

KMHA RADIO STATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2023

KMHA RADIO STATION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
KMHA Radio Station
New Town, ND

Opinions

We have audited the accompanying financial statements of KMHA Radio Station (the Station), which comprise the statements of financial position as of September 30, 2023 and 2022, 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 KMHA Radio Station as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 KMHA Radio Station, 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.

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 the KMHA Radio Station'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.



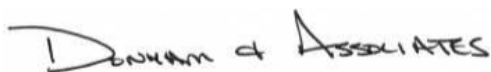
Auditor's Responsibilities for the Audit of the Financial Statements

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 opinions. 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 the KMHA Radio Station'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 the KMHA Radio Station'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.



Donham & Associates, Certified Public Accountants, LLC
Albuquerque, NM
March 26, 2024



KMHA RADIO STATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current Assets		
Cash and Cash Equivalents	\$ 277,546	\$ 338,490
Accounts Receivable (net of allowance)	51,349	91,687
Due from Related Parties (net of allowance)	14,600	14,600
Total Current Assets	<u>343,495</u>	<u>444,777</u>
Property and Equipment, net	<u>555,855</u>	<u>571,098</u>
Total Assets	<u><u>\$ 899,350</u></u>	<u><u>\$ 1,015,875</u></u>
 <u>Liabilities</u>		
Current Liabilities		
Accounts Payable	\$ 105,004	\$ 161,032
Accrued Compensated Absences	1,181	2,501
Accrued Salaries and Payroll Withholdings	8,601	161,992
Total Liabilities	<u>114,786</u>	<u>325,525</u>
 <u>Net Assets</u>		
Unrestricted	784,564	690,350
Temporarily Restricted	-	-
Total Net Assets	<u>784,564</u>	<u>690,350</u>
Total Liabilities and Net Assets	<u><u>\$ 899,350</u></u>	<u><u>\$ 1,015,875</u></u>

See accompanying notes to financial statements.

KMHA RADIO STATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>
Revenues and Other Support		
Three Affiliated Tribes	\$ 250,000	\$ 312,500
Community Service Grants	233,671	203,631
Underwriting and Sponsorship	65,800	37,042
Interest Income	10,030	-
Other Revenue	41,520	41,617
Total Revenues and Other Support	<u>601,021</u>	<u>594,790</u>
Operating Expenses		
Advertising	-	5,291
Board of Directors Stipend	60,814	54,766
Depreciation	37,631	46,939
Donations	150	959
Employee Benefits	41,771	38,674
Fundraising	2,672	-
Miscellaneous	2,300	-
Office Expense	19,003	19,372
Professional Fees	9,125	23,550
Programming	51,444	52,424
Repairs and Maintenance	2,815	25,389
Salaries and Fringe Benefits	226,830	276,852
Supplies	6,081	6,425
Telephone	19,520	17,517
Travel & Training	4,084	3,675
Utilities	18,122	19,765
Vehicle Expense	3,171	-
Total Expenses	<u>505,533</u>	<u>591,598</u>
Revenue Over (Under) Expenses	95,488	3,192
Gain (Loss) on Disposal of Fixed Assets	-	-
Change in Unrestricted Net Assets	<u>95,488</u>	<u>3,192</u>
Net Assets, Beginning of Year	<u>690,350</u>	<u>687,158</u>
Prior Period Adjustment	<u>(1,274)</u>	<u>-</u>
Net Assets, Beginning of Year, Adjusted	<u>689,076</u>	<u>687,158</u>
Net Assets, End of Year	<u><u>\$ 784,564</u></u>	<u><u>\$ 690,350</u></u>

See accompanying notes to financial statements.

KMHA RADIO STATION
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 95,488	\$ 3,192
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used) by Operating Activities:		
Depreciation	37,631	46,939
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	40,338	(7,333)
Increase (Decrease) in Compensated Absences	(1,320)	(1,459)
Increase (Decrease) in Accounts Payable	(56,028)	(143,654)
Increase (Decrease) in Payroll Liabilities	(153,391)	12,058
Increase (Decrease) in Payroll Liabilities	(1,274)	-
Net Cash Provided (Used) by Operating Activities	<u>(38,556)</u>	<u>(90,257)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of Equipment	(22,388)	(73,982)
Gain (loss) on Disposal of Assets		
Net Cash Provided (Used) by Investing Activities	<u>(22,388)</u>	<u>(73,982)</u>
Net Increase (Decrease) In Cash	(60,944)	(164,239)
Cash, Beginning of Year	<u>338,490</u>	<u>502,729</u>
Cash, End of Year	<u><u>\$ 277,546</u></u>	<u><u>\$ 338,490</u></u>

See accompanying notes to financial statements.

KMHA RADIO STATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies

Organization

KMHA Radio (the Station) is owned and operated by Fort Berthold Communications Enterprises, Inc., a North Dakota non-profit corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Station's primary purpose is to provide public broadcasting to the people of the Fort Berthold Indian Reservation and surrounding communities. The Station is located in New Town, North Dakota and operates on FM 91.3.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958-205, Not-for-Profit Entities — Presentation of Financial Statements. Under this section, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* represent that portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* represent assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Station. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. The Station had no temporarily restricted assets at September 30, 2023 or 2022.
- *Permanently restricted net assets* represent the part of net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Station. The Station had no permanently restricted net assets at September 30, 2023 or 2022.

Contributions Received

Contributions received are recognized as revenues or gains in the period pledged or received and as assets or decreases of liabilities, depending on the form of the benefits received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the

**KMHA RADIO STATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Note 1 – Summary of Significant Accounting Policies – continued

statement of activities as net assets released from restrictions. Contributions of significant long-lived assets and significant gifts to acquire long-lived assets are reported as temporarily restricted assets and an implied time restriction is imposed on those assets that expire over the useful life of the asset, provided that the donated assets were received without stipulation as to how long they must be used. Other contributions of long-lived assets and gifts to acquire long-lived assets are reported as unrestricted assets in the period received.

Contributions Receivable

Unconditional promises to give (contributions receivable) are recognized as revenues or gains in the period the pledge is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when collected or when the conditions on which they depend are substantially met.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America 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 financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Station considers all highly liquid investments with an original maturity of three months or less as cash equivalents. All of the Station's cash and cash equivalents is cash in bank at September 30, 2023 and 2022.

Compensated Absences

Full-time employees may accrue up to a maximum of 160 hours of vacation time and 60 hours of compensated leave time. Accrued vacation and compensated leave will be paid upon termination of employment subject to availability of funds. Sick leave may be accumulated monthly without limit on the number of hours they can accrue but will not be paid upon termination of employment.

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 and all expenditures for renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the asset's estimated useful lives ranging from 3 to 30 years.

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 (CSG) to qualifying public broadcasting entities. CSG's are used to

**KMHA RADIO STATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Note 1 – Summary of Significant Accounting Policies – continued

augment the financial resources of public broadcasting entities which enables the entities 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, unrestricted funds may be used at the discretion of recipients for purposes relating primarily to local production and acquisition of programming. In addition, the grants may be used to sustain activities begun with CSG's 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.

Income Taxes

The Station is in the application process with the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2 – Concentration of Risk

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

Note 3 – Property and Equipment

Property and equipment consist of the following at September, 30:

	FY 2023	FY 2022
Transmitter Building	\$ 86,871	\$ 86,871
Transmitter Equipment	661,055	638,667
TAT Digital Upgrade	170,194	170,194
Furniture and Equipment	40,057	40,057
Total Depreciable Property and Equipment	958,177	935,789
Less Accumulated Depreciation	(402,322)	(364,691)
Property and Equipment, Net	\$555,855	\$571,098

Depreciation expense totaled \$37,631 and \$46,939 for the years ended September 30, 2023 and 2022, respectively.

KMHA RADIO STATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 4 – Community Service Grant

The Station was awarded a community service grant in the amount of \$233,671 for the 2023 federal fiscal year with an expenditure period of October 1, 2022 through September 30, 2024. The restricted portion, which must be used for the acquisition, promotion, and distribution of national programming, was \$51,299.

The Station was awarded a community service grant in the amount of \$203,631 for the 2022 federal fiscal year with an expenditure period of October 1, 2021 through September 30, 2023. The restricted portion, which must be used for the acquisition, promotion, and distribution of national programming, was \$44,341.

Note 5 – Functional Expenses

The functional classifications of the Station's expenses as of September 30, 2023 and 2022 are as follows:

	<u>FY 2023</u>	<u>FY 2022</u>
Program Services:		
Programming and Production	\$ 196,101	\$ 230,706
Broadcasting and Engineering	49,930	58,741
Program Information and Engineering	<u>2,281</u>	<u>2,683</u>
Support Services:		
Management and General	254,549	299,468
Fundraising	<u>2,672</u>	<u>-</u>
	<u><u>\$ 505,533</u></u>	<u><u>\$ 591,598</u></u>

Note 6 – Subsequent Events

Subsequent events were evaluated through March 26, 2024, the date which the financial statements were available to be issued, and no subsequent events material to the financial statements were noted.