
KGHR RADIO

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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, 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 KGHR Radio as of June 30, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 KGHR Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 KGHR Radio's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 KGHR Radio'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 KGHR Radio'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.

Hichens Accounting CPA

Hichens Accounting
Certified Public Accountant
Phoenix, AZ
January 11, 2024

KGHR Radio
Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash and Cash Equivalents	\$ 977,773	\$ 851,365
Accounts Receivable	-	43,490
Total Current Assets	977,773	894,855
Capital Assets		
Equipment	464,749	464,749
Accumulated Depreciation	(291,296)	(272,913)
Total Capital Assets	173,453	191,836
Non-current Assets		
Due from Tuba City HS Board, Inc.	102,002	102,002
Total Non-Current Assets	102,002	102,002
Total Assets	\$ 1,253,228	\$ 1,188,693
Liabilities and Net Assets		
Current Liabilities		
Contingent Liability	\$ 310,385	\$ 271,842
Total Current Liabilities	310,385	271,842
Net Assets		
Without Donor Restrictions	942,843	916,851
Total Net Assets	942,843	916,851
Total Liabilities and Net Assets	\$ 1,253,228	\$ 1,188,693

The accompanying notes are an integral part of these financial statements

KGHR Radio
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grant Revenue	\$ 108,841	\$ 38,885	\$ 147,726
Advertising Revenue	1,160	-	1,160
General Appropriation from HS Board	49,782	-	49,782
Donated Tower Rental	-	46,600	46,600
Donated Office Facilities & Admin	-	58,444	58,444
Net Assets Released from Restrictions	143,929	(143,929)	-
	<u>303,712</u>	<u>-</u>	<u>303,712</u>
Total Revenue			
	<u>303,712</u>	<u>-</u>	<u>303,712</u>
Expenses			
Program A-Programming & Production	83,437	-	83,437
Program B- Broadcasting	86,374	-	86,374
Management and General	107,909	-	107,909
	<u>277,720</u>	<u>-</u>	<u>277,720</u>
Total Expenses			
	<u>277,720</u>	<u>-</u>	<u>277,720</u>
Change in Net Assets	25,992	-	25,992
Net Assets - Beginning of the Year	<u>916,851</u>	<u>-</u>	<u>916,851</u>
Net Assets - End of the Year	<u><u>\$ 942,843</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 942,843</u></u>

The accompanying notes are an integral part of these financial statements

KGHR Radio
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grant Revenue	\$ 99,548	\$ 38,576	\$ 138,124
Advertising Revenue	4,000	-	4,000
General Appropriation from HS Board	49,754	-	49,754
Donated Tower Rental	-	46,600	46,600
Donated Office Facilities & Admin	-	57,532	57,532
Net Assets Released from Restrictions	142,708	(142,708)	-
	<u>296,010</u>	<u>-</u>	<u>296,010</u>
Total Revenue	<u>296,010</u>	<u>-</u>	<u>296,010</u>
Expenses			
Program A-Programming & Production	78,025	-	78,025
Program B- Broadcasting	81,459	-	81,459
Management and General	100,908	-	100,908
	<u>260,392</u>	<u>-</u>	<u>260,392</u>
Total Expenses	<u>260,392</u>	<u>-</u>	<u>260,392</u>
Change in Net Assets	35,618	-	35,618
Net Assets - Beginning of the Year	<u>881,233</u>	<u>-</u>	<u>881,233</u>
Net Assets - End of the Year	<u><u>\$ 916,851</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 916,851</u></u>

The accompanying notes are an integral part of these financial statements

KGHR Radio
Statement of Functional Expenses
For the Year Ended June 30, 2023

Expense Category	Program & Production	Broadcasting	Management & General	Total
Salaries & Wages	\$ 15,363	\$ 5,761	\$ 17,284	\$ 38,408
Employee Benefits	4,550	1,706	5,118	11,374
Professional and Outside Services	35,870	13,451	40,353	89,674
Tower Rent	-	46,600	-	46,600
Dues and Subscriptions	-	8,484	-	8,484
Telecommunications	1,245	467	1,400	3,112
Facilities in-Kind	17,760	6,660	19,980	44,400
Travel	1,296	487	1,458	3,241
Administrative Support	-	-	14,044	14,044
Depreciation	7,353	2,758	8,272	18,383
Total Expenses	\$ 83,437	\$ 86,374	\$ 107,909	\$ 277,720

The accompanying notes are an integral part of these financial statements

KGHR Radio
Statement of Functional Expenses
For the Year Ended June 30, 2022

Expense Category	Program & Production	Broadcasting	Management & General	Total
Salaries & Wages	\$ 15,384	\$ 5,769	\$ 17,306	\$ 38,459
Employee Benefits	4,518	1,694	5,083	11,295
Professional and Outside Services	31,393	11,772	35,317	78,482
Tower Rent	-	46,600	-	46,600
Dues and Subscriptions	-	5,600	-	5,600
Telecommunications	1,229	461	1,382	3,072
Facilities in-Kind	17,760	6,660	19,980	44,400
Administrative Support	-	-	13,132	13,132
Depreciation	7,741	2,903	8,708	19,352
Total Expenses	\$ 78,025	\$ 81,459	\$ 100,908	\$ 260,392

The accompanying notes are an integral part of these financial statements

KGHR Radio
Statements of Cash Flows
For the Years Ended June 30, 2023 & 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash Received from Grants	\$ 229,759	\$ 138,476
Cash Received for Advertising Time	1,160	4,000
Cash Received from Contributions	49,782	49,754
Cash Paid for Program Expenses	(88,680)	(77,820)
Cash Paid for Management and General Expenses	(65,613)	(59,088)
Net Cash Flows from Operating Activities	126,408	55,322
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	-	-
Net Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities:		
Payments due from Tuba City High School Board, Inc.	-	-
Net Cash Flows from Financing Activities	-	-
Change in Cash and Cash Equivalents	126,408	55,322
Cash and Cash Equivalents, Beginning of Year	851,365	796,043
Cash and Cash Equivalents, End of Year	\$ 977,773	\$ 851,365
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in Net Assets	\$ 25,992	\$ 35,618
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Contingent Loss Accrual	38,543	43,842
Depreciation	18,383	19,352
Increase (Decrease) in Accounts Receivable	43,490	(43,490)
Net Cash Flows from Operating Activities	\$ 126,408	\$ 55,322
Supplemental Schedule of Non-Cash Investing Activities		
Donated Tower Rental	\$ 46,600	\$ 46,600
Donated Office Facilities & Admin Support	\$ 58,444	\$ 57,532

The accompanying notes are an integral part of these financial statements

KGHR RADIO
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT 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.

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.

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, with donor restriction net assets are reclassified to without donor restriction 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

KGHR RADIO
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, Continued

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 with donor restriction 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, 2023, 49%, 51% and 1% of revenues were from these sources, respectively. For the year ended June 30, 2022, 47%, 52% and 1% of revenues were from these sources, respectively.

Receivables and contract balances from contracts with customers as of June 30, 2023 and 2022, were as follows:

	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Beginning of year</u>	<u>End of year</u>	<u>Beginning of year</u>	<u>End of year</u>
Accounts receivable	43,490	-		43,490
Contract assets	102,002	102,002	102,002	102,002
Contract liabilities	271,842	310,385	228,000	271,842

Management believes accounts receivable is fully collectible and therefore no allowance for doubtful accounts has been established.

Contract liabilities relate to unspent grant funds (see Note 6).

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. Costs 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

KGHR RADIO
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, Continued

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 11, 2024, 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.

Liquidity

The Organization's financial assets available to meet cash needs for general expenditure within one year is \$667,388. The financial assets are made up of cash, less the contingent liability which is part of the Organization's liquidity management.

NOTE 2. DONATED FACILITIES

Donated office facilities and administrative support from Tuba City High School Board, Inc., for the years ended June 30, 2023 and 2022, totaling \$58,444 and \$57,532 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.

KGHR RADIO
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE 3. PROPERTY AND EQUIPMENT

The following table summarizes the changes to fixed assets during the years ended June 30, 2023 and 2022:

	Balance 06/30/22	Additions	Deletions	Balance 06/30/23
Tower	\$ 352,320	\$ -	\$ -	\$ 352,320
Broadcast equipment	112,429	-	-	112,429
Total	464,749	-	-	464,749
Less: Accumulated Depreciation	(272,913)	(18,383)	-	(291,296)
	\$ 191,836	\$(18,383)	\$ -	\$ 173,453
	Balance 06/30/21	Additions	Deletions	Balance 06/30/22
Tower	\$ 352,320	\$ -	\$ -	\$ 352,320
Broadcast equipment	112,429	-	-	112,429
Total	464,749	-	-	464,749
Less: Accumulated Depreciation	(253,561)	(19,352)	-	(272,913)
	\$ 211,188	\$ (19,352)	\$ -	\$ 191,836

Depreciation expense for the years ended June 30, 2023 and 2022 is \$18,383 and \$19,352, respectively.

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 charged to the appropriate functional classification. Retirement plan contributions for the years ended June 30, 2023 and 2022 were \$757 and \$745, respectively.

KGHR RADIO
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE 5. DUE FROM RELATED PARTIES

At June 30, 2023 and 2022, Tuba City High School Board, Inc. which operates the Station, has a related party payable to the Station of \$102,002 and \$102,002, respectively. At this time, there is no formalized plan for repayment of this obligation.

NOTE 6. CONTINGENCY

Grant Funds

The Corporation for Public Broadcasting has granted the Station funds of \$186,269 and \$181,966 in 2023 and 2022, respectively. Stipulations of the grant agreement state that the Station spends the grant funds on Station items in a two-year period.

An estimated \$310,385 of grant funds have been unspent. It is probable that the grant funds will be recalled. An accrual for the contingent loss liability has been accrued on the Statement of Financial Position.