

# **TERMINAL RADIO, INC.**

Financial Statements

June 30, 2017 and 2016

**BLANK & SMITH, CPA'S**

BLANK & SMITH  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Terminal Radio, Inc.

We have audited the accompanying financial statements of Terminal Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, 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 audit. We conducted our audit 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, 2017 and 2016, 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.



Blank & Smith, Certified Public Accountants

Anchorage, Alaska

November 30, 2017

TERMINAL RADIO, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,547	\$ 53,352
Accounts receivable, net	16,746	21,534
Inventories	1,233	2,337
Prepaid expenses	<u>2,594</u>	<u>9,854</u>
Total current assets	53,120	87,077
Property and equipment, net	<u>299,824</u>	<u>314,566</u>
Total assets	<u>\$ 352,944</u>	<u>\$ 401,643</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 4,664	\$ 1,021
Accrued expenses	14,850	11,597
Refundable advance	<u>-</u>	<u>200</u>
Total current liabilities/total liabilities	19,514	12,818
Net assets		
Unrestricted	329,741	386,698
Temporarily restricted	<u>3,689</u>	<u>2,127</u>
Total net assets	<u>333,430</u>	<u>388,825</u>
Total liabilities and net assets	<u>\$ 352,944</u>	<u>\$ 401,643</u>

The accompanying notes are an integral part of these financial statements

TERMINAL RADIO, INC.  
STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Changes in unrestricted net assets		
Revenues and other support:		
Grants and donations	\$ 125,715	\$ 133,559
Gaming proceeds	22,031	29,406
Underwriting contributions	37,905	47,083
In-kind contributions	70,698	72,712
Rental income	24,000	28,400
Membership dues	7,905	11,115
Other	13,323	14,989
Loss on disposition of assets	-	(430)
Investment income	-	1
Total net assets released from restrictions	<u>124,277</u>	<u>155,782</u>
Total revenues and other support	425,854	492,617
 Expenses and other deductions		
Program and production	187,663	175,699
Broadcasting and transmission	101,620	121,070
Management and general	129,557	111,687
Fund-raising and gaming	52,624	89,680
Rental expenses	11,347	17,872
Total expenses and other deductions	<u>482,811</u>	<u>516,008</u>
 (Decrease) in unrestricted net assets	(56,957)	(23,391)
 Changes in temporarily restricted net assets		
Grants	125,839	139,934
Net assets released from restrictions	<u>(124,277)</u>	<u>(155,782)</u>
 Increase (decrease) in temporarily restricted net assets	1,562	(15,848)
 Change in net assets	(55,395)	(39,239)
 Net assets - beginning of year	388,825	428,064
 Net assets - end of year	<u>\$ 333,430</u>	<u>\$ 388,825</u>

The accompanying notes are an integral part of these financial statements

TERMINAL RADIO, INC.  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (55,395)	\$ (39,239)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,706	23,448
Loss on disposition of assets	-	430
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	4,788	(15,015)
Decrease (increase) in inventories	1,104	1,178
Decrease (increase) in prepaid expenses	7,260	3,616
(Decrease) increase in accounts payable	3,644	(5,273)
(Decrease) increase in accrued expenses	3,253	2,161
(Decrease) increase in refundable advance	<u>(200)</u>	<u>(3,657)</u>
Net cash provided (used) by operating activities	<u>(14,840)</u>	<u>(32,351)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(5,965)</u>	<u>(2,370)</u>
Net cash(used) in investing activities	<u>(5,965)</u>	<u>(2,370)</u>
Net (decrease) in cash and cash equivalents	(20,805)	(34,721)
Cash and cash equivalents- beginning of year	<u>53,352</u>	<u>88,073</u>
Cash and cash equivalents - end of year	<u>\$ 32,547</u>	<u>\$ 53,352</u>

The accompanying notes are an integral part of these financial statements

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

Terminal Radio, Inc. 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.

Basis of Presentation

The financial statements of Terminal Radio, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Terminal Radio, Inc. and changes therein are classified and reported as follows:

*Unrestricted Net Assets-*

Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets-*

Net assets subject to donor-imposed stipulations on the use of the assets that will be met either by actions of Terminal Radio, Inc. and /or the passage of time.

*Permanently Restricted Net Assets-*

Net assets subject to donor imposed stipulations that are to be maintained permanently by Terminal Radio, Inc. The donors of these assets permit the Organization to use the income earned on related investments for general or specific purposes. Terminal Radio, Inc. has no permanently restricted assets as of June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents as presented in the accompanying financial statements are defined as cash held on account and/or all highly liquid investments with a maturity of three months or less. In accordance with State of Alaska law, gaming income is deposited into a separate account and held until used for an approved purpose.

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued.

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 receivable are due within one year.

Inventories

Inventories consist of pull-tabs used in Terminal Radio, Inc.'s gaming operations and premiums. Inventories are stated at cost and were as follows:

	2017	2016
Premium inventory	\$ 361	\$ 943
Pull-tab inventory	<u>872</u>	<u>1,394</u>
	<u>\$ 1,233</u>	<u>\$ 2,337</u>

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.

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. 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.

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, 2017 and 2016, the Organization did not have any unamortized program rights.

Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast are recorded as deferred assets. Such costs relate to programs produced by Terminal Radio, Inc. that will be broadcast subsequent to June 30, 2017. As the programs are broadcast, the costs incurred are included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value. At June 30, 2017 there were no long-term costs incurred for programs not yet broadcast.

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 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.



TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Revenue Recognition

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.

In-kind Contributions

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.

Contributed materials, supplies, facilities, services and property are recorded 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. Terminal Radio, Inc. reports contributions of professional services, materials and other nonmonetary contributions as unrestricted revenue in the accompanying statement of activities. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities and in note 10. Certain costs have been allocated between the program and supporting services on the basis of the benefits received.

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued.

Use of Estimates

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

Credit Risk due to Temporary Cash Investments

The Organization's cash is insured through the Federal Deposit Insurance Corporation (FDIC) for the maximum amount of \$250,000. All balances were below the insurance maximum at June 30, 2017 and 2016.

2. FUND-RAISING EXPENSE

Total fund-raising expense included in fund-raising and gaming expense for the year ended June 30, 2017 and June 30, 2016 was \$ 50,677 and \$ 84,284 respectively-

3. ACCOUNTS RECEIVABLE

Terminal Radio Inc.'s accounts receivable at June 30 consisted of the following:

	2017	2016
Donations and underwriting	\$ 15,964	\$ 10,176
Grants receivable	2,800	11,358
Other	44	-
	<u>18,808</u>	<u>21,534</u>
Less allowance	2,062	-
Accounts receivable, net	<u>\$ 16,746</u>	<u>\$ 21,534</u>

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2017	2016
Broadcast equipment	\$ 891,654	\$ 889,190
Building and improvements	234,082	234,082
Furniture and fixtures	51,388	51,388
Land	39,779	39,779
Website development	<u>8,545</u>	<u>5,046</u>
	1,225,448	1,219,485
Less accumulated depreciation	<u>(925,624)</u>	<u>(904,919)</u>
	<u>\$ 299,824</u>	<u>\$ 314,566</u>

Depreciation expense for 2017 and 2016 was \$20,706 and \$ 23,448 respectively.

5. 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, 2017 and 2016 was as follows:

	2017	2016
APBI support	\$ 32,894	\$ 32,132
Telephone, DSL, cell service	3,155	2,134
Advertising	20,148	17,190
Repair	822	1,650
Other	<u>13,679</u>	<u>19,606</u>
	<u>\$ 70,698</u>	<u>\$ 72,712</u>

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

6. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor. Net assets released for the year ended June 30 were:

	2017	2016
Direct public broadcasting	\$ 80,386	\$ 113,581
National program production/acquisition	24,954	24,153
Big Read program	11,684	-
Building maintenance	-	12,525
Infrastructure and equipment upgrades	6,231	5,014
Other	1,022	509
	<u>\$ 124,277</u>	<u>\$ 155,782</u>

Temporarily restricted net assets of at year end were:

	2017	2016
Big Read program,	\$ 2,316	\$ -
Improving signal	-	-
Underwriting incentive	823	1,341
Infrastructure and equipment upgrades	526	740
Education	24	46
	<u>\$ 3,689</u>	<u>\$ 2,127</u>

7. OPERATING LEASE COMMITMENTS AND CONTINGENCIES

The Organization leases tower space for certain repeater stations located on Tolsona Ridge from third parties. Total lease expense was \$ 10,908 in 2017 and \$10,810 in 2016. This lease expires January 1, 2020. Future minimum rental payments are:

Year ended	
2018	10,800
2019	10,800
2020	5,400
thereafter	-
	<u>\$ 27,000</u>

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

8. OPERATING LEASE COMMITMENTS

The Organization leases office space to a tenant under noncancelable operating leases with original terms of one year ended June 30, 2018 with an option to renew.

Cost of leased property at June 30, 2017 was \$136,930 and \$164,317 in 2016 with accumulated depreciation of \$90,839 at June 30, 2017 and \$104,510 June 30, 2016. Total rental income from this activity was \$24,000 in 2017 and \$28,800 in 2016 with related expenses of \$ 17,872 and \$20,439 respectively.

9. CONCENTRATIONS, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

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. For fiscal year ended June 30, 2017, the Organization received unrestricted and temporarily restricted grant monies from these entities in the amount of \$201,843 in year ended June 30, 2017 and \$231,827 in year ended June 30, 2016. These amounts represent approximately 57% of the Organization's total income.

Subsequent to year end the Organization was awarded a grant from the Alaska Public Broadcasting Commission in the amount of \$ 80,653 for the period ending June 30, 2018 subject to all requirements and conditions under the grant.

Subsequent events have been evaluated through November 30, 2017 which is the date these financial statements were available to be issued.

TERMINAL RADIO, INC.  
NOTES TO FINANCIAL STATEMENTS

10. FUNCTIONAL EXPENSES

June 30, 2017	PROGRAM		ADMINISTRATION AND GENERAL			2017 Total
	Program and Productions	Broadcasting and Transmissions	Management and General	Fund-raising and Gaming	Rental	
Personnel costs	\$ 113,168	\$ -	\$ 73,285	\$ 35,331	\$ -	\$ 221,784
Program costs	34,336	-	-	12,715	-	47,051
Contract services	-	5,213	12,311	-	-	17,524
Telephone/internet	6,100	17,155	3,990	-	-	27,245
Maintenance	-	-	1,994	-	1,737	3,731
Rent	-	10,908	-	-	-	10,908
Supplies	13,801	41	1,305	2,598	-	17,745
Travel	-	-	144	-	-	144
Utilities	-	21,706	9,635	-	2,863	34,204
Postage	-	-	443	290	-	733
Broadcasting support	-	32,894	-	-	-	32,894
Other	20,258	1,139	22,508	1,237	3,000	48,142
Depreciation	-	12,564	3,942	453	3,747	20,706
Total	<u>\$ 187,663</u>	<u>\$ 101,620</u>	<u>\$ 129,557</u>	<u>\$ 52,624</u>	<u>\$ 11,347</u>	<u>\$ 482,811</u>

June 30, 2016	PROGRAM		ADMINISTRATION AND GENERAL			2016 Total
	Program and Productions	Broadcasting and Transmissions	Management and General	Fund-raising and Gaming	Rental	
Personnel costs	\$ 109,195	\$ 3,216	\$ 64,156	\$ 43,576	\$ -	\$ 220,143
Program costs	52,790	-	-	11,347	-	64,137
Contract services	-	24,081	16,174	-	-	40,255
Telephone/internet	7,372	14,023	3,716	-	-	25,111
Maintenance	-	100	932	-	4,050	5,082
Rent	-	10,810	-	-	-	10,810
Supplies	5,045	-	1,597	7,656	-	14,298
Travel	275	-	-	-	-	275
Utilities	-	19,456	7,309	-	4,223	30,988
Postage	-	-	136	403	-	539
Broadcasting support	-	32,132	-	-	-	32,132
Other	957	1,253	15,271	26,208	5,101	48,790
Depreciation	65	15,999	2,396	490	4,498	23,448
Total	<u>\$ 175,699</u>	<u>\$ 121,070</u>	<u>\$ 111,687</u>	<u>\$ 89,680</u>	<u>\$ 17,872</u>	<u>\$ 516,008</u>