

**KEYA RADIO, INC.
BELCOURT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
KEYA Radio, Inc.
Belcourt, North Dakota

Opinion

We have audited the accompanying financial statements of KEYA Radio, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEYA Radio, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the KEYA Radio, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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 the KEYA Radio, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 KEYA Radio, 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 KEYA Radio, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, certain errors relating to property and equipment and accounts payable in prior years were discovered during the current year audit. Accordingly, such amounts have been restated as an adjustment made to property and equipment, accounts payable, and net assets without donor restriction as of October 1, 2020.



BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA

April 4, 2023

KEYA RADIO, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 730,591	\$ 544,972
Restricted cash	59,483	115,284
Underwriting receivable, net of allowance for doubtful accounts of \$4,000 in 2022 and \$1,850 in 2021	11,919	5,762
Grant receivable	5,000	5,000
Pledges receivable	1,742	150
Prepaid expenses	7,998	2,287
Total current assets	816,733	673,455
PROPERTY AND EQUIPMENT, net of accumulated depreciation	559,457	338,339
OTHER ASSETS		
Reserve cash fund	14,208	88,553
Total assets	\$ 1,390,398	\$ 1,100,347
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 2,487	\$ 2,372
Accounts payable	87,000	32,292
Accrued compensated absences	22,185	21,719
Accrued salaries and payroll withholdings	7,538	8,267
Deferred revenue	43,458	6,242
Total current liabilities	162,668	70,892
LONG-TERM DEBT, net of current portion	54,411	56,898
Total liabilities	217,079	127,790
NET ASSETS		
Net assets without donor restrictions	1,113,836	857,273
Net assets with donor restrictions	59,483	115,284
Total net assets	1,173,319	972,557
Total liabilities and net assets	\$ 1,390,398	\$ 1,100,347

SEE NOTES TO THE FINANCIAL STATEMENTS

KEYA RADIO, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021 (Restated)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Community service grants from Corporation for Public Broadcasting	\$ 226,706	\$ 183,211
Gaming	217,754	288,325
Underwriting	76,363	45,997
Fundraising	75,371	152,550
In-kind contributions	2,110	70,170
Local grants	2,133	25,000
Pledges and donations	24,429	245,105
Rental income	2,400	-
Tribal grants	30,000	30,000
Interest income	4	20
Insurance Proceeds	190,000	-
Total revenue and support	847,270	1,040,378
EXPENSES		
Program services	351,525	319,019
Support services		
Management and general	94,950	96,155
Fundraising and member development	168,306	205,792
Underwriting and grant solicitation	31,727	31,485
Total expenses	646,508	652,451
Change in net assets without donor restrictions	\$ 200,762	\$ 387,927
Net assets without donor restrictions, beginning of year (as previously stated)	\$ 857,273	\$ 486,615
Prior period adjustment (Note 16)	-	(17,269)
Net assets without donor restrictions, beginning of year (as restated)	857,273	469,346
Change in net assets without donor restrictions	200,762	387,927
Net assets released from restrictions	55,801	-
Net assets without donor restrictions, end of year	\$ 1,113,836	\$ 857,273
NET ASSETS WITH DONOR RESTRICTIONS		
Net assets released from restrictions	\$ (55,801)	\$ -
Change in net assets with donor restrictions	(55,801)	-
Net assets with donor restrictions, beginning of year	115,284	115,284
Net assets with donor restrictions, end of year	\$ 59,483	\$ 115,284

SEE NOTES TO THE FINANCIAL STATEMENTS

KEYA RADIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program	Support Services			Total
		Management and General	Fundraising and Member Development	Underwriting and Grant Solicitation	
Salaries and wages	\$ 188,102	\$ 68,672	\$ 11,943	\$ 29,858	\$ 298,575
Payroll taxes and employee benefits	11,776	4,299	748	1,869	18,692
Professional fees	15,917	3,979	-	-	19,896
Advertising and promotion	288	-	-	-	288
Office expense:					
Supplies, postage and printing	7,546	1,887	-	-	9,433
Telephone	6,886	1,812	362	-	9,060
Occupancy expenses:					
Utilities	14,375	3,594	-	-	17,969
Repairs and maintenance	17,970	-	-	-	17,970
Gaming	-	-	117,311	-	117,311
Fundraising	-	-	37,942	-	37,942
Programming	38,687	-	-	-	38,687
Interest	2,764	-	-	-	2,764
Depreciation	31,548	7,887	-	-	39,435
Insurance	5,693	1,423	-	-	7,116
Travel	5,590	1,397	-	-	6,987
Dues and subscriptions	1,933	-	-	-	1,933
Bad debts	2,150	-	-	-	2,150
Announcer stipend	300	-	-	-	300
Total Expenses	\$ 351,525	\$ 94,950	\$ 168,306	\$ 31,727	\$ 646,508

SEE NOTES TO THE FINANCIAL STATEMENTS

KEYA RADIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES (RESTATED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Support Services			Total
		Management and General	Fundraising and Member Development	Underwriting and Grant Solicitation	
Salaries and wages	\$ 181,912	\$ 66,412	\$ 11,550	\$ 28,875	\$ 288,749
Payroll taxes and employee benefits	16,445	6,003	1,044	2,610	26,102
Professional fees	24,036	6,009	-	-	30,045
Office expense:					
Supplies, postage and printing	11,998	3,000	-	-	14,998
Telephone	4,885	1,285	257	-	6,427
Occupancy expenses:					
Rent	574	-	750	-	1,324
Utilities	13,608	3,402	-	-	17,010
Repairs and maintenance	3,259	-	-	-	3,259
Gaming	-	-	117,256	-	117,256
Fundraising	-	-	74,935	-	74,935
Programming	16,287	-	-	-	16,287
Interest	2,873	-	-	-	2,873
Depreciation	24,650	6,162	-	-	30,812
Insurance	14,214	3,554	-	-	17,768
Travel	893	223	-	-	1,116
Dues and subscriptions	1,535	-	-	-	1,535
Bad debts	1,850	-	-	-	1,850
Other:					
Miscellaneous	-	105	-	-	105
Total Expenses	\$ 319,019	\$ 96,155	\$ 205,792	\$ 31,485	\$ 652,451

SEE NOTES TO THE FINANCIAL STATEMENTS

KEYA RADIO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021 (Restated)</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 200,762	\$ 387,927
Adjustment to reconcile change in net assets to net cash provided for operating activities		
Depreciation expense	39,435	30,812
In-kind donation of PP&E	-	(63,110)
Changes in operating assets and liabilities		
Underwriting receivable	(6,157)	9,590
Pledges receivable	(1,592)	873
Prepaid expenses	(5,711)	132
Accounts payable	(20,500)	(25,631)
Accrued compensated absences	466	2,632
Accrued salaries and payroll withholdings	(729)	(5,507)
Deferred revenue	37,216	2,209
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>243,190</u>	<u>339,927</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(185,345)	(28,271)
FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(2,372)</u>	<u>(2,262)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	55,473	309,394
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>748,809</u>	<u>439,415</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 804,282</u>	<u>\$ 748,809</u>
AS STATED ON BALANCE SHEET		
Cash and cash equivalents	\$ 730,591	\$ 544,972
Reserve cash fund	14,208	88,553
Restricted cash	59,483	115,284
	<u>\$ 804,282</u>	<u>\$ 748,809</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 2,764</u>	<u>\$ 2,873</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING		
In-kind donation of PP&E	\$ -	\$ 63,110
PP&E acquired with issuance of accounts payable	75,208	-

SEE NOTES TO THE FINANCIAL STATEMENTS

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

KEYA Radio, Inc. (the Station) is a North Dakota non-profit corporation that was organized to operate a noncommercial public radio station to serve the population of the Turtle Mountain area. Major revenue sources are community service grants received from the Corporation for Public Broadcasting and gaming revenue.

Basis of Accounting

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Station, the accounts of the Station are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Station are reported in two self-balancing fund types as follows:

Net assets without donor restrictions include unrestricted resources and are subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. The governing board may delegate designation decisions to internal management. Such designations are considered to be included in board-designated net assets. All designated funds have been designated by the Station for Station improvements with USDA Rural Development.

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

Net assets with donor restrictions represent net assets resulting from contributions and other inflows of assets whose use by the Station is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, stipulating that resources are to be used after a specified date, for particular programs or services or to acquire buildings or equipment. Other donor-imposed restrictions are perpetual in nature, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment return from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. As of years ended September 30, 2022 and 2021, all net assets with donor restrictions are temporary in nature and are restricted by donors for the purchase of a new transmitter tower for the Station.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include checking, savings, and other cash accounts.

Underwriting Receivables and Credit Policies

Underwriting receivables are uncollateralized, non-interest-bearing customer obligations due upon receipt of invoice. Payments of underwriting receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The carrying amount of underwriting receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management considers history of customer collections and customer reputation in the community when estimating collectability. Underwriting receivables are written off when they are deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Pledges Receivable

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management considers history of donor collections and donor reputation in the community when estimating collectability. Pledges receivable are written off when they are deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that no allowance for pledges receivable is required as of September 30, 2022 and 2021.

Revenue Recognition

Under Topic ASU 606, revenue from contracts with customers are recognized over time upon delivery of services to the customer. The Station provides underwriting services for various businesses in its listening area. Some of these services are performed in advance creating accounts receivable until payment for services is received.

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

Contributions

Under professional standards, contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the absence or existence and nature of any donor restrictions.

Under ASU Topic 958, the Station recognizes contributions when cash, an unconditional promise to give, or notification of a beneficial interest is received. Depending on the existence and/or nature of any restrictions, contributions received are recorded as support with donor restrictions or support without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a 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 and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

In-Kind Contributions

Contributed facilities and gaming fees are recorded at their estimated fair value at the date of donation. The Station reports nonmonetary contributions as unrestricted revenue in the accompanying Statement of Activities and Changes in Net Assets.

Property, Equipment and Depreciation

Expenditures for the acquisition of property and equipment are capitalized at cost, except for donated assets, which are reported at fair market value at the time the donation is received. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. The Station capitalizes items with an individual price of \$1,000 or greater. Proceeds from sale of property and equipment, if unrestricted, are included in net assets without donor restrictions or, if temporarily restricted by nature, they are added to deferred amounts restricted for acquisitions.

Depreciation of buildings and equipment is calculated on the straight-line method over the following estimated useful lives:

Buildings, improvements and towers	10 - 50 years
Broadcasting equipment	10 years
Production equipment	5 - 10 years
Furniture and fixtures	10 - 50 years

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG 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). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Advertising Expense

Costs incurred for advertising are expensed as incurred.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

Income Taxes

The Station is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. In addition, the agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

The Station's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard (ASC Topic 606) that replaces substantially all existing accounting guidance, including industry specific guidance, related to the recognition of revenue from contracts with customers. The new accounting standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and provide more robust disclosures. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has issued several subsequent amendments and clarifications to the original standard.

The Station adopted the requirements of the new standard (as amended) as of October 1, 2020, utilizing the modified retrospective method of transition. The Station applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of October 1, 2020. The Station has determined that the application of the new guidance will not materially impact the timing or amount of revenue recognized and substantially all the Station's revenue will continue to be recognized at a point in time. Accordingly, no adjustment to beginning retained earnings was required and the adoption of the standard did not have a material impact on the Station's financial condition, results of operations or cash flows as of and for the year ended September 30, 2021.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists the Station in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Station has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. The Implementation of this standard had no effect on net assets.

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 2 PROPERTY AND EQUIPMENT

	<u>2022</u>	<u>2021 (restated)</u>
Buildings	\$ 400,187	\$ 400,188
Furniture and equipment	828,329	578,054
	<u>1,228,516</u>	<u>978,242</u>
Less accumulated depreciation	<u>(669,059)</u>	<u>(639,903)</u>
Property and equipment, net	<u>\$ 559,457</u>	<u>\$ 338,339</u>

Depreciation expense totaled \$39,435 and \$30,812 for the years ended September 30, 2022 and 2021, respectively.

NOTE 3 LONG-TERM DEBT

Details pertaining to long-term debt as of September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
4.75% note payable to USDA Office of Rural Development, due in monthly installments of \$428 including interest, to October 2038, secured by substantially all assets of the Station	\$ 56,898	\$ 59,270
Less current maturities	<u>(2,487)</u>	<u>(2,372)</u>
	<u>\$ 54,411</u>	<u>\$ 56,898</u>

In accordance with the debt agreement, in the event of a covenant violation, the lender reserves the right to call the debt at any time. During the years ended September 30, 2022 and 2021, the Station met the reserve balance requirement.

Minimum annual principal payments required on the above debt per the agreement are as follows:

Years Ending September 30,	<u>Amount</u>
2023	\$ 2,487
2024	2,608
2025	2,735
2026	2,867
2027	3,006
2028-2032	17,368
2033-2037	22,015
2038-2039	3,812
	<u>\$ 56,898</u>

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 4 CASH RESERVE FUND

The terms of the USDA Rural Housing Service Community Facilities Loan require the Station to set aside \$120 per month until the reserve fund has accumulated a balance of \$14,208. The reserve fund is to be used by the Station to repair or replace any damage to the facility caused by a catastrophe or make extensions or improvements to the facility. The reserved funds are deposited in a savings account that earns a nominal interest rate. Reserved cash totaled \$14,208 and \$88,553 as of September 30, 2022 and 2021, respectively.

NOTE 5 OPERATING LEASE

The Station leased its copier under a four-year contract that expired in October 2020 and was not renewed. The lease is accounted for as an operating lease.

The Station also leases its security system. The lease term expired in July 2018, and the Station has continued the lease on month-to-month terms at a rate of \$61 per month. In addition, the Station rents gaming hall and fundraising activity facilities on an as needed basis.

Rental expense for all operating lease agreements totaled \$750 and \$1,324 for the years ended September 30, 2022 and 2021, respectively.

NOTE 6 IN-KIND CONTRIBUTIONS

The Station received donated services and fixed assets, without donor restrictions, with an estimated fair value at the date of donation of \$2,110 and \$70,170 for the years ended September 30, 2022 and 2021, respectively. The fixed assets were capitalized at their fair market value and is presented the other fixed assets. The services are used and distributed through of the Station's program and support services. For year ended September 30, 2022, the entire balance was for annual gaming fees. For year ended September 30, 2021, \$7,060 was for annual gaming fees, and \$63,110 was donated fixed assets.

NOTE 7 COMMUNITY SERVICE GRANT

In September 2021, the Station was awarded a community service grant in the amount of \$226,706 from the Corporation for Public Broadcasting. The grant is used to help support the operations of the Station for the period of October 1, 2021 to September 30, 2023. Of this grant, \$50,481 were restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of September 30, 2022, all restricted funds have been expended.

In September 2020, the Station was awarded a community service grant in the amount of \$183,211 from the Corporation for Public Broadcasting. The grant is used to help support the operations of the Station for the period of October 1, 2020 to September 30, 2022. Of this grant, \$39,938 were restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of September 30, 2022, all restricted funds have been expended.

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 8 NONFEDERAL FINANCIAL SUPPORT (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS includes payments from any State, or any educational institution in exchange for services or materials with respect to the provision of educational or instructional television or radio programs. Payments received by a public broadcast station from any other sources (e.g. for-profit entities or individuals), including nonprofit organizations that are not educational institutions, or for any other purposes may not be included as NFFS.

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

For the years ended September 30, 2022 and 2021, reported NFFS for the Station was as follows:

	2022	2021 (restated)
Cash receipts	\$ 453,701	\$ 368,656
In-kind contributions	2,110	70,170
Total NFFS	\$ 455,811	\$ 438,826

NOTE 9 REVENUE RECOGNITION IN ACCORDANCE WITH FASB ASC 606

Accounts receivable from contracts with customers were as follows:

	September 30, 2022	September 30, 2021	September 30, 2020
Receivables from contracts with customers	\$ 15,919	\$ 7,612	\$ 7,852

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 10 COMMITMENTS

In October 2010, the Station was awarded a government grant (NTIA/PFTP grant) from the U.S. Department of Commerce under CFDA No. 11.550 – Public Telecommunications Facilities Planning and Construction. The grant is a cost-sharing grant totaling \$31,950 with a \$10,650 match required by the Station and was used for the purchase and installation of a backup generator. As a condition of the funding, NTIA/PFTP U.S. Department of Commerce has a lien on the equipment purchased with grant funds. The term of the priority lien shall extend for a period of ten years following September 30, 2011, during which time the Federal Government retains priority revisionary interest in the purchased equipment.

In March 2012, the Station was awarded a community facilities grant under the Community Facilities Loan and Grant Program through the United States Department of Agriculture. The grant is a cost-sharing grant totaling \$35,000 with a \$35,000 match required by the Station and was used for the purchase and installation of various tower and computer equipment. As a condition of the funding, the United States Department of Agriculture has maintained a security interest in all equipment purchased with grant funds. In addition to maintaining a security interest in the property and equipment purchased with grant funds, the United States Department of Agriculture has imposed stipulations regulating the disposal of property and equipment purchased with grant proceeds as disclosed in Form RD 3570-3.

The Station has received \$115,284 in donations which are restricted by the donors to be used for the purchase of a new transmitter tower. During the year ended September 30, 2022 the Station has capitalized \$55,801 on the construction of a new tower. As discussed in Note 16, they plan on using the rest of the restricted funds subsequent to year end.

NOTE 11 CONCENTRATION OF RISK

A substantial portion of the Station's funding is received from the Corporation for Public Broadcasting (CPB). A decrease in the amount of funding from CPB would most likely make it impossible for the Station to continue operations. Continued support from CPB is not assured and could vary considerably in the future.

The Station maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Station has not experienced any losses in such accounts nor does the Station believe it is exposed to any significant credit risk on cash accounts.

NOTE 12 INCOME TAXES

It is the opinion of management that the Station has no significant uncertain tax positions that would be subject to change upon examination. The federal information returns of the Station are subject to examination by the IRS, generally for three years after they were filed. The Station is current on all required filings.

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 13 NET ASSETS WITHOUT DONOR RESTRICTIONS

KEYA Radio, Inc.'s governing board has board policies that affect the presentation of board designation on net assets. A schedule of net assets without donor restriction for the years ended September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021 (restated)</u>
Undesignated	\$ 1,099,628	\$ 768,720
Designated - debt service	<u>14,208</u>	<u>88,553</u>
Total	<u>\$ 1,113,836</u>	<u>\$ 857,273</u>

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

As described in Note 10 to the financial statements, net assets with donor restrictions include donations restricted by donors to be used for the specified purpose of purchasing a new transmitter tower for the Station. See the aforementioned note for commitments to net assets with donor restrictions. Net assets with restrictions totaled \$59,483 and \$115,284 as of September 30, 2022 and 2021, respectively.

NOTE 15 SUMMARY OF FINANCIAL ASSETS AVAILABLE FOR GENERAL USE

The following reflects KEYA Radio, Inc.'s financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for other board designated restrictions that could be drawn upon if the governing board approves that action. However, amounts already appropriated for either donor-restricted purposes or general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

	<u>2022</u>	<u>2021</u>
Cash	\$ 804,282	\$ 748,809
Receivables	13,661	5,912
Total financial assets, at year-end	<u>817,943</u>	<u>754,721</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	59,483	115,284
Board designations:		
Debt service	<u>14,208</u>	<u>88,553</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 744,252</u>	<u>\$ 550,884</u>

KEYA RADIO, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 16 RESTATEMENT

During the 2022 audit, it was determined that there were in-kind donations of fixed assets that were not properly recorded as of September 30, 2021. As such the following adjustments were made to the September 30, 2021 financial statements:

<u>Account</u>	<u>Increase</u>
Furniture and equipment	63,110
Accumulated depreciation	5,570
In-kind contributions	63,110
Depreciation expense	5,570

It was determined that accounts payable should have been higher by \$17,269 as of September 30, 2020 which resulted in a corresponding reduction of net assets without donor restrictions.

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, *Leases* (Topic 842) – During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-02 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Station for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Management has not yet determined what effect this pronouncement will have on the Station's financial statements.

With the exception of the new standard discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Station's financial statements.

NOTE 16 SUBSEQUENT EVENTS

Subsequent to year end, the Station completed payments for the construction of a new communications tower of approximately \$117,000.

No other significant events occurred subsequent to the Station's year end. Subsequent events have been evaluated through April 4, 2023, which is the date these financial statements were available to be issued.