

FRIENDS OF KSPS
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021



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**FRIENDS OF KSPS
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF FINANCIAL ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of KSPS
Spokane, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Friends of KSPS (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of KSPS as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of KSPS's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of KSPS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of KSPS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Spokane, Washington
February 10, 2023

**FRIENDS OF KSPS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,780,983	\$ 2,780,882
Investments	472,694	510,866
Receivables:		
Program Underwriting	76,154	184,323
Other	44,645	5,765
Prepaid Expenses and Deposits	174,201	6,903
Total Current Assets	3,548,677	3,488,739
NONCURRENT ASSETS		
Investments Held in Friends of KSPS Endowment Fund	1,917,834	1,897,782
Beneficial Interest in Innovia Foundation	632,169	786,400
Beneficial Interest in Charitable Remainder Trust	26,749	33,080
Equipment, Net of Accumulated Depreciation	1,665,166	1,160,289
Total Noncurrent Assets	4,241,918	3,877,551
 Total Assets	 \$ 7,790,595	 \$ 7,366,290
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 211,910	\$ 70,426
Accrued Compensation and Related Liabilities	108,030	39,421
Deferred Program Underwriting Revenue	85,391	128,344
Total Liabilities	405,331	238,191
NET ASSETS		
Without Donor Restrictions	7,353,515	7,030,019
With Donor Restrictions	31,749	98,080
Total Net Assets	7,385,264	7,128,099
 Total Liabilities and Net Assets	 \$ 7,790,595	 \$ 7,366,290

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
SUPPORT, REVENUE, AND GAINS		
SUPPORT:		
Memberships and Contributions	\$ 3,551,431	\$ 3,623,372
Community Service Grants from the Corporation for Public Broadcasting	1,156,478	1,588,055
Other Grants	271,862	204,909
In-Kind Contributions	326,234	310,094
Foundation, Bequest, and Trust Contributions	166,803	806,590
Net Assets Released from Restrictions	60,000	-
Total Support	5,532,808	6,533,020
REVENUE:		
Program Underwriting	394,953	365,281
Engineering Services	222,693	178,253
Production Services	20,850	28,000
Investment Income (Loss), Net	(245,177)	249,915
Change in Value of Beneficial Interest in Innovia Foundation	(125,844)	139,249
Gain on Extinguishment of Debt	-	409,100
Other	6,345	40,145
Total Revenue	273,820	1,409,943
Total Support, Revenue, and Gains	5,806,628	7,942,963
EXPENSES		
Program Services:		
Programming and Production	1,990,902	1,972,036
Engineering Services	1,239,637	1,223,352
Program Information	208,001	208,031
Member Services	1,119,085	1,000,094
Total Program Services	4,557,625	4,403,513
Supporting Services:		
Fundraising	238,963	296,532
Program Underwriting	212,813	194,941
Management and General	473,731	438,837
Total Supporting Services	925,507	930,310
Total Expenses	5,483,132	5,333,823
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	323,496	2,609,140
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with Donor Restrictions	-	65,000
Change in Value of Beneficial Interest in Charitable Remainder Trust	(6,331)	3,189
Net Assets Released From Restrictions	(60,000)	-
Total Change in Net Assets With Donor Restrictions	(66,331)	68,189
CHANGE IN NET ASSETS	257,165	2,677,329
Net Assets – Beginning of Year	7,128,099	4,450,770
NET ASSETS – END OF YEAR	\$ 7,385,264	\$ 7,128,099

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021**

	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	\$ 387,720	\$ 507,280	\$ 25,555	\$ 476,054	\$ 1,396,609	\$ 2,454	\$ 61,550	\$ 234,967	\$ 298,971	\$ 1,695,580
Employee Benefits	60,441	92,050	1,634	77,818	231,943	157	3,937	18,998	23,092	255,035
Payroll Taxes	36,443	47,681	2,402	44,746	131,272	231	5,785	22,085	28,101	159,373
Dues, Licenses, and Permits	819,440	-	-	-	819,440	-	-	-	-	819,440
Printing, Postage, and Supplies	3,632	22,206	120,267	294,898	441,003	181,033	-	8,360	189,393	630,396
Local Program Production	18,323	-	-	-	18,323	-	-	-	-	18,323
Telemarketing	-	-	-	-	-	58,408	-	-	58,408	58,408
Leases and Maintenance Agreements	-	19,393	-	-	19,393	-	-	40,677	40,677	60,070
Depreciation	177,457	-	-	-	177,457	-	-	-	-	177,457
Special Events	-	-	-	-	-	-	-	853	853	853
Building Lease	50,764	66,417	3,346	62,329	182,856	321	8,059	30,764	39,144	222,000
Other	417,816	468,325	54,827	44,249	985,217	53,928	115,610	82,133	251,671	1,236,888
Total Expenses	\$ 1,972,036	\$ 1,223,352	\$ 208,031	\$ 1,000,094	\$ 4,403,513	\$ 296,532	\$ 194,941	\$ 438,837	\$ 930,310	\$ 5,333,823

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Memberships, Contributions, and Program Underwriting Collected	\$ 4,367,868	\$ 4,757,039
Community Service Grants from the Corporation for Public Broadcasting and Other Grants	1,428,340	1,881,058
Engineering Services	693	178,253
Production Services	20,850	28,000
Investment Income	94,908	26,535
Cash Paid to and on Behalf of Employees	(2,087,914)	(2,076,344)
Cash Paid to Suppliers and Spokane Public Schools	(2,834,184)	(2,736,780)
Net Cash Provided by Operating Activities	990,561	2,057,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(696,882)	(152,165)
Proceeds from Sale of Equipment	-	231
Purchase of Investments	(2,467,128)	(2,132,668)
Sale of Investments	2,145,163	1,394,502
Distributions from Beneficial Interest in Innovia Foundation	28,387	27,103
Net Cash Used by Investing Activities	(990,460)	(862,997)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	696,524
Principal Payments on Line of Credit	-	(696,524)
Net Cash Provided by Financing Activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	101	1,194,764
Cash and Cash Equivalents – Beginning of Year	2,780,882	1,586,118
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 2,780,983	\$ 2,780,882

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 257,165	\$ 2,677,329
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	192,005	177,457
Change in Value of Charitable Remainder Trust	6,331	(3,189)
Change in Value of Beneficial Interest in Innovia Foundation	125,844	(139,249)
(Gain) Loss on Investments, Net	340,085	(226,569)
Gain on Extinguishment of Debt	-	(409,100)
Loss on Disposal of Equipment	-	-
(Increase) Decrease in Assets:		
Engineering Services Receivable	-	-
Program Underwriting Receivable	108,169	(69,116)
Other Receivables	(38,880)	(1,332)
Prepaid Expenses and Deposits	(167,298)	16,166
Increase (Decrease) in Liabilities:		
Accounts Payable	141,484	(16,662)
Accrued Compensation and Related Liabilities	68,609	33,644
Deferred Program Underwriting Revenue	(42,953)	18,382
Net Cash Provided by Operating Activities	\$ 990,561	\$ 2,057,761
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
In-Kind Contributions	\$ 326,234	\$ 310,094
Cash Paid for Interest	\$ -	\$ 3,521

See accompanying Notes to Financial Statements.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

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, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

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

Station Receivables

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

Prepaid Expenses

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

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

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

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

Deferred Revenue

Deferred revenue consists of unearned revenue from underwriting.

Contributions

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

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

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

Community Service Grants from the Corporation for Public Broadcasting

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

Grant Revenue

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

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Program Underwriting Revenue

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

Production and Engineering Revenue

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

Contract asset and liabilities are comprised of:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts Receivable	<u>\$ 76,154</u>	<u>\$ 184,323</u>	<u>\$ 115,207</u>
Deferred Revenue	<u>\$ 85,391</u>	<u>\$ 128,344</u>	<u>\$ 109,962</u>

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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is necessary. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of August 31, 2022 and 2021, the Organization had no uncertain tax positions.

Reclassifications

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

Change in Accounting Principle

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 *Presentation and Disclosure by Not-For-Profit Entities for Contributed and Nonfinancial Assets*. The ASU enhances the presentation and disclosure of contributed nonfinancial assets. This ASU is effective for annual periods beginning after June 15, 2021.

New Accounting Pronouncement Effective in Future Accounting Periods

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.

Subsequent Events

The Organization has evaluated subsequent events through February 10, 2023, the date on which the financial statements were available to be issued.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 2 LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,780,983	\$ 2,780,882
Investments	2,390,528	2,408,648
Accounts Receivable	120,799	190,088
Total Financial Assets	<u>5,292,310</u>	<u>5,379,618</u>
Less:		
Board Designated Endowment Fund	(1,917,834)	(1,897,782)
Donor Restricted Net Assets	(500)	(65,000)
Total	<u>(1,918,334)</u>	<u>(1,962,782)</u>
Financial Assets Available for General Expenditures	<u>\$ 3,373,976</u>	<u>\$ 3,416,836</u>

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

NOTE 3 INVESTMENTS

Investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Mutual Funds:		
Cash	\$ 84,673	\$ 70,590
Money Market	78,572	136,736
Equities	1,265,331	1,284,028
Fixed Income	961,952	917,294
Total	<u>\$ 2,390,528</u>	<u>\$ 2,408,648</u>

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

	<u>2022</u>	<u>2021</u>
Investments	\$ 472,694	\$ 510,866
Investments Held in Friends of KSPS Endowment Fund	1,917,834	1,897,782
Total	<u>\$ 2,390,528</u>	<u>\$ 2,408,648</u>

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 3 INVESTMENTS (CONTINUED)

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

	2022	2021
Investment Gains (Losses), Net	\$ (340,085)	\$ 226,569
Interest and Dividends Earned	94,908	23,346
Total	\$ (245,177)	\$ 249,915

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.

	Board Designated Without Donor Restrictions
Endowment Net Assets, August 31, 2020	\$ 984,104
Investment Return:	
Investment Income, Net	15,621
Net Gain on Investments:	
Realized Gain	17,680
Unrealized Gain	165,421
Deposits	748,258
Transfer to Operating	(33,302)
Endowment Net Assets, August 31, 2021	1,897,782
Investment Return:	
Investment Income, Net	72,725
Net Gain on Investments:	
Realized Gain	(54,113)
Unrealized Gain	(219,757)
Deposits	267,266
Transfer to Operating	(46,069)
Endowment Net Assets, August 31, 2022	\$ 1,917,834

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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 4 FRIENDS OF KSPS ENDOWMENT FUND (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

NOTE 5 INNOVIA FOUNDATION

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

NOTE 6 BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

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

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Beneficial Interest in Charitable Remainder Trust	\$ 26,749	\$ 33,080
Career Explore NW	-	30,000
Arts and Culture	-	30,000
Music Literacy	5,000	5,000
Total	\$ 31,749	\$ 98,080

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose. Net asset releases were \$60,000 and \$-0-, respectively, for the years ending August 31, 2022 and 2021.

NOTE 8 FAIR VALUE HIERARCHY

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

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

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

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

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

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

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

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 8 FAIR VALUE HIERARCHY (CONTINUED)

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:

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

	2021				
	Cost	Level 1	Level 2	Level 3	Total
Mutual Funds:					
Cash	\$ 70,590	\$ -	\$ -	\$ -	\$ 70,590
Money Market	-	136,736	-	-	136,736
Equities	-	1,284,028	-	-	1,284,028
Fixed Income	-	917,294	-	-	917,294
Beneficial Interest in Innovia Foundation	-	-	-	786,400	786,400
Beneficial Interest in Charitable Remainder Trust	-	-	-	33,080	33,080
Total	<u>\$ 70,590</u>	<u>\$ 2,338,058</u>	<u>\$ -</u>	<u>\$ 819,480</u>	<u>\$ 3,228,128</u>

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 8 FAIR VALUE HIERARCHY (CONTINUED)

The following sets forth a summary for the years ended August 31, 2022 and 2021 of the Organization's Level 3 assets:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2022	2021		
Beneficial Interest in Innovia Foundation	\$ 632,169	\$ 786,400	Net Asset Value	Value of Underlying Assets
Beneficial Interest in Charitable Remainder Trust	26,749	33,080	FMV of Trust Investments	Value of Underlying Assets

NOTE 9 EQUIPMENT

A summary of equipment is as follows:

	2022	2021
Broadcast Equipment	\$ 2,168,738	\$ 2,068,721
Transmitter Equipment	1,205,147	830,728
Digital Equipment	303,953	133,087
Office Equipment	100,641	100,641
Vehicles	65,484	13,903
Total	3,843,963	3,147,080
Accumulated Depreciation Equipment, Net	(2,178,797)	(1,986,791)
	<u>\$ 1,665,166</u>	<u>\$ 1,160,289</u>

NOTE 10 BUILDING LEASE

Effective August 31, 2013, the Organization entered into a five-year lease agreement with four options to renew, each for a period of five years, with Spokane Public Schools (SPS) in which the Organization will remain in its current building space in exchange for providing SPS with \$222,000 worth of production and other in-kind services each year. Unless notice is given to not exercise the option to renew, the option shall be deemed exercised. If the Organization fails to provide the agreed-upon services, annual cash payments in the amount of \$222,000 will be required. All required engineering services were provided and, as such, no cash payments were made in 2022 or 2021. The in-kind engineering revenue and occupancy expense of \$222,000 was recorded in the 2022 and 2021 financial statements.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 11 LINE OF CREDIT

On December 12, 2013, the Organization entered into a revolving line of credit with Washington Trust Bank (WTB), which matures on February 8, 2023. 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, 2022 and 2021, the outstanding balance was \$-0- each year.

NOTE 12 OPERATING LEASES

The Organization's leases consisted of postal equipment and site leases. Lease expense during the years ended August 31, 2022 and 2021 was approximately \$18,000 and \$10,000, respectively.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 21,237
2024	16,108
2025	14,496
2026	9,496
2027	7,996
Thereafter	36,480
Total	<u>\$ 105,813</u>

NOTE 13 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, 2022 and 2021, the Organization had \$422,438 and \$365,537, 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.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 14 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, 2022 and 2021, the Organization contributed 3% of each participant's salary, subject to annual IRC limits. Contributions to the plan totaled approximately \$50,000 and \$49,000 for the years ended August 31, 2022 and 2021, respectively.

NOTE 15 MEMBERSHIP AND CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
U.S. Contributions	\$ 2,441,119	\$ 2,498,093
Canadian Contributions	1,391,250	1,448,704
Canadian Exchange Discount	<u>(280,938)</u>	<u>(323,425)</u>
Total	<u>\$ 3,551,431</u>	<u>\$ 3,623,372</u>

NOTE 16 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).

On November 19, 2020, the U.S. Small Business Administration (SBA) processed the Organization's PPP Loan forgiveness application and notified Washington Trust Bank the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Organization was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt during the year ended August 31, 2021.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

**FRIENDS OF KSPS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 17 IN-KIND CONTRIBUTIONS

KSPS received donated advertising in 2022 and 2021 of \$104,234 and \$88,094, respectively. Advertising is valued at fair market value at the date of donation, using estimated rates for advertising services and are used in program underwriting. These amounts are reflected in the financial statements as both revenue and expenses.

In addition KSPS received in-kind rent in exchange for engineering services in the amount of \$222,000 in each year 2022 and 2021, the value is estimated based on commercial real estate rental. In-kind rent is utilized by each program and supporting services. See Note 10.

In-kind contributions were not donor-restricted



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