

**KGHR RADIO**

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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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 statement of financial position as of June 30, 2017, and the related statements of activities 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2017, 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.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



HintonBurdick Arizona, PLLC

Flagstaff, Arizona

December 22, 2017

**KGHR RADIO**  
**Statement of Financial Position**  
**June 30, 2017**

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**Assets**

**Current assets:**

Cash and cash equivalents	\$ 306,744
Prepaid expense	<u>8,206</u>

Total current assets 314,950

**Capital assets:**

Equipment	441,932
Accumulated depreciation	<u>(170,522)</u>

Total capital assets 271,410

**Total assets** \$ 586,360

**Liabilities and Net Assets**

**Net assets**

Unrestricted	<u>586,360</u>
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Total net assets 586,360

**Total liabilities and net assets** \$ 586,360

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

**KGHR RADIO**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>			
Grant revenue	\$ 116,798	\$ 28,278	\$ 145,076
General appropriation from Tuba City High School Board, Inc.	43,018	-	43,018
Donated in-kind support	-	46,600	46,600
Donated facilities	-	44,400	44,400
Net assets released from restrictions:			
Satisfaction of donor	<u>119,278</u>	<u>(119,278)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>279,094</u>	 <u>-</u>	 <u>279,094</u>
<b>Expenses:</b>			
Program A - Programming & production	69,619	-	69,619
Program B - Broadcasting	72,708	-	72,708
Management and general	<u>91,367</u>	<u>-</u>	<u>91,367</u>
 Total expenses	 <u>233,694</u>	 <u>-</u>	 <u>233,694</u>
 <b>Change in net assets</b>	 45,400	 -	 45,400
 <b>Net assets at beginning of year</b>	 <u>540,960</u>	 <u>-</u>	 <u>540,960</u>
 <b>Net assets at end of year</b>	 <u>\$ 586,360</u>	 <u>\$ -</u>	 <u>\$ 586,360</u>

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

**KGHR RADIO**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

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<b>Cash flows from operating activities:</b>	
Cash received from grants	\$ 145,076
Cash received from contributions	43,018
Cash paid for program expenses	(58,271)
Cash paid for management and general expenses	<u>(60,722)</u>
Net cash flows from operating activities	<u>69,101</u>
 <b>Cash flows from investing activities:</b>	
Purchase of fixed assets	<u>(35,823)</u>
Net cash flows from investing activities	<u>(35,823)</u>
 <b>Change in cash and cash equivalents</b>	
	33,278
Cash and cash equivalents, beginning of year	<u>273,466</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 306,744</u></u>
 <b>Reconciliation of change in net assets to net cash flows from operating activities:</b>	
Change in net assets	\$ 45,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,757
Changes in operating assets and liabilities:	
(Increase)/Decrease in prepaid expenses	<u>6,944</u>
Net cash flows from operating activities	<u><u>\$ 69,101</u></u>

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES**

Donated in-kind support	\$ 46,600
Donated facilities	44,400

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

**KGHR RADIO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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 22, 2017, the date the financial statements were available to be issued.

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**NOTE 2. DONATED FACILITIES**

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Donated facilities and administrative support from Tuba City High School Board, Inc., for the year ended June 30, 2017, totaling \$46,600, is comprised of donated office and studio space and costs for institutional support and physical plant operations. Donated office and studio space cost of \$44,400 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.

**KGHR RADIO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 3. PROPERTY AND EQUIPMENT**

The following table summarizes the changes to fixed assets during the year ended June 30, 2017:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Tower	\$ 332,914	\$ -	\$ -	\$ 332,914
Broadcast equipment	73,195	35,823	-	109,018
Total	406,109	35,823	-	441,932
Less: Accumulated Depreciation	(153,765)	(16,757)	-	(170,522)
	<u>\$ 252,344</u>	<u>\$ 19,066</u>	<u>\$ -</u>	<u>\$ 271,410</u>

Depreciation expense for the year ended June 30, 2017 is \$16,757.

**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 year ended June 30, 2017 were \$0.

**SUPPLEMENTARY INFORMATION**

**KGHR RADIO**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

<b>Expense category</b>	<b><u>Programming &amp; Production</u></b>	<b><u>Broadcasting</u></b>	<b><u>Management &amp; General</u></b>	<b><u>Total</u></b>
Professional and outside services	\$ 42,127	\$ 15,798	\$ 47,393	\$ 105,318
Tower rent	-	46,600	-	46,600
Telecommunications	2,381	893	2,679	5,953
Facilities in-kind	17,760	6,660	19,980	44,400
Administrative support	-	-	13,046	13,046
Repairs and maintenance	648	243	729	1,620
Depreciation	6,703	2,514	7,540	16,757
<b>Total</b>	<b><u>\$ 69,619</u></b>	<b><u>\$ 72,708</u></b>	<b><u>\$ 91,367</u></b>	<b><u>\$ 233,694</u></b>

See accountants' report