KUTE, INC.

FINANCIAL STATEMENTS AND

AUDITOR'S REPORT

Years Ended September 30, 2015 and 2014

KUTE, INC.
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CLARK, WHITE, & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS
Karla K. Clark, CPA
Frankie White, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of KUTE, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUTE, Inc. as of September 30, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget comparison on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Clark, White & Associates, Inc.

CLARK, WHITE & ASSOCIATES, INC.

January 7, 2016

KUTE, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2015 and 2014

	September 30, 2015	September 30, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$34,297	$25,523
Funds held by the Southern Ute Indian Tribe	222,231	285,832
Pledges receivable, net	47,581	47,636
Underwriting receivable, net	42,565	42,772
Prepaid expenses	10,210	7,484
Total Current Assets	356,884	409,247
Capital Assets		
Construction in progress	49,987	38,098
Property and equipment, net	105,636	147,781
Total Net Capital Assets	155,623	185,879
Other Assets		
Intangible assets	66,844	66,844
Deposits	2,555	2,555
Restricted funds held by the Southern Ute Indian Tribe	16,010	18,410
Cash designated for capital campaign	169,503	135,693
Total Other Assets	254,912	223,502
TOTAL ASSETS	$767,419	$818,628
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$3,546	$22,328
Accrued salaries and benefits	42,958	36,857
Deferred revenues	30,851	30,667
Total Current Liabilities	77,355	89,852
Long-term Liabilities		
Accrued sick pay	21,742	21,183
Total Liabilities	99,097	111,035
Net assets		
Unrestricted	505,049	553,490
Temporarily restricted	163,273	154,103
Total Net Assets	668,322	707,593
TOTAL LIABILITIES AND NET ASSETS	$767,419	$818,628

See accompanying notes to the financial statements

KUTE, INC.
STATEMENT OF ACTIVITIES
Years Ended September 30, 2015 and 2014

	September 30, 2015	September 30, 2014
UNRESTRICTED NET ASSETS		
Support		
Contributions and memberships	$355,352	$333,887
Business underwriting	454,718	448,156
CPB grant	182,926	185,517
Foundation grants		2,878
Special events	51,424	77,952
Interest income	45	62
In-kind support from Southern Ute Indian Tribe	126,200	126,200
Net assets released from restrictions:		
Restrictions satisfied by payments	113,906	106,711
Total Unrestricted Support	1,284,571	1,281,363
Expenses		
Cost of services	228,552	191,079
Personnel	609,611	543,190
Conferences and meetings	5,180	10,145
Occupancy	82,320	79,803
Contractual services	141,397	147,090
Administration	214,083	228,881
Depreciation	51,871	59,594
Total Expenses	1,333,014	1,259,782
Change in Unrestricted Net Assets	(48,443)	21,581
TEMPORARILY RESTRICTED NET ASSETS		
CPB grant	52,788	52,286
Capital campaign	70,290	147,336
Net assets released from restrictions:		
Farmington Tribal Signal grant expenditures	(2,400)	(2,675)
Capital campaign expenditures	(58,718)	(51,750)
CPB grant expenditures	(52,788)	(52,286)
Change in Temporarily Restricted Net Assets	9,172	92,911
Change in Net Assets	(39,271)	114,492
Net Assets, Beginning of Year	707,593	593,101
Net Assets, End of Year	$668,322	$707,593

KUTE, INC.
STATEMENT OF CASH FLOWS
Years Ended September 30, 2015 and 2014

	September 30, 2015	September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, memberships and underwriting	$747,739	$846,774
Cash received from CPB grant	235,714	237,803
Cash received from foundation grants		2,878
Interest received	45	62
Cash paid to vendors	(382,349)	(357,210)
Cash paid for personnel costs	(602,951)	(541,072)
Net Cash Flows from Operating Activities	(1,802)	189,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers from restricted cash	2,400	2,675
Purchase of fixed assets	(21,615)	(12,035)
Net Cash Flows from Investing Activities	(19,215)	(9,360)
Net Increase (Decrease) in Cash and Cash Equivalents	(21,017)	179,875
Cash and Cash Equivalents at Beginning of Year	447,048	267,173
Cash and Cash Equivalents at End of Year	$426,031	$447,048

Cash as Reported on the Balance Sheet		
Cash and cash equivalents	$34,297	$25,523
Funds held by the Southern Ute Indian Tribe	222,231	285,832
Cash desingated for capital campaign	169,503	135,693
	$426,031	$447,048

See accompanying notes to the financial statements

KUTE, INC.
STATEMENT OF CASH FLOWS
Years Ended September 30, 2015 and 2014

	September 30, 2015	September 30, 2014
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	($39,271)	$114,492
Adjustments to reconcile change in net assets to net cash flows from operating activites:		
Depreciation	51,871	59,594
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	262	(14,442)
(Increase) decrease in prepaid expenses	(2,726)	1,284
(Decrease) increase in accounts payable	(18,782)	14,211
(Decrease) increase in accrued expenses	6101	341
(Decrease) increase in compensated absences	559	1,777
(Decrease) increase in deferred revenues	184	11,978
Net Cash Flows from Operating Activities	($1,802)	$189,235

1. Summary of Significant Accounting Policies

Organization
KUTE, Inc. (the Station) was incorporated as a Colorado non-profit corporation on May 27, 1975, and operates as a public broadcasting organization that serves the four states of the Four Corners Region through a network of six FCC (Federal Communications Commission) licensed transmitters and five FCC licensed translators. The Station, licensed under KSUT-FM. KUTE, Inc., received tax exempt status from the Internal Revenue Service under Code Section 501(c)(3) on March 14, 1986.

Prior to the year ended September 30, 2013, KUTE, Inc. had been included in the Southern Ute Indian Tribe's financial statements as a component unit. For fiscal years ended September 30, 2015 and 2014, it has been determined that KUTE, Inc. does not meet the criteria of a component unit of the Southern Ute Indian Tribe (the Tribe) and will not be included in the Tribe's reporting entity.

Basis of Accounting
Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. The Station uses the accrual method of accounting. Revenue is received when awarded or earned. Expenses are recorded when incurred.

Support and Revenue Recognition
Contributions that are unconditional promises to give are recognized as support in the period the promise is received. Allowances for estimated uncollectible pledges have been recorded as described in Note 2. In-kind support is recognized for non-cash contributions of goods or services and is offset by a corresponding increase in expenses or assets.

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

Grants and Contracts Receivable
Grants and contracts receivable are recorded as revenue in accordance with the terms of each agreement. Such receivables are considered by management to be fully collectible and accordingly no allowance for uncollectible grants or contracts is considered necessary.

Cash and Cash Equivalents
Cash and cash equivalents for purposes of the statement of cash flows consist of cash in checking accounts and the Station's share of pooled cash held by the Tribe. Cash set aside, designated by the Board of Directors, is reported as a noncurrent asset but is included in cash and cash equivalents for the cash flow statement since the Board has the authority to remove the designation. Cash restricted by third parties for acquisition of long-term assets is also segregated and classified as noncurrent. Restricted cash is excluded from cash and cash equivalents in the cash flow statement.

(Note 1 continued)

Prepaid Items
Payments made to vendors for services that will benefit periods beyond the current fiscal years are recorded as prepaid items. Prepaid items are recognized as expenses during the period benefited.

Deferred Revenue
Deferred revenue results from the receipt of prepayments for underwriting. Revenue is recognized in the period earned.

Accrued Salaries and Benefits
Accumulated salaries, vacation pay and other employee benefit amounts are accrued when incurred and are expected to be paid within one year.

Accumulated sick pay is not expected to be paid within one year and is recognized as a long-term liability.

Income Taxes
The Station is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Station has adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Station continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheets along with any interest and penalties that would result from that assessment. If an organization has unrelated business income, the Federal Exempt Organization Business Income Tax Returns (Form 990T) would be subject to examination by the Internal Revenue Service for three years after filing. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Based on the results of the management's evaluation, these requirements did not have a material effect on the Station's financial statements. Consequently, no liability is recognized in the accompanying balance sheets for uncertain income tax positions.

Planned Major Maintenance Activities
The Station currently has no plans for major maintenance activities. The policy for accounting for major maintenance activities is to expense the costs in the period incurred.

(Note 1 continued)

Fair Value of Financial Instruments
The application of generally accepted accounting principles (GAAP) requires disclosure of an estimate of the fair value of certain financial instruments. KUTE, Inc.'s significant financial instruments are cash, grants and pledges receivable, and other current assets and liabilities. For these financial instruments, carrying values approximate fair value. None of these instruments is held for trading purposes.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value on a nonrecurring basis. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 inputs that are observable for the asset or liability either directly or indirectly. Level 3 inputs are unobservable for the asset or liability and are based on assumptions using the best information available for the market value.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made in the prior year statements to conform to the current year presentation. These reclassifications had no effect on net assets.

Subsequent Events
Management has evaluated subsequent events through January 7, 2016, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

2. Pledges, Accounts and Grants Receivable

Receivables are stated at unpaid balances, less any allowances for doubtful accounts. The Station provides for losses on receivables using the allowance method. The allowance is based on past experience in general as well as analysis of specific accounts that are past due. It is the Station's policy to charge off uncollectible accounts when management determines the receivable will not be collected. All of the receivables are classified as current because they are expected to be collected in the succeeding fiscal year.

Amounts due to the Station at September 30, 2015 and 2014, consisted of the following:

(Note 2 continued)

	2015	2014
Pledges receivable	$51,458	$55,673
Less allowance for doubtful accounts	(3,877)	(8,037)
Pledges receivable, net	$47,581	$47,636

Underwriting receivable	$60,641	$44,371
Less allowance for doubtful accounts	(18,076)	(1,599)
Underwriting receivable, net	$42,565	$42,772

3. Construction in Progress

Construction in progress consists of costs for an automation upgrade and improvements to a building which the Station is planning on remodeling. As these items are placed into service, they will be removed from construction in progress and transferred to fixed assets.

	2015	2014
Balance at the beginning of the year	$38,098	$51,861
Additions	11,889	4,797
Less costs capitalized upon completion		(18,560)
Balance at the end of the year	$49,987	$38,098

4. Property and Equipment

Equipment and other property purchased by the Station are recorded at cost. Equipment acquired through in-kind donations is recorded at fair market value at the time of donation. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Station capitalizes property and equipment acquisitions of $1,000 or more which have a useful life of more than one year. Routine maintenance, repairs and renewal costs are expensed as incurred.

Property and equipment as of September 30, 2015 and 2014 consisted of the following:

(Note 4 continued)

	Estimated Life	2015	2014
Studio broadcasting and transmitting equipment	5-15 years	$944,857	$944,857
Office equipment	5-12 years	23,952	23,952
Building and improvements	25 years	24,274	24,274
Land improvements	25 years	2,987	2,987
Computer equipment	3 years	100,911	91,185
Total Fixed Assets		1,096,981	1,087,255
Less: accumulated depreciation		(991,345)	(939,474)
Net Fixed Assets		$105,636	$147,781

Property and equipment are depreciated using the straight-line method over their estimated useful lives. It has been the Station's practice to recognize depreciation as a discrete expense on the statement of activities rather than identifying it with program or supporting services. In order to also report on a functional basis, the Station has allocated depreciation in accordance with the functional area using the related asset.

Depreciation expense of $51,871 and $59,594 was recognized as a program expense for the years ended September 30, 2015 and 2014 respectively (see Note 12).

The majority of studio broadcasting and transmitting equipment was constructed by the Station using Federal grant funding in which the grantor retains a reversionary interest that continues for ten years after the official completion date of the project.

The Station is using equipment that was acquired under a grant from ITAC (International Communication Advisory Committee). The original cost of this equipment was $82,179. Such assets are not reflected in the Station's financial statements because title has not been conveyed to the Station by the Bureau of Indian Affairs.

The Station evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of the assets may not be recoverable. Generally, the basis for making such assessments is future cash flow projections. No impairments have been recorded to date.

5. Intangible Assets

Intangible assets consist of FCC licenses. Because the licenses have an indefinite life they are not amortized. The licenses had a carrying value of $66,844 at September 30, 2015 and 2014. Renewal costs consist of attorney fees and are expensed in the year of renewal.

Intangible assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subjected to fair value adjustments in certain circumstances (for example, when there is evidence of

(Note 5 continued)

impairment). These intangible assets are valued using significant other observable inputs which are Level 2 measurements in the GAAP valuation hierarchy described in Note 1. FCC licenses are tested annually for impairment referencing transactions for similar licenses sold, unless an event occurs or circumstances change that would more likely than not reduce the fair value of the licenses. At September 30, 2015 and 2014, there is no evidence of impairment.

6. Restricted and Designated Cash

Restricted Cash

Cash received that is restricted by the donor for long-term purposes is not available for current operations and is considered a noncurrent asset. The Station's restricted cash is for the completion of the upgrade of the Farmington Tribal Signal which is expected to be completed in 2015.

Restricted cash at September 30, 2015 and 2014 consisted of the following:

	2015	2014
Balance at the beginning of the year	$18,410	$21,085
Expenditures	(2,400)	(2,675)
Balance at the end of the year	$16,010	$18,410

Designated Cash

During 2011, the Board of Directors began setting aside cash funds in anticipation of a capital campaign. At September 30, 2015, $169,503 and at September 30, 2014, $135,693 was so designated. The capital campaign is expected to be an active fundraising activity in 2016 for the purpose of renovating and improving a building to be leased from the Tribe.

7. Funds Held by Southern Ute Indian Tribe

At September 30, 2015, the Southern Ute Indian Tribe held $222,231 of unrestricted cash and $16,010 of restricted cash and at September 30, 2014, the Tribe held $285,832 of unrestricted cash and $18,410 of restricted cash for KUTE, Inc. These monies are held in a pooled cash account maintained by the Tribe.

8. Lease Obligations, Current and Future

1. On August 30, 2011, the Station entered into an agreement with the Tribe to lease another building in which to house the Station operations. The initial agreement expires August 31, 2021, with two automatic ten years renewals. Under specified conditions, the $5,000 per month lease payment becomes an in-kind contribution from the Tribe. Execution of the agreement is contingent, however, upon the Station's ability to raise funds to remodel and move the operations into the building.

(Note 8 continued)

As of September 30, 2015 and 2014, the Station had not raised the needed funds and as a result, the Tribe waived the rent requirement and no rent expense or in-kind contribution was recognized for this new building in 2015 or 2014. The Station plans to raise the necessary funds in 2016.

2. On October 1, 2013, the Station entered into an agreement with the Tribe to lease a tract of land in the S1/2SE1/4 of sec. 17, T.33 N., R. 7W., N.M.P.M., La Plata County, Colorado for a transmitter, tower, antennas, related buildings and facilities. The Station is also leasing the access road to this site. The term of the lease is 25 years with a one-time rental payment of $1.

9. Concentrations

KUTE, Inc. receives a substantial amount of its financial support from the Corporation for Public Broadcasting (CPB). For the years ended September 30, 2015 and 2014, the Station received $235,714 and $237,803 respectively in grant funds from the CPB. This is approximately 25% of the cash revenues received by the Station each year.

10. Contingencies

The Station is exposed to various risks of loss related to torts; thefts of, damages to or destruction of assets, errors or omissions; injuries to employees, or acts of God in the normal course of business. In the opinion of management and legal counsel, all such pending legal matters are either adequately covered by insurance, or if not insured, will not have a material adverse effect on the financial position or results of operations of the Station.

11. Related Party Transactions

Due to the nature of the services provided to the Station by the Tribe and KUTE's participation in employee benefit plans, insurance coverage and other services under the Tribe umbrella, the transactions conducted between the two entities are considered related party transactions. The Tribe provides significant accounting services to the Station including handling routine cash collections and cash distributions. During the years ended September, 30, 2015 and 2014, the Tribe received Station receipts of $816,304 and $893,629 and made disbursements on behalf of the Station of $879,502 and $811,928 during those years.

The Station recognized in-kind support of $126,200 during 2015 and 2014 to reflect the estimated value of services and use of facilities provided by the Tribe as follows:

(Note 11 continued)

	2015	2014
Accounting services	$70,900	$70,900
Building rental	18,000	18,000
Building maintenance	4,400	4,400
Tower site rental	2,150	2,150
Equipment rental	30,750	30,750
Total	$126,200	$126,200

12. Functional Classification of Expenses

Expenses by function for the years ended September 30, 2015 and 2014 were as follows:

Expenses	2015	2014
Program Services		
Production and programming	$229,085	$251,033
Broadcasting	373,568	277,087
Program information and promotion	25,707	42,639
Depreciation (Note 4)	51,871	59,594
Total Program Services	680,231	630,353
Supporting Services		
Management and general	262,875	200,054
Fundraising		
General membership development	210,891	205,278
Underwriting and grant solicitation	137,590	172,347
Total Supporting Services	611,356	577,679
Total Operating Expenses	$1,291,587	$1,208,032

In addition to the fundraising noted above, the Station incurred costs of $41,427 and $51,750 for the capital campaign during the years ended September 30, 2015 and 2014 respectively, which are fundraising costs not included in the operating expenses.

13. Employee Benefits

Vacation, Personal and Sick Leave
The Station's policy for vacation, personal and sick leave includes the following provisions:

1. Full-time regular employees accrue annual leave from the date of employment.
2. Vacation time may be accumulated throughout the calendar years, but only 240 hours or 30 working days may be carried at any time throughout the years.
3. Upon separation, an employee will be paid for 100% of the unused portion of his/her accrued annual vacation, but will not be paid for more than 240 hours.

(Note 13 continued)

4. Upon separation, an employee will also be paid for 50% of their accumulated sick leave hours up to 200 hours and 25% for sick leave hours in excess of 200 hours.

Retirement Savings Plan
The Southern Ute Indian Tribe 401(k) Retirement Savings Plan and Trust (the 401(k)) is a defined contribution plan covering all eligible employees of the Southern Ute Indian Tribe. KUTE, Inc.'s employees are also allowed to participate in this retirement plan. The 401(k) was created by the merging of the Plan with the discontinued Southern Ute Indian Tribe Retirement Plan effective December 31, 2000 and was formed to satisfy the provisions of Section 401(k) of the Internal Revenue Code of 1986 as amended.

The 401(k) plan is administered by the Southern Ute Indian Tribe 401(k) Retirement Plan Committee, which was created by Tribal Council. Tribal Council maintains sole authority to amend or modify the provisions of the 401(k) and contributions including employee deferrals, employer safe harbor matching contributions and employee discretionary profit-sharing contributions.

All employees are eligible to participate in the 401(k) after completing 90 days of continuous employment. Through payroll deductions, an employee may make pre-tax, Roth, or a combination of pre-tax and Roth contributions up to the maximum allowed by law. The Station will contribute up to 4% of compensation deferred by the employee. Employees are immediately vested in the deferred and matching contributions.

Under the 401(k), a participant may retire at age 65 or after age 55 and three years of vesting service. A participant who is 100% vested and terminated from employment is eligible to elect a distribution as soon as administratively possible after the end of the years of termination. A participant may elect to leave funds in the 401(k) for retirement or receive a cash distribution.

An annual financial statement audit of the 401(k) plan is required under the Employee Retirement Income Security Act of 1974 and may be obtained by participants by contacting tribal management.

The Station contributed $9,204 and $8,110 for the years ended September 30, 2015 and 2014 on behalf of the employees participating in the Retirement Savings Plan.

Health Insurance
KUTE, Inc. participates in the Southern Ute Indian Tribe's fully insured preferred provider organization medical plan through Anthem Blue Cross/Blue Shield of Colorado. The Station also participates in the Tribe's fully-insured group life and long-term disability insurance for employees and self-insured vision care and dental insurance for all regular employees who work at least 24 hours per week and their enrolled dependents. Through the Tribe, KUTE, Inc. also pays a life and accidental death and dismemberment insurance policy for all qualified full-time and part-time employees and their dependents, as well as a long term disability plan for all full-time and part-time qualified employees. During the years ended September, 30, 2015 and 2014, the Station paid $125,897 and $138,828 for health and life insurance expense.

(Note 13 continued)

Cafeteria Benefit Plan
The Tribe established a cafeteria benefit plan under Section 125 of the Internal Revenue Code. Under the plan, employees are eligible to elect a salary reduction to be used to pay for medical plan premiums, out-of-pocket medical costs and qualified day care costs with the pre-tax dollars. Employees who have qualified for their health insurance plan are eligible to participate and make allocations to cover additional costs of the Tribe's medical plans, including the costs of medical and hospitalization coverage, major medical coverage, cancer care policies, and/or dental coverage.

14. Net Assets

Net assets at September 30, 2015 and 2015 consisted of the following components:

	2015	2014
Unrestricted Net Assets		
Net investment in fixed assets and construction work in progress	$155,623	$185,876
Investment in intangibles	66,844	66,844
Designated for capital campaign		
Available for operations	282,582	300,770
Total Unrestricted Net Assets	505,049	553,490
Temporarily Restricted Net Assets		
Restricted for tribal signal upgrade	16,010	18,410
Restricted for capital campaign	147,266	135,693
Total Temporarily Restricted Net Assets	163,276	154,103
Total Net Assets	$668,325	$707,593

15. Conditional Promises to Pay

The station received a conditional promise of a $35,000 grant from the Gates Family Foundation. The grant is conditional upon KUTE, Inc. raising funds of $2,029,000 or whatever is needed to complete the renovation of the Eddie Box Jr. Media Center by February 15, 2016. This grant will be recognized as revenue when it is received.

16. Non-Cash Support

As reported in Note 1, the Station recognizes in-kind support for non-cash contributions of goods or services as donation income and barter transactions in exchange for underwriting. The non-cash support which has been recorded on the Station's financials is shown below.

	2015	2014
In-kind Donations		
Technical services	$74,013	$78,544
Occupancy expenses	72,100	39,200
General administration	13,530	42,680
Cost of services	58,257	25,298
Total In-kind Donations	217,900	185,722
Barter Transactions		
Technical services		3,691
Occupancy expenses		240
General administration	34,177	37,963
Cost of services	46,295	56,042
Total Barter Transactions	80,472	97,936
Total Non-Cash Support	$298,372	$283,658

SUPPLEMENTAL INFORMATION

KUTE, INC.
SCHEDULE OF BUDGET COMPARISON
For the Year Ended September 30, 2015

	Operating Actual	Less Capital Campaign, In-Kind and Trade Support	Support and Expenses for Budget Comparison	Amended Budget	Variance Favorable (Unfavorable)
Support					
Contributions and memberships	$355,352	($91,700)	$263,652	$276,000	($12,348)
Business underwriting	454,718	(64,575)	390,143	355,000	35,143
CPB grant	235,714		235,714	235,714	
Special events	51,424		51,424	62,000	(10,576)
In-kind support from Tribe	126,200	(126,200)			
Other income				6,000	(6,000)
Interest income	45		45		45
Total Support	1,223,453	(282,475)	940,978	934,714	6,264
Expenses					
Cost of services	228,552	(108,301)	120,251	118,775	(1,476)
Personnel	571,422		571,422	569,594	(1,828)
Conferences and meetings	5,180	(321)	4,859	11,900	7,041
Occupancy	82,320	(41,600)	40,720	54,920	14,200
Contractual services	141,397	(107,904)	33,493	57,500	24,007
Administration	214,083	(91,639)	122,444	122,025	(419)
Total Expenses	1,242,954	(349,765)	893,189	934,714	41,525
Net Increase (Decrease) in Activities - Budgetary basis	(19,501)	67,290	47,789	0	47,789
Adjustment from Budgetary Basis to Basis for Generally Accepted Accounting Principles					
Depreciation Expense	(51,871)		(51,871)	(115,000)	63,129
Staff bonus from Budget Surplus	(38,189)		(38,189)	(38,189)	
Other expenses from Budget Surplus				(38,187)	38,187
Capital Campaign donations	70,290		70,290		70,290
Capital Campaign expenditures		(58,718)	(58,718)		(58,718)
In-kind included in deferred revenues		(8,572)	(8,572)		(8,572)
Change in Net Assets	($39,271)	$0	(39,271)	(191,376)	152,105
Net Assets, Beginning of Year			707,593	76,376	631,217
Net Assets, End of Year			$668,322	($115,000)	$783,322

Note: KUTE, Inc. budgeted amounts exclude all in-kind donations, trade support, capital expenditures, and capital campaign activities. For this schedule those items have been backed out of the actual numbers for budget comparative purposes only.