

**Kodiak Public Broadcasting Corporation  
Audited Financial Statements**

**June 30, 2020 and 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Kodiak Public Broadcasting Corporation  
Valdez, Alaska

**Report on the Financial Statements** - We have audited the accompanying financial statements of Kodiak Public Broadcasting Corporation, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, 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 audit. 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 Kodiak Public Broadcasting Corporation, as of June 30, 2020 and 2019, 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.

*Foster and Company, LLC*

Foster and Company, LLC  
Wasilla, Alaska

January 12, 2021

**KODIAK PUBLIC BROADCASTING CORPORATION****STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 223,418	\$ 144,766
Underwriting and Other Receivables, net	4,878	32,593
Prepaid Expenses	<u>2,949</u>	<u>5,214</u>
Total Current Assets	231,245	182,573
Investment in Marketable Securities	404,359	407,129
Investment in Joint Venture	(741)	(741)
Property and Equipment, net	<u>315,639</u>	<u>332,505</u>
<b>TOTAL ASSETS</b>	<b><u>950,502</u></b>	<b><u>921,466</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts Payable	4,145	4,251
Accrued Payroll and Related Liabilities	23,450	30,964
Deferred Revenue	<u>13,982</u>	<u>15,302</u>
<b>TOTAL LIABILITIES</b>	<b><u>41,577</u></b>	<b><u>50,517</u></b>
<b>NET ASSETS</b>		
Net Assets without Donor Restriction		
Undesignated	593,286	538,444
Net Investment in Property and Equipment	<u>315,639</u>	<u>332,505</u>
<b>TOTAL NET ASSETS</b>	<b><u>908,925</u></b>	<b><u>870,949</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 950,502</u></b>	<b><u>\$ 921,466</u></b>

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

**KODIAK PUBLIC BROADCASTING CORPORATION****STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support:		
State and Local Grants	\$ 29,200	\$ 99,141
Corporation for Public Broadcasting Grants	220,647	119,776
Underwriting Contributions	71,578	55,618
In-Kind Contributions	38,037	94,861
Membership Dues	99,562	69,901
Donations	40,000	-
Fundraising and Gaming	74,437	130,214
Premium Sales	927	547
Other Revenue	1,250	1,300
Legal Settlement	-	8,000
PPP Advances	66,498	-
Investment Return, Net of Fees	1,845	30,624
	<u>643,981</u>	<u>609,982</u>
Total Revenue and Support		
	<u>643,981</u>	<u>609,982</u>
Expenses		
Programming and Production	219,780	226,506
Technical and Broadcasting	58,248	77,706
Fundraising and Gaming	86,873	115,185
Management and General	241,104	222,591
	<u>606,005</u>	<u>641,988</u>
Total Expenses		
	<u>606,005</u>	<u>641,988</u>
Increase/(Decrease) in Net Assets without Donor Restrictions	<u>37,976</u>	<u>(32,006)</u>
Net Assets - Beginning of Year	<u>870,949</u>	<u>902,955</u>
Net Assets - End of Year	<u>\$ 908,925</u>	<u>\$ 870,949</u>

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

**KODIAK PUBLIC BROADCASTING CORPORATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2020 and 2019

	Program Services		Supporting Services		2020 Totals
	Programming and Production	Technical and Broadcasting	Fundraising and Gaming	Management and General	
Salaries and Benefits	\$ 149,493	-	50,591	138,542	\$ 338,626
Program and Network Fees	43,177	-	120	-	43,297
Fundraising Expenses	-	-	32,606	103	32,709
Accounting and Legal	-	252	-	25,900	26,152
Contract Services	-	2,550	-	-	2,550
Utilities	2,257	5,530	-	6,965	14,752
Insurance	1,600	-	550	4,439	6,589
Office Expense	-	2,231	806	13,769	16,806
Board Expenses and Training	-	-	-	1,153	1,153
Bad Debt	10,381	-	-	17,018	27,399
Telephone and Internet	401	-	-	12,776	13,177
Travel and Per Diem	-	-	1,925	559	2,484
Repairs and Maintenance	376	4,348	-	4,506	9,230
Dues and Publications	100	-	275	378	753
Production Supplies	1,171	115	-	80	1,366
Total Cash Operating Expenses	<u>208,956</u>	<u>15,026</u>	<u>86,873</u>	<u>226,188</u>	<u>537,043</u>
Inkind Donations	-	37,037	-	1,000	38,037
Depreciation	<u>10,824</u>	<u>6,185</u>	<u>-</u>	<u>13,916</u>	<u>30,925</u>
<b>TOTALS</b>	<b>\$ <u>219,780</u></b>	<b><u>58,248</u></b>	<b><u>86,873</u></b>	<b><u>241,104</u></b>	<b>\$ <u>606,005</u></b>

	Program Services		Supporting Services		2019 Totals
	Programming and Production	Technical and Broadcasting	Fundraising and Gaming	Management and General	
Salaries and Benefits	\$ 120,674	-	76,794	89,548	\$ 287,016
Program and Network Fees	59,738	-	1,050	50	60,838
Fundraising Expenses	-	-	31,155	-	31,155
Accounting and Legal	-	-	-	31,287	31,287
Contract Services	-	950	1,350	4,000	6,300
Utilities	7,903	2,225	2,008	1,668	13,804
Insurance	3,545	-	1,065	2,396	7,006
Office Expense	13,226	1,576	709	9,498	25,009
Board Expenses and Training	-	-	-	796	796
Bad Debt	-	-	-	22,982	22,982
Telephone and Internet	2,937	1,750	1,054	5,448	11,189
Travel and Per Diem	1,800	-	-	1,996	3,796
Repairs and Maintenance	3,024	5,636	-	415	9,075
Dues and Publications	482	-	-	1,186	1,668
Production Supplies	1,433	170	-	49	1,652
Total Cash Operating Expenses	<u>214,762</u>	<u>12,307</u>	<u>115,185</u>	<u>171,319</u>	<u>513,573</u>
Inkind Donations	-	58,688	-	36,173	94,861
Depreciation	<u>11,744</u>	<u>6,711</u>	<u>-</u>	<u>15,099</u>	<u>33,554</u>
<b>TOTALS</b>	<b>\$ <u>226,506</u></b>	<b><u>77,706</u></b>	<b><u>115,185</u></b>	<b><u>222,591</u></b>	<b>\$ <u>641,988</u></b>

**KODIAK PUBLIC BROADCASTING CORPORATION****STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ 37,976	\$ (32,006)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	30,925	33,554
(Increase) Decrease in operating assets		
Underwriting and Other Receivables	27,715	37,141
Prepaid Expenses and Other Assets	2,265	(1,350)
Increase (Decrease) in operating liabilities		
Accounts Payable	(106)	(4,729)
Accrued Payroll and Other Liabilities	(7,514)	1,310
Deferred Revenue	(1,320)	6,071
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>89,941</u>	<u>39,991</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Marketable Securities, net	2,770	23,770
Acquisition of Property and Equipment	(14,059)	-
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(11,289)</u>	<u>23,770</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	78,652	63,761
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>144,766</u>	<u>81,005</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 223,418</u>	<u>\$ 144,766</u>

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

# KODIAK PUBLIC BROADCASTING CORPORATION

## AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

### **NOTE 1 – NATURE OF OPERATION**

Kodiak Public Broadcasting Corporation (the Organization) owns and operates KMXT-FM Radio, a public broadcasting station. The Organization is a nonprofit corporation based in Kodiak, Alaska. Significant amount of its support comes from the Alaska Public Broadcasting Commission, the Corporation for Public Broadcasting, from membership revenues, and other contributions from businesses and Individuals in the Kodiak region.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Organization is presented to aid in understanding the Organization's financial statements. The financial statements and notes to the financial statements are the representation of the Organization's management, which is responsible for their integrity and objectivity. These accounting principles conform to generally accepted accounting principles.

#### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

**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.

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## KODIAK PUBLIC BROADCASTING CORPORATION

### AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Revenue and Support** – Kodiak Public Broadcasting Corporation 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 Kodiak Public Broadcasting Corporation 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 the Organization. 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. 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.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, The Organization 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.

**Underwriting and Other Receivables** – Accounts receivable consist primarily of amounts due from underwriting proceeds. Accounts receivable are stated at unpaid balances, less any allowance for doubtful accounts. The Organization provides for losses on account receivable using allowance method. The allowance is based on experience, third party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectable accounts receivable when management determines the receivable will not be collected.

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**KODIAK PUBLIC BROADCASTING CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2020 and 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Investments** – Investments in debt securities and equity securities with readily determinable fair values are carried at fair value. The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other a forced liquidation sale.

Investments in entity where the Organization can exercise control or influence is accounted for using the equity method of accounting. Income earned from the investment is reported on the Organization's income statement, and the reported value on the balance sheet is based on the Organization's share of the entity.

**Income Taxes** – Kodiak Public Broadcasting Corporation 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.

**Support Revenue and Promises to Give** – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Property and Equipment** – Property and equipment with expected useful lives in excess of one year are recorded at cost or, in the case of donated property, at estimated fair value. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual asset, which range from 3 to 40 years. The Organization has no capitalization policy.

**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

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**KODIAK PUBLIC BROADCASTING CORPORATION**  
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**NOTE 3 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

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

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

**Administration** – 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 4 – CASH**

The Organization maintains funds in several accounts at two 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.

**NOTE 5 – INVESTMENTS IN MARKETABLE SECURITIES**

The Company's investments, none of which are held for trading purposes, are presented in the financial statements at fair market value. Realized and unrealized gains or losses are reported as unrestricted gains or losses in the statement of activities.

Investments, and investment returns for the year ended consist of the following:

	Year Ended June 30, 2020		
	Cost	Unrealized Gain/Loss	Market Value
Cash	\$ 200	\$ -	\$ 200
Stocks	241,990	79,179	321,169
Mutual Funds	106,570	(23,580)	82,990
	\$ 348,760	\$ 55,599	\$ 404,359

	Year Ended June 30, 2019		
	Cost	Unrealized Gain/Loss	Market Value
Cash	\$ 200	\$ -	\$ 200
Stocks	241,990	56,429	298,419
Mutual Funds	106,570	1,940	108,510
	\$ 348,760	\$ 58,369	\$ 407,129

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**NOTE 5 – INVESTMENTS IN MARKETABLE SECURITIES, *continued***

	Year Ended June 30,	
	2020	2019
Interest and Dividends Income	\$ 10,310	\$ 15,092
Unrealized Investment Gain/(Loss)	(8,465)	15,532
Investment Fees	(4,615)	(4,394)
Investment Income (Loss)	\$ (2,770)	\$ 26,230

**NOTE 6 – INVESTMENT IN JOINT VENTURE**

The Company has an investment in KMXT-CHARR General Partnership, a pull-tab joint venture with SMS-KMXT CHART. The partnership is operated in Kodiak, Alaska. The investment in the partnership is accounted for using the equity method. Investment in the joint venture consists of the following:

	Year Ended June 30,	
	2020	2019
Investment in Joint Venture	\$ (741)	\$ (741)

**NOTE 7 – UNDERWRITING AND ACCOUNTS RECEIVABLE**

Underwriting and accounts receivable at June 30, 2020 and 2019, were \$44,878 and \$55,575, respectively, and consisted primarily of amounts receivable from the State of Alaska.

During FY20, management conducted a review of all receivables and determined that a significant portion was uncollectable. An allowance for doubtful accounts totaling \$40,000 was created.

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30 consisted of the following:

	2020	2019
Studio Broadcasting Equipment	\$ 689,834	\$ 677,058
Land	60,000	60,000
Building and Improvements	500,919	500,919
Earth Stations and Towers	126,035	126,035
Office Furnishing and Equipment	144,756	143,474
	1,521,544	1,507,486
Less accumulated depreciation	(1,205,905)	(1,174,981)
	\$ 315,639	\$ 332,505

Depreciation expense totaled \$30,925 and \$33,554 for the years ended June 30, 2020 and 2019, respectively.

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**NOTE 9 – DEFERRED REVENUE**

The Organization records underwriting revenue for which the station has not fulfilled their portion of the underwriting agreement as deferred revenue. Deferred revenue was \$13,982 and \$15,302 at June 30, 2020 and 2019, respectively.

**NOTE 10 – 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	\$ 223,418	\$ 144,766
Underwriting receivables	4,878	32,593
Investments in marketable securities	404,359	407,129
Financial assets available to meet general expenditures over the next twelve months	\$ 632,655	\$ 584,488

**NOTE 11 – 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
Engineering and Technical Services	\$ 38,037	\$ 58,688
Attorney’s Fees	-	36,173
	\$ 38,037	\$ 94,861

**NOTE 12 – SIGNIFICANT GRANT AWARDS**

Corporation for Public Broadcasting

The Corporation for Public Broadcasting (CPB) is a private, nonprofit organization, and is the largest single source of funding for public radio, television, and related online and mobile services. CPB provides essential operational support for nearly 1,400 locally-owned and operated public television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities.

CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public services. Each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Organization uses these funds for purposes relating primarily to production and acquisition of programming and other operating activities. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

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## KODIAK PUBLIC BROADCASTING CORPORATION

### AUDITED FINANCIAL STATEMENTS

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#### **NOTE 12 – SIGNIFICANT GRANT AWARDS, *continued***

CSGs are reported on the accompanying financial as unrestricted and temporarily restricted operating funds. Certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting and licensee status with the Federal Communications Commission.

##### State of Alaska

The State of Alaska, through the Alaska Public Broadcasting Commission, provided grant awards totaling \$0 and \$77,041 for the years ending June 30, 2020 and 2019, respectively. These awards were unrestricted funds that were fully expended during the year ended June 30, 2020 and 2019.

The Organization also received in-kind support from the State of Alaska through the Alaska Public Broadcasting Commission, Alaska Public Broadcasting Inc., and the Satellite interconnection Project. The amount of the in-kind support for the years ending June 30, 2020 and 2019 was \$26,637 and \$58,688, respectively.

##### Local

The Organization received a total of \$3,700 and \$19,100 in grants from the Borough and City of Kodiak for the years ending June 30, 2020 and 2019, respectively. The awards were unrestricted and fully expended during the year ended.

#### **NOTE 13 – COMMITMENTS and CONTINGENCIES**

Kodiak Public Broadcasting Corporation 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 Organizations grantors require the fulfillment of certain conditions as set forth in funding agreements and by law and regulation. Failure to fulfill these conditions can result in the return of the funds to the grantors. Also, amounts reflected in financial statements and expenses in prior periods have generally not been audited by grantor agencies. Accordingly, adjustments of amounts received could result if the awards were audited by such agencies. Management believes the material provisions of the grant awards have been accommodated and that no significant liability will result from the foregoing matters. Except for the amount included in Accrued Expenses, no liabilities for amounts which may be payable have been recorded in the accompanying financial statements.

National Public Radio, Inc. (NPR) operates the Public Radio Satellite System on behalf of all interconnected public radio stations and other public telecommunications entities. Excess capacity is leased to commercial entities. NPR reports this activity on its own tax returns. The IRS has declined to rule that reporting by NPR is appropriate and not separate reporting by various 362 public radio and telecommunications entities. Kodiak Public Broadcasting Corporation does not include any Public Radio Satellite System information in its tax returns.

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**NOTE 13 – COMMITMENTS and CONTINGENCIES, *continued***

Figures from the investment in joint venture (KMXT-CHARR General Partnership) are stated based on the entity's unaudited financial statements. The partnership year end is December 31 and are audited yearly. Accordingly, adjustments of amount stated on the financial statements could result upon completion of the audit. As of the date of issuance of these financial statements, management is not aware of any adjustment that need to be made to the Investment in Joint Venture account.

**NOTE 14 – GAMING ACTIVITY**

The Organization 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.

**NOTE 15 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN**

During FY20, the Organization received a Paycheck Protection Program (PPP) loan of \$66,498 from the Small Business Administration. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with the PPP. The Organization currently believes that its use of the loan proceeds has met the conditions for forgiveness of the loan and has been recorded as revenue for the year ended June 30, 2020.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 12, 2021, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally acceptable accounting principles.