KABU RADIO
ST. MICHAEL, 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
KABU Radio
St. Michael, North Dakota

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KABU Radio 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 KABU Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Station's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Station will continue as a going concern. As discussed in Note 10 to the financial statements, the Station has suffered recurring significant reductions in grant revenues, has a net deficiency in net assets, and has cash flow issues that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 KABU Radio's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KABU Radio's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KABU Radio's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 17, 2023

KABU RADIO
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
CASH	$ 89,894	$ 208,201
ACCOUNTS RECEIVABLE	16,748	20,756
EQUIPMENT		
Equipment	307,429	307,429
Accumulated depreciation	(307,429)	(307,429)
Equipment, net of depreciation	-	-
Total assets	$ 106,642	$ 228,957
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 2,814	$ 7,936
Accrued expenses	15,671	6,425
Line of credit	1,776	1,934
Total current liabilities	20,261	16,295
NET ASSETS		
Net assets without donor restrictions	18,736	(34,974)
Net assets with donor restrictions	67,645	247,636
Total net assets	86,381	212,662
Total liabilities and net assets	$ 106,642	$ 228,957

See Notes to the Financial Statements

KABU RADIO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS

	2022	2021
REVENUE AND SUPPORT		
Community service grants from		
Corporation for Public Broadcasting	$ 146,031	$ 139,466
State and local government	-	73,652
Underwriting	-	5,793
Net assets released from restriction	219,524	38,160
Total revenue and support	365,555	257,071
Contributed nonfinancial assets		
Donated space	134,762	66,012
Donated services	13,400	13,400
Donated goods	4,500	4,500
Total contributed nonfinancial assets	152,662	83,912
EXPENSES		
Program services		
Programming and production	114,288	58,674
Broadcasting	15,323	14,989
Advertising	1,808	2,060
Support services		
Management and general	309,645	243,636
Fundraising	23,443	20,336
Total expenses	464,507	339,695
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	53,710	1,288
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	(34,974)	(36,262)
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	$ 18,736	$ (34,974)

NET ASSETS WITH DONOR RESTRICTIONS

	2022	2021
REVENUE AND SUPPORT		
Community service grants from		
Corporation for Public Broadcasting	$ 39,533	$ 38,532
American Rescue Plan Act Stabilization Grants	-	221,218
Net assets released from restriction	(219,524)	(38,160)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(179,991)	221,590
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	247,636	26,046
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	$ 67,645	$ 247,636

See Notes to the Financial Statements

KABU RADIO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services			Support Services		
	Programming and Production	Broadcasting	Advertising	Management and General	Fundraising and Member Development	Total
Salaries and wages	$ 92,731	$ 6,623	$ -	$ 90,175	$ 23,443	$ 212,972
Payroll taxes and employee benefits	11,356	-	-	11,357	-	22,713
Board of Directors	-	-	-	10,846	-	10,846
Professional fees	-	-	-	21,350	-	21,350
Advertising and Promotion	-	-	1,808	-	-	1,808
Office expense:						
Supplies, postage and printing	-	-	-	10,533	-	10,533
Telephone	-	505	-	4,621	-	5,126
Bank charges	-	-	-	160	-	160
Occupancy expenses:						
Utilities	-	2,512	-	5,171	-	7,683
Donated space, services, and goods	-	-	-	152,662	-	152,662
Travel	-	-	-	2,770	-	2,770
Mileage and vehicle repairs	10,201	-	-	-	-	10,201
Dues and subscriptions	-	5,683	-	-	-	5,683
Total Expenses	$ 114,288	$ 15,323	$ 1,808	$ 309,645	$ 23,443	$ 464,507

See Notes to the Financial Statements

KABU RADIO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Support Services		
	Programming and Production	Broadcasting	Advertising	Management and General	Fundraising and Member Development	Total
Salaries and wages	$ 41,703	$ 3,360	$ -	$ 61,008	$ 20,336	$ 126,407
Payroll taxes and employee benefits	7,835	-	-	15,914	-	23,749
Board of Directors	-	-	-	12,347	-	12,347
Professional fees	-	-	-	34,757	-	34,757
Advertising and promotion	-	-	2,060	-		2,060
Office expense:						
Supplies, postage and printing	-	-	-	21,301	-	21,301
Telephone	-	725	-	5,317	-	6,042
Bank charges	-	-	-	453	-	453
Occupancy expenses:						
Utilities	-	2,835	-	2,835	-	5,670
Donated space, services, and goods	-	-	-	83,912	-	83,912
Travel	-	-	-	5,792	-	5,792
Mileage and vehicle repairs	9,136	-	-	-	-	9,136
Dues and subscriptions	-	8,069	-	-	-	8,069
Total Expenses	$ 58,674	$ 14,989	$ 2,060	$ 243,636	$ 20,336	$ 339,695

See Notes to the Financial Statements

KABU RADIO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ (126,281)	$ 222,878
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Checks written in excess of bank balance	(158)	(927)
Accounts receivable	4,008	(20,756)
Accounts payable	(5,122)	(14,310)
Accrued expenses	9,246	(20,153)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(118,307)	166,732
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(118,307)	166,732
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	208,201	41,469
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 89,894	$ 208,201

See Notes to the Financial Statements

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

KABU Radio (the Station) is a North Dakota non-profit corporation established to provide media services to the Spirit Lake Sioux Indian Reservation. It operates radio station KABU and is based in the Spirit Lake Sioux Indian Reservation. The Station seeks to encourage unity with the listening public by promoting a greater cultural understanding through educational programming with a commitment to actively engage in the changing contemporary world. Major revenue sources are community service grants received from the Corporation for Public Broadcasting.

Financial Statement Presentation

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.

Basis of Accounting

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-For-Profit entities. The codification requires the Station to report information regarding its financial position and activities according to two classes of net assets as follows:

> **Net assets without donor restrictions,** are net assets which 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, investments, 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 net assets without donor restrictions have not been designated by the Station and may be used for any purpose they deem proper.
>
> **Net assets with donor restrictions,** are net assets which 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 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. All net assets with donor restrictions are temporary in nature and are restricted by donors. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. If restrictions are satisfied during the same fiscal year that support is received, the entire transaction is reported as without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Station considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts related to employees of the Radio Station for payroll transactions to be repaid to the Station. Amounts are deemed collectible by management and no allowance deemed necessary based on history of collections.

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.

In-Kind Contributions

Contributed facilities, services, and goods are recorded at their estimated fair value at the date of donation.

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, salaries and benefits costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Equipment and Depreciation

Expenditures for the acquisition of property and equipment are capitalized at cost, except for donated assets, which are reported at acquisition 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 $300 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 equipment is calculated on the straight-line method over estimated useful lives of 2 to 15 years.

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.

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.

NOTE 2 AVAILIBILITY AND LIQUIDITY

The Station had financial assets of $106,642 and $228,957 for the years ended September 30, 2022 and 2021, respectively, available for general use within 1 year. The financial assets that are subject to donor or other contractual restrictions at September 30, 2022 and 2021 were $67,645 and $247,636, respectively, that make them unavailable for general expenditures.

NOTE 3 EQUIPMENT

Depreciation expense totaled $0 for the years ended September 30, 2022 and 2021.

NOTE 4 CONTRIBUTED NONFINANCIAL ASSETS

During the years ended September 30, 2022 and 2021, the Station received donated services for cable and technical services, construction and engineering, security and surveillance, and janitorial services. The Station also received contributions for the use of facilities and building and liability insurance premiums.

Contributed nonfinancial assets	2022	2021
Donated space	$ 134,762	$ 66,012
Donated services	13,400	13,400
Donated goods	4,500	4,500
Total contributed nonfinancial assets	$ 152,662	$ 83,912

All donated services and assets were utilized by the Station's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. The Station recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The total amount recognized for donated facilities is $134,762 for the years ended September 30, 2022 and 2021 and is allocated among program and supporting services based upon the square footage occupied.

NOTE 5 GRANTS

In September 2021, the Station was awarded a community service grant in the amount of $185,564 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, $39,533 was restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of September 30, 2022, the Station still has restricted funds of $18,056 to spend.

In April 2021, the Station was awarded an American Rescue Plan Act Stabilization Grant in the amount of $221,218 from the Corporation for Public Broadcasting. The grant is used to help maintain the Station's public media station's programming and services impacted by the Coronavirus and attendant loss of revenues. As of September 30, 2022, the Station has restricted funds of $0 to spend.

In September 2020, the Station was awarded a community service grant in the amount of $177,998 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, $38,532 was restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of September 30, 2022, the Station still has restricted funds of $23,543 to spend.

In September 2019, the Station was awarded a community service grant in the amount of $160,014 from the Corporation for Public Broadcasting. The grant is used to help support the operations of the Station for the period of October 1, 2019 to September 30, 2021. Of this grant, $33,334 was restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of September 30, 2022, the Station still has restricted funds of $10,633 to spend.

In September 2018, the Station was awarded a community service grant in the amount of $160,371 from the Corporation for Public Broadcasting. The grant is used to help support the operations of the Station for the period of October 1, 2018 to September 30, 2020. Of this grant, $33,138 was restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of September 30, 2022, the Station still has restricted funds of $15,413 to spend.

NOTE 6 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
Cash receipts	$ -	$ 79,445
In-kind contributions	152,662	83,912
Total NFFS	$ 152,662	$ 163,357

NOTE 7 LINE OF CREDIT

The Station has entered into an instant line of credit agreement. This agreement has an annual percentage rate of 7.25%. The balance outstanding as of September 30, 2022 and 2021, for the instant line of credit was $1,776 and $1,934 respectively.

NOTE 8 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 cash on deposit at various financial institutions. The amounts on deposit were insured by FDIC up to $250,000 per financial institution. At September 30, 2022 and 2021, the Station's amounts on deposit were fully insured by the FDIC.

NOTE 9 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 income tax returns of the Station are subject to examination by the IRS and state tax authorities, generally for three years after they were filed. The Station is current on all required filings.

NOTE 10 GOING CONCERN

As shown in the accompanying financial statements, KABU Radio has net assets without donor restrictions of $18,736 and $(34,974) from unrestricted operations, as of September 30, 2022 and 2021, respectively. In the prior year, KABU Radio also did not pay required payroll taxes due to cash flow issues and any potential penalties assessed. In addition, there is a potential loss of the Corporation for Public Broadcasting which is the primary grant source. Although KABU Radio has an overall positive balance as of September 30, 2022, the main reason was additional ARPA funds in the prior year that are not recurring. These factors raise substantial doubt about KABU Radio's ability to continue as a going concern.

Management is currently in the process of reorganizing the Station. The Tribal Council has adopted a resolution in fiscal year 2022 that has committed an annual amount of $100,000 for KABU Radio. In addition, the Tribal Council has also ordered various tribal organizations to pay an annual affiliation fee to KABU Radio that is expected to be effective for the fiscal year ending September 30, 2023.

Management believes these factors will contribute toward achieving profitability. The accompanying financial statements do not include any adjustments that might be necessary if the Station is unable to continue as a going concern.

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Station's year end. Subsequent events have been evaluated through March 17, 2023, which is the date these financial statements were available to be issued.