

Terminal Radio, Inc.
Audited Financial Statements

For the Years Ended June 30, 2022 and 2021

TERMINAL RADIO, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Terminal Radio, Inc.
Valdez, Alaska

Opinion - 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Terminal Radio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Terminal Radio, Inc.' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Board of Directors
Terminal Radio, Inc.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Terminal Radio, Inc.' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Terminal Radio, Inc.' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska

August 26, 2022

TERMINAL RADIO, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 89,639	\$ 199,711
Accounts and Grant Receivable, net	4,821	6,011
Inventories	885	885
Prepaid Expenses	1,076	3,768
Total Current Assets	96,421	210,375
Property and Equipment, net	106,585	123,524
TOTAL ASSETS	203,006	333,899
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	4,299	3,697
Accrued Expenses	8,631	14,718
Deferred Revenue	19,031	55,993
TOTAL LIABILITIES	31,961	74,408
NET ASSETS		
Net Assets without Donor Restrictions		
Undesignated	64,460	135,967
Net Investment in Property and Equipment	106,585	123,524
TOTAL NET ASSETS	171,045	259,491
TOTAL LIABILITIES AND NET ASSETS	\$ 203,006	\$ 333,899

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

TERMINAL RADIO, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets without Donor Restrictions		
Revenue and Support:		
Grants and Donations	\$ 92,588	\$ 360,737
CARES Act	94,232	-
Gaming Proceeds	13,076	15,735
Underwriting Contributions	16,165	13,874
In-Kind Contributions	22,527	19,837
Rental Income	36,000	36,750
Membership Dues	355	9,320
Other	<u>3,265</u>	<u>1,620</u>
Total Revenue and Support	<u>278,208</u>	<u>457,873</u>
Expenses		
Programming and Production	125,130	114,070
Broadcasting and Transmission	68,700	72,500
Management and General	153,338	147,319
Fundraising and Gaming	10,838	15,153
Rental Expenses	<u>8,648</u>	<u>6,297</u>
Total Expenses	<u>366,654</u>	<u>355,339</u>
Increase/(Decrease) in Net Assets Without Donor Restrictions	<u>(88,446)</u>	<u>102,534</u>
Changes in Net Assets	(88,446)	102,534
Net Assets - Beginning of Year, as previously stated	259,491	222,360
Prior-Period Adjustments	<u>-</u>	<u>(65,403)</u>
Net Assets - Beginning of Year, restated	<u>259,491</u>	<u>156,957</u>
Net Assets - End of Year	<u>\$ 171,045</u>	<u>\$ 259,491</u>

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

TERMINAL RADIO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2022 and 2021

	PROGRAM		ADMINISTRATION AND GENERAL			2022 Totals
	Programming and Production	Broadcasting and Transmissions	Management and General	Fundraising and Gaming	Rental	
Personnel Costs	\$ 68,036	-	71,140	2,571	-	\$ 141,747
Program Costs	30,038	6,355	-	-	-	36,393
Contract Services	-	4,175	18,149	1,189	-	23,513
Telephone and Internet	4,413	4,381	2,411	-	-	11,205
Repairs and Maintenance	-	-	2,177	-	8,648	10,825
Rent	-	14,196	-	-	-	14,196
Supplies	-	291	771	5,073	-	6,135
Utilities	-	29,204	11,619	-	-	40,823
Postage	-	71	86	-	-	157
Insurance	-	1,048	19,155	-	-	20,203
Other	116	4,735	15,134	2,005	-	21,990
Total Cash Operating Expenses	102,603	64,456	140,642	10,838	8,648	327,187
Broadcast Support (in-kind)	22,527	-	-	-	-	22,527
Depreciation	-	4,244	12,696	-	-	16,940
TOTALS	\$ 125,130	68,700	153,338	10,838	8,648	\$ 366,654

	PROGRAM		ADMINISTRATION AND GENERAL			2021 Totals
	Programming and Production	Broadcasting and Transmissions	Management and General	Fundraising and Gaming	Rental	
Personnel Costs	\$ 70,917	-	83,526	8,973	-	\$ 163,416
Program Costs	21,447	6,925	-	-	-	28,372
Contract Services	-	3,365	8,500	99	-	11,964
Telephone and Internet	4,753	7,747	3,720	-	-	16,220
Repairs and Maintenance	-	-	490	-	2,358	2,848
Rent	-	11,706	-	-	-	11,706
Supplies	-	-	1,118	5,087	-	6,205
Utilities	-	25,503	10,359	-	-	35,862
Postage	-	-	60	-	939	999
Insurance	-	1,048	17,188	-	-	18,236
Other	116	8,699	5,742	994	3,000	18,551
Total Cash Operating Expenses	97,233	64,993	130,703	15,153	6,297	314,379
Broadcast Support (in-kind)	16,837	-	3,000	-	-	19,837
Bad Debt	-	-	2,800	-	-	2,800
Depreciation	-	7,507	10,816	-	-	18,323

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

TERMINAL RADIO, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (88,446)	\$ 19,334
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	16,939	18,323
(Increase) Decrease in operating assets		
Accounts and Grants Receivable	1,190	(3,942)
Inventory	-	535
Prepaid Expenses and Other Assets	2,692	2,861
Increase (Decrease) in operating liabilities		
Accounts Payable	602	3,411
Accrued Expenses	(6,087)	(129)
Deferred Revenue	(36,962)	73,790
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(110,072)	114,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(4,175)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	-	(4,175)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(110,072)	110,008
BEGINNING CASH AND CASH EQUIVALENTS	199,711	89,703
ENDING CASH AND CASH EQUIVALENTS	\$ 89,639	\$ 199,711

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

TERMINAL RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 1 – NATURE OF THE ORGANIZATION

Terminal Radio, Inc. (KCHU) is a nonprofit public 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, functional expenses, and 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.

Description of Program and Supporting Services

Programming 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 and Gaming – Provides the structure necessary to encourage and secure private financial support.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING

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.

TERMINAL RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue and Support – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization engages in periodic fund-raising campaigns manifested by offering some special radio programs and on-air and mail fundraising 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 net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

See Independent Auditor’s Report

TERMINAL RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. 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 fundraising, 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.

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.

TERMINAL RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2021 and 2020, 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 within 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.

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, 2021 and 2020, respectively.

NOTE 4 – DEFERRED REVENUE

Refundable advances consist of contributions from the Corporation for Public Broadcasting of which the conditions have not been met and have balances of \$19,031 and \$55,993 for the years ended June 30, 2022 and 2021.

TERMINAL RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 5 – AVAILABILITY AND LIQUIDITY

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

Financial assets at year-end:	2022	2021
Cash and cash equivalents	\$ 89,639	\$ 199,711
Accounts and Grant Receivable	4,821	6,011
Inventory	885	885
Financial assets available to meet general expenditures over the next twelve months	\$ 95,345	\$ 93,192

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2022	2021
Broadcast equipment	\$ 640,548	\$ 640,548
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
	1,113,349	1,113,349
Less accumulated depreciation	(1,006,764)	(989,825)
	\$ 106,585	\$ 123,524

Depreciation expense totaled \$16,939 and \$18,323 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – 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 are as follows:

	2022	2021
APBI Support	\$ -	\$ 4,293
Satellite upgrade	17,016	-
Telephone, DSL, cell service	1,884	8,525
Other	3,627	7,019
	\$ 22,527	\$ 19,837

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 \$36,000 and \$36,750 in 2022 and 2021, respectively.

See Independent Auditor’s Report

TERMINAL RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

NOTE 9 – MAJOR FUNDING SOURCES

KCHU received \$68,980 and \$124,369 representing 25% and 29% of total revenue from the Corporation for Public Broadcasting during the fiscal years ended June 30, 2022 and 2021, respectively. Additionally, in FY22, KCHU received \$94,323 in CARES Act funds through the Corporation for Public Broadcasting.

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, are as follows:

	2022		2021
Gaming receipts, net of payouts	\$ 13,076	\$	15,735
Less: Supplies and taxes	(5,951)		(5,742)
Net Gaming Revenue	\$ 7,125	\$	9,993

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During 2022, the Organization determined that an error had been made in calculating deferred revenue. A prior-period adjustment of \$65,403 was made increasing deferred revenue and decreasing net assets without donor restrictions for years prior to FY21. An adjust of \$17,797 was made for FY21 decreasing deferred revenue and increasing net assets without donor restrictions.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2022, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting principles.