

FRIENDS OF KSPS
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2020 AND 2019



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**FRIENDS OF KSPS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of KSPS
Spokane, Washington

We have audited the accompanying financial statements of Friends of KSPS (a nonprofit organization) (the Organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors
Friends of KSPS

Opinion

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, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
November 23, 2020

**FRIENDS OF KSPS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,586,118	\$ 793,893
Investments	459,809	435,837
Receivables:		
Program Underwriting	115,207	148,246
Other	4,433	49,954
Prepaid Expenses and Deposits	23,069	10,941
Total Current Assets	2,188,636	1,438,871
NONCURRENT ASSETS		
Investments Held in Friends of KSPS Endowment Fund	984,104	862,655
Beneficial Interest in Innovia Foundation	674,254	647,696
Beneficial Interest in Charitable Remainder Trust	29,891	29,124
Equipment, Net of Accumulated Depreciation	1,185,812	1,248,538
Total Noncurrent Assets	2,874,061	2,788,013
 Total Assets	 \$ 5,062,697	 \$ 4,226,884
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 87,088	\$ 83,821
Accrued Compensation and Related Liabilities	5,777	3,388
Deferred Program Underwriting Revenue	109,962	154,250
PPP Loan Payable	409,100	-
Line of Credit Payable	-	65,069
Total Liabilities	611,927	306,528
NET ASSETS		
Without Donor Restrictions	4,420,879	3,891,232
With Donor Restrictions	29,891	29,124
Total Net Assets	4,450,770	3,920,356
 Total Liabilities and Net Assets	 \$ 5,062,697	 \$ 4,226,884

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
SUPPORT, REVENUE, AND GAINS		
Memberships and Contributions	\$ 3,331,672	\$ 3,059,420
Community Service Grants from the Corporation for Public Broadcasting	1,270,033	1,051,308
Other Grants	257,789	66,206
Program Underwriting	301,475	375,562
Engineering Services	397,700	559,254
Production Services	99,847	67,969
Foundation, Bequest, and Trust Contributions	55,829	30,941
Investment Income, Net	85,405	24,808
Change in Value of Beneficial Interest in Innovia Foundation	53,321	1,591
Other	23,587	10,501
Total Support, Revenue, and Gains	<u>5,876,658</u>	<u>5,247,560</u>
EXPENSES		
Program Services:		
Programming and Production	1,946,625	1,997,267
Engineering Services	1,202,166	1,223,527
Program Information	269,739	289,393
Member Services	936,254	907,801
Total Program Services	<u>4,354,784</u>	<u>4,417,988</u>
Supporting Services:		
Fundraising	315,731	312,157
Program Underwriting	171,014	222,221
Management and General	505,482	458,814
Total Supporting Services	<u>992,227</u>	<u>993,192</u>
Total Expenses	<u>5,347,011</u>	<u>5,411,180</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	529,647	(163,620)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Change in Value of Beneficial Interest in Charitable Remainder Trust	767	(797)
Total Change in Net Assets With Donor Restrictions	<u>767</u>	<u>(797)</u>
CHANGE IN NET ASSETS	530,414	(164,417)
Net Assets – Beginning of Year	<u>3,920,356</u>	<u>4,084,773</u>
NET ASSETS – END OF YEAR	<u>\$ 4,450,770</u>	<u>\$ 3,920,356</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020**

	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	\$ 426,242	\$ 504,233	\$ 59,820	\$ 475,252	\$ 1,465,547	\$ 8,038	\$ 60,928	\$ 217,398	\$ 286,364	\$ 1,751,911
Employee Benefits	56,418	86,096	7,571	81,931	232,016	534	4,045	18,823	23,402	255,418
Payroll Taxes	39,096	46,250	5,487	43,592	134,425	737	5,589	19,940	26,266	160,691
Dues, Licenses, and Permits	836,573	-	-	-	836,573	-	-	-	-	836,573
Printing, Postage, and Supplies	3,158	23,217	146,568	233,530	406,473	178,294	-	8,367	186,661	593,134
Local Program Production	19,740	-	-	-	19,740	-	-	-	-	19,740
Telemarketing	-	-	-	-	-	59,898	-	-	59,898	59,898
Leases and Maintenance										
Agreements	-	45,917	-	-	45,917	-	-	42,263	42,263	88,180
Depreciation	180,152	-	-	-	180,152	-	-	-	-	180,152
Special Events	-	-	-	-	-	-	-	5,341	5,341	5,341
Building Lease	54,013	63,896	7,580	60,223	185,712	1,019	7,721	27,548	36,288	222,000
Other	331,233	432,557	42,713	41,726	848,229	67,211	92,731	165,802	325,744	1,173,973
Total Expenses	\$ 1,946,625	\$ 1,202,166	\$ 269,739	\$ 936,254	\$ 4,354,784	\$ 315,731	\$ 171,014	\$ 505,482	\$ 992,227	\$ 5,347,011

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019**

	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	\$ 408,011	\$ 512,076	\$ 58,644	\$ 421,951	\$ 1,400,682	\$ 10,596	\$ 108,053	\$ 211,931	\$ 330,580	\$ 1,731,262
Employee Benefits	67,628	96,786	11,889	92,100	268,403	732	7,460	14,634	22,826	291,229
Payroll Taxes	36,589	45,921	5,259	37,839	125,608	950	9,690	19,006	29,646	155,254
Dues, Licenses, and Permits	845,230	-	-	-	845,230	-	-	-	-	845,230
Printing, Postage, and Supplies	2,804	23,991	163,131	260,742	450,668	185,259	-	6,270	191,529	642,197
Local Program Production	40,189	-	-	-	40,189	-	-	-	-	40,189
Telemarketing	-	-	-	-	-	66,119	-	-	66,119	66,119
Leases and Maintenance										
Agreements	-	18,225	-	-	18,225	-	-	44,781	44,781	63,006
Depreciation	190,416	-	-	-	190,416	-	-	-	-	190,416
Special Events	-	-	-	-	-	-	-	6,713	6,713	6,713
Building Lease	52,318	65,664	7,520	54,107	179,609	1,359	13,856	27,176	42,391	222,000
Other	354,082	460,864	42,950	41,062	898,958	47,142	83,162	128,303	258,607	1,157,565
Total Expenses	\$ 1,997,267	\$ 1,223,527	\$ 289,393	\$ 907,801	\$ 4,417,988	\$ 312,157	\$ 222,221	\$ 458,814	\$ 993,192	\$ 5,411,180

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Memberships, Contributions, and Program Underwriting Collected	\$ 3,682,160	\$ 3,380,981
Community Service Grants from the Corporation for Public Broadcasting and Other Grants	1,527,822	1,122,807
Engineering Services	175,700	337,254
Productions Services	99,847	67,969
Investment Income	40,253	51,401
Cash Paid to and on Behalf of Employees	(2,165,631)	(2,177,381)
Cash Paid to Suppliers and Spokane Public Schools	<u>(2,721,792)</u>	<u>(2,734,442)</u>
Net Cash Provided by Operating Activities	638,359	48,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(123,077)	(134,417)
Proceeds from Sale of Equipment	5,651	-
Purchase of Investments	(826,693)	(371,565)
Sale of Investments	727,191	301,531
Distributions from Beneficial Interest in Innovia Foundation	<u>26,763</u>	<u>55,808</u>
Net Cash Used by Investing Activities	(190,165)	(148,643)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	711,087	65,069
Principal Payments on Line of Credit	(776,156)	(150,000)
Proceeds from PPP Loan	<u>409,100</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>344,031</u>	<u>(84,931)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	792,225	(184,985)
Cash and Cash Equivalents – Beginning of Year	<u>793,893</u>	<u>978,878</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 1,586,118</u>	<u>\$ 793,893</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 530,414	\$ (164,417)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	180,152	190,416
Change in Value of Charitable Remainder Trust	(767)	797
Change in Value of Beneficial Interest in Innovia Foundation	(53,321)	1,591
Loss (Gain) on Investments, Net	(45,919)	27,390
Loss on Disposal of Equipment	-	14,442
(Increase) Decrease in Assets:		
Engineering Services Receivable	-	5,293
Program Underwriting Receivable	33,039	(18,493)
Other Receivables	45,521	(49,154)
Prepaid Expenses and Deposits	(12,128)	15,178
Increase (Decrease) in Liabilities:		
Accounts Payable	3,267	3,373
Accrued Compensation and Related Liabilities	2,389	364
Deferred Program Underwriting Revenue	(44,288)	21,809
Net Cash Provided by Operating Activities	\$ 638,359	\$ 48,589
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
In-Kind Contributions	285,908	\$ 266,645
 Cash Paid for Interest	\$ 1,732	\$ 7,389

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

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 6 for expanded disclosure.

Prepaid Expenses

Prepaid expenses consist primarily of prepaid commercial liability insurance.

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

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 had no contributions with donor restrictions in 2020 or 2019.

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.

Program Underwriting Revenue

Program underwriting revenue is recognized over the term of the underwriting 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 represents amounts earned by the Organization for production and engineering related services performed. These revenues are recognized in the financial statements based on the terms of each contract.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and 2019, the Organization had no uncertain tax positions.

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The financial statements reflect the application for ASU 2018-08.

New Accounting Pronouncement Effective in Future Accounting Periods

Revenue from Contracts with Customers

In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2019. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods (Continued)

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its financial statements.

Risks and Uncertainties

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these effects are still developing.

Subsequent Events

The Organization has evaluated subsequent events through November 23, 2020, the date on which the financial statements were available to be issued.

NOTE 2 LIQUIDITY

Friends of KSPS strives 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. Additionally the Organization has a line of credit that can be used, see Note 10.

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,586,118	\$ 793,893
Investments	1,443,913	1,298,492
Accounts Receivable	119,640	198,200
Total Financial Assets	<u>3,149,671</u>	<u>2,290,585</u>
Less:		
Board Designated Endowment Fund	<u>(984,104)</u>	<u>(862,655)</u>
Financial Assets Available for General Expenditures	<u>\$ 2,165,567</u>	<u>\$ 1,427,930</u>

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

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 3 INVESTMENTS

Investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Mutual Funds:		
Cash	\$ 15,646	\$ 5,798
Money Market	43,259	72,690
Equities	506,690	434,683
Fixed Income	565,456	492,945
Alternative	312,862	292,376
Total	<u>\$ 1,443,913</u>	<u>\$ 1,298,492</u>

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

	<u>2020</u>	<u>2019</u>
Investments	\$ 459,809	\$ 435,837
Investments Held in Friends of KSPS Endowment Fund	984,104	862,655
Total	<u>\$ 1,443,913</u>	<u>\$ 1,298,492</u>

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

	<u>2020</u>	<u>2019</u>
Gains and Losses, Net	\$ 45,919	\$ (27,390)
Interest and Dividends Earned	39,486	52,198
Total	<u>\$ 85,405</u>	<u>\$ 24,808</u>

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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 4 FRIENDS OF KSPS ENDOWMENT FUND (CONTINUED)

	<u>Board Designated Without Donor Restrictions</u>
Endowment Net Assets, August 31, 2018	\$ 830,110
Investment Return:	
Investment Income, Net	41,916
Net Gain on Investments:	
Realized Loss	(7,976)
Unrealized Loss	(22,355)
Deposits	52,979
Transfer to Operating	<u>(32,019)</u>
Endowment Net Assets, August 31, 2019	862,655
Investment Return:	
Investment Income, Net	23,763
Net Gain (Loss) on Investments:	
Realized Gain	2,212
Unrealized Gain	26,571
Deposits	98,482
Transfer to Operating	<u>(29,579)</u>
Endowment Net Assets, August 31, 2020	<u><u>\$ 984,104</u></u>

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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
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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 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.

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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 FAIR VALUE HIERARCHY (CONTINUED)

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:

	2020				Total
	Cost	Level 1	Level 2	Level 3	
Mutual Funds:					
Cash	\$ 15,646	\$ -	\$ -	\$ -	\$ 15,646
Money Market	-	43,259	-	-	43,259
Equities	-	506,690	-	-	506,690
Fixed Income	-	565,456	-	-	565,456
Alternative	-	312,862	-	-	312,862
Beneficial Interest in Innovia Foundation	-	-	-	674,254	674,254
Beneficial Interest in Charitable Remainder Trust	-	-	-	29,891	29,891
Total	<u>\$ 15,646</u>	<u>\$ 1,428,267</u>	<u>\$ -</u>	<u>\$ 704,145</u>	<u>\$ 2,148,058</u>

	2019				Total
	Cost	Level 1	Level 2	Level 3	
Mutual Funds:					
Cash	\$ 5,798	\$ -	\$ -	\$ -	\$ 5,798
Money Market	-	72,690	-	-	72,690
Equities	-	434,683	-	-	434,683
Fixed Income	-	492,945	-	-	492,945
Alternative	-	292,376	-	-	292,376
Beneficial Interest in Innovia Foundation	-	-	-	647,696	647,696
Beneficial Interest in Charitable Remainder Trust	-	-	-	29,124	29,124
Total	<u>\$ 5,798</u>	<u>\$ 1,292,694</u>	<u>\$ -</u>	<u>\$ 676,820</u>	<u>\$ 1,975,312</u>

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 FAIR VALUE HIERARCHY (CONTINUED)

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets:

	Balance August 31, 2019	Contributions	Investment Income (Loss)	Realized Gain (loss)	Unrealized Gain (loss)	Investment Fees	Distributions	Balance August 31, 2020
Beneficial Interest in Innovia Foundation	\$ 647,696	\$ -	\$ 31,153	\$ (2,529)	\$ 33,498	\$ (8,801)	\$ (26,763)	\$ 674,254
Beneficial Interest in Charitable Remainder Trust	29,124	-	767	-	-	-	-	29,891
Total	\$ 676,820	\$ -	\$ 31,920	\$ (2,529)	\$ 33,498	\$ (8,801)	\$ (26,763)	\$ 704,145

	Balance August 31, 2018	Contributions	Investment Income (Loss)	Realized Gain (loss)	Unrealized Gain (loss)	Investment Fees	Distributions	Balance August 31, 2019
Beneficial Interest in Innovia Foundation	\$ 705,095	\$ -	\$ 39,356	\$ (1,797)	\$ (30,339)	\$ (8,811)	\$ (55,808)	\$ 647,696
Beneficial Interest in Charitable Remainder Trust	29,921	-	(797)	-	-	-	-	29,124
Total	\$ 735,016	\$ -	\$ 38,559	\$ (1,797)	\$ (30,339)	\$ (8,811)	\$ (55,808)	\$ 676,820

NOTE 8 EQUIPMENT

A summary of equipment is as follows:

	2020	2019
Broadcast Equipment	\$ 1,935,725	\$ 1,813,302
Transmitter Equipment	830,728	836,428
Digital Equipment	115,287	115,287
Office Equipment	99,519	98,865
Vehicles	13,903	13,903
Total	2,995,162	2,877,785
Accumulated Depreciation Equipment, Net	(1,809,350)	(1,629,247)
	\$ 1,185,812	\$ 1,248,538

NOTE 9 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 will be required. All required engineering services were provided and, as such, no cash payments were made in 2020 or 2019. The in-kind engineering revenue and occupancy expense of \$222,000 was recorded in the 2020 and 2019 financial statements.

FRIENDS OF KSPS
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NOTE 10 LINE OF CREDIT

On December 12, 2013, the Organization entered into a revolving line of credit with Washington Trust Bank (WTB), which matures on February 8, 2021. 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, 2020 and 2019, the outstanding balance was \$-0- and \$65,069 respectively.

NOTE 11 OPERATING LEASES

The Organization's leases consisted of postal equipment and software. Lease expense during the years ended August 31, 2020 and 2019 was approximately \$2,000 and \$4,000, respectively.

Future obligations under terms of the Organization's operating leases are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 2,268
2022	2,268
2023	2,268
2024	1,323
Total	<u>\$ 8,127</u>

NOTE 12 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, 2020 and 2019, the Organization had \$97,160 and \$23,103, 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.

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NOTE 13 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, 2020 and 2019, the Organization contributed 3% of each participant's salary, subject to annual IRC limits. Contributions to the plan totaled approximately \$61,000 and \$56,000 for the years ended August 31, 2020 and 2019, respectively.

NOTE 14 MEMBERSHIP AND CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
U.S. Contributions	\$ 2,313,868	\$ 2,051,383
Canadian Contributions	1,354,830	1,358,381
Canadian Exchange Discount	(337,026)	(350,344)
Total	<u>\$ 3,331,672</u>	<u>\$ 3,059,420</u>

NOTE 15 PPP LOAN

On April 20, 2020, the Organization received a loan from Washington Trust Bank in the amount of \$409,100 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 21, 2020 to October 6, 2020 is the time that a business has to spend their PPP Loan funds.

Maturities of PPP loan for future years is as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 103,891
2022	305,209
Total	<u>\$ 409,100</u>

