

KUTE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

September 30, 2023 and 2022

KUTE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KUTE, Inc.
Ignacio, Colorado

Opinion

We have audited the accompanying financial statements of KUTE, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023, and 2022, and the related statements of activities, of functional expenses, and of 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, 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 audits 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 audits. 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 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.

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.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
February 7, 2024

FINANCIAL STATEMENTS

KUTE, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2023 and 2022

ASSETS

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents..... | \$ 17,300 | \$ 62,306 |
| Underwriting and other receivables, net..... | 51,936 | 46,790 |
| Promises to give, net..... | 10,521 | 6,745 |
| Capital campaign receivable, net..... | - | 9,026 |
| Prepaid expenses..... | 42,020 | 21,306 |
| Contract asset..... | 8,023 | 31,588 |
| Total current assets..... | 129,800 | 177,761 |
| Noncurrent assets | | |
| Property and equipment, net..... | 2,032,641 | 2,294,256 |
| Broadcast licenses..... | 250,334 | 250,334 |
| Goodwill, net..... | - | 203,700 |
| Right of use asset, net..... | 45,047 | - |
| Total noncurrent assets..... | 2,328,022 | 2,748,290 |
| Total assets | <u>\$ 2,457,822</u> | <u>\$ 2,926,051</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| Current liabilities | | |
| Accounts payable..... | \$ 46,328 | \$ 69,712 |
| Related party payable..... | 287,751 | 42,459 |
| Accrued liabilities..... | 127,870 | 124,975 |
| Contract liability..... | 8,023 | 31,588 |
| Deferred revenue..... | 77,724 | 62,165 |
| Line of credit..... | 174,963 | 75,000 |
| Right of use lease liability..... | 14,745 | - |
| Note payable..... | 5,000 | 5,000 |
| Total current liabilities..... | 742,404 | 410,899 |
| Long-term liabilities | | |
| Right of use lease liability, net of current portion..... | 32,830 | - |
| Note payable, net of current portion..... | - | 5,000 |
| Total long-term liabilities..... | 32,830 | 5,000 |
| Total liabilities | <u>775,234</u> | <u>415,899</u> |
| Net assets | | |
| Net assets without donor restrictions | | |
| Operating..... | (617,630) | (259,574) |
| Investment in property and equipment..... | 2,030,113 | 2,294,256 |
| Investment in intangible assets..... | 250,334 | 454,034 |
| Total net assets without donor restrictions..... | 1,662,817 | 2,488,716 |
| Net assets with donor restrictions..... | 19,771 | 21,436 |
| Total net assets | <u>1,682,588</u> | <u>2,510,152</u> |
| Total liabilities and net assets | <u>\$ 2,457,822</u> | <u>\$ 2,926,051</u> |

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

KUTE, INC.

STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|--|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, Support and Gains (Losses) | | | | | | |
| Contributions and member pledge support..... | \$ 500,790 | \$ 5,500 | \$ 506,290 | \$ 347,502 | \$ 7,168 | \$ 354,670 |
| Underwriting of programs..... | 470,868 | - | 470,868 | 478,880 | - | 478,880 |
| Corporation for Public Broadcasting..... | 200,465 | 57,719 | 258,184 | 188,734 | 55,017 | 243,751 |
| Grants and contracts..... | 73,864 | 141,314 | 215,178 | 21,249 | 255,437 | 276,686 |
| Festivals and special events..... | 680,127 | - | 680,127 | 832,217 | - | 832,217 |
| In-kind contributions | | | | | | |
| Southern Ute Indian Tribe..... | 199,250 | - | 199,250 | 199,250 | - | 199,250 |
| Other..... | 29,388 | - | 29,388 | 24,480 | - | 24,480 |
| Tower Rental..... | 32,426 | - | 32,426 | 18,000 | - | 18,000 |
| Other income..... | 28,090 | - | 28,090 | 12,248 | - | 12,248 |
| Net realized loss on disposal of assets..... | (203,700) | - | (203,700) | (1,869) | - | (1,869) |
| Total before reclassifications..... | 2,011,568 | 204,533 | 2,216,101 | 2,120,691 | 317,622 | 2,438,313 |
| Net assets released from restriction..... | 206,198 | (206,198) | - | 310,957 | (310,957) | - |
| Total revenue, support and gains (losses)..... | 2,217,766 | (1,665) | 2,216,101 | 2,431,648 | 6,665 | 2,438,313 |
| Expenses | | | | | | |
| Program services | | | | | | |
| Broadcasting, media, festivals and special events..... | 1,794,680 | - | 1,794,680 | 1,926,292 | - | 1,926,292 |
| Supporting services | | | | | | |
| Management and general..... | 513,804 | - | 513,804 | 430,706 | - | 430,706 |
| Fundraising | | | | | | |
| Membership development..... | 247,941 | - | 247,941 | 200,280 | - | 200,280 |
| Grant solicitation..... | 274,139 | - | 274,139 | 128,744 | - | 128,744 |
| Underwriting..... | 213,101 | - | 213,101 | 174,622 | - | 174,622 |
| Total fundraising..... | 735,181 | - | 735,181 | 503,646 | - | 503,646 |
| Total supporting services..... | 1,248,985 | - | 1,248,985 | 934,352 | - | 934,352 |
| Total expenses..... | 3,043,665 | - | 3,043,665 | 2,860,644 | - | 2,860,644 |
| Change in net assets..... | (825,899) | (1,665) | (827,564) | (428,996) | 6,665 | (422,331) |
| Net assets, beginning of year | 2,488,716 | 21,436 | 2,510,152 | 2,917,712 | 14,771 | 2,932,483 |
| Net assets, end of year..... | \$ 1,662,817 | \$ 19,771 | \$ 1,682,588 | \$ 2,488,716 | \$ 21,436 | \$ 2,510,152 |

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

KUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023
(with comparative totals for 2022)

| 2023 | | | | | | | | | | | | | | | | | | |
|---------------------------------|---|------------------------------|---------------------------|-----------------------|--------------|----------------------|---------------------------------|-------------------|---------------------------|---------|----|---------|----|-----------|----|-----------|----|-----------|
| Description | Program Services | | Supporting Services | | | | | | 2022 Total Expenses | | | | | | | | | |
| | Broadcasting, Media, Festivals and Special Events | Management and General | Fundraising | | | | Total Supporting Services | Total Expenses | | | | | | | | | | |
| | | | Membership Development | Grant Solicitation | Underwriting | Total Fundraising | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| Salaries and wages..... | \$ | 306,796 | \$ | 129,577 | \$ | 89,670 | \$ | 85,177 | \$ | 124,326 | \$ | 299,173 | \$ | 428,750 | \$ | 735,546 | \$ | 673,942 |
| Payroll taxes and benefits..... | | 147,985 | | 58,157 | | 36,440 | | 52,478 | | 26,520 | | 115,438 | | 173,595 | | 321,580 | | 249,279 |
| Payroll related expenses..... | | 454,781 | | 187,734 | | 126,110 | | 137,655 | | 150,846 | | 414,611 | | 602,345 | | 1,057,126 | | 923,221 |
| Advertising..... | | 20,506 | | 15,076 | | 564 | | 6,374 | | 150 | | 7,088 | | 22,164 | | 42,670 | | 50,894 |
| Amortization..... | | - | | - | | - | | - | | - | | - | | - | | - | | 29,100 |
| Bad debt..... | | - | | 7,100 | | - | | - | | - | | - | | 7,100 | | 7,100 | | - |
| Contracted services..... | | 393,349 | | 100,100 | | - | | - | | - | | - | | 100,100 | | 493,449 | | 415,486 |
| Cost of goods sold..... | | 51,589 | | - | | - | | - | | - | | - | | - | | 51,589 | | 72,771 |
| Depreciation..... | | 123,066 | | 51,011 | | 35,765 | | 34,440 | | 31,899 | | 102,104 | | 153,115 | | 276,181 | | 271,628 |
| Dues and subscriptions..... | | 36,538 | | 3,554 | | - | | 57 | | 2,332 | | 2,389 | | 5,943 | | 42,481 | | 36,299 |
| Insurance..... | | 18,838 | | 2,874 | | 2,015 | | 1,940 | | 1,797 | | 5,752 | | 8,626 | | 27,464 | | 27,529 |
| 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 | | 42,454 |
| Other..... | | 59,519 | | 3,363 | | 3,548 | | 26,866 | | 359 | | 30,773 | | 34,136 | | 93,655 | | 101,191 |
| Postage..... | | 1,165 | | 275 | | 4,382 | | 24 | | 57 | | 4,463 | | 4,738 | | 5,903 | | 3,974 |
| Printing and publications..... | | 9,397 | | 156 | | 10,418 | | - | | 40 | | 10,458 | | 10,614 | | 20,011 | | 11,930 |
| Prizes and promotions..... | | - | | 675 | | 33,941 | | 4,328 | | - | | 38,269 | | 38,944 | | 38,944 | | 30,735 |
| Professional fees..... | | 94,346 | | 39,557 | | - | | 34,700 | | - | | 34,700 | | 74,257 | | 168,603 | | 216,967 |
| Radio programming..... | | 131,749 | | - | | - | | - | | - | | - | | - | | 131,749 | | 126,933 |
| Rent..... | | 156,542 | | 60,000 | | - | | 2,687 | | - | | 2,687 | | 62,687 | | 219,229 | | 210,328 |
| Repair and maintenance..... | | 11,201 | | 16,407 | | 100 | | 3,904 | | - | | 4,004 | | 20,411 | | 31,612 | | 33,020 |
| Software licensing..... | | 17,148 | | 12 | | 9,644 | | - | | 5,940 | | 15,584 | | 15,596 | | 32,744 | | 25,378 |
| Supplies..... | | 13,512 | | 4,615 | | 324 | | 264 | | 17 | | 605 | | 5,220 | | 18,732 | | 28,637 |
| Telephone..... | | 4,815 | | 1,996 | | 1,399 | | 2,348 | | 1,248 | | 4,995 | | 6,991 | | 11,806 | | 12,023 |
| Travel..... | | 85,651 | | 1,336 | | 505 | | 12,116 | | - | | 12,621 | | 13,957 | | 99,608 | | 96,104 |
| Utilities..... | | 22,998 | | 9,533 | | 6,684 | | 6,436 | | 5,961 | | 19,081 | | 28,614 | | 51,612 | | 44,174 |
| Waste removal..... | | 56,737 | | 1,955 | | - | | - | | - | | - | | 1,955 | | 58,692 | | 49,868 |
| Total expenses..... | \$ | 1,794,680 | \$ | 513,804 | \$ | 247,941 | \$ | 274,139 | \$ | 213,101 | \$ | 735,181 | \$ | 1,248,985 | \$ | 3,043,665 | \$ | 2,860,644 |

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

KUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2022

| Description | Program Services | Supporting Services | | | | | | |
|---------------------------------|---|------------------------------|---------------------------|-----------------------|--------------|----------------------|---------------------------------|-------------------|
| | Broadcasting, Media, Festivals and Special Events | Management and General | Fundraising | | | | Total Supporting Services | Total Expenses |
| | | | Membership Development | Grant Solicitation | Underwriting | Total Fundraising | | |
| Salaries and wages..... | \$ 406,272 | \$ 92,314 | \$ 72,798 | \$ 20,673 | \$ 81,885 | \$ 175,356 | \$ 267,670 | \$ 673,942 |
| Payroll taxes and benefits..... | 149,461 | 34,425 | 27,148 | 7,709 | 30,536 | 65,393 | 99,818 | 249,279 |
| Payroll related expenses..... | 555,733 | 126,739 | 99,946 | 28,382 | 112,421 | 240,749 | 367,488 | 923,221 |
| Advertising..... | 23,117 | 18,822 | 125 | 8,830 | - | 8,955 | 27,777 | 50,894 |
| Amortization..... | 29,100 | - | - | - | - | - | - | 29,100 |
| Contracted services..... | 315,486 | 100,000 | - | - | - | - | 100,000 | 415,486 |
| Cost of goods sold..... | 72,771 | - | - | - | - | - | - | 72,771 |
| Depreciation..... | 162,977 | 38,028 | 29,879 | 8,149 | 32,595 | 70,623 | 108,651 | 271,628 |
| Dues and subscriptions..... | 31,084 | 2,164 | - | - | 3,051 | 3,051 | 5,215 | 36,299 |
| Insurance..... | 21,565 | 2,088 | 1,640 | 447 | 1,789 | 3,876 | 5,964 | 27,529 |
| Licenses and fees..... | 19,346 | 33 | 11,561 | - | 11,514 | 23,075 | 23,108 | 42,454 |
| Other..... | 72,231 | 11,893 | 1,481 | 15,266 | 320 | 17,067 | 28,960 | 101,191 |
| Postage..... | 1,195 | 282 | 2,406 | - | 91 | 2,497 | 2,779 | 3,974 |
| Printing and publications..... | 4,423 | 533 | 6,943 | 31 | - | 6,974 | 7,507 | 11,930 |
| Prizes and promotions..... | - | 73 | 30,662 | - | - | 30,662 | 30,735 | 30,735 |
| Professional fees..... | 128,920 | 37,200 | - | 50,847 | - | 50,847 | 88,047 | 216,967 |
| Radio programming..... | 126,933 | - | - | - | - | - | - | 126,933 |
| Rent..... | 145,865 | 60,463 | - | 4,000 | - | 4,000 | 64,463 | 210,328 |
| Repair and maintenance..... | 12,062 | 16,479 | - | 4,479 | - | 4,479 | 20,958 | 33,020 |
| Software licensing..... | 10,266 | - | 9,069 | 103 | 5,940 | 15,112 | 15,112 | 25,378 |
| Supplies..... | 25,235 | 2,940 | 386 | 4 | 72 | 462 | 3,402 | 28,637 |
| Telephone..... | 7,214 | 1,683 | 1,323 | 361 | 1,442 | 3,126 | 4,809 | 12,023 |
| Travel..... | 86,419 | 3,079 | - | 6,520 | 86 | 6,606 | 9,685 | 96,104 |
| Utilities..... | 26,505 | 6,184 | 4,859 | 1,325 | 5,301 | 11,485 | 17,669 | 44,174 |
| Waste removal..... | 47,845 | 2,023 | - | - | - | - | 2,023 | 49,868 |
| Total expenses..... | \$ 1,926,292 | \$ 430,706 | \$ 200,280 | \$ 128,744 | \$ 174,622 | \$ 503,646 | \$ 934,352 | \$ 2,860,644 |

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

KUTE, INC.

STATEMENT OF CASH FLOWS For the Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Cash received from grants and public support..... | \$ 1,373,039 | \$ 1,389,035 |
| Cash received from underwriting of programs..... | 465,722 | 464,144 |
| Cash received from Corporation for Public Broadcasting..... | 258,184 | 243,751 |
| Cash received from related party payable..... | 945,302 | - |
| Cash paid for related party payable..... | (705,010) | - |
| Cash paid to vendors..... | (1,407,255) | (1,284,274) |
| Cash paid for salaries, benefits and taxes..... | (1,054,231) | (928,473) |
| Cash paid for interest..... | (5,579) | - |
| Net cash used by operating activities..... | (129,828) | (115,817) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment..... | (15,141) | (45,333) |
| Net cash used by investing activities..... | (15,141) | (45,333) |
| Cash flows from financing activities: | | |
| Advances on line of credit..... | 99,963 | 75,000 |
| Payments on line of credit..... | - | (5,000) |
| Net cash provided by financing activities..... | 99,963 | 70,000 |
| Net decrease in cash and cash equivalents..... | (45,006) | (91,150) |
| Cash and cash equivalents, beginning of year..... | 62,306 | 153,456 |
| Cash and cash equivalents, end of year..... | \$ 17,300 | \$ 62,306 |
| Reconciliation of change in net assets to net cash used by operating activities: | | |
| Change in net assets..... | \$ (827,564) | \$ (422,331) |
| Adjustments to reconcile: | | |
| Depreciation and amortization..... | 276,181 | 300,728 |
| Loss on disposal..... | 203,700 | 1,869 |
| Bad debt..... | 4,011 | - |
| Increase (decrease) in allowance for uncollectible accounts..... | 3,089 | (23,365) |
| Decrease (increase) in: | | |
| Underwriting and other receivables..... | (5,146) | (14,736) |
| Promises to give..... | (6,865) | 30,630 |
| Prepaid expenses..... | (20,714) | 3,073 |
| Capital campaign pledges receivable..... | 9,026 | 63,444 |
| Increase (decrease) in: | | |
| Accounts payable..... | (24,292) | 47,333 |
| Related party payable..... | 240,292 | - |
| Accrued liabilities..... | 2,895 | (3,207) |
| Deferred revenue..... | 15,559 | (99,255) |
| Total adjustments..... | 697,736 | 306,514 |
| Net cash used by operating activities..... | \$ (129,828) | \$ (115,817) |
| Supplemental disclosure of cash flow information: | | |
| Non-cash purchase of property and equipment..... | \$ - | \$ 15,000 |
| Acquisition of right of use asset via lease obligation..... | \$ 69,302 | \$ - |
| Impairment of goodwill..... | \$ 203,700 | \$ - |

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

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS September 30, 2023 and 2022

NOTE 1 - NATURE OF OPERATIONS

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

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.

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 Station's instruments exposed to concentration of credit risk consists of cash and cash equivalents. Such assets are placed with high quality credit institutions. The Federal Deposit Insurance Corporation secures interest bearing accounts at such institutions up to \$250,000 per depositor. The Station occasionally may have balances exceeding this limit; however, such occurrences are infrequent, and it is believed credit risk exposure is limited. Credit risk associated with receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from corporations, foundations, and individuals supportive of our mission.

Accounts receivable

The Station's accounts receivable are primarily related to underwriting, contributions and memberships which are stated at net realizable value. The Station uses the reserve method to account for bad debts on accounts receivable. No allowance has been provided 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. The Station has determined that an uncollectible allowance is not required, and the balance is expected to be fully collectible.

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.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 statement of activities 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, 2023 and 2022. The licenses have a carrying value of \$250,334 for the years ended September 30, 2023 and 2022.

Goodwill

The Station has elected to adopt the option to amortize goodwill. Goodwill is subject to amortization on a straight-line basis over 10 years and impairment testing will only be performed when a triggering event occurs indicating that the fair value may be below carrying amount.

Compensated 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.

Classification of net assets

Net assets, support and revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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.

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.

Support and 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.

Contributions 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.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 statement 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 statement 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, 2023 and 2022, were \$42,670 and \$50,894.

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.

Fair value of financial instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, pledges receivable, prepaid expenses, accounts payable, and accrued liabilities and other payables, approximated their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the year ended September 30, 2023.

Functional reporting of expenses

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

Reclassifications

Certain reclassifications have been made to the prior year statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged by these reclassifications.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adoption of new accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale on whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Station has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements. Then again, in June 2020, the FASB issued ASU 2020-05 as a limited deferral of the effective date for annual periods beginning after December 15, 2021.

The Station adopted the standard effective October 1, 2022. An adjustment was required to the Station's financial position, statement of activities, functional expenses, and cash flows as a result of ASU 2016-02.

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of September 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Current financial assets:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 17,300 | \$ 62,306 |
| Underwriting and other receivables, net | 51,936 | 46,790 |
| Promises to give, net | 10,521 | 6,745 |
| Capital campaign receivable, net | - | 9,026 |
| Prepaid expenses | 42,020 | 21,306 |
| Contract asset | <u>8,023</u> | <u>31,588</u> |
| Financial assets, at year-end | 129,800 | 177,761 |
| Less assets restricted as to use | <u>19,771</u> | <u>53,024</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 110,029</u> | <u>\$ 124,737</u> |

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. To address the current shortfall in liquidity, the station has adopted measures to increase cashflow within the next fiscal year. The approved budget for FY24 projects a net revenue (surplus) of \$122,659, achieved primarily through expense reduction and a strategy to solicit major donors for substantial and/or multi-year financial commitments to the station, with a targeted amount of \$60,000. Recognizing the losses incurred from the two most recent Pagosa Folk and Bluegrass Festival events, the station has cancelled this festival indefinitely, with no plans to produce this festival in 2024.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 4 - RELATED PARTY PAYABLE

The related party payable to SUIT of \$287,751 and \$42,459 classified as current at September 30, 2023 and 2022, respectively was used by the Station to pay operating expenses. Subsequent to September 30, 2023, the Station paid \$227,900 toward the related party payable. The balance of the related party payable to SUIT at December 31, 2023 was \$59,851.

NOTE 5 - PROMISES TO GIVE AND ACCOUNTS RECEIVABLE

Amounts due to the Station classified as current at September 30, 2023 and 2022, consisted of the following:

| | 2023 | 2022 |
|---|------------------|------------------|
| Underwriting and other receivables | | |
| Amounts due or promised | \$ 51,936 | \$ 46,790 |
| Allowance for doubtful accounts | - | - |
| Total underwriting and other receivables, net | <u>\$ 51,936</u> | <u>\$ 46,790</u> |
| Promises to give | | |
| Underwriting | \$ 17,882 | \$ 11,017 |
| Allowance for doubtful accounts | (7,361) | (4,272) |
| Total promises to give, net | <u>\$ 10,521</u> | <u>\$ 6,745</u> |

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2023 and 2022, consisted of the following:

| | Useful Life | 2023 | 2022 |
|--|-------------|---------------------|---------------------|
| Studio broadcasting and transmitting equipment | 5-15 years | \$ 1,581,084 | \$ 1,578,454 |
| Office equipment | 5-12 years | 78,311 | 78,311 |
| Building and improvements | 25 years | 1,951,908 | 1,943,075 |
| Land improvements | 25 years | 2,987 | 2,987 |
| Computer equipment | 3 years | <u>121,519</u> | <u>117,841</u> |
| | | 3,735,809 | 3,720,668 |
| Less: accumulated depreciation | | <u>(1,703,168)</u> | <u>(1,426,412)</u> |
| Property and equipment, net | | <u>\$ 2,032,641</u> | <u>\$ 2,294,256</u> |

Depreciation expense was \$276,181 and \$271,628 for the years ended September 30, 2023 and 2022, respectively.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. It has been the Station's practice to recognize depreciation as a discrete expense on the statement of activities rather than identifying it with program or supporting services. To also report on a functional basis, the Station has allocated depreciation in accordance with the functional area using the related asset.

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.

The Station evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of the assets may not be recoverable. Generally, the basis for making such assessments is future cash flow projections. No impairments have been recorded to date.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 7 - GOODWILL

On September 27, 2019, the Station recorded goodwill of \$291,000 arising from a contribution of 100% ownership interests in Folk West, Inc., a company that promotes live acoustic, roots, folk, and bluegrass music festivals through two annual events: Pagosa Folk 'n Bluegrass and the Four Corner's Folk Festival. The Four Corner's Folk Festival has been provided annually for 24 years while the Pagosa Folk 'n Bluegrass Festival has been offered each year for 14 years. On the acquisition date, the net identifiable assets of Folk West, Inc. were \$5,000. The excess amount of the contribution over the net identifiable assets acquired represents the value of Folk West, Inc.'s, volunteer database, customer base, 24-year event history, email list and future earnings potential which are reported as goodwill. The Station began amortizing the goodwill over 10 years. Goodwill less accumulated amortization of \$87,300 for the year ended September 30, 2022 resulted in net goodwill of \$203,700. Amortization expense was \$29,100 for the year ended September 30, 2022.

During the year ended September 30, 2023, management reviewed the events noting that there was a deterioration in the general economy within the geographic region where the festivals are held, surrounding competition, and significant cost increases causing an overall negative financial impact to the Organization as a whole. Based on this evaluation, it was determined that the goodwill was impaired and adjusted for as of September 30, 2023.

NOTE 8 - LINE OF CREDIT

In January 2022, the Station entered into a \$75,000 line of credit arrangement with Alpine Bank, which expired in January 2023 and was renewed for another year. 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) but with respect to each of the aforementioned licenses, the security interest is perfected by this filing, and 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). Interest on outstanding advances accrues at the greater of JP Morgan Chase Bank prime rate (6.25% as of September 30, 2022) or the floor of 4%. The line of credit expired in January 2023 and was extended for an additional year with the variable interest rate to be the greater of JP Morgan Chase Bank prime rate (7.75 % as of February 2023) plus 2.125 percentage points over the index or the floor of 4%. The balance on the line of credit was \$75,000 as of September 30, 2022.

In July 2023, the line of credit was modified to increase the line of credit limit to \$175,000. The new terms extend the maturity date to January 2024 and regular monthly payments of all accrued interest due at each payment beginning in August 2023. Interest on any outstanding advances accrues with the variable interest rate to be the greater of 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 Station owed \$174,963 as of September 30, 2023 and paid \$5,579 of interest during the year ended September 30, 2023. The Station renewed the line of credit for twelve months with a new maturity date of January 2025.

NOTE 9 - NOTE PAYABLE

On February 2, 2022, the Station entered into a two-year agreement with an unrelated party to purchase a tower costing \$15,000. The Station paid \$5,000 in August 2022 and another \$5,000 in January 2023 leaving the remaining \$5,000 balance to be paid in January 2024.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 10 - 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, 2023 and 2022, \$258,184 and \$243,751, was received and expended under these grants, respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction resulting from grants and contributions reflected in the statement of activities for the year ended September 30, 2023, were restricted by the respective donors for the following purposes:

| | Net Assets | Restricted | Released | Net Assets |
|--------------------------------|-----------------|------------|--------------|--------------------|
| | October 1, 2022 | Support | from | September 30, 2023 |
| | | | Restriction | |
| Broadcasting and digital media | \$ 21,436 | \$ 204,533 | \$ (206,198) | \$ 19,771 |

NOTE 12 - 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 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.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 12 - EMPLOYEE BENEFITS - Continued

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 \$27,343 and \$24,391 for the years ended September 30, 2023 and 2022, respectively, on behalf of its employees participating in the Retirement Savings Plan.

Cafeteria benefit plan

The Southern Ute Indian Tribe (SUIT) 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, out-of-pocket medical costs, and qualified daycare costs with pretax dollars. Employees who have qualified for the employee health insurance plan are eligible to participate and make allocations to cover additional costs of the SUIT's medical plans, including the costs of medical and hospitalization coverage, major medical coverage, cancer care policies, and/or dental coverage.

NOTE 13 - CONTRIBUTION OF NONFINANCIAL ASSETS

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

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 13 - CONTRIBUTION OF NONFINANCIAL ASSETS - Continued

For the years ended September 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Southern Ute Indian Tribe | | |
| Contracted services | \$ 100,000 | \$ 100,000 |
| Equipment rental | 31,000 | 31,000 |
| Facility rental | 60,000 | 60,000 |
| Repairs and maintenance | 6,000 | 6,000 |
| Tower site rental | 2,250 | 2,250 |
| Total Southern Ute Indian Tribe | <u>199,250</u> | <u>199,250</u> |
| Other | | |
| Advertising | 1,000 | 1,095 |
| Internet | 4,120 | 1,900 |
| Meals | 4,182 | 100 |
| Passes | 4,786 | 2,235 |
| Equipment | 500 | - |
| Radio programming | 7,600 | 8,350 |
| Tower site rental | 7,200 | 10,800 |
| Total Other | <u>29,388</u> | <u>24,480</u> |
| Total Contribution of nonfinancial assets | <u>\$ 228,638</u> | <u>\$ 223,730</u> |

In August 2011, the Station entered into an agreement with the Southern Ute Indian Tribe (SUIT) to lease a building in which to house the Station operations. The initial agreement expired on August 31, 2021, with two automatic ten-year renewals. Under specified conditions, the \$5,000 per month lease payments become an in-kind contribution from the SUIT. During the years ended September 30, 2023 and 2022, 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 14 - LEASE COMMITMENTS

Right of use operating lease

In January 2022, the Station entered into a long-term lease agreement for use of the tower site at Smelter Mountain, with an unrelated party, expiring December 2026. The lease was recognized and recorded as of October 1, 2022. An operating lease provides for increases in future minimum rental payments. The market risk-free discount rate of 2.38% represents a period comparable with that of the lease term. Operating leases with a term of 12 months or less or are non-financial leases (in-kind) are not recorded on the statement of financial position.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued September 30, 2023 and 2022

NOTE 14 - LEASE COMMITMENTS - Continued

The future minimum lease payments under the tower lease is as follows:

| <u>Year ending September 30,</u> | <u>Amount</u> |
|--|------------------|
| 2024 | \$ 14,745 |
| 2025 | 15,187 |
| 2026 | 15,642 |
| 2027 | <u>4,513</u> |
| Total lease payments | 50,087 |
| Less: imputed interest | <u>(2,512)</u> |
| Present value of future lease payments | 47,575 |
| Less: current portion of lease liability | <u>(14,745)</u> |
| Long-term portion lease liability | <u>\$ 32,830</u> |

Lease expense in the statement of functional expenses totaling \$15,299 consists of interest expense and amortization of right of use assets for the year ended September 30, 2023 was \$1,439 and \$13,860, respectively.

Operating lease obligations

The Station is obligated under lease agreements, from various unrelated parties, for tower and ground space for locations in Colorado and New Mexico. The lease agreements expire through December 2026. Rent expense amounted to \$28,777 and \$38,503 for the years ended September 30, 2023 and 2022, respectively.

Minimum future payments for all leases are as follows:

| <u>Year Ending September 30,</u> | |
|----------------------------------|------------------|
| 2024 | \$ 14,712 |
| 2025 | 11,400 |
| 2026 | <u>2,850</u> |
| | <u>\$ 28,962</u> |

NOTE 15 - OTHER COMMITMENTS

In January 2020, the Station was awarded a \$70,970 grant from the Native American Agriculture Fund (NAAF). The grant specifies that the funds are to pass-through to the SUIT restricted for the purpose of a Hemp Symposium. The Station received \$63,891 from the grantor in 2020 and the funds were passed on to SUIT. The funds received are shown as an asset and liability on the statement of financial position until the time the performance of the grant is met. The grant period was originally set to terminate on December 31, 2020. However, an extension was requested by SUIT and was granted by NAAF extending the deadline to February 2021. In September 2021, an additional extension was requested and granted by NAAF extending the grant term length to 36 months due to delays caused by COVID-19 restrictions. At the date of the deadline, any funds not spent on their intended purpose are required to be returned to the grantor. The SUIT spent the remaining \$14,022 during the year ended September 30, 2022 for the purposes stipulated under the terms of the agreement.

Rocky Mountain Public Media

In July 2022, the Station entered into an agreement with Rocky Mountain Public Media (RMPM) to produce or acquire programming 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 and RMPM proportionate share of the agreement is \$86,650 and \$51,500, respectively. The Station's expenses amounted to \$7,526 and \$12,114 for the years ended September 30, 2023 and 2022, respectively.

KUTE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2023 and 2022

NOTE 16 - 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 17 - RISK 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 18 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 7, 2024, the date which the financial statements were available to be issued. Except as described in Notes 4, 8, and 9, there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.