KUTE, Inc.

Financial Statements

Years Ended September 30, 2024 and 2023

KUTE, Inc.
Table of Contents

Independent Auditor's Report 1

Financial Statements

Statements of Financial Position 3

Statements of Activities and Changes in Net Assets 4

Statements of Functional Expenses... 5

Statements of Cash Flows 7

Notes to the Financial Statements 8

Independent Auditor's Report

To the Board of Directors of
KUTE, Inc. (a nonprofit organization)
Ignacio, CO

Opinion

We have audited the accompanying financial statements of KUTE, Inc., which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities and changes in net assets, 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 KUTE, Inc. as of September 30, 2024 and 2023, 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 KUTE, Inc. 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.

Other Matter

The KUTE, Inc. financial statements for the year ended September 30, 2023, were audited by another auditing firm, who expressed an unmodified opinion on those statements on February 7, 2024.

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 KUTE, Inc.'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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 KUTE, Inc.'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 KUTE, Inc.'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.

MBE CPAs, LLP

Durango, CO
March 28, 2025

KUTE, Inc.
Statements of Financial Position
As of September 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 103,392	$ 17,300
Underwriting and other receivables, net	50,598	51,936
Promises to give, net	36,530	10,521
Prepaid expenses	39,168	42,020
Contract asset	3,601	8,023
Total Current Assets	233,289	129,800
Noncurrent assets		
Property and equipment, net	1,789,140	2,032,641
Broadcast licenses	250,334	250,334
Right of use asset	89,725	45,047
Total noncurrent assets	2,129,199	2,328,022
Total Assets	$ 2,362,488	$ 2,457,822
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 38,723	$ 46,328
Related party payable	474,009	287,751
Accrued liabilities	139,070	127,870
Contract liability	3,601	8,023
Deferred revenue	171,241	77,724
Line of credit	174,963	174,963
Current portion of right of use lease liability	26,969	14,745
Note payable	-	5,000
Total Current Liabilities	1,028,576	742,404
Non-Current Liabilities		
Right of use lease liability - long-term	61,000	32,830
Total Liabilities	1,089,576	775,234
Net Assets		
Net assets with donor restrictions	-	19,771
Net assets without donor restrictions		
Operating	(768,318)	(617,630)
Investment in property and equipment and right of use	1,790,896	2,030,113
Investment in intangible assets	250,334	250,334
Total net assets without donor restrictions	1,272,912	1,662,817
Total Net Assets	1,272,912	1,682,588
Total Liabilities and Net Assets	$ 2,362,488	$ 2,457,822

The notes to the financial statements are an integral part of this statement.

KUTE, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contribution and member pledge support	$ 458,969	$ 5,000	$ 463,969	$ 500,790	$ 5,500	$ 506,290
Underwriting of program	438,203	-	438,203	470,868	-	470,868
Corporation for Public Broadcasting	222,280	64,590	286,870	200,465	57,719	258,184
Grants and contracts	36,322	165,285	201,607	73,864	141,314	215,178
Festivals and special events	574,259	-	574,259	680,127	-	680,127
In-kind contributions						
Southern Ute Indian Tribe	203,250	-	203,250	199,250	-	199,250
Other	46,577	-	46,577	29,388	-	29,388
Tower Rental	33,013	-	33,013	32,426	-	32,426
Other income	42,432	-	42,432	28,090	-	28,090
Net realized loss on disposal of assets	-	-	-	(203,700)	-	(203,700)
Total before reclassification	2,055,305	234,875	2,290,180	2,011,568	204,533	2,216,101
Net assets released from restrictions	254,646	(254,646)	-	206,198	(206,198)	-
Total Revenue and Other Support	2,309,951	(19,771)	2,290,180	2,217,766	(1,665)	2,216,101
Expenses						
Program Services						
Broadcasting, media, festivals and special events	1,841,268	-	1,841,268	1,794,680	-	1,794,680
Supporting Services						
Management and general	355,662	-	355,662	513,804	-	513,804
Fundraising expenses						
Membership development	139,917	-	139,917	247,941	-	247,941
Grant solicitation	149,320	-	149,320	274,139	-	274,139
Underwriting	213,688	-	213,688	213,101	-	213,101
Total fundraising	502,926	-	502,926	735,181	-	735,181
Total Supporting Services	858,588	-	858,588	1,248,985	-	1,248,985
Total Expenses	2,699,856	-	2,699,856	3,043,665	-	3,043,665
Change in Net Assets	(389,905)	(19,771)	(409,676)	(825,899)	(1,665)	(827,564)
Net Assets - Beginning of Year	1,662,817	19,771	1,682,588	2,488,716	21,436	2,510,152
Net Assets - End of Year	$ 1,272,912	$ -	$ 1,272,912	$ 1,662,817	$ 19,771	$ 1,682,588

The notes to the financial statements are an integral part of this statement.

KUTE, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2024
(with comparative totals for 2023)

	2024								
	Program Services	**Supporting Services**						**Total**	
			Fundraising						
Expenses	Broadcasting, Media, Festivals and Special Events	Management and General	Membership Development	Grant Solicitation	Underwriting	Total Fundraising	Total Supporting Expenses	Total	2023 Total Expenses
Salaries and wages	$ 404,852	$ 131,627	$ 42,804	$ 50,248	$ 82,545	$ 175,597	$ 307,224	$ 712,077	$ 735,546
Payroll taxes and benefits	186,668	60,690	19,736	23,168	38,060	80,964	141,654	328,322	321,580
Payroll related expenses	591,520	192,317	62,540	73,416	120,605	256,561	448,879	1,040,399	1,057,126
Advertising	15,417	3,102	812	1,112	1,566	3,490	6,592	22,009	42,670
Bad debt	-	-	-	-	-	-	-	-	7,100
Contracted services	495,715	20,907	6,799	18,131	13,111	38,042	58,949	554,664	493,449
Cost of goods sold	36,130	-	-	-	-	-	-	36,130	51,589
Depreciation	138,444	45,011	14,637	17,183	28,227	60,047	105,057	243,501	276,181
Dues and subscriptions	35,996	1,864	-	54	2,216	2,270	4,134	40,130	42,481
Insurance	14,859	4,831	1,571	1,844	3,030	6,445	11,276	26,135	27,464
Interest expense	-	18,751	-	-	-	-	18,751	18,751	5,579
Lease expense	-	-	-	-	-	-	-	-	15,299
Licenses and fees	12,658	1,474	12,179	-	11,860	24,039	25,513	38,171	41,827
Other	40,139	3,784	1,483	7,297	1,432	10,212	13,996	54,135	93,655
Postage	619	308	3,939	-	188	4,127	4,435	5,054	5,903
Printing and publications	8,668	775	6,470	310	482	7,262	8,037	16,705	20,011
Prizes and promotions	9,164	1,913	6,248	6,376	1,292	13,916	15,829	24,993	38,944
Professional fees	2,843	19,724	301	353	580	1,233	20,957	23,800	168,603
Radio programming	138,087	1,714	558	654	1,075	2,287	4,001	142,087	131,749
Rent	138,385	20,860	6,784	9,963	13,082	29,829	50,689	189,074	219,229
Repairs and equipment	14,344	1,929	601	706	1,159	2,466	4,395	18,739	31,612
Software licensing	19,187	260	10,907	29	5,940	16,876	17,136	36,323	32,744
Supplies	6,018	2,009	112	1,708	281	2,101	4,110	10,128	18,732
Telephone	6,746	2,193	713	837	1,375	2,926	5,119	11,865	11,806
Travel	60,486	1,191	442	6,035	746	7,223	8,413	68,899	99,608
Utilities	26,687	8,676	2,822	3,312	5,441	11,575	20,251	46,938	51,612
Waste removal	29,157	2,066	-	-	-	-	2,066	31,224	58,692
Total Expenses	$ 1,841,268	$ 355,662	$ 139,917	$ 149,320	$ 213,688	$ 502,926	$ 858,588	$ 2,699,856	$ 3,043,665

The notes to the financial statements are an integral part of this statement.

KUTE, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2023

	Program Services	Supporting Services						Total
			Fundraising					
Expenses	Broadcasting, Media, Festivals and Special Events	Management and General	Membership Development	Grant Solicitation	Underwriting	Total Fundraising	Total Supporting Expenses	Total
Salaries and wages	$ 306,796	$ 129,577	$ 89,670	$ 85,177	$ 124,326	$ 299,173	$ 428,750	$ 735,546
Payroll taxes and benefits	147,985	58,157	36,440	52,478	26,520	115,438	173,595	321,580
Payroll related expenses	454,781	187,734	126,110	137,655	150,846	414,611	602,345	1,057,126
Advertising	20,506	15,076	564	6,374	150	7,088	22,164	42,670
Bad debt	-	7,100	-	-	-	-	7,100	7,100
Contracted services	393,349	100,100	-	-	-	-	100,100	493,449
Cost of goods sold	51,589	-	-	-	-	-	-	51,589
Depreciation	123,066	51,011	35,765	34,440	31,899	102,104	153,115	276,181
Dues and subscriptions	36,538	3,554	-	57	2,332	2,389	5,943	42,481
Insurance	18,838	2,874	2,015	1,940	1,797	5,752	8,626	27,464
Interest expense	-	5,579	-	-	-	-	5,579	5,579
Lease expense	15,299	-	-	-	-	-	-	15,299
Licenses and fees	15,934	896	12,542	-	12,455	24,997	25,893	41,827
Other	59,519	3,363	3,548	26,866	359	30,773	34,136	93,655
Postage	1,165	275	4,382	24	57	4,463	4,738	5,903
Printing and publications	9,397	156	10,418	-	40	10,458	10,614	20,011
Prizes and promotions	-	675	33,941	4,328	-	38,269	38,944	38,944
Professional fees	94,346	39,557	-	34,700	-	34,700	74,257	168,603
Radio programming	131,749	-	-	-	-	-	-	131,749
Rent	156,542	60,000	-	2,687	-	2,687	62,687	219,229
Repairs and equipment	11,201	16,407	100	3,904	-	4,004	20,411	31,612
Software licensing	17,148	12	9,644	-	5,940	15,584	15,596	32,744
Supplies	13,512	4,615	324	264	17	605	5,220	18,732
Telephone	4,815	1,996	1,399	2,348	1,248	4,995	6,991	11,806
Travel	85,651	1,336	505	12,116	-	12,621	13,957	99,608
Utilities	22,998	9,533	6,684	6,436	5,961	19,081	28,614	51,612
Waste removal	56,737	1,955	-	-	-	-	1,955	58,692
Total Expenses	$ 1,794,680	$ 513,804	$ 247,941	$ 274,139	$ 213,101	$ 735,181	$ 1,248,985	$ 3,043,665

The notes to the financial statements are an integral part of this statement.

KUTE, Inc.
Statements of Cash Flows
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in Net Assets	$ (409,676)	$ (827,564)
Adjustments to reconcile net assets to net cash flows from operating activities:		
Depreciation	243,501	276,181
Amortization of right of use asset	20,793	-
Loss on disposition of asset	-	203,700
Bad debt	-	4,011
Increase (decrease) in allowance for uncollectible accounts	(463)	3,089
(Increase) decrease in assets:		
Underwriting and other receivables	1,338	(5,146)
Promises to give	(25,546)	(6,865)
Prepaid expenses	2,852	(20,714)
Capital campaign pledges receivable	-	9,026
Contract asset	4,422	-
Increase (decrease) in liabilities:		
Accounts payable	(7,605)	(19,292)
Accrued liabilities	11,200	2,895
Deferred revenue	93,517	15,559
Contract liability	(4,422)	-
Operating lease liability	(25,077)	-
Net Cash Provided by (Used in) Operating Activities	$ (95,166)	$ (365,120)
Cash Flows From Investing Activities:		
Purchases of property and equipment	-	(15,141)
Net Cash Provided by (Used in) Investing Activities	$ -	$ (15,141)
Cash Flows From Financing Activities:		
Payments on notes payable	(5,000)	(5,000)
Proceeds from related party payable	186,258	240,292
Advances on line of credit	-	99,963
Net Cash Provided by (Used in) Financing Activities	$ 181,258	$ 335,255
Net Increase (Decrease) in Cash and Cash Equivalents	86,092	(45,006)
Cash and Cash Equivalents - Beginning of Year	17,300	62,306
Cash and Cash Equivalents - End of Year	$ 103,392	$ 17,300
Supplemental Cash Flow Information:		
Acquisition of right of use asset with lease obligation	$ 75,430	$ 69,302
Impairment of goodwill	$ -	$ 203,700
Cash payments made for interest	$ 18,751	$ 5,579

The notes to the financial statements are an integral part of this statement.

Note A – Summary of Significant Accounting Policies

Nature of Activities

KUTE, Inc. (the Station) was incorporated as a Colorado non-profit corporation on May 27, 1975, and operates as a public broadcasting station that serves the four states of the Four Corners Region through a network of eight FCC (Federal Communications Commission) licensed transmitters and five FCC licensed translators. The Station is licensed under KSUT-FM. KUTE, Inc. received tax exempt status from the Internal Revenue Service under Code Section 501(c)(3) on March 14, 1986.

Basis of Accounting

The financial statements of the Station are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP), and reflect all significant receivables, payables, and other liabilities, accordingly.

Classification of Net Assets

The Station reports information regarding its financial position and activities according to two classes of net assets:

> Net assets without donor restrictions: Resources of the Station that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations and undesignated gifts, and investments in property and equipment.
>
> Net assets with donor restrictions: Resources that carry donor-imposed restrictions. Donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. Donor restrictions met in the same reporting period as restricted support is received and reported as net assets and changes in net assets without donor restrictions.

Cash and Cash Equivalents

The Station considers all demand deposits and highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents.

Concentration of credit risk

The Federal Deposit Insurance Corporation insures accounts at each institution up to $250,000. The Station may, from time to time during the year, have balances in excess of the FDIC insured limits. At September 30, 2024 and 2023, there was no amount in excess of FDIC limits at any institution.

Note A – Summary of Significant Accounting policies (continued)

Accounts receivable

The Station's accounts receivable are primarily related to underwriting, contributions and memberships which are stated at net realizable value. No allowance for credit losses has been recorded given that management of the Station considers accounts receivable fully collectible based on composition and historical collection experience.

Promises to give

The Station received individual multi-year unconditional promises to give. The pledges have not been discounted to present value as the effect would be immaterial due to extremely low discount rates. Management has reviewed factors relating to the collectability of the pledges at year end and have recorded an allowance for doubtful accounts.

Grants and contracts receivable

Grants and contracts receivable are recorded as revenue in accordance with the terms of each agreement. Management has determined an allowance is not required as the balance is expected to be fully collected.

Allowance for credit losses

Management's determination of the adequacy of the allowance is based on an evaluation of the receivables, past collection experience, current economic conditions, volume, growth and composition of the receivables, and other relevant factors. The Station's allowance for receivable from contracts with customers is computed based upon the likelihood of future uncollectible accounts. For the year ended September 30, 2024, management considered all accounts fully collectible, except for pledges receivable, therefore no allowance has been recorded.

Effective October 2023, the Organization adopted ASC 326, Financial Instruments—Credit Losses, using the modified retrospective approach for its financial assets in the scope of ASC 326. ASC 326 requires measurement and recognition of expected credit losses for financial assets held. Estimating credit losses based on risk characteristics requires significant judgment by the Station. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Station's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. Under ASC 326, the Station changed its policy for assessing credit losses to include consideration of a broader range of information to estimate credit losses over the life of its financial assets.

The following table illustrates the impact of the Station's adoption of ASC 326:

	Prior to ASC 326 Adoption	Impact of ASC 326 Adoption	As Reported Under ASC 326
Assets:			
Allowance for credit losses on contracts receivable and retention	$ -	$ -	$ -
	$ -	$ -	$ -

Allowance for credit losses (continued)

The Station recorded a net decrease (increase) of $0 to net assets as of October 1, 2023, with a corresponding increase (decrease) to previously recorded valuation accounts for its financial assets held at amortized cost for the cumulative effect of adopting ASC 326.

Note A – Summary of Significant Accounting policies (continued)

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid expenses. Prepaid items are recognized as expenses during the period benefited.

Broadcast licenses

The Station has acquired broadcast licenses from other entities with approval from the Federal Communications Commission (FCC). Costs directly associated with the acquisition of the broadcast licenses are capitalized. As the licenses are considered to have an indefinite useful life due to expected future cash flows, the cost of licenses is not amortized. The Station evaluates the capitalized cost of the total portfolio for impairment rather than evaluate each individual license due to the geographic saturation coverage experienced as a portfolio enhances the value of all licenses.

An impairment loss would be recorded in the statements of activities and changes in net assets should the carrying value of the total broadcast license portfolio exceed the estimated fair value of such portfolio. There were no indicators of broadcast license impairment during the years ended September 30, 2024 and 2023. The licenses have a carrying value of $250,334 for the years ended September 30, 2024 and 2023.

Compensation absences

Accumulated earned but unpaid compensated absences and other employee benefit amounts are accrued when incurred and are expected to be paid within one year.

Deferred revenue

Deferred revenue results from the receipt of prepayments for underwriting and sponsorships. Revenue is recognized over time as the performance obligation is satisfied, which is measured as the applicable broadcasts occur.

Revenue recognition

Underwriting support of programs is recognized over time as the performance obligation is satisfied, which is measured as the applicable broadcasts occur. Underwriting support received in advance of broadcast is reported as deferred revenue.

The Station receives a portion of its revenues from grants and contracts. Revenue under grant and contract agreements are recognized based upon when services are performed, or benchmarks of service are met.

Contributions or member pledge support are recognized when cash, and other assets, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the conditions on which they depend have been substantially met. Grants are conditioned upon certain performance requirements and incurrence of allowable qualifying expenses.

The Station reports gifts of 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, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Note A – Summary of Significant Accounting policies (continued)

Revenue recognition (continued)

Contract assets arise when goods or services are transferred to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Station is able to invoice the customer. Contract liabilities represent the obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized.

Contributed nonfinancial assets

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by a like amount included in assets or expenses. Contributed materials are recorded at fair market value at the time the donation is received. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station. However, many individuals volunteer their time and perform a variety of tasks that assist the Station with specific programs and various committee assignments. The Station cannot reasonably estimate the volume and value of such volunteer time. For the years ended September 30, 2024 and 2023, contributed nonfinancial assets of $249,827 and $228,638, respectively, were recognized within the statement of activities and changes in net assets. See Note L.

Income taxes

The Station is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Station has adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Station continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying statements of financial position along with any interest and penalties that would result from that assessment. If the Station has unrelated business income, the federal Exempt Organization Business Income Tax Returns (Form 990T) would be subject to examination by the Internal Revenue Service for three years after filing. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Based on the results of management's evaluation, these requirements did not have a material effect on the Station's financial statements. Consequently, no liability is recognized in the accompanying statements of financial position for uncertain income tax positions.

Advertising

The Station uses advertising to promote its programs among the audiences it serves. Advertising costs are charged to operations when incurred. Advertising costs for the years ended September 30, 2024 and 2023, were $22,009 and $42,670, respectively.

Note A – Summary of Significant Accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Property and Equipment

Purchases of property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of donation. The Station capitalizes all expenditures and all donations of property and equipment of $1,500 or more.

Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. As of September 30, 2024, all property and equipment had a useful life ranging from 3 to 20 years.

Ordinary maintenance and repairs of property and equipment are charged to expense when incurred. Upon retirement, sale or other disposition of property and equipment, the cost and related accumulated depreciation is eliminated from the account and any resulting gain or loss is included in the statement of activities and changes in net assets.

Leases

The Station determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Station obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Station also considers whether its service arrangements include the right to control the use of an asset.

The Station recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The Station made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or January 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Station made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date or remaining term for leases existing upon the adoption of Topic 842.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Note A – Summary of Significant Accounting policies (continued)

Leases (continued)

The Station has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Station, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Impairment of long-lived assets
The Station reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset is less than the carrying amount of that asset. The Station recorded a $203,700 impairment loss on goodwill during the year ended September 30, 2023. No losses have been recorded since that time.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques.

Date of management's review

Management has evaluated subsequent events through March 28, 2025, the date on which the financial statements were available to be issued. Except as described in Notes C and Q, management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

Note B – Liquidity and Availability of Resources

The following reflects the Station's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date. Amounts not available represent long-term assets and funds restricted by donors.

Financial assets at year end:

	2024	2023
Cash and cash equivalents	$ 103,392	$ 17,300
Underwriting and other receivables	50,598	51,936
Promises to give, net	36,530	10,521
Contract asset	3,601	8,023
Total financial assets	194,121	87,780
Less net assets restricted by donor	-	19,771
Financial assets available to meet cash needs for general expenditures within one year	$ 194,121	$ 68,009

The Station's programs are supported both by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Station must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Station's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note B – Liquidity and Availability of Resources (continued)

The Station has a negative current ratio suggesting there could be difficulty in their ability to pay short term obligations. The SUIT continues to be a support to the Station by lending funds to cover operations as needed.

Note C – Related Party Payable

The Station borrowed funds from the Southern Ute Indian Tribe (SUIT), a related party, totaling $474,009 and $287,751 at September 30, 2024 and 2023, respectively, to cover operating expenses. The balance due to the SUIT is classified as current. Subsequent to September 30, 2024, the Station paid $378,420 towards the related party payable.

Note D – Promises to Give

Amounts due to the Station classified as current promises to give at September 30, 2024 and 2023, consisted of the following:

Promises to give	2024	2023
Amounts due or promised	$ 43,428	$ 17,882
Allowance for doubtful debts	(6,898)	(7,361)
Total promises to give, net	$ 36,530	$ 10,521

Note E – Property and Equipment

Property and equipment as of September 30, 2024 and 2023, consisted of the following:

	Useful Life	2024	2023
Studio broadcasting and transmitting equipment	5-15 years	$ 1,581,084	$ 1,581,084
Office equipment	5-12 years	78,311	78,311
Buildings and improvements	25 years	1,951,908	1,951,908
Land improvements	25 years	2,987	2,987
Computer equipment	3 years	121,519	121,519
		3,735,809	3,735,809
Less: accumulated depreciation		(1,946,669)	(1,703,168)
Property and equipment, net		$ 1,789,140	$ 2,032,641

Depreciation expense was $243,501 and $276,181 for the years ended September 30, 2024 and 2023, respectively.

The Station is using equipment that was acquired under a grant from ITAC (International Trade Administration Commission). The original cost of this equipment was $82,179. Such assets are not reflected in the Station’s financial statements because title has not been conveyed to the Station by the Bureau of Indian Affairs.

Note F – Line of Credit

In January 2022, the Station entered into a $75,000 line of credit arrangement with Alpine Bank, which has expired and renewed multiple times since its inception and has increased to $175,000 effective July 2023. The line is secured by all equipment, furniture, fixtures and other personal property, including but not limited to the following FCC Licenses: Facility ID # 824446 (Ignacio CO), Facility ID # 35816 (Ignacio, CO), Facility ID #31346 (Farmington, NM), Facility ID# 124178 (Flora Vista, NM), Facility ID # 35818 (Pagosa Springs, CO), Facility ID # 123205 (Pagosa Springs, CO), Facility ID #93294 (Durango, CO) and Facility ID #53816 (Silverton, CO). With respect to each of the aforementioned licenses, the security interest is limited to the debtor's (as licensee) right to proceeds arising out of the sale of any one or more of said license(s).

Note F – Line of Credit (continued)

At September 30, 2023, the line of credit was due January 2024 with monthly variable interest payable at a rate equal to the JP Morgan Chase Bank prime rate (8.50% as of September 2023) plus 2.125 percentage points over the index or the floor of 4%. The line was renewed in January 2024 for an additional year with interest on any outstanding advances payable monthly based on a variable interest rate to be the greater of JP Morgan Chase Bank prime rate (8.00% as of September 2024) plus 2.000 percentage points over the index or the floor of 6%.The Station owed $174,963 for both years ended September 30, 2024 and 2023. Interest incurred was $18,751 and $5,579 for the years ended September 30, 2024 and 2023, respectively. The Station has since renewed the line of credit for a twelve-month period maturing January 2025 and again for an additional six-month period ending July 3, 2025.

Note G – Note Payable

On February 2, 2022, the Station entered into a three-year agreement with an unrelated party to purchase a tower costing $15,000 with payment terms only. The Station paid $5,000 in August 2022, $5,000 in January 2023, and the remaining $5,000 balance was paid in January 2024.

Note H – Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (“CPB”) is a private, nonprofit corporation, funded by federal appropriations authorized by the United States Congress and other sources. CPB distributes annual Community Service Grants to qualifying public communications entities. These grants are used to augment the financial resources of public radio stations and thereby to enhance the quality of programming and expand the scope of public radio services. Each grant may be expended over one or two federal fiscal years as described in the Communications Act 47, United States Code Annotated Section 396(k)(7), (1983) Supplement, and within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities started with Community Service Grants awarded in prior years.

The grants are reported in the accompanying financial statements as operating revenue; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the FCC. For the years ended September 30, 2024 and 2023, $286,870 and $258,184, respectively, was received and expended under these grants.

Note I – Net Assets with Donor Restrictions

Net assets with donor restrictions resulting from grants and contributions reflected in the statements of activities and changes in net assets for the year ended September 30, 2024, were restricted by the respective donors for the following purposes:

	Net Assets October 1, 2023	Restricted Support	Released from Restriction	Net Assets September 30, 2024
Broadcasting and digital media	$ 19,771	$ 234,875	$ (254,646)	$ -

Note J – Related Parties

The Station has a significant operational and financial relationship with the SUIT. In recent years managerial control of the SUIT over the Station has been reduced to in-kind donations of professional services (i.e. accounting and information technology), having a member of the tribe on the board of directors, financing services and use of SUIT facilities which house the Station's operations. Please see note L for a more detailed accounting of services donated and note C for disclosures regarding related party payables between the Station and the SUIT.

Note K – Employee Benefits

Compensated Absences – vacation, personal and sick leave

The Station's policy for vacation, personal and sick leave includes the following provisions:

1. Full-time regular employees (with a minimum of 30 hours per week) accrue annual leave from the date of employment.
2. Vacation time may be accumulated throughout the calendar year, but only 240 hours or 30 working days may be carried at any time throughout the year.
3. Upon separation, an employee will be paid for 100% of the unused portion of his/her accrued annual vacation but will not be paid for more than 240 hours.
4. Upon separation, an employee will also be paid for 50% of their accumulated sick leave hours up to 200 hours and 25% for sick leave hours in excess of 200 hours.

Retirement savings plan

The Retirement Savings Plan, effective January 1, 2001, was formed to satisfy the provisions of Section 401(k) of the Internal Revenue Code. The Retirement Savings Plan was established for employees of the Southern Ute Indian Tribe and is extended to employees of the Station.

The Plan accumulates contributions and interest earnings for participants in separate retirement savings accounts until participants retire. Contributions include employee deferrals, employer matching contributions, and employer discretionary profit- sharing contributions. Amounts contributed to the plan, as well as appreciation and income earned by those contributions, are not taxable to the participant until withdrawn from the Plan.

All full-time employees are eligible to participate in the Retirement Savings Plan after completing 90 days of continuous employment. Total deferrals in any taxable year may not exceed a dollar limit which is set by law. A participant is always 100% vested in the participant's deferred amounts. The Station will contribute up to 4% of a participant's gross earnings for employer matching contributions after the employee becomes eligible to participate in the Retirement Savings Plan. A participant is always 100% vested in employer matching contributions.

A participant who is 100% vested and whose employment has terminated, is eligible to elect a distribution as soon as administratively possible after the end of the year of termination. A participant may elect to leave funds in the Plan for retirement, to have the Plan buy an annuity contract from an insurance company to provide retirement benefits, or to take a cash distribution. If a cash distribution is requested, the participant's spouse must agree in writing. Earlier distributions are not allowed. Under the Retirement Savings Plan a participant may retire at age 65 or after age 55 and 3 years of Plan participation.

An annual financial statement audit of the 401(k) plan is required under the Employee Retirement Income Security Act of 1974 and may be obtained by participants by contacting tribal management.

The Station contributed $27,213 and $27,343 for the years ended September 30, 2024 and 2023, respectively, on behalf of its employees participating in the Retirement Savings Plan.

Note K – Employee Benefits (continued)

Cafeteria benefit plan

The Station established a cafeteria benefit plan under Section 125 of the Internal Revenue Code. Under the plan, employees are eligible to elect a salary reduction to be used to pay for qualified insurance premiums. Employees who have qualified for the employee health insurance plan are eligible to participate and make allocations to cover additional costs of the Station's medical plans, including the costs of medical and hospitalization coverage, major medical coverage, cancer care policies, and/or dental coverage.

Note L – Contribution of Nonfinancial Assets

The Station recognizes contributions that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Station receives significant amounts of professional services in exchange for underwriting recognition on air.

For the years ended September 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities and changes in net assets include the following:

	2024	2023
Southern Ute Indian tribe		
Professional services	$ 100,000	$ 100,000
Equipment rental	31,000	31,000
Facility rental	60,000	60,000
Repairs and maintenance	10,000	6,000
Tower site rental	2,250	2,250
Total Southern Ute Indian Tribe	203,250	199,250
Other		
Advertising	-	1,000
Internet	4,120	4,120
Meals	7,330	4,182
Passes	2,400	4,786
Equipment	-	500
Outside services	8,941	-
Radio programming	8,850	7,600
Tower site rental	10,800	7,200
Travel	4,136	-
Total other	46,577	29,388
Total contribution of nonfinancial assets	$ 249,827	$ 228,638

In August 2011, the Station entered into an agreement with the SUIT to lease a building in which to house the Station operations. The initial agreement expired on August 31, 2021, with two automatic 10 year renewals making the expiration date August 31, 2041. Under specified conditions, the $5,000 per month lease payments become an in-kind contribution from the SUIT. During the years ended September 30, 2024 and 2023, the Station has been using the building and recorded rent expense and an in-kind contribution in the amount of $60,000 for each of the years.

All contributed nonfinancial assets were utilized during the year they were received for programs, as well as general management and fundraising purposes. There were no donor-imposed restrictions associated with the contributed nonfinancial assets. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Note M – Lease Commitments

The Station leases two tower sites under an operating lease agreement that have initial terms of 5 years. One of the leases includes one or more options to renew, at the Station's sole discretion, with renewal terms that can be extended up to 15 years. These options to extend a lease are included in the lease terms when it is reasonably certain that the Station will exercise that option.

The Station leases a tower site under a 5-year lease agreement with an unrelated party that originated in January 2022. Lease expense for the years ended September 30, 2024 and 2023 were $14,745 and $14,315, respectively.

The Station also leases two tower sites under a 5-year lease agreement with an unrelated party that originated in January 2024. Lease expense for the year ended September 30, 2024 was $10,228. This lease includes one or more options to renew, at the Station's sole discretion, with renewal terms that can extend term up to 15 years. These options to extend a lease are included in the lease terms when it is reasonably certain that the Station will exercise that option.

The Station's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease costs are recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended September 30, 2024:

Lease expense	**2024**
Operating lease expense	$ 20,793
Short-term lease expense	-
Variable lease expense	-
Total	$ 20,793

Supplemental cash flow information related to leases is as follows for the year ended September 30, 2024:

Other Information		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from payments on operating leases	$	25,077
ROU assets obtained in exchange for new operating lease liabilities	$	64,564
Weighted-average remaining lease term in years for operating leases		3.55
Weighted-average discount rate for operating leases		3.08%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of September 30, 2024:

2025	$ 29,245
2026	30,124
2027	14,790
2028	15,238
2029	3,838
Thereafter	-
Total undiscounted cash flows	93,235
Less: present value discount	(5,266)
Total lease liabilities	$ 87,969

Note N – Other Commitments

Rocky Mountain Public Media

In July 2022, the Station entered into an agreement with Rocky Mountain Public Media (RMPM) to produce or acquire programing content defined as Native Lens. The Station is the lead partner in the Native Lens project and RMPM will be an equal partner on all programs and content it distributes with respect to the agreement. The Station's share of the agreement is $45,500. The Station's expenses amounted to $22,142 and $7,526 for the years ended September 30, 2024 and 2023, respectively.

Note O – Contingencies

The Station is exposed to various claims; risks of loss related to torts; thefts of, damages to or destruction of assets; errors or omissions; injuries to employees, or acts of God in the normal course of business. It is the opinion of management and legal counsel, all such pending matters are either adequately covered by insurance, or if not insured, will not have a material adverse effect on the financial position or results of operations of the Station.

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although this is a possibility, based on the historical experience of management, the Station deems the contingency remote and believes that remittance, if ultimately any, would not materially affect the financial position, changes in net assets, or cash flows of the Station.

Note P – Risks and uncertainties

The Station relies on a significant amount of funding received in the form of donations and grants from individuals and foundations to support its operations. Current local and global financial markets may have an impact on the level of funding provided by these funding sources. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Station's exposure to impact from these events.

Note Q – Subsequent Events

The Station received two significant donations that were used to pay down the line of credit and related party payable. The related party payable and line of credit balance as of March 28, 2025 is $93,500 and $16,000, respectively.