

KGHR RADIO

**A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY TUBA CITY HIGH SCHOOL BOARD INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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Independent Auditors' Report

Tuba City High School Board, Inc. and
KGHR Radio
Tuba City, Arizona

We have audited the accompanying financial statements of KGHR Radio, a public telecommunications entity operated by Tuba City High School Board Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 audits 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 KGHR Radio as of June 30, 2019 and 2018, 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.

A handwritten signature in black ink that reads "Stephens & Company PLLC". The signature is written in a cursive, flowing style.

Stephens & Company, PLLC
Flagstaff, Arizona
December 28, 2020

KGHR RADIO
Statement of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 420,370	\$ 369,178
Total current assets	420,370	369,178
Capital assets:		
Equipment	445,343	445,343
Accumulated depreciation	(212,267)	(191,566)
Total capital assets	233,076	253,777
Total assets	\$ 653,446	\$ 622,955
Liabilities and Net Assets		
Net assets		
Without donor restrictions	653,446	622,955
Total net assets	653,446	622,955
Total liabilities and net assets	\$ 653,446	\$ 622,955

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

KGHR RADIO
Statement of Activities
For the Year Ended June 30, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Grant revenue	\$ 115,156	\$ 28,777	\$ 143,933
General appropriation from Tuba City High School Board, Inc.	47,487	-	47,487
Donated tower rental	-	46,600	46,600
Donated office facilities & admin support	-	63,971	63,971
Net assets released from restrictions:			
Satisfaction of donor	<u>139,348</u>	<u>(139,348)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>301,991</u>	 <u>-</u>	 <u>301,991</u>
Expenses:			
Program A - Programming & production	82,131	-	82,131
Program B - Broadcasting	77,399	-	77,399
Management and general	<u>111,970</u>	<u>-</u>	<u>111,970</u>
 Total expenses	 <u>271,500</u>	 <u>-</u>	 <u>271,500</u>
 Change in net assets	 30,491	 -	 30,491
 Net assets at beginning of year	 <u>622,955</u>	 <u>-</u>	 <u>622,955</u>
 Net assets at end of year	 <u>\$ 653,446</u>	 <u>\$ -</u>	 <u>\$ 653,446</u>

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

KGHR RADIO
Statement of Activities
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Grant revenue	\$ 114,829	\$ 28,258	\$ 143,087
General appropriation from Tuba City High School Board, Inc.	48,503	-	48,503
Donated tower rental	-	46,600	46,600
Donated office facilities & admin support	-	61,698	61,698
Net assets released from restrictions:			
Satisfaction of donor	<u>136,556</u>	<u>(136,556)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>299,888</u>	 <u>-</u>	 <u>299,888</u>
Expenses:			
Program A - Programming & production	79,760	-	79,760
Program B - Broadcasting	76,509	-	76,509
Management and general	<u>107,024</u>	<u>-</u>	<u>107,024</u>
 Total expenses	 <u>263,293</u>	 <u>-</u>	 <u>263,293</u>
 Change in net assets	 36,595	 -	 36,595
 Net assets at beginning of year	 <u>586,360</u>	 <u>-</u>	 <u>586,360</u>
 Net assets at end of year	 <u>\$ 622,955</u>	 <u>\$ -</u>	 <u>\$ 622,955</u>

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

KGHR RADIO
Statement of Functional Expenses
For the Year Ended June 30, 2019

Expense category	Programming & Production	Broadcasting	Management & General	Total
Salaries & wages	\$ 17,501	\$ 6,563	\$ 19,689	43,753
Employee benefits	1,493	560	1,682	3,735
Professional and outside services	31,977	11,991	35,974	79,942
Tower rent	-	46,600	-	46,600
Telecommunications	1,203	451	1,354	3,008
Facilities in-kind	17,760	6,660	19,980	44,400
Administrative support	-	-	19,571	19,571
Repairs and maintenance	3,915	1,469	4,406	9,790
Depreciation	8,282	3,105	9,314	20,701
Total	\$ 82,131	\$ 77,399	\$ 111,970	\$ 271,500

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

KGHR RADIO
Statement of Functional Expenses
For the Year Ended June 30, 2018

Expense category	Programming & Production	Broadcasting	Management & General	Total
Salaries & wages	\$ 13,798	\$ 5,173	\$ 15,521	34,492
Employee benefits	5,604	2,102	6,305	14,011
Professional and outside services	27,964	10,487	31,460	69,911
Tower rent	-	46,600	-	46,600
Telecommunications	1,988	746	2,237	4,971
Facilities in-kind	17,760	6,660	19,980	44,400
Administrative support	-	-	17,298	17,298
Repairs and maintenance	4,227	1,585	4,755	10,567
Depreciation	8,419	3,156	9,468	21,043
Total	<u>\$ 79,760</u>	<u>\$ 76,509</u>	<u>\$ 107,024</u>	<u>\$ 263,293</u>

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

KGHR RADIO
Statements of Cash Flows
For the Year Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from grants	\$ 143,933	\$ 143,087
Cash received from contributions	47,487	48,502
Cash paid for program expenses	(77,123)	(69,161)
Cash paid for management and general expenses	(63,105)	(56,585)
Net cash flows from operating activities	51,192	65,843
Cash flows from investing activities:		
Purchase of fixed assets	-	(3,409)
Net cash flows from investing activities	-	(3,409)
Change in cash and cash equivalents	51,192	62,434
Cash and cash equivalents, beginning of year	369,178	306,744
Cash and cash equivalents, end of year	\$ 420,370	\$ 369,178
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 30,491	\$ 36,595
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,701	21,043
Changes in operating assets and liabilities:		
(Increase)/Decrease in prepaid expenses	-	8,206
Net cash flows from operating activities	\$ 51,192	\$ 65,844

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES

Donated tower rental	\$ 46,600	\$ 46,600
Donated office facilities & admin support	63,971	61,698

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

KGHR RADIO
Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

KGHR Radio (the Station) is operated by Tuba City High School Board, Inc. in Tuba City, Arizona, under a license granted by the Federal Communications Commission. Tuba City High School Board, Inc. is a non-profit organization, formed under the laws of the Navajo Nation, recognized by certificate of incorporation dated October 22, 2003. The Tuba City High School Board, Inc. provides facilities and other financial support to the Station. The financial statements of the Station include all the funds for which the Station has oversight responsibility.

The Station provides broadcasting and programming services and is primarily funded by grants from the Corporation for Public Broadcasting and by donations from Tuba City High School Board, Inc.

Basis of Presentation

The financial statements of KGHR Radio are prepared on the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants Industry Audit Guide.

Net Asset Balances

The Station reports gifts of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits held in trust by Tuba City High School Board, Inc. For purposes of the statement of cash flows, the company considers all investments purchased with an original maturity of three months or less to be cash or cash equivalents.

Revenue Recognition

Unrestricted contributions and grants are recorded as revenue in the accompanying statement of financial activity when received. Revenues from restricted grants are recognized as temporarily restricted revenues. When the Station has incurred expenses, in compliance with the specific restrictions of the grants, the funds are considered released.

KGHR RADIO
Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Property and equipment are stated at cost at date of acquisition or at estimated fair market value at date of donation in the case of donated property. Cost for repairs and maintenance are charged to expense when incurred. Renewals and betterments that materially extend the life of the assets are capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Broadcast equipment	5-20 years
Tower	30 years

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Station is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code.

Date of Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 28, 2019, the date the financial statements were available to be issued.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Reclassifications

Certain items on the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation of the current-year financial statements.

KGHR RADIO
Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

NOTE 2. DONATED FACILITIES

Donated office facilities and administrative support from Tuba City High School Board, Inc., for the years ended June 30, 2019 and 2018, totaling \$63,971 and \$61,698 respectively, were comprised of donated office and studio space and costs for institutional support and physical plant operations. Donated tower rental support of \$46,600 for each year is based on East Flagstaff commercial rental rates per square footage. These amounts are recorded in the accompanying statement of financial activity as revenue and offsetting expenses and were calculated based on Corporation for Public Broadcasting guidelines.

NOTE 3. PROPERTY AND EQUIPMENT

The following table summarizes the changes to fixed assets during the years ended June 30, 2019 and 2018:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Tower	\$ 332,914	\$ -	\$ -	\$ 332,914
Broadcast equipment	112,429	-	-	112,429
Total	445,343	-	-	445,343
Less: Accumulated Depreciation	(191,566)	(20,701)	-	(212,267)
	\$ 253,777	\$(20,701)	\$ -	\$ 233,076

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Tower	\$ 332,914	\$ -	\$ -	\$ 332,914
Broadcast equipment	109,018	3,411	-	112,429
Total	441,932	3,411	-	445,343
Less: Accumulated Depreciation	(170,522)	(21,044)	-	(191,566)
	\$ 271,410	\$(17,633)	\$ -	\$ 253,777

Depreciation expense for the years ended June 30, 2019 and 2018 is \$20,701 and \$21,044, respectively.

KGHR RADIO
Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

NOTE 4. RETIREMENT PLAN

All KGHR employees are employees of Tuba City High School, Inc. and are covered by the Arizona State Retirement System. The costs of this program are allocated to KGHR on a percentage basis by employee and charges to the appropriate functional classification. Retirement plan contributions for the years ended June 30, 2019 and 2018 were \$0 and \$0.