

KSMQ PUBLIC SERVICE MEDIA, INC.

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

June 30, 2020

KSMQ PUBLIC SERVICE MEDIA, INC.

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KSMQ PUBLIC SERVICE MEDIA, INC.

BOARD OF DIRECTORS

June 30, 2020

Edward Hinchcliffe PhD.	Chair
Fred Bogott	Past Chair
Patrick Schwab	Vice Chair
Dan Nistler	Treasurer
Laura Beasley	Secretary
Jeff Baldus	Board Member
Stephen King	Board Member
Miguel Garate	Board Member
Kim Norton	Board Member
Jeremy Clinefelter	Board Member
Jennifer Gumbel	Board Member

HILL, LARSON & WALTH, P.A.

Certified Public Accountants

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Greg A. Larson, C.P.A.

Ronald P. Walth, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
KSMQ Public Service Media, Inc.
Austin, Minnesota 55912

We have audited the accompanying financial statements of KSMQ Public Service Media, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSMQ Public Service Media, Inc. as of June 30, 2020, 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.

Emphasis of Matters

As discussed in Note 8 to the financial statements, KSMQ Public Service Media, Inc adopted ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the KSMQ Public Service Media, Inc's June 30, 2019 financial statements, and our report dated December 12, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Hill, Larson & Walth, P.A.

October 22, 2020

BASIC FINANCIAL STATEMENTS

KSMQ Public Service Media, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Comparative Amounts for June 30, 2019)

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 161,396	\$ 65,932
Investments	908,827	901,055
Accounts Receivable	78,895	107,249
Construction in Process Receivable	117,180	92,305
Prepaid Expense	37,069	33,244
Total Current Assets	1,303,367	1,199,785
Non-Current Assets		
Equipment	4,219,280	4,195,759
Accumulated Depreciation	(3,732,800)	(3,588,260)
Total Non-Current Assets	486,480	607,499
Total Assets	\$ 1,789,847	\$ 1,807,284
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 82,556	\$ 65,351
Deferred Revenue	39,415	16,930
PPP Loan	131,722	-
Line of Credit	-	200,000
Total Current Liabilities	253,693	282,281
Net Assets		
Net Assets Without Donor Restrictions	1,434,321	1,525,003
Board Designated	101,833	-
Total Net Assets	1,536,154	1,525,003
Total Liabilities and Net Assets	\$ 1,789,847	\$ 1,807,284

See Accompanying Notes to the Financial Statements.

KSMQ Public Service Media, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and Revenue				
Support				
Memberships	\$ 116,735	\$ -	\$ 116,735	\$ 117,461
Program Underwriting	140,113	-	140,113	161,659
Donations	3,650	-	3,650	4,877
Donated Goods and Services	484,743	-	484,743	507,468
Corporation of Public Broadcasting	982,608	-	982,608	722,687
Other Grants	19,125	-	19,125	7,500
State of Minnesota	-	609,798	609,798	677,820
Support Released from Restrictions	609,798	(609,798)	-	-
Revenue				
Interest Income	10	-	10	17
Dividend Income	49,079	-	49,079	44,789
Realized Gain (Loss) on Investment	(1,092)	-	(1,092)	(2,727)
Unrealized Gain (Loss) on Investment	(20,003)	-	(20,003)	13,147
Tower Rental	9,900	-	9,900	9,900
Production and Other Activities	29,112	-	29,112	35,582
Total Support and Revenue	<u>2,423,778</u>	<u>-</u>	<u>2,423,778</u>	<u>2,300,180</u>
Expenses				
Program Services	1,535,824	-	1,535,824	1,670,960
Management and General	691,938	-	691,938	582,120
Fund-raising	184,865	-	184,865	198,327
Total Expenses	<u>2,412,627</u>	<u>-</u>	<u>2,412,627</u>	<u>2,451,407</u>
Change in Net Assets	11,151	-	11,151	(151,227)
Net Assets, Beginning of Year	<u>1,525,003</u>	<u>-</u>	<u>1,525,003</u>	<u>1,676,230</u>
Net Assets, End of year	<u>\$ 1,536,154</u>	<u>\$ -</u>	<u>\$ 1,536,154</u>	<u>\$ 1,525,003</u>

See Accompanying Notes to the Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Program Service					Total	Fundraising and Member Development	Totals	
	Programming	Broadcasting	Production	Program Services	Management and General			2020	2019
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,575
Employee Benefits	-	-	-	-	-	-	-	-	75,225
Payroll Taxes	-	-	-	-	-	-	-	-	33,100
Contracted Services	45,222	195,776	299,275	540,273	162,785	138,081	841,139	278,709	303,078
Professional Fees	-	1,107	95,245	96,352	147,323	6,646	2,503,321	6,255	7,964
Program Guide	-	1,040	-	1,040	-	145	7,990	9,082	15,280
Meetings and Meals	25	20	4,321	4,366	3,479	-	8,870	-	7,137
Discount Fees	168	-	44	212	-	-	218,868	-	199,891
Public Broadcasting System	218,868	-	-	218,868	-	-	24,800	-	73,382
Outside Programming	48,582	-	-	48,582	388	-	33,366	-	16,733
Licensing Support	7,442	23,545	1,991	32,978	5,577	17,406	26,216	36,007	18,630
Supplies and Premiums	37	123	3,073	3,233	8,978	1,424	9,199	35,631	3,598
Telephone and Internet	954	5,890	2,134	8,978	1,140	7,832	35,041	24,489	39,015
Postage and Shipping	-	155	72	227	590	-	5,608	8,150	34,750
Insurance	-	-	590	590	18,881	-	3,835	15,001	21,330
Repairs and Maintenance	-	18,586	295	18,881	5,608	-	54,001	42,204	31,153
Advertising	-	927	3,388	4,315	3,835	-	350	8,794	1,449
Travel and Parking	-	126	5,306	5,432	9,569	-	330	3,506	1,978
Utilities	-	54,001	-	54,001	-	-	4,654	7,737	3,223
Dues and Memberships	519	6,477	1,206	8,202	33,168	834	12,000	12,000	12,000
Staff Development and Training	-	350	-	350	-	-	20,649	-	10,074
Lease and Rental	-	-	1,534	1,534	7,260	-	-	-	-
Printing	-	-	-	-	330	-	-	-	-
Miscellaneous	-	40	597	637	-	-	3,176	2,446	1,978
Lobbying	-	-	-	-	-	-	-	-	-
Small Equipment	421	4,982	13,635	19,038	12,000	-	12,000	-	-
Reallocated Disbursement Costs	-	(10,251)	10,251	-	1,611	-	-	-	-
Capital Campaign	-	-	-	-	-	-	-	-	-
Bad Debt	-	-	-	-	234	1,660	-	-	835
Management Fees	-	-	-	-	2,150	-	1,894	-	354
Interest Expense	-	-	-	-	14,926	-	2,150	-	2,053
Depreciation	-	152,767	23,598	176,365	532	-	14,926	-	6,846
Board Expenses	-	-	-	-	2,365	-	176,897	-	194,670
In-Kind Goods and Services	-	291,370	-	291,370	-	-	2,365	-	3,647
Total Expenses	\$ 322,238	\$ 747,031	\$ 466,555	\$ 1,535,824	\$ 691,938	\$ 184,865	\$ 2,412,627	\$ 484,743	\$ 2,451,407

See Accompanying Notes to the Financial Statements

KSMQ Public Service Media, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Amounts for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 11,151	\$ (151,227)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	176,897	194,670
(Increase) Decrease in Operating Assets		
Prepaid Expense	(3,825)	(6,967)
Accounts Receivable	28,354	(41,879)
Construction in Process Receivable	(24,875)	(92,305)
Increase (Decrease) in Operating Liabilities		
Accrued Payroll Expenses	-	(8,970)
Accounts Payable	17,205	(19,727)
PPP Loan	131,722	-
Line of Credit	(200,000)	100,000
Deferred Revenue	22,485	(1,628)
Net Cash Provided (Used) by Operating Activities	<u>159,114</u>	<u>(28,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Asset	(55,878)	(25,734)
Purchase of Investments	(28,867)	(42,175)
Gain on Sale of Investment	1,092	2,727
Unrealized (Gains) Losses on Investments	20,003	(13,147)
Net Cash Provided (Used) by Investing Activities	<u>(63,650)</u>	<u>(78,329)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,464	(106,362)
CASH, Beginning of the Year	<u>65,932</u>	<u>172,294</u>
CASH, End of the Year	<u>\$ 161,396</u>	<u>\$ 65,932</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>
Interest Expense Paid	<u>\$ 14,926</u>	<u>\$ 6,846</u>

See Accompanying Notes to the Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

KSMQ Public Service Media, Inc. is a non-for-profit organization which was established for the purpose of operating a public television station known as KSMQ-TV, which is affiliated with the Public Broadcasting Service (PBS). A large portion of the station's program schedule is provided by PBS for an annual fee. The station is licensed by the Federal Communications Commission (FCC) to broadcast on digital channel 20.

Basis of Presentation

The accompanying statement of financial position has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under this method, income and expenses are recorded when earned or incurred rather than when received or paid. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported 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 Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. As of June 30, 2020, the Board has designated \$101,833 of net assets for the Organization's contribution to the construction of a new studio.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained perpetually. The Organization has no net assets with donor restrictions as of June 30, 2020.

Cash and Cash Equivalents

For the purpose of these financial statements the Organization considers all checking accounts, savings accounts, and money markets and certificates with terms of less than one year to be cash and cash equivalents. Cash and cash equivalents balances on June 30, 2020 are listed below:

Operating Checking	\$ 143,877
Money Market	17,361
Money Market	109
Money Market	49
Total Cash and Cash Equivalents	<u><u>\$ 161,396</u></u>

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of the following:

Ameriprise Mutual Funds	\$ 908,827
Total Investments	<u>\$ 908,827</u>

Investment Valuation

Realized and unrealized gains and losses are included in the change in unrestricted net assets, unless their use is temporarily or permanently restricted by donor stipulations or law. Realized gains and losses are reported at the date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are reported for the change in fair value between reporting periods. Interest and dividend income is reported when earned.

Property and Equipment

Property and Equipment is stated at cost, or fair market value if donated, less accumulated depreciation computed using straight-line depreciation over the estimated useful life of the asset. The Organization's capitalization policy threshold is \$2,500 for equipment and betterments for the building and land.

Equipment acquired by certain grants carry reversionary rights if not used for their intended purpose.

Advertising Costs

Advertising costs are expensed as incurred.

Receivables and Credit Policies

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Pledges and grants receivables are amounts members/grantors have promised to the Organization and are due under the terms indicated on the membership pledge/grant. The receivables are non-interest bearing. Payments of trade receivables are applied to the earliest unpaid invoices. Payments of pledges/grants receivable are applied to the earliest unpaid pledge/grant. The carrying amount of the trade receivables and pledges/grants receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. As of June 30, 2020, management considered all accounts receivable to be fully collectible.

KSMQ PUBLIC SERVICE MEDIA, INC..
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions with no specified purposes, limitations, or time restrictions defined by the donor are recognized as unrestricted revenue upon receipt of the pledge.

Corporation for Public Broadcasting (CPB) grants, including community service, local service, and interconnection grants, which may be used over two years, are recognized as unrestricted revenues as they are received. Grants received from CPB which are restricted for a specific purpose or projects are recognized as temporarily restricted revenue until the restrictions of the grant are met.

State of Minnesota grants received for operations are recognized as unrestricted revenues as they are received, and grants for a specific purpose or project are recognized as temporarily restricted revenue until the restrictions of the grant are met.

Memberships are recognized as revenues in the period received.

Donated Goods and Services

Donated goods and services are recognized as unrestricted revenue when received and an equal amount of expense is recognized. Donated goods and services are recognized at fair value.

The Organization receives donated time from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities for this time

Functional Allocation of Expenses

The costs of providing the various programs and other 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.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions. There was no unrelated business income for the year ended June 30, 2020 and therefore the Organization has made no provision for income taxes.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 FAIR VALUE MEASUREMENT

Financial Instruments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are briefly described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: All investments fall in Level 1. The fair values of investments are based on quoted market prices for those or similar investments.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 2 FAIR VALUE MEASUREMENT (continued)

The estimated fair values of the Organization's financial instruments are as follows:

	Market	Cost
Cash and Cash Equivalents	\$161,396	\$161,396
Investments	\$908,827	\$884,247

NOTE 3 DEFERRED REVENUE

Deferred revenue represents advanced underwriting payments. Total deferred revenue was \$39,415 for the year ended June 30, 2020.

NOTE 4 CONCENTRATIONS

Concentrations from Funding Sources

KSMQ Public Service Media, Inc. receives a substantial portion of its operating revenues from CPB and the State of Minnesota. The ability of the Organization to continue in its present form is therefore directly associated with the continued funding from CPB and the State of Minnesota.

CPB and the State of Minnesota grants are subject to audit. The ultimate determination of amounts earned under these grants is therefore subject to change pending completion, if any, of these audits. Until these audits, if any, are completed there exists a contingency that some amounts received under the grants and contracts will be in excess of the allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE 5 COMMITMENTS

In connection with the Organization's membership in PBS, the Organization is committed to paying various fees and assessments annually. The fees and assessments paid for in the year ended June 30, 2020 were \$218,868 and are recorded as expenses on the statement of activities

NOTE 6 CONSTRUCTION IN PROCESS RECEIVABLE

In January 2019 KSMQ Public Service Media, Inc. entered into a preliminary project agreement with the City of Austin for the construction of a new studio. The City will maintain ownership of the studio and lease the premise to KSMQ under a zero-dollar triple net lease. KSMQ has incurred preliminary design and projects costs in order to obtain a State grant of \$117,180 as of June 30, 2020. The Organization expects to be reimbursed for those costs by the City of Austin.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 7 OPERATING LEASE

The Organization signed a 5 year lease for office equipment and related service on April 19, 2016. The leasing organization retains ownership of the equipment and no buy-out option is available. Total lease payments for the year ended June 30, 2020 were \$7,320. Future lease payments are as follows:

Year ended June 30, 2021	\$1,830
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Short term small equipment rental payments of \$1,474 were also made for a total of \$8,794 of lease and rental payments during the year ended June 30, 2020.

NOTE 8 NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

The Organization adopted the following accounting pronouncements in the current year. Adoption of these standards did not result in a change to previously reported net assets and did not have a material impact on the Organization's revenue recognition:

ASU 2014-09, Revenue from Contracts with Customers, and related amendments requires an entity to recognize revenue to measure the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services, and to disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

ASU 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange.

NOTE 9 RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued (ASU) 2016-02, Leases. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by the lessees for those leases classified as operation leases under previous GAAP. The amendments in the ASU are effective for fiscal years beginning after December 15, 2021. The Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 10 LIQUIDITY

KSMQ Public Service Media, Inc. has \$1,149,118 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$161,396, investments of \$908,827, and accounts receivable of \$78,895. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

KSMQ Public Service Media, Inc. has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$603,157. KSMQ Public Service Media, Inc. has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 USE OF PROFESSIONAL EMPLOYMENT ORGANIZATION

In February 2019 KSMQ Public Service Media Inc. entered into an agreement with a professional employment organization to provide human resources services. In the arrangement there exists a co-employment relationship, which involves a contractual allocation and sharing of employer responsibilities between the professional employment organization and KSMQ Public Service Media, Inc. pursuant to a client service agreement. The professional employment organization remits wages and withholdings of the employees and reports collects and deposits employment taxes with local, state and federal authorities. The professional service organization also issues the Form W-2 for the compensation paid by it under its EIN and provides employees with a full benefits package. KSMQ Public Media, Inc. retains control of the hiring, dismissal, scheduling and day to day activities of the employees. Total wages and benefits paid to employees by the professional employment organization along with a service fee invoiced to KSMQ Public Service Media, Inc. The amounts paid to the professional employment organization by KSMQ Public Service Media, Inc. are recorded under contract services.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 12 PPP LOAN

KSMQ Public Service Media, Inc. received \$131,722 in PPP funding on April 20, 2020. The terms of the funding agreement indicate that the organization must utilize the proceeds to fund qualifying expenses over a twenty-four-week period. The loan carries a term of two years with an interest rate of 1% per annum. The loan may be forgiven if the Organization fulfills the agreed to terms. As of June 30, 2020, the Organization believes it has substantially met all barriers to loan forgiveness and expect the entire amount to be forgiven within one fiscal year. Upon legal forgiveness of the loan, contribution income will be recognized.

NOTE 13 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 22, 2020, the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the novel coronavirus (Covid-19) a Public Health Emergency of international concern. In March 2020, the World Health Organization made the assessment that Covid-19 was a global health pandemic. Measures taken by federal, state, and local officials to contain the spread of the virus including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses, resulting in an economic slowdown.

While there has been no immediate impact to KSMQ's immediate operations, future potential impacts may include disruptions or restrictions on their employees ability to work and impairment of their ability to obtain contributions and volunteers. The future effects of these issues are unknown.

In September 2020, KSMQ Public Service Media, Inc. signed a lease with KTTC Television Inc. for the use of antenna, generator and transmitter equipment premises. The lease begins in January 2021 for a period of 10 years. The lease may be cancelled by either party by giving notice at least 120 days before the end of the preceding year. The value of the full ten-year lease is \$355,893

On October 2, 2020, Minnesota Governor Tim Walz signed a capital finance bill into law. The new law includes \$15 million to be divided among six Minnesota public television stations, including KSMQ. The money, in the form of appropriation bonds, will be used for purchase of technical equipment and infrastructure. KSMQ has not been notified by the State of Minnesota as to when the funds will be made available.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2020

NOTE 14 SUMMARIZED FINANCIAL INFORMATION FOR 2019

The general operations financial information for the year ended June 30, 2019 is presented for comparative purposes. It is not intended to be a complete financial statement presentation.