrictions” in the accompanying statement of activities.

Terminal Radio, Inc. engages in periodic fund-raising campaigns manifested by offering some special radio programs and on-air and mail fund-raising appeals. These appeals encourage support, both from individuals and organizations, to provide financial contributions to Terminal Radio, Inc. for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give, and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. All member pledges receivable are promises to give within one year. Contributions and collected pledges are unrestricted as to their usage if not limited to specific activities of Terminal Radio, Inc. This usage is consistent with appeals for contributions and pledges.

**Donated Materials and Services** – Donated materials and services meeting the criteria of FASB ASC 958-205 “*Not-for-Profit Entities: Presentation of Financial Statements*” are recorded at their estimated fair value as of the date of the contribution. The amount of the contribution is presented as both support and expense in the accompanying financial statements. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. If the fair value of contributed materials, supplies, facilities, services, and property cannot be reasonably determined, they are not recorded. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, program activities and special events. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skill, are performed by people with those skills, and would otherwise be purchased by the Organization if not provided by donation.

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**TERMINAL RADIO, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Functional Allocation of Expenses** – The cost of providing the various programs and other activities has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Square footage
Office and board expense	Time and effort
Travel	Time and effort
Other	Time and effort

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, KCHU considers all demand deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. In accordance with State of Alaska law, gaming income is deposited into a separate account and held until used for an approved purpose.

**Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance and a credit to accounts receivable. Net receivables are due within one year.

**Inventory** – Inventory consists of unopened Games of Chance and is stated at cost on a first-in, first-out basis, as well as membership premiums.

**Property and Equipment** – Acquisitions of property and equipment in excess of \$300 are capitalized when the useful life extends beyond a year. Acquisitions less than \$300 are expensed when incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The cost of property and equipment is depreciated over the estimated useful life of each class of depreciable assets and depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

<u>Asset Category</u>	<u>Estimated Useful Life (in years)</u>
Buildings	31
Broadcasting equipment	7-15
Furniture and fixtures	3-7
Intangible asset	5

Property acquired is considered to be owned by Terminal Radio, Inc. However, assets purchased through Alaska Public Broadcasting Inc. (APBI) may not be put to a different purpose or disposed of without the written permission of APBI.

See Independent Auditor's Report

**TERMINAL RADIO, INC.**  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2020 and 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Licensed Program Rights** – Program series and other syndicated products are recorded at the lower of unamortized cost, based on the gross amount of the related liability, or estimated net realizable value. Generally, these program and products are amortized on a straight-line basis over the period of the license agreement. At fiscal year ended June 30, 2020 and 2019, the Organization did not have any unamortized program rights.

**Income Taxes** – Terminal Radio, Inc. is organized exclusively for charitable and educational purposes within the meaning of Internal Revenue Code Section 501(c)(3). The Organization has been determined by the Internal Revenue Service not to be a private foundation with the meaning of Section 509(a) of the Code. Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Organization's Forms 990, *Return of Organization Exempt from Income Tax* and 990T *Exempt Organization Business Income Tax Returns*, for the years ended 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE 2 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

**Program and Production** – Includes the personnel and direct production costs related to public broadcast programming.

**Broadcasting and Transmissions** – Includes the direct costs for maintenance, support and replacement of the facility and equipment used for public broadcasting.

**Management and General** – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the Office of the General Manager; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

**Fundraising** – Provides the structure necessary to encourage and secure private financial support.

**NOTE 3 – CASH**

The Organization maintains funds in several accounts at local banks. The funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account holder. The funds did not exceed the \$250,000 deposit insurance coverage at either institution at June 30, 2020 and 2019, respectively.

**TERMINAL RADIO, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**NOTE 4 – AVAILABILITY AND LIQUIDITY**

The following represents the Center's financial assets at June 30:

Financial assets at year-end:	2020	2019
Cash and cash equivalents	\$ 89,703	\$ 26,022
Accounts and Grant Receivable	2,069	5,360
Inventory	1,420	872
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 93,192</u>	<u>\$ 32,254</u>

**NOTE 5 – MAJOR FUNDING SOURCES**

KCHU received \$110,064 and \$111,648 from the Corporation for Public Broadcasting during the fiscal years ended June 30, 2020 and 2019, respectively. During the fiscal years ended June 30, 2020 and 2019, CPB assistance totaled approximately 27% and 30% of total revenue, respectively. The Alaska Public Broadcasting Commission provided \$0 and \$77,582 during the fiscal years ended June 30, 2020 and 2019, respectively. During the fiscal years ended June 30, 2020 and 2019, APBC assistance totaled approximately 0% and 19% of total revenue, respectively.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30 consisted of the following:

	2020	2019
Broadcast equipment	\$ 636,373	\$ 630,117
Building and improvements	373,088	373,088
Furniture and fixtures	51,388	51,388
Land	39,779	39,779
Website development	8,546	8,546
	<u>1,109,174</u>	<u>1,102,918</u>
Less accumulated depreciation	(971,502)	(953,561)
	<u>\$ 137,672</u>	<u>\$ 149,357</u>

Depreciation expense totaled \$17,942 and \$17,875 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 7 – ACCOUNTS AND GRANTS RECEIVABLE**

Accounts and grants receivable consisted primarily of the following fiscal years ended June 30, 2020 and 2019, respectively. All funds are considered by management to be fully collectible.

	2020	2019
Donations and Underwriting	\$ 1,500	\$ 6,879
Other	569	543
	<u>2,069</u>	<u>7,422</u>
Less: Allowance	-	(2,062)
	<u>\$ 2,069</u>	<u>\$ 5,360</u>

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**TERMINAL RADIO, INC.**  
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**NOTE 8 – OPERATING LEASE COMMITMENTS AND CONTINGENCIES**

The Organization leases office space to two tenants under yearly leases. Total rental income from this activity was \$37,500 and \$37,500 in 2020 and 2019, respectively.

**NOTE 9 – DONATED SERVICES**

In-kind contributions include a variety of donated services received throughout the year. In-kind contributions are primarily associated with the Organization’s broadcasting and transmission activities. The largest contribution of in-kind services is provided by Alaska Public Broadcasting, Inc. (APBI) for satellite service fees, administrative services, training and other operational costs. The fair value of donated services included as support in the financial statements and the corresponding expenses for the year ended June 30, 2020 and 2019 was as follows:

		2020		2019
APBI Support	\$	8,904	\$	33,743
Telephone, DSL, cell service		3,719		1,416
Other		20,733		20,832
	\$	33,356	\$	55,991

**NOTE 10 – COMMITMENTS and CONTINGENCIES**

Terminal Radio, Inc. receives grants that are subject to audit and adjustment by the grantor agencies. Any expenditure disallowed as a result of such an audit and for which grant monies had been expended would become a liability of the Organization. Management has determined this possibility is remote.

The Organization receives a significant amount of support from Corporation for Public Broadcasting (a federally funded agency) and the Alaska Corporation for Public Broadcasting, Inc. and the State of Alaska Public Broadcasting Commission. These organizations receive their monies (directly and indirectly, respectively) from the federal and state governments, therefore any changes in federal or state funding may have an impact on the Organization’s ability to obtain support from one or the other of these agencies and could affect the Organization’s ability to provide for the educational, cultural and informational needs of the large geographical area it serves.

**NOTE 11 – GAMING ACTIVITY**

KCHU operates a pull-tab gaming activity in support of its exempt purpose. Prize payouts are generally paid in cash out of gross gaming receipts and the net amount realized is recognized in the accompanying statements of activity as gaming revenue. The gross gaming activity for the fiscal years ended June 30, 2020 and 2019, is as follows:

		2020		2019
Gaming receipts, net of payouts	\$	28,812	\$	23,170
Less: Supplies and taxes		(4,095)		(951)
Net Gaming Revenue	\$	24,717	\$	22,219

See Independent Auditor’s Report

**TERMINAL RADIO, INC.**  
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**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 28, 2020, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally acceptable accounting principles.