

**KGHR RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**OPERATED BY TUBA CITY HIGH SCHOOL BOARD INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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**STEPHENS & COMPANY, PLLC**  
cpas | consultants | advisors

**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, 2021 and 2020, 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, 2021 and 2020, 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.

Flagstaff, Arizona  
January 14, 2022

**KGHR RADIO**  
**Statement of Financial Position**  
**June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 796,043	\$ 467,461
Total current assets	796,043	467,461
<b>Capital assets:</b>		
Equipment	464,749	445,343
Accumulated depreciation	(253,561)	(232,855)
Total capital assets	211,188	212,488
<b>Non-current assets:</b>		
Due from Tuba City High School Board, Inc.	102,002	121,408
Total non-current assets	102,002	121,408
<b>Total assets</b>	\$ 1,109,233	\$ 801,357
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Contingent liability	\$ 228,000	\$ -
Total current liabilities	228,000	-
<b>Net assets</b>		
Without donor restrictions	881,233	801,357
Total net assets	881,233	801,357
<b>Total liabilities and net assets</b>	\$ 1,109,233	\$ 801,357

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

**KGHR RADIO**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>			
Grant revenue	\$ 365,422	\$ 28,929	\$ 394,351
Advertising revenue	6,970	-	6,970
General appropriation from Tuba City High School Board, Inc.	48,490	-	48,490
Donated tower rental	-	46,600	46,600
Donated office facilities & admin support	-	51,497	51,497
Net assets released from restrictions:			
Satisfaction of donor	127,026	(127,026)	-
Total revenues, gains and other support	<u>547,908</u>	<u>-</u>	<u>547,908</u>
<b>Expenses:</b>			
Program A - Programming & production	72,369	-	72,369
Program B - Broadcasting	79,150	-	79,150
Management and general	316,515	-	316,515
Total expenses	<u>468,034</u>	<u>-</u>	<u>468,034</u>
<b>Change in net assets</b>	79,874	-	79,874
<b>Net assets at beginning of year</b>	<u>801,359</u>	<u>-</u>	<u>801,359</u>
<b>Net assets at end of year</b>	<u>\$ 881,233</u>	<u>\$ -</u>	<u>\$ 881,233</u>

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

**KGHR RADIO**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>			
Grant revenue	\$ 226,706	\$ 28,929	\$ 255,635
General appropriation from Tuba City High School Board, Inc.	40,621	-	40,621
Donated tower rental	-	46,600	46,600
Donated office facilities & admin support	-	58,492	58,492
Net assets released from restrictions:			
Satisfaction of donor	<u>134,021</u>	<u>(134,021)</u>	<u>-</u>
Total revenues, gains and other support	<u>401,348</u>	<u>-</u>	<u>401,348</u>
<b>Expenses:</b>			
Program A - Programming & production	74,997	-	74,997
Program B - Broadcasting	79,974	-	79,974
Management and general	<u>98,466</u>	<u>-</u>	<u>98,466</u>
Total expenses	<u>253,437</u>	<u>-</u>	<u>253,437</u>
<b>Change in net assets</b>	147,911	-	147,911
<b>Net assets at beginning of year</b>	<u>653,446</u>	<u>-</u>	<u>653,446</u>
<b>Net assets at end of year</b>	<u>\$ 801,357</u>	<u>\$ -</u>	<u>\$ 801,357</u>

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

**KGHR RADIO**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

<b>Expense category</b>	<b>Programming &amp; Production</b>	<b>Broadcasting</b>	<b>Management &amp; General</b>	<b>Total</b>
Salaries & wages	\$ 14,886	\$ 5,583	\$ 16,748	37,217
Employee benefits	4,509	1,691	5,073	11,273
Professional and outside services	22,073	8,278	24,833	55,184
Tower rent	-	46,600	-	46,600
Dues and subscriptions	-	5,410	-	5,410
Travel	-	-	-	-
Telecommunications	1,242	466	1,398	3,106
Supplies	831	311	934	2,076
Advertising	-	-	-	-
Facilities in-kind	17,760	6,660	19,980	44,400
Administrative support	-	-	7,097	7,097
Repairs and maintenance	2,785	1,045	3,134	6,964
Contingent loss	-	-	228,000	228,000
Depreciation	8,283	3,106	9,318	20,707
<b>Total</b>	<b>\$ 72,369</b>	<b>\$ 79,150</b>	<b>\$ 316,515</b>	<b>\$ 468,034</b>

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



**KGHR RADIO**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

<b>Expense category</b>	<b>Programming &amp; Production</b>	<b>Broadcasting</b>	<b>Management &amp; General</b>	<b>Total</b>
Salaries & wages	\$ 14,689	\$ 5,508	\$ 16,525	\$ 36,722
Employee benefits	1,560	585	1,755	3,900
Professional and outside services	31,531	11,825	35,474	78,830
Tower rent	-	46,600	-	46,600
Dues and subscriptions	-	5,250	-	5,250
Telecommunications	1,222	458	1,375	3,055
Facilities in-kind	17,760	6,660	19,980	44,400
Administrative support	-	-	14,092	14,092
Depreciation	8,235	3,088	9,265	20,588
<b>Total</b>	<b>\$ 74,997</b>	<b>\$ 79,974</b>	<b>\$ 98,466</b>	<b>\$ 253,437</b>

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

**KGHR RADIO**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities:</b>		
Cash received from grants	\$ 394,351	\$ 255,635
Cash received for advertising time	6,970	-
Cash received from contributions	48,490	40,621
Cash paid for program expenses	(69,492)	(72,628)
Cash paid for management and general expenses	(51,737)	(55,129)
Net cash flows from operating activities	328,582	168,499
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(19,406)	-
Net cash flows from investing activities	(19,406)	-
<b>Cash flows from financing activities:</b>		
Payments due from Tuba City High School Board, Inc.	19,406	(121,408)
Net cash flows from financing activities	19,406	(121,408)
<b>Change in cash and cash equivalents</b>	328,582	47,091
Cash and cash equivalents, beginning of year	467,461	420,370
<b>Cash and cash equivalents, end of year</b>	\$ 796,043	\$ 467,461
<b>Reconciliation of change in net assets to net cash flows from operating activities:</b>		
Change in net assets	\$ 79,875	\$ 147,911
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contingent loss accrual	228,000	-
Depreciation	20,707	20,588
Net cash flows from operating activities	\$ 328,582	\$ 168,499

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

Donated tower rental	\$ 46,600	\$ 46,600
Donated office facilities & admin support	51,497	58,492

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

**KGHR RADIO**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT 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,

Basis of Presentation

The financial statements of KGHR Radio are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, 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

The Station's revenue is primarily from grants and in-kind donations. Grant revenues are appropriated by the Corporation for Public Broadcasting ("CPB") annually based on available funds. The revenue is recognized when the funds are received and are required to be expended within two fiscal years (based on the CPB's fiscal year). Donations in-kind are recognized as revenue when the

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**KGHR RADIO**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, Continued**

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

The contracts with customers typically have one performance obligation (delivery of advertising services), which is satisfied at the time of delivery, and is recognized at a point in time at the time of delivery. Customers are billed upon satisfaction of delivery of the advertisement, and payment is due on demand. The Station does not extend credit to its customers.

All revenues are from contracts with grantors, donors and customers. Revenue is disaggregated between grant income, in-kind donations, and advertising revenue. For the year ended June 30, 2021, 55%, 43% and 2% of revenues were from these sources, respectively. For the year ended June 30, 2020, 64%, 36% and 0% of revenues were from these sources, respectively.

Receivables and contract balances from contracts with customers as of June 30, 2021 and 2020, were as follows:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Beginning of year</u>	<u>End of year</u>	<u>Beginning of year</u>	<u>End of year</u>
Accounts receivable	-	-	-	-
Contract assets	121,408	102,002	-	121,408
Contract liabilities	-	228,000	-	-

The Station has no contract assets outside of related party receivables (see Note 5). Contract liabilities relate to unspent grant funds (see Note 7).

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	2-20 years
Tower	30 years

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**KGHR RADIO**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, Continued**

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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 January 14, 2022, 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.

Change in accounting principle

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, accounting for certain contract costs and disclosure requirements. This new model supersedes most of the existing revenue recognition requirements. The Station implemented this standard as of the first day of fiscal year 2020 as it felt it was the most faithful depiction of the timing of revenue reasonably expected to be collected in exchange for goods or services. The Station applied the new standards on a modified retrospective basis. There was no resulting change to reported revenue, statement of financial position amounts or changes in net assets.

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**KGHR RADIO**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 2. DONATED FACILITIES**

Donated office facilities and administrative support from Tuba City High School Board, Inc., for the years ended June 30, 2021 and 2020, totaling \$51,497 and \$58,492 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, 2020 and 2019:

	Balance <u>06/30/20</u>	Additions	Deletions	Balance <u>06/30/21</u>
Tower	\$ 332,914	\$ 19,406	\$ -	\$ 352,320
Broadcast equipment	<u>112,429</u>	<u>-</u>	<u>-</u>	<u>112,429</u>
Total	445,343	19,406	-	464,749
Less: Accumulated Depreciation	<u>(232,855)</u>	<u>(20,706)</u>	<u>-</u>	<u>(253,561)</u>
	<u>\$ 253,777</u>	<u>\$ (1,300)</u>	<u>\$ -</u>	<u>\$ 211,188</u>
	Balance <u>06/30/19</u>	Additions	Deletions	Balance <u>06/30/20</u>
Tower	\$ 332,914	\$ -	\$ -	\$ 332,914
Broadcast equipment	<u>112,429</u>	<u>-</u>	<u>-</u>	<u>112,429</u>
Total	445,343	-	-	445,343
Less: Accumulated Depreciation	<u>(212,267)</u>	<u>(20,588)</u>	<u>-</u>	<u>(232,855)</u>
	<u>\$ 253,777</u>	<u>\$ (20,588)</u>	<u>\$ -</u>	<u>\$ 212,488</u>

Depreciation expense for the years ended June 30, 2021 and 2020 is \$20,706 and \$20,588, respectively.

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**KGHR RADIO**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2021 and 2020**

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**NOTE 4. RETIREMENT PLAN**

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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, 2021 and 2020 were \$737 and \$734, respectively.

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**NOTE 5. DUE FROM RELATED PARTIES**

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At June 30, 2021 and 2020, Tuba City High School Board, Inc. which operates the Station, has a related party payable to the Station of \$102,002 and \$121,408, respectively. At this time, there is no formalized plan for repayment of this obligation.

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**NOTE 6. AMERICAN RESCUE PLAN ACT STABILIZATION GRANT**

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On April 15, 2021, the Station was awarded \$219,821 in funding from the Corporation for Public Broadcast through the American Rescue Plan Act Stabilization Grant. The funds were received during FY2021 and recorded as unrestricted grant revenue. These funds are a one time award and will not be received on an ongoing basis.

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**NOTE 7. CONTINGENCY**

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COVID-19

Beginning in 2020, the local, national, and international economies have been negatively impacted by the effects of the worldwide coronavirus pandemic. The Station is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Station's financial position, operating results, and cash flows is not known.

Grant Funds

The Corporation for Public Broadcasting has granted the Station funds of \$174,530 and \$144,677 in 2021 and 2020, respectively. Stipulations of the grant agreement state that the Station spends the grant funds on Station items in a two-year period. An estimated \$240,000 of grant funds have been unspent. It is probable that the grant funds are recalled. An accrual for the contingent loss has been accrued on the Statement of Functional Expenses.

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