

SILAKKUAGVIK COMMUNICATIONS, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Silakkuagvik Communications, Inc.  
Barrow, AK

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Silakkuagvik Communications, Inc., a nonprofit corporation, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silakkuagvik Communications, Inc. as of June 30, 2016 and 2015, 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.

*ERM*

November 2, 2016

## SILAKKUAGVIK COMMUNICATIONS, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 328,338	\$ 348,223
Grants and other receivables	9,341	100
Prepaid expenses	125	-
Total current assets	<u>337,804</u>	<u>348,323</u>
Property and equipment, net	<u>236,540</u>	<u>273,745</u>
Total assets	<u><u>\$ 574,344</u></u>	<u><u>\$ 622,068</u></u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 28,587	\$ 60,293
Accrued annual leave	10,230	6,893
Deferred revenue	600	600
Total liabilities	<u>39,417</u>	<u>67,786</u>
Net assets:		
Unrestricted - invested in property and equipment	236,540	273,745
Unrestricted - undesignated	<u>298,387</u>	<u>280,537</u>
Total net assets	<u>534,927</u>	<u>554,282</u>
Total liabilities and net assets	<u><u>\$ 574,344</u></u>	<u><u>\$ 622,068</u></u>

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

SILAKKUAGVIK COMMUNICATIONS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS:		
SUPPORT:		
In-kind contributions	\$ 117,006	\$ 118,722
Membership and donations	<u>148,682</u>	<u>133,706</u>
Total support	<u>265,688</u>	<u>252,428</u>
REVENUES:		
State and local grants	219,973	237,334
CPB grants	202,685	198,635
Underwriting	63,507	46,759
Other revenue	20,877	3,400
Interest income	<u>9</u>	<u>1,083</u>
Total revenues	<u>507,051</u>	<u>487,211</u>
Total revenues and support	<u>772,739</u>	<u>739,639</u>
EXPENSES:		
PROGRAM SERVICES:		
Technical and broadcasting	170,974	154,853
Programming and production	<u>203,750</u>	<u>225,978</u>
Total program services	<u>374,724</u>	<u>380,831</u>
SUPPORTING SERVICES:		
Management and general	177,234	176,132
Occupancy	87,130	80,696
Depreciation	82,030	91,175
Development	<u>70,976</u>	<u>57,970</u>
Total supporting services	<u>417,370</u>	<u>405,973</u>
Total expenses	<u>792,094</u>	<u>786,804</u>
Change in unrestricted net assets	(19,355)	(47,165)
NET ASSETS, Beginning of Year	<u>554,282</u>	<u>601,447</u>
NET ASSETS, End of Year	<u><u>\$ 534,927</u></u>	<u><u>\$ 554,282</u></u>

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

SILAKKUAGVIK COMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (19,355)	\$ (47,165)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	82,030	91,175
Decrease (increase) in:		
Grants and other receivables	(9,241)	330
Prepaid expenses	(125)	41,135
Increase (decrease) in:		
Accrued leave	3,337	(6,756)
Accounts payable	(31,706)	(28,354)
Deferred revenue	-	600
Net cash provided by operating activities	<u>24,940</u>	<u>50,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	<u>(44,825)</u>	<u>(37,882)</u>
Net cash used for investing activities	<u>(44,825)</u>	<u>(37,882)</u>
Net increase (decrease) in cash and cash equivalents	(19,885)	13,083
Cash and cash equivalents - beginning of year	<u>348,223</u>	<u>335,140</u>
Cash and cash equivalents - end of year	<u>\$ 328,338</u>	<u>\$ 348,223</u>

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

SILAKKUAGVIK COMMUNICATIONS, INC.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016 and 2015

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

Organization

KBRW Radio is owned and operated by Silakkuagvik Communications, Inc. (the Organization), a nonprofit corporation, incorporated October 11, 1974. KBRW Radio is located in Barrow, Alaska, and began its on-air operation December 22, 1975. The Organization is a public broadcasting station and receives a significant amount of its support from the Alaska Public Broadcasting Commission, the Corporation for Public Broadcasting, the North Slope Borough, and from membership revenues, underwriting and other contributions from businesses and individuals in the North Slope region. KBRW broadcasts on AM and FM signals.

Basis of Presentation and Revenue and Expense Recognition

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by passage of time. There were no permanently or temporarily restricted net assets as of June 30, 2016 and 2015.

The Organization follows the guidance of FASB ASC 958-605 *Revenue Recognition* to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Grant funds are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue.

Revenue from program underwriting is recorded on a pro rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis. Unearned underwriting revenues are reported as deferred revenue in the statement of financial position. Management evaluates underwriting receivables for collectability on a periodic basis. No allowance for uncollectible accounts has been recorded in the financial statements.

Donated Services and Equipment

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-2 through 25-5 *Contributions Received*, and FASB ASC 958-605-25-16 through 25-17 *Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require special skills, are performed by people possessing those skills, and would otherwise be purchased by the Organization.

Individuals volunteer their time and assist the Organization with professional services. Donated professional services, meeting the definition of FASB ASC 958-605-25-16 through 25-17 as described above, are recorded as revenue and expense in the accompanying statement of activities as donated services at estimated fair values based upon standard valuation rates and job classifications. Donated time not meeting the criteria is not reflected in the financial statements.

## SILAKKUAGVIK COMMUNICATIONS, INC.

### NOTES TO THE FINANCIAL STATEMENTS

Contributed equipment is recorded as contributions at estimated fair value on the date of donation and is reported as an increase in the unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, if any, are reported as restricted contributions.

#### Contributions Receivable

The Organization engages in an annual fundraising campaign manifested by offering special radio programs accompanied by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Contributions receivable, less an appropriate allowance for uncollectible pledges, are recorded at their estimated fair market value at the time the associated pledge was made. The Organization had contributions receivable of \$180 and \$-0- at June 30, 2016 and 2015, respectively.

Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Organization. This usage is consistent with appeals for contributions and pledges.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the balance sheet, and revenue and expenses for the period. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Cash equivalents consist primarily of bank deposits and money market accounts.

#### Financial Instruments

The Organization's financial instruments consist primarily of cash, temporary investments, grant, and other receivables, none of which are held for trading purposes. The Organization estimates the fair value of all financial instruments does not differ materially from the carrying value reported in the accompanying statement of financial position.

#### Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at estimated fair value. Purchases of assets with an expected useful life in excess of two years and in an amount in excess of \$1,000 are generally capitalized and depreciated. Purchases not meeting this policy are expensed. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, which range from 3 to 35 years.

#### Functional Expenses

Expenses are charged to program and supporting services on the basis of periodic time and expense studies and direct identification of expenditures incurred. Expenses not directly chargeable are allocated based on direct labor costs and estimates of actual usage.



SILAKKUAGVIK COMMUNICATIONS, INC.

NOTES TO THE FINANCIAL STATEMENTS

Income Taxes

The Organization was incorporated under the laws of the State of Alaska as a nonprofit corporation and is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no required provision for income taxes for the fiscal years ended June 30, 2016 or 2015, and management believes that it has appropriate support for any tax positions taken. The Organization's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Subsequent Events

The Organization has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30 consist of the following:

	<u>2016</u>	<u>2015</u>
Broadcasting equipment	\$ 1,465,051	\$ 1,429,469
Buildings and improvements	1,040,740	1,040,740
Office furnishings and equipment	65,506	89,728
Vehicles	61,441	61,441
Land	<u>8,170</u>	<u>8,170</u>
Total property and equipment	2,640,908	2,629,548
Less: Accumulated depreciation	<u>(2,404,368)</u>	<u>(2,355,803)</u>
Total property and equipment, net	<u>\$ 236,540</u>	<u>\$ 273,745</u>

Depreciation expense for the fiscal years ending June 30, 2016 and 2015 were \$82,030 and \$91,175, respectively.

**NOTE 3 – IN-KIND CONTRIBUTIONS**

The Organization leases land at no cost from the City of Barrow and two Barrow businesses for its studio site, transmitter site, and satellite downlink site. The value of these leases are included in the financial statements as in-kind contributions. The Organization also benefited from volunteer services and other donations that were not recognized in the financial statements because they did not meet the criteria for recognition under accounting standards.

SILAKKUAGVIK COMMUNICATIONS, INC.

NOTES TO THE FINANCIAL STATEMENTS

The value of non-cash contributions included in the financial statements for the years ended June 30 are as follows:

	<u>2016</u>	<u>2015</u>
UIC Real Estate Management, LLC – transmitter land lease	\$ 64,000	\$ 64,000
Alaska Public Broadcasting, Inc. – administrative support	32,132	37,771
City of Barrow – studio land lease	10,000	5,500
Tom Saxton	8,800	4,080
Arctic Slope Telephone Association Corporation	2,074	2,074
Patkotak Law Office	-	3,375
Ravn Alaska	-	1,922
Total	<u>\$ 117,006</u>	<u>\$ 118,722</u>

**NOTE 4 – RETIREMENT PLAN**

The Organization established an IRC Section 403(b) defined contribution retirement plan (the Plan) effective January 1, 1990. Participation in the Plan is voluntary. The Organization matches qualified voluntary employee contributions up to the lesser of five percent of the annual salary or \$2,000 per year to the Plan. The Organization made no matching contributions in fiscal years 2016 or 2015.

**NOTE 5 – CONCENTRATIONS AND CONTINGENCIES**

Public Funding

A significant amount of the Organization's funding comes from operating grants awarded by the Corporation for Public Broadcasting, the State of Alaska, the City of Barrow, and the North Slope Borough. The Organization also generates a significant portion of its annual operating budget from local underwriting, memberships, and donations. A significant decline in funding from these sources could have a material impact on the Organization's operations.

Grants and Contracts

Expenditures made pursuant to the grants and contracts may be subject to additional audits by government agencies or their representatives. Certain grant amounts may not have been audited by the grantor agencies. Accordingly, adjustments of amounts received from grants and contracts could result if the grants and contracts are adjusted 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. Accordingly, no liabilities for amounts which may be payable have been recorded in the accompanying financial statements.

Excess Cash Balances

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.