

KSMQ PUBLIC SERVICE MEDIA, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

June 30, 2023

KSMQ PUBLIC SERVICE MEDIA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of KSMQ Public Media Service Media, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSMQ Public Service Media, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KSMQ Public Service Media, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 aggregate, that raise substantial doubt about KSMQ Public Service Media, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of KSMQ Public Service Media, Inc'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 judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about KSMQ Public Service Media, Inc's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate to 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.

Report on Summarized Comparative Information

We have previously audited KSMQ Public Services Media, Inc. financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Feldmann & Company CPAs P.C.
Feldmann & Company, CPAs, P.C.

December 13, 2023

BASIC FINANCIAL STATEMENTS

KSMQ Public Service Media, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With Comparative Amounts for June 30, 2022)

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 346,563	\$ 150,773
Investments	560,062	1,019,324
Promises to Give	168,566	1,758,646
Accounts Receivable	94,853	578,879
Prepaid Expense	36,056	529,742
Total Current Assets	1,206,100	4,037,364
Other Assets		
Long Term Promises to Give	21,000	-
Total Other Assets	21,000	-
Fixed Assets		
Equipment	3,521,275	3,915,606
Accumulated Depreciation	(1,120,540)	(3,098,571)
Leased Assets	317,969	-
Accumulated Amortization	(36,398)	-
Total Fixed Assets	2,682,306	817,035
Total Assets	\$ 3,909,406	\$ 4,854,399
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 147,812	\$ 100,686
Deferred Revenue	180,641	1,775,380
Line of Credit	-	458,972
Lease Liability - Short Term	37,067	-
Total Current Liabilities	365,520	2,335,038
Long-Term Liabilities		
Lease Liability - Long Term	244,504	-
Total Long-Term Liabilities	244,504	-
Net Assets		
Net Assets With Donor Restrictions	128,732	446,602
Net Assets Without Donor Restrictions	3,170,650	1,409,759
Board Designated	-	393,000
Total Net Assets	3,299,382	2,249,361
Total Liabilities and Net Assets	\$ 3,909,406	\$ 4,584,399

See Accompanying Notes to the Financial Statements.

KSMQ Public Service Media, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
Support and Revenue				
Support				
Memberships	\$ 121,344	\$ -	\$ 121,344	\$ 135,788
Program Underwriting	176,450	-	176,450	166,616
Donations	40,000	-	40,000	10,000
Donated Goods and Services	563,395	-	563,395	286,490
Corporation of Public Broadcasting	-	811,343	811,343	811,441
PPP Loan Forgiveness	-	-	-	131,722
Other Grants	9,300	-	9,300	7,300
State of Minnesota	-	2,247,200	2,247,200	1,127,904
Support Released from Restrictions	3,376,413	(3,376,413)	-	-
Revenue				
Interest Income	208	-	208	616
Dividend Income	22,278	-	22,278	77,802
Realized Gain (Loss) on Investment	(9,929)	-	(9,929)	-
Unrealized Gain (Loss) on Investment	65,033	-	65,033	(175,757)
Tower Rental	9,600	-	9,600	9,600
Sponsorship Revenue	22,450	-	22,450	-
Production and Other Activities	34,248	-	34,248	37,614
Total Support and Revenue	<u>4,430,790</u>	<u>(317,870)</u>	<u>4,112,920</u>	<u>2,627,136</u>
Expenses				
Program Services	1,582,204	-	1,582,204	1,406,850
Management and General	1,051,639	-	1,051,639	885,069
Fund-raising	291,223	-	291,223	312,499
Total Expenses	<u>2,925,066</u>	<u>-</u>	<u>2,925,066</u>	<u>2,604,418</u>
Operating Change in Net Assets	1,505,724	(317,870)	1,187,854	22,718
Other Changes:				
Loss on Disposition	(137,833)	-	(137,833)	-
Net Assets, Beginning of Year	<u>1,802,759</u>	<u>446,602</u>	<u>2,249,361</u>	<u>2,226,643</u>
Net Assets, End of year	<u>\$ 3,170,650</u>	<u>\$ 128,732</u>	<u>\$ 3,299,382</u>	<u>\$ 2,249,361</u>

See Accompanying Notes to the Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Program Service			Total Program Services	Management and General	Fundraising and Member Development	Totals	
	Programming	Broadcasting	Production				2023	2022
	Contracted Services	53,256	189,937				324,280	567,473
Professional Fees	-	58,452	247,870	306,322	163,766	15,659	485,747	470,547
Program Guide	-	-	-	-	-	9,015	9,015	8,791
Meetings and Meals	-	585	1,316	1,901	1,807	1,245	4,953	8,132
Discount Fees	-	-	277	277	7,399	1,123	8,799	8,171
Public Broadcasting System	219,267	-	-	219,267	-	-	219,267	225,631
Program Acquisitions	74,172	-	-	74,172	28,054	-	102,226	91,809
Licensing Support	-	22,035	76	22,111	1,550	20	23,681	30,073
Supplies and Premiums	37	672	773	1,482	9,817	5,237	16,536	26,575
Telephone and Internet	1,127	4,326	3,292	8,745	3,358	2,738	14,841	19,929
Postage and Shipping	-	1,341	7	1,348	1,450	6,358	9,156	7,034
Insurance	-	-	702	702	25,651	-	26,353	46,256
Repairs and Maintenance	-	4,688	-	4,688	49,134	-	53,822	13,536
Advertising	-	-	1,725	1,725	6,636	15	8,376	13,752
Travel and Parking	-	267	77	344	4,777	-	5,121	13,382
Utilities	-	36,559	-	36,559	-	-	36,559	49,793
New Building Cost - Not Reimbursed	-	-	-	-	-	-	-	163,406
Dues and Memberships	-	194	3,898	4,092	7,402	607	12,101	20,571
Staff Development and Training	-	-	-	-	-	-	-	5,670
Tower Rental	-	33,482	-	33,482	-	-	33,482	32,825
Lease and Rental	-	60	190	250	2,986	-	3,236	13,056
Printing	-	-	-	-	7,615	4,309	11,924	17,517
Miscellaneous	43	-	-	43	7,508	126	7,677	757
Lobbying	-	-	-	-	40,130	-	40,130	45,505
Small Equipment	-	479	4,597	5,076	243	-	5,319	8,949
Reallocated Disbursement Costs	-	(15,919)	15,919	-	-	-	-	-
Management Fees	-	-	-	-	-	-	-	1,288
Interest Expense	-	-	-	-	6,189	-	6,189	9,221
Depreciation	-	151,460	50,734	202,194	19,585	-	221,779	94,804
Board Expenses	-	-	-	-	434	-	434	282
In-Kind Goods and Services	-	89,951	-	89,951	473,444	-	563,395	286,490
Total Expenses	<u>\$ 347,902</u>	<u>\$ 578,569</u>	<u>\$ 655,733</u>	<u>\$ 1,582,204</u>	<u>\$ 1,051,639</u>	<u>\$ 291,223</u>	<u>\$ 2,925,066</u>	<u>\$ 2,604,418</u>

See Accompanying Notes to the Financial Statements

KSMQ Public Service Media, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023
(With Comparative Amounts for the Year Ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,050,021	\$ 22,718
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	221,779	94,804
(Increase) Decrease in Operating Assets		
Promises to Give	1,569,080	(1,758,646)
Prepaid Expense	493,686	(230,494)
Accounts Receivable	484,026	(496,945)
Construction in Process Receivable	-	248,333
Increase (Decrease) in Operating Liabilities		
Accounts Payable	47,126	51,067
PPP Loan	-	(131,722)
Line of Credit	(458,972)	358,972
Deferred Revenue	(1,594,739)	1,763,598
Net Cash Provided (Used) by Operating Activities	1,812,007	(78,315)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Asset	(1,943,313)	(482,517)
Sale (Purchase) of Investments	416,502	(82,961)
Unrealized (Gain) Losses on Investments	(89,406)	175,757
Net Cash Provided (Used) by Investing Activities	(1,616,217)	(389,721)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,790	(468,036)
CASH, Beginning of the Year	150,773	618,809
CASH, End of the Year	\$ 346,563	150,773
Income Taxes Paid	\$ -	\$ -
Interest Expense Paid	\$ 6,189	\$ 9,221

See Accompanying Notes to the Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the Board does not have any assets with board designated restrictions.

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 donor restricted funds of \$128,732 at June 30, 2023. This is from an American Rescue Grant to help with operational needs and carryforward amounts from CPB Grants.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 are listed below:

Operating Checking	\$	225,486
Home Federal Money Market		117,631
Ameriprise Money Market		3,446
Total Cash and Cash Equivalents	\$	346,563

Investments

Investments consist of the following:

Ameriprise Mutual Funds	\$	560,062
Total Investments	\$	560,062

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.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023, management considered all accounts receivable to be fully collectible.

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 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.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 and therefore the Organization has made no provision for income taxes.

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.

Adoption of New Standards

During the year ended June 30, 2023, the Organization adopted the requirements of FASB ASU No. 2020-07, Not-for-Profit Entities (topic 958). This update increases the transparency about the measurement of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The presentation and disclosure of contributed nonfinancial assets have been enhanced in accordance with the standard. The adoption of the standard did not change the recognition and measurement requirements for contributed nonfinancial assets.

The Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. KSMQ has two operating leases noted in Note 7.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

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.

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

	<u>Market</u>	<u>Cost</u>
Cash and Cash Equivalents	\$346,563	\$346,563
Investments	\$560,062	\$470,172

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 3 PROMISES TO GIVE

Promises to Give at June 30, 2023 consists of \$161,566 of the unspent portion of the State of Minnesota Bond Grant. KSMQ received a promise to give for a total of \$2,142,000 in fiscal year 2021-2022 for Equipment Grant to KSMQ from Minnesota. \$1,497,916 of this grant was spent in 2022-2023. A total of \$1,980,434 of the was spent as of June 30, 2023. There is also a Promise to Give of \$28,000 for Pledges Receivable. The following is a schedule of Pledges Receivable:

June 30, 2023	\$7,000
June 30, 2024	7,000
June 30, 2025	7,000
June 30, 2026	7,000

NOTE 4 DEFERRED REVENUE

Deferred Revenue includes \$161,566 of the promise to give noted in Note 3 above. It also includes \$19,075 of advanced underwriting payments.

NOTE 5 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.

NOTE 6 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, 2023 were \$219,267 and are recorded as expenses on the statement of activities

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 7 OPERATING LEASE

The Organization signed a 5 year lease for office equipment and related service in April 2021. Payments totaling \$2,916 were paid in this fiscal year on this lease. Future lease payment on the new lease are as follows:

Year ended June 30, 2024	\$2,916
Year ended June 30, 2025	\$2,916
Year ended June 30, 2026	\$2,430

The Organization signed a new tower lease with KTTC, September 30, 2020, that went into effect January 1, 2021. The tower lease is for ten years on a calendar year basis and has annual increases each January 1. Rent of \$33,482 was paid for the year ended June 30, 2023. Future lease payments for the tower lease are as follow:

Year ended June 30, 2024	\$34,151
Year ended June 30, 2025	\$34,834
Year ended June 30, 2026	\$35,531
Year ended June 30, 2027	\$36,241
Year ended June 30, 2028	\$36,966
All future years	\$95,586

NOTE 8 LIQUIDITY

KSMQ Public Service Media, Inc. has \$1,001,478 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$346,563, Investments of \$560,062, and accounts receivable of \$94,853.

The Organization has promises to give of \$189,566 receivable at June 30, 2023. \$161,566 of this is for equipment and not operating expenses.

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 \$569,431. 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.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 9 LINE OF CREDIT

KSMQ Public Service Media, Inc. signed a new agreement at June 24, 2022, and this agreement goes through June 2024. At June 30, 2022 the Organization had a balance of \$458,772 outstanding on this loan. This line of credit was paid off and terminated during the fiscal year.

NOTE 10 USE OF PROFESSIONAL EMPLOYMENT ORGANIZATION

In February 2019 KSMQ Public Service Media Inc. entered into an agreement with, TriNet, a professional employment organization to provide payroll and benefit 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.

NOTE 11 CREDIT CARD MISUSE

In November 2022, fraud risk questionnaires were returned with concerns about the Chief Executive Officer's (CEO) possible misuse of the Organization's credit card. At this time, the testing of credit cards was expanded. There were more than \$15,000 in credit card charges from July to November 2022, most of which were missing backup documentation. At the end of November 2022, the Board gave the CEO two weeks to collect backup documentation to verify the business purpose of the charges and have actual receipts in hand.

After two weeks, the CEO turned in a check for \$901 in reimbursement to the Organization for expenses he explained were for personal charges. While there appears to be some portion of credit card charges that could be business deductions, backup receipts were not obtained. It is also clear that more than the \$901 reimbursed is not for the benefit of the Organization.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2023

NOTE 11 Credit Card Misuse (continued)

The officer was put on paid leave on December 16, 2022. The officers position was terminated and a police report was filed.

NOTE 12 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 31, 2023, the date the financial statements were available to be issued.

The Contract for Services agreement with Trinet will be terminated effective December 31, 2023. The organization will enter into a Broker of Record agreement with North Risk Partners for the purpose of securing Health Insurance and other Ancillary products for Employees benefits. Additionally, the organization will enter an agreement with Payfluence for the HCM ISolve payroll program with the payroll service being administered by NETA.

KSMQ is presently undergoing an audit from the Corporation for Public Broadcasting. The organization has not received results from the audit at this time.

NOTE 13 RELATED PARTY TRANSACTIONS

A board member of the Organization, Tom Klapperich, holds a position of influence at Home Federal Bank. The Organization holds two bank accounts and had a line of credit with Home Federal Bank. The line of credit has been terminated. The two cash accounts had a balance of \$343,117 on June 30, 2023. The balance on the line of credit was paid off during the year.

Another board member, Craig Clark, has a spouse who is employed by KSMQ on a contract basis. Craig is also the City Administrator for the City of Austin. The City of Austin owns the building on a joint agreement with KSMQ.

NOTE 14 SUMMARIZED FINANCIAL INFORMATION FOR 2022

The general operations financial information for the year ended June 30, 2022, is presented for comparative purposes. It is not intended to be a complete financial statement presentation.