KUTE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

September 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of KUTE, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUTE, Inc. for the year ended September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
February 28, 2022

FINANCIAL STATEMENTS

KUTE, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

ASSETS

	2021	2020
Current assets		
Cash and cash equivalents	$ 153,456	$ 211,483
Underwriting and other receivables, net	27,154	25,253
Promises to give, net	34,410	16,654
Capital campaign receivable, net	56,970	114,471
Prepaid expenses	24,379	46,702
Contract asset	45,610	63,891
Total current assets	341,979	478,454
Noncurrent assets		
Property and equipment, net	2,504,398	2,285,793
Construction in progress	3,022	401,733
Broadcast licenses	250,334	250,334
Goodwill, net	232,800	261,900
Total noncurrent assets	2,990,554	3,199,760
Total assets	$ 3,332,533	$ 3,678,214

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	64,838	145,614
Accrued liabilities	128,182	112,112
Contract liability	45,610	63,891
Deferred revenue	161,420	148,220
Refundable advance - SBA Paycheck Protection Program	-	144,000
Line of credit	-	100,000
Total liabilities	400,050	713,837
Net assets		
Net assets without donor restrictions		
Operating	(72,842)	(319,006)
Investment in property and equipment	2,507,420	2,687,526
Investment in intangible assets	483,134	512,234
Total net assets without donor restrictions	2,917,712	2,880,754
Net assets with donor restrictions	14,771	83,623
Total net assets	2,932,483	2,964,377
Total liabilities and net assets	$ 3,332,533	$ 3,678,214

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

KUTE, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains (Losses)						
Contributions and member pledge support	$ 421,473	$ 27,514	$ 448,987	$ 376,398	$ 29,239	$ 405,637
Underwriting of programs	444,702	-	444,702	389,947	-	389,947
Grants from Corporation for Public Broadcasting	459,268	61,997	521,265	410,519	95,782	506,301
Grants and contributions from nonprofits	11,575	78,478	90,053	80,739	96,755	177,494
SBA Paycheck Protection Program	-	144,000	144,000	-	-	-
Special events	464,356	-	464,356	30,344	-	30,344
In-kind support from						
Southern Ute Indian Tribe (Note 12)	196,958	-	196,958	196,350	-	196,350
Other income	10,345	-	10,345	4,905	-	4,905
Interest income	17	-	17	657	-	657
Net realized loss on disposal of assets	-	-	-	(25,278)	-	(25,278)
Total before reclassifications	2,008,694	311,989	2,320,683	1,464,581	221,776	1,686,357
Net assets released from restriction (Note 10)	380,841	(380,841)	-	1,934,956	(1,934,956)	-
Total revenue and other support	2,389,535	(68,852)	2,320,683	3,399,537	(1,713,180)	1,686,357
Expenses						
Program services						
Broadcasting and digital media	968,941	-	968,941	916,721	-	916,721
Supporting services						
Management and general	384,550	-	384,550	377,591	-	377,591
Fundraising						
Membership development	198,814	-	198,814	94,654	-	94,654
Grant solicitation	99,740	-	99,740	44,301	-	44,301
Underwriting	182,439	-	182,439	104,374	-	104,374
Festivals and special events	518,093	-	518,093	138,455	-	138,455
Total fundraising	999,086	-	999,086	381,784	-	381,784
Total supporting services	1,383,636	-	1,383,636	759,375	-	759,375
Total expenses	2,352,577	-	2,352,577	1,676,096	-	1,676,096
Change in net assets	36,958	(68,852)	(31,894)	1,723,441	(1,713,180)	10,261
Net assets, beginning of year	2,880,754	83,623	2,964,377	1,157,313	1,796,803	2,954,116
Net assets, end of year	$ 2,917,712	$ 14,771	$ 2,932,483	$ 2,880,754	$ 83,623	$ 2,964,377

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

KUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2021
(with comparative totals for 2020)

	2021									
	Program Services	Supporting Services								
			Fundraising							
Description	Broadcasting and Digital Media	Management and General	Membership Development	Grant Solicitation	Underwriting	Festivals and Special Events	Total Fundraising	Total Supporting Services	Total Expenses	2020 Total Expenses
Salaries and wages	$ 300,932	109,567	52,758	5,784	76,839	28,372	$ 163,753	$ 273,320	$ 574,252	$ 440,383
Payroll taxes and benefits	119,874	43,645	21,015	2,304	30,608	11,302	65,229	108,874	228,748	225,997
Payroll related expenses	420,806	153,212	73,773	8,088	107,447	39,674	228,982	382,194	803,000	666,380
Advertising	19,353	1,733	1,075	1,065	1,025	7,828	10,993	12,726	32,079	54,118
Amortization	-	-	-	-	-	29,100	29,100	29,100	29,100	29,100
Bad debt	-	9,500	-	-	-	-	-	9,500	9,500	106,800
Contracted services	78,168	90,000	-	2,319	-	150,713	153,032	243,032	321,200	49,904
Cost of goods sold	-	-	-	-	-	52,087	52,087	52,087	52,087	2,977
Depreciation	135,059	49,174	23,678	2,596	34,486	12,732	73,492	122,666	257,725	38,696
Dues and subscriptions	29,349	1,671	-	-	2,895	-	2,895	4,566	33,915	39,652
Insurance	5,564	2,026	975	107	1,421	4,428	6,931	8,957	14,521	4,197
Interest expense	-	6,063	-	-	-	-	-	6,063	6,063	412
Licenses, dues and fees	747	20	11,450	-	11,450	13,330	36,230	36,250	36,997	30,107
Other	433	1,397	149	20,383	105	28,261	48,898	50,295	50,728	12,972
Postage	38	279	3,897	-	148	373	4,418	4,697	4,735	3,290
Printing and publications	-	-	13,605	-	-	1,883	15,488	15,488	15,488	8,521
Prizes and promotions	-	-	47,469	-	-	-	47,469	47,469	47,469	14,013
Professional fees	-	33,901	-	56,963	-	74,465	131,428	165,329	165,329	239,861
Radio programming	117,222	-	-	-	-	-	-	-	117,222	87,146
Rent	102,126	12,865	6,094	677	8,802	32,615	48,188	61,053	163,179	157,492
Repair and maintenance	20,081	9,708	2,189	141	1,909	697	4,936	14,644	34,725	16,409
Return to donor	-	-	-	-	-	-	-	-	-	6,756
Software licensing	6,005	-	9,390	192	5,940	2,889	18,411	18,411	24,416	18,548
Supplies	2,631	3,390	443	222	72	6,866	7,603	10,993	13,624	10,018
Telephone	5,962	2,171	1,045	115	1,522	562	3,244	5,415	11,377	10,040
Travel	2,274	-	-	6,480	-	38,446	44,926	44,926	47,200	11,728
Utilities	23,123	7,440	3,582	392	5,217	1,927	11,118	18,558	41,681	56,959
Waste Removal	-	-	-	-	-	19,217	19,217	19,217	19,217	-
Total expenses	$ 968,941	$ 384,550	$ 198,814	$ 99,740	$ 182,439	$ 518,093	$ 999,086	$ 1,383,636	$ 2,352,577	$ 1,676,096

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

KUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020

	Program Services	Supporting Services							
			Fundraising						
Description	Broadcasting and Digital Media	Management and General	Membership Development	Grant Solicitation	Underwriting	Festivals and Special Events	Total Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	$ 242,143	$ 90,142	$ 37,163	$ 5,000	$ 65,935	$ -	$ 108,098	$ 198,240	$ 440,383
Payroll taxes and benefits	94,168	91,239	21,170	-	19,420	-	40,590	131,829	225,997
Payroll related expenses	336,311	181,381	58,333	5,000	85,355	-	148,688	330,069	666,380
Advertising	48,176	1,285	-	45	50	4,562	4,657	5,942	54,118
Amortization	-	-	-	-	-	29,100	29,100	29,100	29,100
Bad debt	-	106,800	-	-	-	-	-	106,800	106,800
Contracted services	48,760	1,144	-	-	-	-	-	1,144	49,904
Cost of goods sold	2,977		-	-	-	-	-	-	2,977
Depreciation	38,696	-	-	-	-	-	-	-	38,696
Dues and subscriptions	35,808	912	-	-	2,932	-	2,932	3,844	39,652
Insurance	-	4,197	-	-	-	-	-	4,197	4,197
Interest expense	-	412	-	-	-	-	-	412	412
Licenses, dues and fees	30	7,368	11,381	-	10,185	1,143	22,709	30,077	30,107
Other	3,510	260	-	2,873	372	5,957	9,202	9,462	12,972
Postage	201	418	2,248	-	11	412	2,671	3,089	3,290
Printing and publications	4,991	-	2,518	22	-	990	3,530	3,530	8,521
Prizes and promotions	-	-	14,013	-	-	-	14,013	14,013	14,013
Professional fees	85,800	37,820	-	32,175	-	84,066	116,241	154,061	239,861
Radio programming	87,146	-	-	-	-	-	-	-	87,146
Rent	151,778	-	-	-	-	5,714	5,714	5,714	157,492
Repair and maintenance	12,828	3,036	250	-	295	-	545	3,581	16,409
Return to donor	-	6,756	-	-	-	-	-	6,756	6,756
Software licensing	5,143	-	5,727	-	4,816	2,862	13,405	13,405	18,548
Supplies	5,373	4,245	154	13	12	221	400	4,645	10,018
Telephone	2,534	6,333	30	-	-	1,143	1,173	7,506	10,040
Travel	4,887	110	-	4,173	346	2,212	6,731	6,841	11,728
Utilities	41,772	15,114	-	-	-	73	73	15,187	56,959
Total expenses	$ 916,721	$ 377,591	$ 94,654	$ 44,301	$ 104,374	$ 138,455	$ 381,784	$ 759,375	$ 1,676,096

The accompanying notes are an integral part of these financial statements

KUTE, INC.

STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from grants and public support	$ 1,278,540	$ 995,669
Cash received from underwriting of programs	715,332	391,461
Cash received from Corporation for Public Broadcasting	521,265	506,301
Cash received from SBA Paycheck Protection Program	-	144,000
Cash paid to vendors	(1,641,791)	(835,043)
Cash paid for salaries, benefits and taxes	(747,707)	(639,501)
Cash received for Interest	17	657
Cash paid for Interest	(6,063)	(412)
Net cash provided by operating activities	119,593	563,132
Cash flows from investing activities:		
Purchase of property and equipment	(77,620)	(2,150,761)
Net cash used by investing activities	(77,620)	(2,150,761)
Cash flows from financing activities:		
Advances on line of credit	100,000	100,000
Principal payments on line of credit	(200,000)	-
Net cash used by financing activities	(100,000)	100,000
Net decrease in cash and cash equivalents	(58,027)	(1,487,629)
Cash and cash equivalents, beginning of year	211,483	1,699,112
Cash and cash equivalents, end of year	$ 153,456	$ 211,483
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ (31,894)	$ 10,261
Adjustments to reconcile:		
Depreciation and amortization	286,825	67,688
Loss on disposal	-	66,956
Decrease in allowance for uncollectible accounts	(301)	(22,890)
Decrease (increase) in:		
Pledges receivable	(17,455)	763
Accounts receivable	(1,901)	15,808
Prepaid expenses	22,323	(13,044)
Capital campaign pledges receivable	57,501	255,994
Deposits	-	448
Increase (decrease) in:		
Accounts payable	(80,775)	118,042
Construction payable	-	(195,283)
Accrued liabilities	16,070	26,879
Deferred grant revenue - SBA paycheck protection plan	(144,000)	144,000
Deferred revenue	13,200	87,510
Total adjustments	151,487	552,871
Net cash provided by operating activities	$ 119,593	$ 563,132
Supplemental disclosure of non-cash investing:		
Decrease in fair value of equipment	-	22,890

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

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 have been prepared using the accrual basis of accounting, in accordance with the U.S. generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains and losses are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without donor restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, receiving interest from operating investments, less expenses incurred in providing academic department support, scholarships, raising contributions, and performing administrative functions.

With donor restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt; endowment, annuity, and life income gifts; pledges; and investment returns on endowment funds held in perpetuity, and endowments where the principal may be expended upon the passage of a stated period of time. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

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.

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, 2021.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentration of Credit Risk - Continued
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.

Allowance for doubtful accounts
The Station provides an allowance for doubtful accounts for accounts receivable, contribution and membership receivable, and pledges receivable, which are determined to be uncollectible based on periodic review by management. Factors used to determine whether allowance should be recorded include the age of the receivable, history of past write-offs, collections, and review of payments subsequent to year end.

Accounts receivable
The Station's accounts receivable are primarily related to underwriting, contributions and memberships which are stated at unpaid balances, less any allowance for doubtful accounts.

Pledges receivable
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.

Intangible assets
Intangible assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). These intangible assets are valued using significant other observable inputs which are Level 2 measurements in the GAAP valuation. FCC licenses are tested annually for impairment, referencing transactions for similar licenses sold, unless an event occurs, or circumstances change that would more likely than not reduce the fair value of the licenses.

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 in the period earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Support and revenue recognition

Contributions and pledges, including gifts of other assets, are recorded at their fair value, and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the reporting period in which the contributions are received. Conditional promises to give are recognized when the condition on which they depend are substantially met and the promises become unconditional. The Station reports gifts of long-lived assets as net assets without donor restrictions when the asset is placed in service.

Revenue for underwriting of radio programs is recognized when earned. This revenue may be generated through cash transactions or through barter transactions where the Station receives goods or services valued at fair market value in exchange for underwriting. Timing differences between payment and revenue recognition result in accounts receivable or deferred revenue.

SBA Paycheck Protection Program ("PPP")

Funds received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020, were initially considered a conditional contribution. Under the terms of the PPP, the Station initially recognized the funds as a refundable advance and, as conditions for forgiveness are met, recognized contribution revenue. All conditions were met during the year and the loan was forgiven and is reflected on the accompanying Statement of Activities as "SBA Paycheck Protection Program".

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, which is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Organizations that transition to this new standard may either retrospectively restate each prior reporting period or follow the modified retrospective method, which reflects the cumulative effect of initially applying the updates with an adjustment to net assets at the date of adoption.

The Station adopted this standard effective October 1, 2020. The cumulative effect of applying the new standard was deemed immaterial by management. Therefore, no adjustments were made to the Station's financial position, statement of activities, functional expenses or cash flows as a result of the adoption of ASU 2014-09.

Recent issued accounting pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early application is permitted. The amendments in this ASU should be applied on a retrospective basis.

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 is currently assessing the impact these recent accounting pronouncements will have on its financial statements.

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of September 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Current financial assets:

	2021	2020
Cash and cash equivalents	$ 153,456	$ 211,483
Underwriting and other receivables, net	27,154	25,253
Promises to give, net	34,410	16,654
Capital campaign receivable, net	56,970	114,471
Prepaid expenses	24,379	46,702
Financial assets, at year-end	296,369	414,563
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	30,192	83,623
Financial assets available to meet cash needs for general expenditures within one year	$ 266,177	$ 330,940

As part of the Station's liquidity management, the Station has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Station has available lines of credit and the ability to reach out to the Southern Ute IndianTribe if needed.

NOTE 4 - PLEDGES AND ACCOUNTS RECEIVABLE

Amounts due to the Station classified as current at September 30, 2021 and 2020, consisted of the following:

Underwriting and other receivables	2021	2020
Amounts due or promised	$ 32,054	$ 30,153
Allowance for doubtful accounts	(4,900)	(4,900)
Total underwriting and other receivables, net	$ 27,154	$ 25,253

Promises to give		
Underwriting	$ 41,647	$ 24,192
Allowance for doubtful accounts	(7,237)	(7,538)
Total promises to give, net	$ 34,410	$ 16,654

As of September 30, 2021 capital campaign pledges are expected to be collected in the following timeframe:

	2021			2020
	1 Year	2 - 5 Years	Total	Total
Capital campaign pledges receivable	$ 70,714	$ 1,756	$ 72,470	$ 129,971
Allowance for doubtful accounts	(13,744)	(1,756)	(15,500)	(15,500)
Total capital campaign pledges receivable, net	$ 56,970	$ -	$ 56,970	$ 114,471

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2021 and 2020, consisted of the following:

	Useful Life	2021	2020
Studio broadcasting and transmitting equipment	5-15 years	$ 1,535,675	$ 1,105,362
Office equipment	5-12 years	78,311	85,793
Building and improvements	25 years	1,930,480	1,950,615
Land improvements	25 years	2,987	2,987
Computer equipment	3 years	112,882	206,194
Assets not yet in service		-	3,022
		3,660,335	3,353,973
Less: accumulated depreciation		(1,155,937)	(1,068,180)
Property and equipment, net		$ 2,504,398	$ 2,285,793

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.

During the year ended September 30, 2020, the Station capitalized $2,321,426 of property and equipment related to the renovation of an existing 5,000 square foot building on the Southern Ute Tribal campus in Ignacio.

NOTE 6 - CONSTRUCTION IN PROGRESS

During the years ended September 30, 2021 and 2020, the station incurred costs associated with remodeling a building. Costs are capitalized and depreciated when the asset is ready to be placed into service. Costs of $3,022 and $401,733, respectively, at September 30, 2021 and 2020 have yet to be placed into service.

NOTE 7 - INTANGIBLE ASSETS

Intangible assets consist of FCC licenses. Because the licenses have an indefinite life, they are not amortized. The licenses have a carrying value of $250,334 for the years ended September 30, 2021 and 2020.

NOTE 8 - GOODWILL

Goodwill of $291,000 arose from a contribution of 100% ownership interests in FolkWest, Inc., a company that 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 FolkWest, Inc. were $5,000. The excess amount of the contribution over the net identifiable assets acquired represents the value of FolkWest, Inc.'s, volunteer database, customer base, 24-year event history, email list and future earnings potential which are reported as goodwill.

NOTE 8 - GOODWILL - Continued

	2021	2020
Goodwill	$ 261,900	$ 291,000
Less: accumulated amortization	(29,100)	(29,100)
Goodwill, net	$ 232,800	$ 261,900

Amortization expense was $29,100 for the years ended September 30, 2021 and 2020.

NOTE 9 - LINES OF CREDIT

In January 2020, the Station entered into a $500,000 line of credit arrangement with Alpine Bank, which expired in January 2022 and wasn't renewed by the Station. 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). The interest rate applied to outstanding borrowings is 4.5% at year end. The Station borrowed $100,000 under this line in the years ending September 30, 2021, and 2020. Outstanding debt on the line of credit for the years ended September 30, 2021, and 2020, totaled $0 and $100,000, respectively.

In January 2021, the Station entered into a $75,000 line of credit arrangement with Alpine Bank, which expired in January 2022 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). The interest rate on this note is variable based on changes in the JP Morgan Chase Bank prime rate. Under no circumstances will the interest rate be less than 4.0% per annum. There was no outstanding debt on the line of credit for the years ended September 30, 2021, and 2020,

NOTE 10 - COMMUNITY SERVICE 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, 2021 and 2020, $521,265 and $506,301, 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, 2021 were restricted by the respective donors for the following purposes:

	Net Assets October 1, 2020	Restricted Support	Released from Restriction	Net Assets September 30, 2021
SBA Paycheck Protection Program	$ 6,410	$ -	$ (6,410)	$ -
SBA Paycheck Protection Program		144,000	(144,000)	-
Capital campaign Phases I & II	-	17,014	(17,014)	-
Corporation for Public Broadcasting	-	61,997	(61,997)	-
Donations for local news coverage	-	10,500	(10,500)	-
Grants and contributions from nonprofits	77,213	78,478	(140,920)	14,771
Total	$ 83,623	$ 311,989	$ (380,841)	$ 14,771

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.

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.

NOTE 12 - EMPLOYEE BENEFITS - Continued

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 $19,047 and $16,085 for the years ended September 30, 2021 and 2020, 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 - RELATED PARTY TRANSACTIONS

Due to the nature of the services provided to the Station by the Southern Ute Indian Tribe (SUIT), and KUTE, Inc.'s participation in employee benefit plans, insurance coverage and other services under the SUIT umbrella, transactions conducted between the two entities are considered related party transactions.

The Station recognized in-kind support of $196,958 and $196,350 during the years ended September 30, 2021 and 2020, respectively, to reflect the estimated value of services and use of facilities provided by the SUIT. The Station recognized expenses of $106,958 and $116,350 for leased office space and equipment from the SUIT recorded as in-kind rent expense for the years ended September 30, 2021 and 2020, respectively. In-kind support for accounting services provided by the SUIT was $90,000 and $80,000, respectively, for the years ended September 30, 2021 and 2020. As described in Note 13, the Station entered into an agreement to lease a building from the SUIT.

In January 2020, the Station was awarded a $70,970 grant from the Native American Agriculture Fund (NAAF). The grant specifies 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 $18,281 in 2001 for the purposes stipulated under the terms of the agreement.

NOTE 14 - LEASE COMMITMENTS

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 expires 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. Execution of the agreement was contingent upon the Station's ability to raise funds to remodel and move the operations into the building. During the years ended September 30, 2021 and 2020, 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.

The Station is obligated under lease agreements for ground space for various towers in Colorado. The leases were signed in January 2019 and will expire in January 2024, with the option to renew in three successive five-year terms. Rent expense amounted to $22,864 and $11,764 for the years ending September 30, 2021 and 2020, respectively.

NOTE 14 - LEASE COMMITMENTS - Continued

In January 2020, the Station entered into an agreement with the Navajo Ministries, Inc. to lease certain land, towers and building located in New Mexico. The agreement expires December 31, 2025, or later, as renewed annually by the Station. The use of utilities shall be billed at a rate of $600 per month for calendar year 2020 and increase to $700 per month on January 1, 2021. The rate is subject to yearly review and will change based on fluctuations in average actual utility costs. The annual rent for the site and tower is $3,000 per year and is payable in monthly installments.

Minimum future payments for all leases are as follows:

Year Ending September 30,	
2022	23,164
2023	23,164
2024	14,341
2025	2,850
	$ 63,519

NOTE 15 - OTHER COMMITMENTS

Effective September 2019, the Station entered into an independent contractor agreement with a company to provide artist booking and coordination, festival promotion, and production consultation for the Folk 'n Bluegrass and Four Corner's Folk Festival. The annual compensation for these services is $36,000 and the agreement terminated on September 30, 2021.

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 28, 2022, the date which the financial statements were available to be issued. Except as described below, there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

On February 2, 2022, the Station entered an asset purchase agreement for two buildings, a 30-foot telephone pole and a 70-foot Rohn 25 tower for $15,000. The buildings and towers are located within the Bodo State Wildlife area and required the Station to negotiate a master lease with the State of Colorado Division of Parks and Wildlife.

On February 11, 2022, the Station negotiated a satisfactory master lease with the State of Colorado Division of Parks and Wildlife, for land located within the Bodo State Wildlife area. The term of the lease is five years, and is effective from January 1, 2022, until December 31, 2026. The amount of the lease for the first year is $14,000, with annual increases of three precent per year thereafter.

In January 2022, the Station's $500,000 line of credit arrangement with Alpine Bank, expired and wasn't renewed by the Station.