# FRIENDS OF KSPS

## FINANCIAL STATEMENTS

## YEARS ENDED AUGUST 31, 2023 AND 2022

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**FRIENDS OF KSPS**
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**YEARS ENDED AUGUST 31, 2023 AND 2022**


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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of KSPS
Spokane, Washington

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Friends of KSPS (a nonprofit organization), which comprise the statements of financial position as of August 31, 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 Friends of KSPS as of August 31, 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 Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of KSPS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, in 2022 Friends of KSPS adopted new accounting guidance for leases. The guidance requires leasees to recognize a right-of-use asset and corresponding liability for operating and finance leases with lease terms greater than one year. 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 Friends of KSPS's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors
Friends of KSPS

***Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Friends of KSPS'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 Friends of KSPS'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.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Spokane, Washington
November 30, 2023

**FRIENDS OF KSPS**
**STATEMENTS OF FINANCIAL POSITION**
**AUGUST 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 2,246,324 | $ 2,780,983 |
| Investments | 892,246 | 472,694 |
| Receivables: | | |
| Program Underwriting | 166,754 | 76,154 |
| Other | 29,186 | 44,645 |
| Prepaid Expenses and Deposits | 214,842 | 174,201 |
| Total Current Assets | 3,549,352 | 3,548,677 |
| **NONCURRENT ASSETS** | | |
| Investments Held in Friends of KSPS Endowment Fund | 2,636,369 | 1,917,834 |
| Beneficial Interest in Innovia Foundation | 658,368 | 632,169 |
| Beneficial Interest in Charitable Remainder Trust | 26,749 | 26,749 |
| Equipment, Net of Accumulated Depreciation | 1,748,009 | 1,665,166 |
| Operating ROU Asset, Net | 2,560,134 | - |
| Finance ROU Asset, Net | 9,143 | - |
| Total Noncurrent Assets | 7,638,772 | 4,241,918 |
| Total Assets | $ 11,188,124 | $ 7,790,595 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts Payable | $ 160,375 | $ 211,910 |
| Accrued Compensation and Related Liabilities | - | 108,030 |
| Deferred Program Underwriting Revenue | 138,440 | 85,391 |
| Current Maturities of Lease Liability - Operating | 131,667 | - |
| Current Maturities of Lease Liability - Finance | 2,413 | - |
| Total Liabilities | 432,895 | 405,331 |
| **LONG-TERM LIABILITIES, LESS CURRENT MATURITIES** | | |
| Lease Liability - Operating | 2,428,467 | - |
| Lease Liability - Finance | 6,840 | - |
| Total Long-Term Liabilities, Less Current Maturities | 2,435,307 | - |
| Total Liabilities | 2,868,202 | 405,331 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 8,284,173 | 7,353,515 |
| With Donor Restrictions | 35,749 | 31,749 |
| Total Net Assets | 8,319,922 | 7,385,264 |
| Total Liabilities and Net Assets | $ 11,188,124 | $ 7,790,595 |

*See accompanying Notes to Financial Statements.*

# FRIENDS OF KSPS
# STATEMENTS OF ACTIVITIES
# YEARS ENDED AUGUST 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **SUPPORT, REVENUE, AND GAINS** | | |
| SUPPORT: | | |
| Memberships and Contributions | $ 3,430,725 | $ 3,551,431 |
| Community Service Grants from the Corporation for Public Broadcasting | 1,292,899 | 1,156,478 |
| Other Grants | 336,539 | 271,862 |
| In-Kind Contributions | 110,196 | 95,861 |
| Foundation, Bequest, and Trust Contributions | 672,354 | 166,803 |
| Special Event Revenue | 7,443 | - |
| Net Assets Released from Restrictions | 11,000 | 60,000 |
| Total Support | 5,861,156 | 5,302,435 |
| REVENUE: | | |
| Program Underwriting | 338,639 | 394,953 |
| Engineering Services | 165,006 | 222,693 |
| Production Services | 162,212 | 126,990 |
| Investment Income (Loss), Net | 182,849 | (245,177) |
| Change in Value of Beneficial Interest in Innovia Foundation | 26,198 | (125,844) |
| Gain on Exchange | 79,337 | 115,860 |
| Other | 30,399 | 14,718 |
| Total Revenue | 984,640 | 504,193 |
| Total Support, Revenue, and Gains | 6,845,796 | 5,806,628 |
| **EXPENSES** | | |
| Program Services: | | |
| Programming and Production | 1,997,578 | 1,990,902 |
| Engineering Services | 1,187,707 | 1,239,637 |
| Program Information | 541,017 | 208,001 |
| Member Services | 1,152,331 | 1,119,085 |
| Total Program Services | 4,878,633 | 4,557,625 |
| Supporting Services: | | |
| Fundraising | 303,563 | 238,963 |
| Program Underwriting | 131,389 | 212,813 |
| Management and General | 601,553 | 473,731 |
| Total Supporting Services | 1,036,505 | 925,507 |
| Total Expenses | 5,915,138 | 5,483,132 |
| **CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | 930,658 | 323,496 |
| **CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS** | | |
| Contributions with Donor Restrictions | 15,000 | - |
| Change in Value of Beneficial Interest in Charitable Remainder Trust | - | (6,331) |
| Net Assets Released From Restrictions | (11,000) | (60,000) |
| Total Change in Net Assets With Donor Restrictions | 4,000 | (66,331) |
| **CHANGE IN NET ASSETS** | 934,658 | 257,165 |
| Net Assets – Beginning of Year | 7,385,264 | 7,128,099 |
| **NET ASSETS – END OF YEAR** | $ 8,319,922 | $ 7,385,264 |

*See accompanying Notes to Financial Statements.*

# FRIENDS OF KSPS
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED AUGUST 31, 2023

| | Program Services | | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Programming and Production | Engineering Services | Program Information | Member Services | Total Program Services | Fundraising | Program Underwriting | Management and General | Total Support Services | Total |
| Salaries | $ 334,722 | $ 571,813 | $ 161,767 | $ 585,618 | $ 1,653,920 | $ 63,433 | $ 67,932 | $ 150,000 | $ 281,365 | $ 1,935,285 |
| Employee Benefits | 32,239 | 90,495 | 15,067 | 76,080 | 213,881 | 955 | 1,591 | 19,859 | 22,405 | 236,286 |
| Payroll Taxes | 24,765 | 44,631 | 13,282 | 47,344 | 130,022 | 7,207 | 5,435 | 31,496 | 44,138 | 174,160 |
| Dues, Licenses, and Permits | 947,436 | - | - | - | 947,436 | - | - | - | - | 947,436 |
| Printing, Postage, and Supplies | - | 16,747 | 112,078 | 321,407 | 450,232 | 117,610 | 3,447 | 93,295 | 214,352 | 664,584 |
| Local Program Production | 3,838 | - | - | - | 3,838 | - | - | - | - | 3,838 |
| Telemarketing | - | - | - | - | - | 67,925 | - | - | 67,925 | 67,925 |
| Leases and Maintenance Agreements | - | 15,105 | - | - | 15,105 | - | - | 37,490 | 37,490 | 52,595 |
| Depreciation | 276,696 | - | - | - | 276,696 | - | - | - | - | 276,696 |
| Special Events | - | - | 12,497 | - | 12,497 | - | 2,100 | - | 2,100 | 14,597 |
| Building Lease | 64,111 | 65,594 | - | 67,177 | 196,882 | 118 | 7,793 | 17,207 | 25,118 | 222,000 |
| Other | 313,771 | 383,322 | 226,326 | 54,705 | 978,124 | 46,315 | 43,091 | 252,206 | 341,612 | 1,319,736 |
| Total Expenses | $ 1,997,578 | $ 1,187,707 | $ 541,017 | $ 1,152,331 | $ 4,878,633 | $ 303,563 | $ 131,389 | $ 601,553 | $ 1,036,505 | $ 5,915,138 |

*See accompanying Notes to Financial Statements.*

# FRIENDS OF KSPS
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED AUGUST 31, 2022

| | Program Services | | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Programming and Production | Engineering Services | Program Information | Member Services | Total Program Services | Fundraising | Program Underwriting | Management and General | Total Support Services | Total |
| Salaries | $ 424,348 | $ 523,358 | $ 77,433 | $ 497,493 | $ 1,522,632 | $ 4,000 | $ 63,397 | $ 191,974 | $ 259,371 | $ 1,782,003 |
| Employee Benefits | 39,433 | 74,191 | 3,022 | 95,484 | 212,130 | 156 | 2,474 | 9,768 | 12,398 | 224,528 |
| Payroll Taxes | 35,718 | 44,051 | 6,518 | 41,874 | 128,161 | 337 | 5,336 | 16,158 | 21,831 | 149,992 |
| Dues, Licenses, and Permits | 878,918 | - | - | - | 878,918 | - | - | - | - | 878,918 |
| Printing, Postage, and Supplies | 2,733 | 14,108 | 80,733 | 353,176 | 450,750 | 116,940 | - | 15,430 | 132,370 | 583,120 |
| Local Program Production | 14,184 | - | - | - | 14,184 | - | - | - | - | 14,184 |
| Telemarketing | - | - | - | - | - | 66,841 | - | - | 66,841 | 66,841 |
| Leases and Maintenance Agreements | - | 30,396 | - | - | 30,396 | - | - | 40,527 | 40,527 | 70,923 |
| Depreciation | 192,005 | - | - | - | 192,005 | - | - | - | - | 192,005 |
| Special Events | - | - | - | - | - | - | - | 4,241 | 4,241 | 4,241 |
| Building Lease | 40,977 | 65,263 | 9,750 | 75,099 | 191,089 | 504 | 7,983 | 22,424 | 30,911 | 222,000 |
| Other | 362,586 | 488,270 | 30,545 | 55,959 | 937,360 | 50,185 | 133,623 | 173,209 | 357,017 | 1,294,377 |
| Total Expenses | $ 1,990,902 | $ 1,239,637 | $ 208,001 | $ 1,119,085 | $ 4,557,625 | $ 238,963 | $ 212,813 | $ 473,731 | $ 925,507 | $ 5,483,132 |

*See accompanying Notes to Financial Statements.*

# FRIENDS OF KSPS
# STATEMENTS OF CASH FLOWS
# YEARS ENDED AUGUST 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Memberships, Contributions, and Program Underwriting Collected | $ 4,444,647 | $ 4,145,868 |
| Community Service Grants from the Corporation for Public Broadcasting and Other Grants | 1,629,438 | 1,428,340 |
| Engineering Services | 22,343 | 222,693 |
| Production Services | 162,212 | 20,850 |
| Investment Income | 106,579 | 94,908 |
| Cash Paid to and on Behalf of Employees | (2,453,761) | (2,087,914) |
| Cash Paid to Suppliers and Spokane Public Schools | (3,049,034) | (2,834,184) |
| Net Cash Provided by Operating Activities | 862,424 | 990,561 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Equipment | (359,539) | (696,882) |
| Purchase of Investments | (2,825,007) | (2,467,128) |
| Sale of Investments | 1,763,190 | 2,145,163 |
| Distributions from Beneficial Interest in Innovia Foundation | 27,820 | 28,387 |
| Net Cash Used by Investing Activities | (1,393,536) | (990,460) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from Line of Credit | 151,901 | - |
| Principal Payments on Line of Credit | (151,901) | - |
| Payments on Finance Leases | (3,547) | - |
| Net Cash Provided (Used) by Financing Activities | (3,547) | - |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | (534,659) | 101 |
| Cash and Cash Equivalents – Beginning of Year | 2,780,983 | 2,780,882 |
| **CASH AND CASH EQUIVALENTS – END OF YEAR** | $ 2,246,324 | $ 2,780,983 |

*See accompanying Notes to Financial Statements.*

**FRIENDS OF KSPS**
**STATEMENTS OF CASH FLOWS (CONTINUED)**
**YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Changes in Net Assets | $ 934,658 | $ 257,165 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 276,696 | 192,005 |
| Amortization of Right of Use Asset | 3,657 | - |
| Noncash Lease Expense | (126,967) | - |
| Change in Value of Charitable Remainder Trust | - | 6,331 |
| Change in Value of Beneficial Interest in Innovia Foundation | (54,019) | 125,844 |
| (Gain) Loss on Investments, Net | (76,270) | 340,085 |
| (Increase) Decrease in Assets: | | |
| Program Underwriting Receivable | (90,600) | 108,169 |
| Other Receivables | 15,459 | (38,880) |
| Prepaid Expenses and Deposits | (40,641) | (167,298) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (51,535) | 141,484 |
| Accrued Compensation and Related Liabilities | (108,030) | 68,609 |
| Deferred Program Underwriting Revenue | 53,049 | (42,953) |
| Lease Liability - Operating | 126,967 | - |
| Net Cash Provided by Operating Activities | $ 862,424 | $ 990,561 |
| | | |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| In-Kind Contributions | $ 110,196 | $ 95,861 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Friends of KSPS (the Organization) is a Washington nonprofit corporation which supports the educational and cultural needs of the residents of eastern Washington, northern Idaho, western Montana, and parts of western Canada through public television broadcasts on KSPS-TV. KSPS-TV has operated continuously as a public television station since 1967.

On August 31, 2013, the Federal Communications Commission's (FCC) broadcast license was transferred from Spokane Public Schools (SPS) to the Organization, making the Organization the owner and operator of KSPS-TV.

The Organization provides quality educational and cultural programming through 24-hour program service distributed by transmitter, cable, and satellite to viewers in eastern Washington, northern Idaho, western Montana, and parts of western Canada. This service reaches educational and public service institutions, childcare providers, and others and provides them with educational tools and outreach programs that expand learning beyond the programs and the classroom. Each week, the Organization broadcasts educational, noncommercial, nonviolent programs for children. The Organization also develops and distributes online content. The Organization is a member of the Public Broadcasting Service (PBS).

### Financial Statement Presentation

The financial statements of the Organization have been presented on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board-designated amounts consist of the Organization's board-designated endowment fund, which is comprised of cash and investments held to provide support to the Organization in future periods.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no restrictions that are perpetual in nature. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Use of Estimates

The preparation of financial statements 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 date of the financial statements 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 statements of cash flows, the Organization considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents, with the exception of funds included in the Organization's investment portfolio.

### Investments

The Organization accounts for investments in accordance with the provisions of *Accounting for Certain Investments Held by Not-for-Profit Organizations. Under Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization has adopted the Fair Value Measurement standard under which fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The techniques used to measure fair value are prioritized in accordance with the tri-level fair value hierarchy established by the standard. See Note 8 for expanded disclosure.

### Station Receivables

Station receivables are carried at their expected collectible amounts and consist of receivables related to other broadcasting stations.

### Prepaid Expenses

Prepaid expenses consist primarily of prepaid commercial liability insurance and prepaid licenses.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Equipment

The Organization's capital assets are reported at cost. Donated capital assets are reported at their estimated fair value at the time of their donation. Equipment is capitalized when its acquisition cost or fair value at the date of donation is greater than $5,000. All capital assets are depreciated using the straight-line method of depreciation over estimated useful lives as follows:

| | |
|---|---|
| Broadcast Equipment | 4 to 20 Years |
| Transmitter Equipment | 5 to 20 Years |
| Digital Equipment | 3 to 7 Years |
| Office Equipment | 3 to 7 Years |
| Vehicles | 5 Years |

### Deferred Revenue

Deferred revenue consists of unearned revenue from underwriting.

### Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization does not record pledges as a receivable, since a written pledge is not obtained from the donor.

Contributions of services and other noncash support are recorded as both revenue and support and expense at the estimated fair value of the services and other support on the date of receipt when such services and support create or enhance nonfinancial assets or require specialized skills that typically need to be purchased if not provided by donation.

### Community Service Grants from the Corporation for Public Broadcasting

As a member of the Corporation for Public Broadcasting (CPB), the Organization receives funding from the CPB each year. This revenue is recognized in the financial statements during the grant period.

### Grant Revenue

Grant revenue is recognized when earned. Management believes grant receivable amounts are fully collectible.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue Recognition**

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocated the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

*Program Underwriting Revenue*

Program underwriting revenue is recognized over the term of the underwriting contract. The performance obligation of producing and airing spotlights is performed ratebly over the term of the contract. Program underwriting receivables represent contracts to underwrite programming that either have been billed but not yet collected or have not yet been billed. Management believes program-underwriting receivables are fully collectible. Uncollectible contracts are written off in the period they become uncollectible.

*Production and Engineering Revenue*

Production and engineering revenue represent amounts earned by the Organization for production and engineering related services performed. The performance obligation providing space for TV stations and cable providers to keep equipment in order to allow signal distribution is recognized ratebly over each month. The performance obligation of providing professional services are recognized as these services are performed. These revenues are recognized in the financial statements based on the terms of each contract.

Contract asset and liabilities are comprised of:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Accounts Receivable | $ 166,754 | $ 76,154 | $ 184,323 |
| Deferred Revenue | $ 138,440 | $ 85,391 | $ 128,344 |

**Functional Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on number of employees.

**Foreign Currency Transactions**

The Organization has a bank account in Canada to service Canadian members and vendors. Revenues and expenses are translated at average rates of exchange prevailing during the year.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is necessary. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of August 31, 2023 and 2022, the Organization had no uncertain tax positions.

### Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled $175,728 and $131,363 for the years ended August 31, 2023 and 2022, respectively.

### Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation of the current year financial statements. Such reclassifications resulted in no changes to previously reported change in total net assets.

### Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective September 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

### Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – finance and lease liability – finance in the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Adoption of New Accounting Standards (Continued)**

**Leases (Continued)**

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

**Subsequent Events**

The Organization has evaluated subsequent events through November 30, 2023, the date on which the financial statements were available to be issued.

## NOTE 2 LIQUIDITY

Friends of KSPS strive to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The Organization receives donor contributions throughout the year which are available to meet annual cash needs for general expenditures. All board-designated funds can be made available to meet operating needs if necessary.

| | 2023 | 2022 |
|---|---|---|
| Cash and Cash Equivalents | $ 2,246,324 | $ 2,780,983 |
| Investments | 3,528,615 | 2,390,528 |
| Accounts Receivable | 195,940 | 120,799 |
| Total Financial Assets | 5,970,879 | 5,292,310 |
| Less: | | |
| Board Designated Endowment Fund | (2,636,369) | (1,917,834) |
| Donor Restricted Net Assets | (9,000) | (5,000) |
| Total | (2,645,369) | (1,918,334) |
| Financial Assets Available for General Expenditures | $ 3,325,510 | $ 3,373,976 |

The board has set a goal of reserving three months of average operating expenses as an operating reserve.

## NOTE 3 INVESTMENTS

Investments consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 57,542 | $ 84,673 |
| Money Market | 88,949 | 78,572 |
| CDs | 249,983 | - |
| Equities | 1,726,495 | 1,265,331 |
| Fixed Income | 1,405,646 | 961,952 |
| Total | $ 3,528,615 | $ 2,390,528 |

Investments are reported in the statements of financial position as follows:

| | 2023 | 2022 |
|---|---|---|
| Investments | $ 892,246 | $ 472,694 |
| Investments Held in Friends of KSPS Endowment Fund | 2,636,369 | 1,917,834 |
| Total | $ 3,528,615 | $ 2,390,528 |

The following is a summary of investment income recognized during the years:

| | 2023 | 2022 |
|---|---|---|
| Investment Gains (Losses), Net | $ 76,270 | $ (340,085) |
| Interest and Dividends Earned | 106,579 | 94,908 |
| Total | $ 182,849 | $ (245,177) |

## NOTE 4 FRIENDS OF KSPS ENDOWMENT FUND

The Organization transferred funds to the Friends of KSPS Endowment Fund (the Endowment), whose assets are held by Washington Trust Bank (WTB). The Organization has delegated management and investment authority to WTB.

The Endowment consists solely of bequests and unanticipated gifts without donor restrictions in excess of $75,000. An option exists to allow up to 10% of bequests and unanticipated gifts without donor restrictions in excess of $75,000 received in the fiscal year to be allotted to general operations of the Organization at the request of the general manager and confirmed by a vote by the board of directors.

## NOTE 4 FRIENDS OF KSPS ENDOWMENT FUND (CONTINUED)

| | Board Designated Without Donor Restrictions |
|---|---|
| Endowment Net Assets, August 31, 2021 | $ 1,897,782 |
| Investment Return: | |
| Investment Income, Net | 72,725 |
| Net Gain on Investments: | |
| Realized Loss | (54,113) |
| Unrealized Loss | (219,757) |
| Deposits | 267,266 |
| Transfer to Operating | (46,069) |
| Endowment Net Assets, August 31, 2022 | 1,917,834 |
| Investment Return: | |
| Investment Income, Net | 59,841 |
| Net Gain on Investments: | |
| Realized Loss | (48,201) |
| Unrealized Gain | 121,005 |
| Deposits | 640,452 |
| Transfer to Operating | (54,562) |
| Endowment Net Assets, August 31, 2023 | $ 2,636,369 |

**Return Objectives and Risk Parameters**

The purpose of the endowment fund is to support the Organization and its mission over the long-term. Accordingly, the primary investments will preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to its programs in accordance with established spending policies.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objective, the Endowment will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends). The general policy shall be to diversify investments amount both growth and fixed income strategies to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. Endowment assets are invested based on the following asset allocation targets: 60% growth equity securities with a 15% limit on international equity securities, 36% fixed income, and 4% cash and cash equivalents.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Endowment funds have a spending limit of 4% of the 13-quarter trailing average of the Organization's total assets to operations, with the consideration that the rate will not exceed the total return from investments.

## NOTE 5 INNOVIA FOUNDATION

The Organization recognizes, as its assets, funds held by the Innovia Foundation Endowment Fund (the Fund) that were contributed directly to the Fund by the Organization. Innovia Foundation has variance power and is the legal owner of the Fund. The Organization is the beneficiary of the Fund and receives distributions of investment earnings from the Fund, subject to the spending policies of Innovia Foundation.

## NOTE 6 BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has established, through its deferred giving programs, a charitable remainder trust of which the Organization is the remainderman. The trust, formulated through written legal trust documents, is a separate entity for reporting to the Internal Revenue Service. In accordance with trust documents, the trust's property and all receipts of every kind shall be managed and invested by the trustee as a single fund from which the trustee shall pay a portion of the investment earnings to the beneficiaries in each taxable year of the trust. A beneficial interest is presented for the trust. The beneficial interest is computed based on the fair value of the Organization's interest in the trust assets. The beneficial interest in charitable remainder trust is considered net assets with donor restrictions.

## NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction consisted of the following at August 31:

| | 2023 | 2022 |
|---|---|---|
| Beneficial Interest in Charitable Remainder Trust | $ 26,749 | $ 26,749 |
| Media Summer Internship | 9,000 | - |
| Music Literacy | - | 5,000 |
| Total | $ 35,749 | $ 31,749 |

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose. Net asset releases were $11,000 and $60,000, respectively, for the years ending August 31, 2023 and 2022.

## NOTE 8 FAIR VALUE HIERARCHY

The three levels of the fair value hierarchy are defined as follows:

*Level 1* – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

## NOTE 8 FAIR VALUE HIERARCHY (CONTINUED)

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Investments are stated at fair value, which is determined by using market quotations and other information available at the valuation date.

The fair value of the beneficial interest in charitable remainder trusts and the beneficial interest in Innovia Foundation are based on quoted market values for the underlying marketable investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables disclose, by level within the fair value hierarchy, the Organization's assets measured and reported on the statements of financial position, at fair value on a recurring basis:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Cost | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 57,542 | $ - | $ - | $ - | $ 57,542 |
| Money Market | - | 88,949 | - | - | 88,949 |
| CDs | 249,983 | - | - | - | 249,983 |
| Equities | - | 1,726,495 | - | - | 1,726,495 |
| Fixed Income | - | 1,405,646 | - | - | 1,405,646 |
| Beneficial Interest in Innovia Foundation | - | - | - | 658,368 | 658,368 |
| Beneficial Interest in Charitable Remainder Trust | - | - | - | 26,749 | 26,749 |
| Total | $ 307,525 | $ 3,221,090 | $ - | $ 685,117 | $ 4,213,732 |

## NOTE 8 FAIR VALUE HIERARCHY (CONTINUED)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Cost | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 84,673 | $ - | $ - | $ - | $ 84,673 |
| Money Market | - | 78,572 | - | - | 78,572 |
| Equities | - | 1,265,331 | - | - | 1,265,331 |
| Fixed Income | - | 961,952 | - | - | 961,952 |
| Beneficial Interest in Innovia Foundation | - | - | - | 632,169 | 632,169 |
| Beneficial Interest in Charitable Remainder Trust | - | - | - | 26,749 | 26,749 |
| Total | $ 84,673 | $ 2,305,855 | $ - | $ 658,918 | $ 3,049,446 |

The following sets forth a summary for the years ended August 31, 2023 and 2022 of the Organization’s Level 3 assets:

| Instrument | Fair Value 2023 | Fair Value 2022 | Principal Valuation Technique | Unobservable Inputs |
|---|---|---|---|---|
| Beneficial Interest in Innovia Foundation | $ 658,368 | $ 632,169 | Net Asset Value | Value of Underlying Assets |
| Beneficial Interest in Charitable Remainder Trust | 26,749 | 26,749 | FMV of Trust Investments | Value of Underlying Assets |

## NOTE 9 EQUIPMENT

A summary of equipment is as follows:

| | 2023 | 2022 |
|---|---|---|
| Broadcast Equipment | $ 2,440,442 | $ 2,168,738 |
| Transmitter Equipment | 1,205,147 | 1,205,147 |
| Digital Equipment | 344,335 | 303,953 |
| Office Equipment | 100,641 | 100,641 |
| Vehicles | 112,937 | 65,484 |
| Total | 4,203,502 | 3,843,963 |
| Accumulated Depreciation | (2,455,493) | (2,178,797) |
| Equipment, Net | $ 1,748,009 | $ 1,665,166 |

## NOTE 10 BUILDING LEASE

Effective August 31, 2013, the Organization entered into a five-year lease agreement with four options to renew, each for a period of five years, with Spokane Public Schools (SPS) in which the Organization will remain in its current building space in exchange for providing SPS with $222,000 worth of production and other in-kind services each year. Unless notice is given to not exercise the option to renew, the option shall be deemed exercised. If the Organization fails to provide the agreed-upon services, annual cash payments in the amount of $222,000 may be required. All required production services were provided and, as such, no cash payments were made in 2023 or 2022. The in-kind production revenue was $142,663 and $115,860, respectively and gain on exchange of $79,337 and $115,860, respectively was recorded in the 2023 and 2022 financial statements. Occupancy expense of $222,000 was recorded for each of the years 2023 and 2022.

## NOTE 11 LINE OF CREDIT

On December 12, 2013, the Organization entered into a revolving line of credit with Washington Trust Bank (WTB), which matures on April 8, 2024. The amount available to the Organization is $750,000. The line of credit is secured by the Organization’s WTB Wealth Management and money market accounts which are held by WTB. At August 31, 2023 and 2022, the outstanding balance was $-0- each year.

## NOTE 12 LEASES ASC 842

The Organization leases equipment as well as certain operating facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2038. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Additionally, the agreements generally require the Organization to pay insurance, and repairs.

## NOTE 12 LEASES ASC 842 (CONTINUED)

The following table provides quantitative information concerning the Organization's leases as of August 31, 2023.

| | |
|---|---|
| Lease Cost: | |
| Finance Lease Cost: | |
| Amortization of Right-of-Use Assets | $ 2,438 |
| Interest on Lease Liabilities | 174 |
| Operating Lease Cost | 222,000 |
| Short-term Lease Costs | - |
| Total Lease Cost | $ 224,612 |
| | |
| Other Information: | |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | |
| Operating Cash Flows from Finance Leases | $ 174 |
| Operating Cash Flows from Operating Leases | 222,000 |
| Financing Cash Flows from Finance Leases | 2,374 |
| Right-of-Use Assets obtained in Exchange for New Finance Lease Liabilities: | - |
| Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities: | - |
| Weighted-Average Remaining Lease Term - Finance Leases | 3.6 Years |
| Weighted-Average Remaining Lease Term - Operating Leases | 15.0 Years |
| Weighted-Average Discount Rate - Finance Leases | 1.62% |
| Weighted-Average Discount Rate - Operating Leases | 3.64% |

A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023, is as follows:

| Year Ending December 31, | Operating | Finance | Totals |
|---|---|---|---|
| 2024 | $ 222,000 | $ 2,548 | $ 224,548 |
| 2025 | 222,000 | 2,548 | 224,548 |
| 2026 | 222,000 | 2,548 | 224,548 |
| 2027 | 222,000 | 1,911 | 223,911 |
| 2028 | 222,000 | - | 222,000 |
| Thereafter | 2,201,500 | - | 2,201,500 |
| Undiscounted Cash Flows | 3,311,500 | 9,555 | 3,321,055 |
| Less: Imputed Interest | (751,366) | (302) | (751,668) |
| Total Present Value | $ 2,560,134 | $ 9,253 | $ 2,569,387 |
| | | | |
| Short-Term Lease Liabilities | $ 131,667 | $ 2,413 | $ 134,080 |
| Long-Term Lease Liabilities | 2,428,467 | 6,840 | 2,435,307 |
| Total | $ 2,560,134 | $ 9,253 | $ 2,569,387 |

## NOTE 13 LEASES ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption through a cumulative effect adjustment, with certain practical expedients available. Lease disclosure for the year ended August 31, 2022 are made under prior lease guidance in FASB ASC 840.

The following is a schedule by years of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

| Year Ending August 31, | Amount |
|---|---|
| 2023 | $ 21,237 |
| 2024 | 16,108 |
| 2025 | 14,496 |
| 2026 | 9,496 |
| 2027 | 7,996 |
| Thereafter | 36,480 |
| Total | $ 105,813 |

Total lease expense was approximately $18,000 in 2022.

## NOTE 14 CONCENTRATIONS AND CREDIT RISKS

The Organization maintains its cash balance at a local bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times during the year, the Organization's cash on deposit in banks exceeded the limit insured by the FDIC.

Additionally, at August 31, 2023 and 2022, the Organization had $933,574 and $422,438, respectively, in the Royal Bank of Canada. Accounts are insured by the Canadian Deposit Insurance Corporation (CDIC) up to $100,000. These funds are available for transmittal to the United States as needed.

The Organization invests in various mutual funds which invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain types of investments, it is at least reasonably possible that changes could materially affect the Organization's account balances and the amounts reported in the statements of financial position.

## NOTE 15 RETIREMENT PLAN

The Organization established a 401(k) defined contribution retirement plan, which covers substantially all of its employees who meet certain eligibility requirements. The Organization contributes to the plan at its discretion. For the years ended August 31, 2023 and 2022, the Organization contributed 3% of each participant's salary, subject to annual IRC limits. Contributions to the plan totaled approximately $55,000 and $50,000 for the years ended August 31, 2023 and 2022, respectively.

## NOTE 16 MEMBERSHIP AND CONTRIBUTIONS

The Organization collects memberships and contributions from the United States and Canada. Memberships and contributions are as follows:

| | 2023 | 2022 |
|---|---|---|
| U.S. Contributions | $ 2,440,112 | $ 2,441,119 |
| Canadian Contributions | 1,306,858 | 1,391,250 |
| Canadian Exchange Discount | (316,245) | (280,938) |
| Total | $ 3,430,725 | $ 3,551,431 |

## NOTE 17 IN-KIND CONTRIBUTIONS

KSPS received donated advertising in 2023 and 2022 of $110,196 and $95,861, respectively. Advertising is valued at fair market value at the date of donation, using estimated rates for advertising services and are used in program underwriting. These amounts are reflected in the financial statements as both revenue and expenses. In-kind contributions were not donor-restricted.