

LYNN CANAL BROADCASTING
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 and 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lynn Canal Broadcasting
Haines, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lynn Canal Broadcasting, a nonprofit corporation, 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 Lynn Canal Broadcasting (the Organization) 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 the Organization's 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 the Organization's 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.

Elgee Rehfeld

December 12, 2022

LYNN CANAL BROADCASTING
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 335,011	\$ 433,375
Accounts receivable	5,473	20,731
Prepaid expenses	<u>1,880</u>	<u>1,880</u>
Total current assets	342,364	455,986
Investments	87,161	103,812
Property and equipment, net	<u>53,022</u>	<u>35,258</u>
Total assets	<u><u>\$ 482,547</u></u>	<u><u>\$ 595,056</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 10,237	\$ 16
Payroll liabilities	7,003	5,259
Refundable advance	20,382	247,112
Deferred revenue	<u>12,739</u>	<u>11,428</u>
Total current liabilities	<u>50,361</u>	<u>263,815</u>
Total liabilities	<u>50,361</u>	<u>263,815</u>
Net assets:		
Without donor restrictions:		
Invested in property and equipment	53,022	35,258
Board designated investments	87,161	-
Undesignated	<u>292,003</u>	<u>295,983</u>
Total net assets without donor restrictions	<u>432,186</u>	<u>331,241</u>
Total liabilities and net assets	<u><u>\$ 482,547</u></u>	<u><u>\$ 595,056</u></u>

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

LYNN CANAL BROADCASTING
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Membership	\$ 103,590	\$ 130,826
State and local grants	30,612	207,327
Corporation for public broadcasting grants	363,593	128,978
Underwriting	58,953	67,030
Contributions of nonfinancial assets	52,195	64,148
Property management	17,145	16,049
Other revenue	11,449	20,944
Forgiveness of PPP Loan	-	60,455
Total revenues and support	<u>637,537</u>	<u>695,757</u>
EXPENSES:		
PROGRAM SERVICES:		
Programming and production	201,304	320,116
Technical services	<u>109,340</u>	<u>69,868</u>
Total program services	<u>310,644</u>	<u>389,984</u>
SUPPORTING SERVICES:		
General and administrative	160,777	109,278
Fundraising and member development	<u>65,171</u>	<u>29,673</u>
Total supporting services	<u>225,948</u>	<u>138,951</u>
Total expenses	<u>536,592</u>	<u>528,935</u>
Changes in net assets without donor restrictions	<u>100,945</u>	<u>166,822</u>
NET ASSETS, Beginning of Year	<u>331,241</u>	<u>164,419</u>
NET ASSETS, End of Year	<u><u>\$ 432,186</u></u>	<u><u>\$ 331,241</u></u>

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

LYNN CANAL BROADCASTING
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operations:		
Cash received from grants	\$ 167,475	\$ 583,106
Cash received from contributions and fundraising	103,590	130,826
Cash received from underwriting	60,264	67,030
Cash received from other sources	43,358	5,329
Cash outflows from operations:		
Cash paid to employees	(305,997)	(289,152)
Cash paid to suppliers	<u>(145,796)</u>	<u>(144,534)</u>
Net cash (used for) provided by operating activities	<u>(77,106)</u>	<u>352,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(21,258)	(36,848)
Purchase of investments	<u>-</u>	<u>(103,812)</u>
Net cash used for investing activities	<u>(21,258)</u>	<u>(140,660)</u>
Changes in cash and cash equivalents	(98,364)	211,945
Cash and cash equivalents - beginning of year	<u>433,375</u>	<u>221,430</u>
Cash and cash equivalents - end of year	<u><u>\$ 335,011</u></u>	<u><u>\$ 433,375</u></u>

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

LYNN CANAL BROADCASTING
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services			Supporting Services		Total Program and Supporting Services Expenses 2022
	Technical Services	Programming and Production	Total Program Services	General and Administrative	Fundraising and Member Development	
Expenses:						
Salaries and employee benefits	\$ 52,476	\$ 132,554	\$ 185,030	\$ 93,177	\$ 29,534	\$ 307,741
Rent and utilities	-	34,033	34,033	17,016	17,016	68,065
Professional services	16,766	3,500	20,266	21,843	11,589	53,698
Equipment	13,732	-	13,732	18,108	-	31,840
Occupancy	16,815	2,802	19,617	9,249	-	28,866
Network affiliation	-	27,295	27,295	-	-	27,295
Other	4,260	1,120	5,380	8,398	2,754	16,532
Supplies	-	-	-	4,167	4,167	8,334
Insurance	-	-	-	6,927	-	6,927
Travel	4,947	-	4,947	-	111	5,058
Depreciation	3,494	-	3,494	-	-	3,494
	112,490	201,304	313,794	178,885	65,171	557,850
Capitalized assets	(3,150)	-	(3,150)	(18,108)	-	(21,258)
Total expenses	<u>\$ 109,340</u>	<u>\$ 201,304</u>	<u>\$ 310,644</u>	<u>\$ 160,777</u>	<u>\$ 65,171</u>	<u>\$ 536,592</u>

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

LYNN CANAL BROADCASTING
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services			Supporting Services		Total Program and Supporting Services Expenses
	Technical Services	Programming and Production	Total Program Services	General and Administrative	Fundraising and Member Development	2021
Expenses:						
Salaries and employee benefits	\$ -	\$ 220,808	\$ 220,808	\$ 44,162	\$ 29,441	\$ 294,411
Rent and utilities	17,261	32,055	49,316	16,438	-	65,754
Equipment	57,509	-	57,509	-	-	57,509
Professional services	21,800	22,248	44,048	-	-	44,048
Occupancy	8,556	17,111	25,667	8,555	-	34,222
Network affiliation	-	26,786	26,786	-	-	26,786
Other	-	-	-	15,744	-	15,744
Donated radio services	-	-	-	12,818	-	12,818
Insurance	-	-	-	6,410	-	6,410
Supplies	-	-	-	5,151	232	5,383
Depreciation	1,590	-	1,590	-	-	1,590
Travel	-	1,108	1,108	-	-	1,108
	106,716	320,116	426,832	109,278	29,673	565,783
Capitalized assets	(36,848)	-	(36,848)	-	-	(36,848)
Total expenses	\$ 69,868	\$ 320,116	\$ 389,984	\$ 109,278	\$ 29,673	\$ 528,935

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

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KHNS Radio is owned and operated by Lynn Canal Broadcasting (the Organization), a nonprofit corporation, incorporated February 14, 1978, located in Haines, Alaska. The Organization is a public broadcasting station and receives a significant amount of its support from the Corporation for Public Broadcasting, the State of Alaska, local sources, and from membership revenues, underwriting and other contributions from businesses and individuals in the Upper Lynn Canal region. Program services include:

Programming and Production

The Organization provides quality non-commercial news and locally valued programming which features local voices, fact-based journalism, community service, and emergency alerting.

Technical and Broadcasting

The Organization's technical products are radio broadcast signals, as well as digital content on the web. The Organization's stations produce FM broadcast services.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under this method of accounting, the financial effects of transactions, and other events and circumstances, that have cash consequences for the Organization are recorded in the period in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the Organization.

Basis of Presentation

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.

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Organization also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Revenue Recognition

Contributions and Support

Contributions are recorded in the statements of activities when received. Contributions are recorded as support with donor restrictions, or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts or cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose 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 restriction. Contributions that are received and for which donor restrictions expire in the same period are recorded as support without donor restrictions.

Membership

Membership contributions are considered available for the Organization's general operations unless specifically restricted by the donor. The value that individuals receive from their membership contributions is determined to be nominal. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as restricted support increasing net assets subject to donor restrictions. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as support increasing net assets free of donor restrictions.

Grant Revenue

Grants or contracts awarded to the Organization from state and local sources, the Corporation for Public Broadcasting, and other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met. Grant receivables are recorded for unreimbursed expenses incurred for the purposes specified by the awarding agency. Funding received in advance of incurring allowable expenses are recorded as a refundable advance.

Underwriting Revenue

Revenue from program underwriting is recognized when the Organization satisfies a performance obligation by transferring a promised service for a customer. Revenue from program underwriting is recorded on a pro rata basis for the period covered and is recognized over time when the related program is aired. 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 as management has determined all accounts to be collectible.

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

Contributions of Nonfinancial Assets

Donated services are recognized as contributions of nonfinancial assets in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Organization.

Contributed materials are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

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 the purposes of the statements of cash flows, the Organization considers all cash on hand, in checking accounts, and in savings accounts to be cash.

Investments

The Organization's marketable investment securities are reported at fair market value. Unrealized gains and losses are included in the change in net assets without donor restrictions in the accompanying statement of activities. Investments include money market funds and equity securities held in brokerage accounts.

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 5 to 35 years.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses for program services are segregated from management and general expenses. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

- Salaries and employee benefits are allocated based on time and effort.
- Donated rent and occupancy are allocated based on square footage.

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

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

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, 2022 or 2021. The Organization follows the provisions of FASB ASC 740 *Income Taxes* 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.

Recently Adopted Accounting Pronouncements
Not-For-Profit Entities (Topic 958)

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities* (Topic 958). The amendments in this update will supersede much of the existing authoritative guidance for contributed nonfinancial assets. This guidance requires presentation of contributed nonfinancial assets as a separate line item in the consolidated statements of activities and additional disclosures regarding the contributed nonfinancial assets. The amendments of the update will be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, with early application permitted. The Organization adopted ASU 2020-07 effective July 1, 2021, using the full retrospective method. The adoption of the standard had no impact on net assets for the years ended June 30, 2022 or 2021, respectively.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Organization's financial position, results of operations, or cash flows, the impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Organization until annual periods beginning after December 15, 2021, with early application permitted. The Organization plans to adopt ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

Date of Subsequent Review

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

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30:

Financial assets at year-end*:	<u>2022</u>
Cash and cash equivalents	\$ 335,011
Investments	87,161
Accounts receivable	5,473
Less those unavailable for general expenditures within one year, due to -	
Board designated investments	<u>(87,161)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 340,484</u>

*Total assets, less nonfinancial assets (e.g. Prepaid expenses, Property and equipment, net)

NOTE 3 – INVESTMENTS

Investments at market value and amortized cost were as follows as of June 30:

	<u>2022 Fair Value</u>	<u>Amortized Cost</u>
Investment securities, at market value:		
Money market funds	\$ 3	\$ 3
Equity securities	<u>87,158</u>	<u>101,383</u>
Total investment securities	<u>\$ 87,161</u>	<u>\$ 101,386</u>
	<u>2021 Fair Value</u>	<u>Amortized Cost</u>
Investment securities, at market value:		
Money market funds	\$ 3	\$ 3
Equity securities	<u>103,809</u>	<u>100,230</u>
Total investment securities	<u>\$ 103,812</u>	<u>\$ 100,233</u>

Investment income (loss) is included in other revenue on the statements of activities. Investment income (loss) includes the following as of June 30:

	<u>2022</u>	<u>2021</u>
Unrealized gain (loss)	\$ (16,923)	\$ 3,347
Dividends and interest	<u>272</u>	<u>233</u>
Total investment income (loss)	<u>\$ (16,651)</u>	<u>\$ 3,580</u>

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENT

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principle or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets as liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

	<u>Fair Value</u>	<u>Level 1</u>
Investments as of June 30, 2022:		
Investment securities:		
Money market funds	\$ 3	\$ 3
Equities securities	<u>87,158</u>	<u>87,158</u>
Total investment securities	<u>\$ 87,161</u>	<u>\$ 87,161</u>
	<u>Fair Value</u>	<u>Level 1</u>
Investments as of June 30, 2021:		
Investment securities:		
Money market funds	\$ 3	\$ 3
Equities securities	<u>103,809</u>	<u>103,809</u>
Total investment securities	<u>\$ 103,812</u>	<u>\$ 103,812</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Broadcasting equipment	\$ 131,225	\$ 256,034
Leasehold improvements	18,108	24,951
Office furnishings and equipment	<u>60,813</u>	<u>52,182</u>
Total property and equipment	210,146	333,167
Less: Accumulated depreciation	<u>(157,124)</u>	<u>(297,909)</u>
Total property and equipment, net	<u>\$ 53,022</u>	<u>\$ 35,258</u>

Depreciation expense for the fiscal years ending June 30, 2022 and 2021 was \$3,494 and \$1,590, respectively.

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

On April 24, 2020, the Organization received loan proceeds in the amount of \$60,455 under the Paycheck Protection Program ("PPP"). 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. The amount of loan forgiveness may be reduced if the borrower reduced the number of employees or the average paid hours of employees or reduced the annual salary or hourly wages of any employee by more than 25 percent during the Covered Period.

The Organization accounted for the PPP loan using the Debt Model of FASB ASC 470. Under FASB ASC 405-20, *Liabilities: Extinguishments of Liabilities*, specifically FASB ASC 405-20-40-1b, extinguishment of debt may not take place until the debtor has been legally released as the primary obligor. The full balance of the PPP loan in the amount of \$60,455 was officially forgiven on June 4, 2021, and was recognized as forgiveness of PPP loan in the statements of activities during fiscal year 2021.

NOTE 7 – PROPERTY MANAGEMENT AND OFFICE RENT - HAINES

The Organization leases its office and studio space under an operating lease agreement, which has been extended through April 30, 2024. The Organization has entered into a property management agreement with the lessor under which the Organization employees, will provide certain property management functions for the lessor. No lease payments are required as long as the property management services are performed.

Values related to this agreement as determined by the lessor were as follows for the years ended June 30:

	2022	2021
Fair value of leased space	\$ 56,180	\$ 53,709
Cost of property management services	<u>(16,370)</u>	<u>(16,049)</u>
Net contribution for Haines office rent	<u>\$ 39,810</u>	<u>\$ 37,660</u>

LYNN CANAL BROADCASTING
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the years ended June 30, contributions of nonfinancial assets recognized within the statements of activities included:

	2022	2021
Leased office and studio space - Haines	\$ 39,810	\$ 37,660
Donated rent and utilities - Skagway	11,885	12,045
Engineering services	500	1,625
Equipment	-	12,818
Total contributions of nonfinancial assets	<u>\$ 52,195</u>	<u>\$ 64,148</u>

The Organization recognized contributions of nonfinancial assets within revenue, including leased office and studio space in Haines, donated rent and utilities in Skagway, engineering services, and equipment. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

As described in Note 7, the Organization receives leased office and studio space for its Haines office. The Organization estimated fair value on the basis of values that would be paid to a lessor for leasing the space.

The Organization receives donated rent and utilities for its Skagway office. The Organization estimated fair value on the basis of values that would be paid to a lessor for leasing the space.

Engineering services are technical services for continuing radio services. Services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Equipment consists of a transmitter the Organization was allowed to use in 2021. The Organization estimated the fair value on the basis of estimates of wholesale values that would be paid to purchase similar services.

The Organization 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.

NOTE 9 – REFUNDABLE ADVANCES

The Organization receives various operating grants that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as grant revenue when donor contributions are met. Refundable advances consisted of \$20,382 and \$247,112 of operating grants as of June 30, 2022 and 2021, respectively.

LYNN CANAL BROADCASTING
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NOTE 10 – 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, and local sources. 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.

NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED INVESTMENTS

During fiscal year 2022, the Board of Directors approved the principal and earnings from investments held with Vanguard be set aside for station operations should there ever come a time that the Organization would need the money. All investments held as of year-end were classified as net assets without donor restrictions – board designated investments.