

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM**

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2022

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of San Miguel Educational Fund KOTO-FM
Telluride, Colorado

Opinion

We have audited the accompanying financial statements of San Miguel Educational Fund KOTO-FM (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and 2021, and the related statements of activities and cash flows for the year 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 San Miguel Educational Fund KOTO-FM as of December 31, 2022, and 2021, and the changes in its net assets and its cash flows for the year 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 San Miguel Educational Fund KOTO-FM 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.

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 San Miguel Educational Fund KOTO-FM '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 San Miguel Educational Fund KOTO-FM'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 San Miguel Educational Fund KOTO-FM'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.

Blair and Associates, P.C.

Cedaredge, Colorado
July 14, 2023

**San Miguel Educational Fund
KOTO-FM
Statements of Financial Position
December 31, 2022 and 2021**

ASSETS	2022	2021
Current Assets:		
Cash and equivalents	\$ 982,734	\$ 1,102,573
Restricted cash and investments	278,974	-
Accounts receivable	726	2,081
Pledges receivable	10,082	8,960
Grants receivable	67,489	61,959
Merchandise inventory	1,902	1,128
Prepaid expenses	15,193	10,322
Total Current Assets	1,357,100	1,187,023
Land, Building and Equipment, net	406,723	432,727
TOTAL ASSETS	\$ 1,763,823	\$ 1,619,750
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 23,681	\$ 22,162
Accrued liabilities	39,207	37,873
Total Current Liabilities	62,888	60,035
Net Assets		
Without donor restrictions:		
Unrestricted	1,421,961	1,559,715
Board restrictions	222,400	-
With donor restrictions	56,574	-
Total Net Assets	1,700,935	1,559,715
TOTAL LIABILITIES AND NET ASSETS	\$ 1,763,823	\$ 1,619,750

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

San Miguel Educational Fund
KOTO-FM
Statement of Activities
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating Activities:						
Contributions	\$ 282,374	\$ 56,574	\$ 338,948	\$ 638,978	\$ -	\$ 638,978
Grants	207,664	44,000	251,664	514,881	44,000	558,881
Donated services	87,460	-	87,460	88,407	-	88,407
Event proceeds, net	41,303	-	41,303	8,016	-	8,016
Rental income	4,404	-	4,404	9,176	-	9,176
Other income	2,626	-	2,626	2,688	-	2,688
Total revenue and support before releases	<u>625,831</u>	<u>100,574</u>	<u>726,405</u>	<u>1,262,146</u>	<u>44,000</u>	<u>1,306,146</u>
Net assets released from restrictions:	<u>44,000</u>	<u>(44,000)</u>	<u>-</u>	<u>44,000</u>	<u>(44,000)</u>	<u>-</u>
Total revenue and support	<u>669,831</u>	<u>56,574</u>	<u>726,405</u>	<u>1,306,146</u>	<u>-</u>	<u>1,306,146</u>
Expenses						
Program services	403,790	-	403,790	412,346	-	412,346
General & administrative	87,080	-	87,080	81,779	-	81,779
Fundraising	87,362	-	87,362	68,706	-	68,706
Total expenses	<u>578,232</u>	<u>-</u>	<u>578,232</u>	<u>562,831</u>	<u>-</u>	<u>562,831</u>
Changes in net assets from operating activities	91,599	56,574	148,173	743,315	-	743,315
Nonoperating Activities:						
Investment income, net	(6,953)	-	(6,953)	153	-	153
Changes in net assets	84,646	56,574	141,220	743,468	-	743,468
Net assets, Beginning	<u>1,559,715</u>	<u>-</u>	<u>1,559,715</u>	<u>816,247</u>	<u>-</u>	<u>816,247</u>
Net assets, Ending	<u>\$ 1,644,361</u>	<u>\$ 56,574</u>	<u>\$ 1,700,935</u>	<u>\$ 1,559,715</u>	<u>\$ -</u>	<u>\$ 1,559,715</u>

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

San Miguel Educational Fund
KOTO-FM
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net position	\$ 141,220	\$ 743,468
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	26,003	27,584
Change in operating assets and liabilities		
(Increase) decrease in pledges receivable	(1,122)	(1,868)
(Increase) decrease in grants receivable	(5,530)	(61,959)
(Increase) decrease in merchandise inventory	(774)	(362)
(Increase) decrease in prepaid expenses	(4,871)	678
(Increase) decrease in other assets	1,355	(1,381)
Increase (decrease) in accounts payable	1,520	17,995
Increase (decrease) in accrued liabilities	1,334	30,821
Net cash provided by (used in) operating activities	<u>159,135</u>	<u>754,976</u>
Cash flows from investing activities		
Cash paid for property and equipment	-	(14,697)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(14,697)</u>
Cash flow from financing activities		
Purchase of Investments	(278,974)	-
Mortgage Payments	-	(99,360)
Net cash provided (used) by financing activities	<u>(278,974)</u>	<u>(99,360)</u>
Net increase (decrease) in cash and cash equivalents	<u>(119,839)</u>	<u>640,919</u>
Cash and cash equivalents, beginning of year	1,102,573	461,654
Cash and cash equivalents, end of year	<u>\$ 982,734</u>	<u>\$ 1,102,573</u>
<u>Supplemental disclosure</u>		
Interest paid	\$ -	\$ 4,465

The accompanying notes are an integral part of this statement.

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

The San Miguel Educational Fund – KOTO FM (the Fund), located in Telluride, Colorado was incorporated on May 2, 1973, as a Colorado nonprofit corporation. The Fund provides high quality commercial free, non-underwritten community radio for people in Telluride, Colorado and surrounding areas.

BASIS OF ACCOUNTING

The financial statements of the Fund have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

FINANCIAL STATEMENT PRESENTATION

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 which was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. The Fund’s board may designate assets without restrictions for specific operational purposes from time to time. The board has designated the JGLF as designated without restrictions of \$222,400.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2022, the JGLF contributions of \$56,574 are donor restricted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash held in deposits and temporary investments with an original maturity of three months or less.

PLEDGES RECEIVABLE AND GRANTS RECEIVABLE

Pledges and grants receivable are recognized as contributions or grants in the period the pledge or grant is received or declared, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Pledges and grants are recorded at net realizable value if expected to be collected in the next year and at present value if expected to be collected later than the next year. Conditional pledges and grants are recognized when the conditions on which they depend are substantially met. The Fund reviews pledges and grants receivable on at least an annual basis to assess the current status of individual pledges. Pledges and grants that are still outstanding after management has made reasonable efforts are written off by a charge to pledges uncollectible and a credit to pledges or grants receivable. As of December 31, 2022, pledges and grant receivables were \$10,082 and \$67,489, respectfully.

Pledges and grants due in the next year are recorded at their net realizable value.

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS

The Fund is subject to the provisions of *Fair Value Measurements and Disclosures* Topic of FASB ASC. This standard requires use of a fair value hierarchy that provides the inputs to valuation techniques used to measure fair value into three levels: quoted market price in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

MERCHANDISE INVENTORY

Merchandise inventory consists of T-shirts and miscellaneous memorabilia valued at cost.

LAND, BUILDINGS AND EQUIPMENT

The Fund capitalizes additions to property and equipment, over \$500 and with a useful life greater than one year. Donations of property and equipment are recorded as support at their estimated value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Fund reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Property and equipment are depreciated over their estimated useful lives of 5 to 39 years primarily using the straight-line method.

ACCRUED VACATION

In 2022, the fund changed its policy on accrued vacation and in the past, there was no accrued vacation. Employees receive accrued leave at the beginning of each calendar year based on the time employed. At separation, a maximum of 50 days will be paid as final remuneration. As of December 31, 2022, accrued vacation was \$27,375.

CONTRIBUTIONS

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED SERVICES

The Fund receives a significant amount of donated services from unpaid volunteers who assist in fundraising, program activities and special events. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Fund if not provided by donation. Services meeting the above criteria are recorded at their fair values in the period received. For the year ended December 31, 2022, contributed services were valued at \$87,460 compared to \$88,407 for 2021.

INCOME TAX STATUS

The Fund is exempt from income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code and is classified as other than a private foundation. Contributions to the Fund are tax deductible as permitted under the Code.

FASB Topic 740-10, Accounting for Uncertainty in Income Taxes, prescribes 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. 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, the Fund only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. The Fund had no material unrecognized tax benefits for the year ended December 31, 2022. As a result, no interest or penalties were accrued for unrecognized tax benefits during the year. As of December 31, 2022, the tax years for 2020 through 2021 remain subject to examination by taxing authorities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of producing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING

The Fund expenses advertising costs as incurred. Total advertising expense for the year ended December 31, 2022, was \$722 compared to \$157 in 2021.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at December 31, 2022, and December 31, 2021, consist of:

	2022	2021
Building	\$ 88,000	\$ 88,000
Building Improvements	183,306	183,306
Equipment	569,278	569,278
Land	237,505	237,505
	<u>1,078,089</u>	<u>1,078,089</u>
Less Accumulated Depreciation	(671,365)	(645,362)
Land, Buildings and Equipment, Net	<u>\$ 406,724</u>	<u>\$ 432,727</u>

NOTE 3 – EVENT PROCEEDS

Event proceeds at December 31, 2022, and December 31, 2021:

	<u>2022</u>	<u>2021</u>
Events Income	\$ 219,486	\$16,406
Cost of Sales	<u>(178,183)</u>	<u>(8,390)</u>
	<u>\$ 41,303</u>	<u>\$8,016</u>

NOTE 4 - CONCENTRATION OF RISKS

CREDIT RISK

The Fund maintains cash deposits with major banks which from time to time may exceed federally insured limits. There were deposits on December 31, 2022, of \$973,727, of which \$250,000 was insured by FDIC.

INVESTMENTS

Investments consist of the following:

Cash and Equivalents	\$ 50,977
Fixed Income	122,064
Equities	81,186
Alternative	<u>24,747</u>
	<u>\$ 278,974</u>

Investment income consists of the following:

Interest and dividends	\$ 5,514
Realized losses on investments	2,015
Unrealized losses on investments	<u>(15,129)</u>
	<u>\$ (7,600)</u>

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - CONCENTRATION OF RISKS – (Continued)

ECONOMIC DEPENDENCY

The Fund operates from a single location and relies on its broadcasting assets to serve its coverage areas. The Fund's broadcasting assets (including transmission towers) are located in various leased properties that may not be easily replaced or substituted with different properties. If the Fund is required to change the locations of its broadcasting assets, it may need to settle with less-than-ideal locations or invest in additional broadcasting assets to maintain its coverage areas.

The Fund receives a substantial amount of its support from the Corporation for Public Broadcasting (CPB). If a significant reduction in this level of support were to occur, it may have an adverse effect on the Fund's programs and activities. CPB funds are subject to certain use and reporting requirements. Should CPB determine funds were not spent properly, the Fund may be required to return the funds. The Fund believes all CPB funds have been spent in accordance with CPB's restrictions.

The Fund receives a significant amount of services from National Public Radio (NPR). The Fund's programming would be negatively affected if it no longer had access to NPR programming.

NOTE 5 - FACILITY AND TOWER LICENSE AGREEMENT

On October 31, 2012, the Fund signed a Facility and Tower License Agreement. The Fund, along with TSG Ski & Golf, LLC (TSG) and the Sheriff's Office of San Miguel County (Sheriff's Office) have established interests of some nature in property at Coonskin Ridge, Telluride Colorado. The Agreement was executed with Exelis, Inc.

Exelis, Inc. desires to utilize the Coonskin Property and the existing antenna tower structure and equipment shelter on the Coonskin Property to support their effort in providing the air traffic control surveillance services under FAA contract. Under the Agreement the Fund, TSG and the Sheriff's Office license to Exelis, Inc. the rights to utilize certain portions of the premises and facilities on the Coonskin Property. The initial lease term is five two-year terms with the option to renew for three additional terms of five years.

The initial monthly license fee was \$1,250 payable on the first day of each month during the renewal term of this agreement only. Annual increases of 2.5% apply after the first anniversary of the commencement date and each one-year anniversary thereafter. Exelis, Inc. was permitted to use Coonskin Property rent free during the initial license term. The Fund's portion of the monthly license fee is 33.33%.

In addition to the monthly license fee, Exelis, Inc. shall pay the Fund a monthly utility fee reimbursement for electrical power consumed and for the use of electrical power from the emergency back-up generator on the premises. This will be due each and every month Exelis, Inc. uses the premises. The monthly utilities fee will increase at a rate of 2.5% on an annual basis beginning on the first full month after the first anniversary of the commencement date and each one-year anniversary thereafter.

In consideration for the use of the premises, Exelis, Inc. paid the Fund, TSG and the Sheriff's Office a one-time capital contribution of \$21,000. The Fund's portion of the capital contribution was 33.33%.

**SAN MIGUEL EDUCATIONAL FUND
KOTO-FM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 - FACILITY AND TOWER LICENSE AGREEMENT – (Continued)

Future minimum income under the agreement as of December 31, 2022, is as follows:

December 31, 2023	\$8,704
December 31, 2024	8,922
December 31, 2025	9,145
December 31, 2026	9,373
December 31, 2027	9,706
Future Years	<u>118,322</u>
Total	<u>\$164,172</u>

NOTE 6 - EMPLOYEE BENEFITS

Effective January 1, 2020, the Fund provides a SIMPLE IRA plan in which the employees may make pre-tax contributions to self-directed IRA mutual funds and the Fund may match the employee contributions up to 3% of compensation. For the year ended December 31, 2022, the Fund contributed \$7,392. The amount of \$6,648 was contributed of 2021.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through July 14, 2023, the date on which the financial statements were available to be issued. There were no subsequent events identified that would require disclosure.