

KSMQ PUBLIC SERVICE MEDIA, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025



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KSMQ PUBLIC SERVICE MEDIA, INC.
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YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KSMQ Public Service Media, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of KSMQ Public Service Media, Inc. as of June 30, 2025, and the results of its changes in 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 (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 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.

Correction of an Error

As discussed in Note 12 to the financial statements, certain errors resulting in a misstatement of amounts previously reported for leasehold improvements, depreciation expense, and right-of-use (ROU) asset and liability balances were discovered by management of KSMQ Public Service Media, Inc. during the current year. Accordingly, the 2025 beginning net assets have been restated to correct the error.

As part of our audit of the 2025 financial statements, we also audited the adjustments to the 2024 financial statements to correct the error as described in Note 12. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to KSMQ Public Service Media, Inc.'s 2024 financial statements other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

Substantial Doubt About the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 13 to the financial statements, the entity has suffered recurring losses from operations, loss of significant funding source, and has stated that substantial doubt exists about the organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

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.

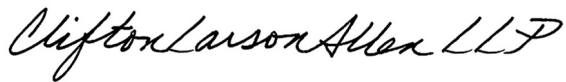
In performing an audit in accordance with GAAS, we:

- 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 KSMQ Public Service Media, Inc.'s internal control. Accordingly, no such opinion is expressed.

Board of Directors
KSMQ Public Service Media, Inc.

- 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 KSMQ Public Service Media, Inc.'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

Austin, Minnesota
March 12, 2026

KSMQ PUBLIC SERVICE MEDIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

Cash and Cash Equivalents	\$ 407,137
Operating Investments	621,833
Accounts Receivable	20,410
Grants Receivable	100,234
Prepaid Expenses and Other Assets	66,197
Property and Equipment, Net	1,628,687
Operating Lease Right-of-Use Asset	<u>2,404</u>
Total Assets	<u><u>\$ 2,846,902</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 108,986
Accrued Expenses and Other Liabilities	35,659
Deferred Revenue	6,200
Operating Lease Liability	<u>2,404</u>
Total Liabilities	<u>153,249</u>

NET ASSETS

Without Donor Restrictions	2,620,489
With Donor Restrictions	<u>73,164</u>
Total Net Assets	<u>2,693,653</u>
Total Liabilities and Net Assets	<u><u>\$ 2,846,902</u></u>

See accompanying Notes to Financial Statements.

**KSMQ PUBLIC SERVICE MEDIA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 127,439	\$ -	\$ 127,439
Grants	1,582,818	-	1,582,818
In-Kind Contributions	532,858	-	532,858
Program Underwriting	127,849	-	127,849
Investment Income	70,350	-	70,350
Rental Income	9,600	-	9,600
Total Revenue, Support, and Gains	2,450,914	-	2,450,914
EXPENSES AND LOSSES			
Program Services Expenses	1,709,692	-	1,709,692
Supporting Services Expenses:			
Management and General	718,432	-	718,432
Fundraising and Development	192,053	-	192,053
Total Supporting Services Expenses	910,485	-	910,485
Total Expenses and Losses	2,620,177	-	2,620,177
CHANGE IN NET ASSETS	(169,263)	-	(169,263)
Net Assets - Beginning of Year, As Previously Stated	3,196,992	73,164	3,270,156
Restatement of Beginning Net Assets	(407,240)	-	(407,240)
Net Assets - Beginning of Year, As Restated	2,789,752	73,164	2,862,916
NET ASSETS - END OF YEAR	\$ 2,620,489	\$ 73,164	\$ 2,693,653

See accompanying Notes to Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Services				Management and General	Fundraising and Development	Total
	Programming	Broadcasting	Production	Total			
Salaries and Wages	\$ 76,596	\$ 162,472	\$ 157,859	\$ 396,927	\$ 78,524	\$ 95,550	\$ 571,001
Employee Benefits	17,929	34,588	38,260	90,777	5,598	4,146	100,521
Payroll Taxes	6,976	14,301	12,757	34,034	6,846	8,485	49,365
Professional Services	-	29,144	197,547	226,691	111,753	2,634	341,078
Legal	-	-	-	-	1,500	-	1,500
Program Guide	-	-	-	-	-	10,755	10,755
Meetings and Meals	11	215	739	965	2,741	110	3,816
Bank Fees	59	-	-	59	7,020	1,949	9,028
PBS Dues	247,277	-	-	247,277	-	-	247,277
Program Acquisitions	65,896	-	-	65,896	-	29,160	95,056
Licensing	-	51,137	1,877	53,014	9,483	6,917	69,414
Supplies	-	459	1,326	1,785	15,110	3,257	20,152
Telephone and Internet	1,073	2,442	-	3,515	4,138	1,692	9,345
Postage	-	3,919	26	3,945	241	14,617	18,803
Insurance	-	-	-	-	30,735	-	30,735
Repairs and Maintenance	-	3,192	285	3,477	11,186	85	14,748
Facility Maintenance	-	-	-	-	69,748	-	69,748
Advertising	-	-	-	-	134,879	-	134,879
Travel	-	704	902	1,606	3,193	463	5,262
Utilities	-	40,251	-	40,251	-	-	40,251
Membership Dues	163	856	3,643	4,662	7,653	1,080	13,395
Lease and Rental	-	-	50	50	3,011	-	3,061
Facility Rental	2,861	156,850	81,848	241,559	182,674	8,580	432,813
Printing	-	-	79	79	7,859	2,248	10,186
Lobbying Expense	-	-	-	-	22,785	-	22,785
Equipment Purchases	-	101	13,042	13,143	327	-	13,470
Depreciation	-	209,402	70,416	279,818	-	-	279,818
Credit Loss Expense	-	-	-	-	-	325	325
Miscellaneous	-	162	-	162	1,428	-	1,590
Distribution Cost	-	(16,530)	16,530	-	-	-	-
Total Expenses	<u>\$ 418,841</u>	<u>\$ 693,665</u>	<u>\$ 597,186</u>	<u>\$ 1,709,692</u>	<u>\$ 718,432</u>	<u>\$ 192,053</u>	<u>\$ 2,620,177</u>

See accompanying Notes to Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (169,263)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	279,818
Realized and Unrealized (Gain) Loss on Operating Investments	(14,163)
Credit Loss Expense	325
Changes in Operating Assets and Liabilities:	
Accounts Receivable, Net	(1,055)
Grants Receivable	(16,028)
Prepaid Expenses and Other Assets	(31,985)
Accounts Payable	15,623
Accrued Expenses and Other Liabilities	(8,873)
Deferred Revenue	(17,660)
Net Cash Provided by Operating Activities	36,739

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(48,847)
Purchases of Property and Equipment	(122,671)
Net Cash Used by Investing Activities	(171,518)

NET CHANGE IN CASH AND CASH EQUIVALENTS

(134,779)

Cash and Cash Equivalents - Beginning of Year

541,916

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 407,137

See accompanying Notes to Financial Statements.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

KSMQ Public Service Media, Inc.. (the Organization) is a nonprofit organization 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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable and Allowance for Credit Losses

The Organization provides underwriting or advertising to various customers. The Organization records underwriting receivable and contract liabilities for its customers upon the contract date. All amounts were considered collectable by management and no allowance for credit losses was recorded for the year ended June 30, 2025.

Property and Equipment

The Organization records property and equipment additions over \$2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2025.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the balance sheet.

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

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Net Assets

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.

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 reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expired, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

The Organization recognizes revenue from sales of advertising when the performance obligations of providing the services are met.

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 substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There were no amounts available to be spent at June 30, 2025. No amounts have been received in advance under our federal and state contracts and grants.

Donated Services and In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated space, and advertising which are recorded at the respective fair values of the goods or services received (Note 8). The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$168,470 during the year ended June 30, 2025.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, meetings, licensing, supplies, telephone, postage, repairs, travel, dues, rental, equipment purchases, and printing, which are allocated on the basis of estimates of time and effort.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

KSMQ Public Service Media, Inc. is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in Internal Revenue Code (IRC) Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by them to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2025, the Organization had approximately \$197,888 in excess of FDIC insurance limits. To date, the Organization has not experienced losses in any of these accounts.

Subsequent Events

The Organization has evaluated subsequent events through March 12, 2026, the date the financial statements were available to be issued.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following for the year ended June 30:

	2025
Cash and Cash Equivalents	\$ 407,137
Accounts Receivable	20,410
Operating Investments	621,833
Grants Receivable	100,234
Total Financial Assets at Year-End	1,149,614
Less: Amounts Not Available to Meet General Expenditures Within One Year:	
Net Assets With Donor Restrictions	(73,164)
Financial Assets Available to Meet General Expenditures Within One Year:	\$ 1,076,450

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Organization's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2025.

ASSETS	Total	Fair Value Measurements at Report Date Using			
		Level 1	Level 2	Level 3	NAV
Operating Investments:					
Mutual Funds	\$ 567,569	\$ 567,569	\$ -	\$ -	\$ -
Stocks	54,264	54,264	-	-	-
Total	<u>\$ 621,833</u>	<u>\$ 621,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2025
Equipment	\$ 3,270,096
Construction in Process	14,874
Subtotal	<u>3,284,970</u>
Less: Accumulated Depreciation and Amortization	<u>(1,656,283)</u>
Total Property and Equipment	<u>\$ 1,628,687</u>

Depreciation expense totaled \$279,818 for the year ended June 30, 2025.

NOTE 5 LEASES

The Organization leases a copier under long-term, noncancelable lease agreements. The lease expires in 2026. In the normal course of business, it is expected that the lease will be renewed or replaced by similar leases.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 LEASES (CONTINUED)

The following table provides quantitative information concerning the Organization's leases.

	2025
Lease Costs:	
Operating Lease Costs	\$ 2,916
Short-term Lease Cost	34,834
Total Lease Costs	\$ 37,750
Other Information:	
Operating Cash Flows From Operating Leases	\$ 2,916
Weighted-Average Remaining Lease Term - Operating Leases	0.8 Years
Weighted-Average Discount Rate - Operating Leases	2.85%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2025, is as follows:

Year Ending June 30,	Operating Leases
2026	\$ 2,430
Total Lease Payments	2,430
Less: Interest	(26)
Present Value of Lease Liabilities	\$ 2,404

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods for the year ended June 30:

	2025
Subject to Expenditure for Specified Purpose:	
American Rescue Grant	\$ 73,164
Total Net Assets with Donor Restrictions	\$ 73,164

There were no net assets released from donor restrictions for the year ended June 30, 2025.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 CONTRACT ASSETS AND LIABILITIES

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position. The beginning and ending balances for accounts receivable and deferred revenue were as follows for the year ended June 30, 2025:

	<u>2025</u>	<u>2024</u>
Accounts Receivable	\$ 20,410	\$ 19,680
Deferred Revenue	\$ 6,200	\$ 23,860

NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2025, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>2025</u>
Advertising	\$ 133,379
Transmitter Lease	89,951
Facility Lease	308,028
Legal	1,500
Total	<u>\$ 532,858</u>

Contributed advertising services are provided by various media outlets such as radio stations, newspapers, and other publications. Contributed advertising services are used to promote the television station and are recognized at fair value based on current rates for similar advertising services.

Contributed legal services are provided by attorneys who advise the Organization on various administrative legal matters. Contributed legal services are used for management and general activities and are recognized at fair value based on current rates for similar legal services.

Contributed space and transmitter leases are valued using estimated market prices of identical or similar spaces. Contributed space is used for management and general activities and the transmitter is used for broadcasting under program activities.

All gifts-in-kind received during the year ended June 30, 2025 were unrestricted.

KSMQ PUBLIC SERVICE MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 CITY OF AUSTIN LEASE

The Organization entered into a building lease agreement with the City of Austin for annual rent of \$1. The lease commenced when the Organization began occupying the space in September 2022. The lease has an initial term of 10 years. There are three optional extensions of 5-years each which were determined to be conditional. Should the full term and lease extensions be exercised by the Organization, the Organization will receive the title to the building as well as incur \$118,000 of debt. All related leasehold improvements made by the Organization immediately become property of the City. Should the Organization exercise the renewal option and the City deny, the leasehold improvements are returned to the Organization. For the year ended June 30, 2025, rent expense of \$274,992 was recorded in connection with this lease agreement.

NOTE 10 EMPLOYEE BENEFITS

The Organization sponsors a tax-deferred IRA plan (the Plan) covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 may voluntarily contribute to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the board of directors each Plan year. During the year ended June 30, 2025, the Organization matched employee voluntary contributions up to 1%, resulting in contributions to the Plan of \$16,005.

NOTE 11 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2025, the Organization received an in-kind lease from the City of Austin, of which the administrator's spouse is an employee of the Organization. The in-kind revenue from this lease for the year ended June 30, 2025 was \$274,992 and rent expense totaled \$274,992. Additionally, during the year ended June 30, 2025, the Organization paid the City of Austin \$27,538 for utilities.

NOTE 12 RESTATEMENT

Certain accounts in the June 30, 2024 financial statements have been restated. In the current year, the Organization identified incorrect amounts stated in the statement of financial position and statement of activities as related to leasehold improvements, depreciation expense, and ROU lease asset and liability balances. The impact on total net assets previously reported was a decrease of \$407,240.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 UNCERTAINTY REGARDING GOING CONCERN

During the year ended June 30, 2025, the Organization experienced operating losses of \$169,263. It was also noted that subsequent to year-end, the Organization lost a significant amount of its funding, which comprised of 39% of its total revenues in the statement of activities. Accordingly, management has concluded that substantial doubt exists about the Organization's ability to continue as a going concern.

Management has implemented the following actions to mitigate the impacts of these losses:

- Management has accelerated internal membership fundraising efforts which resulted in an increase in membership revenue subsequent to year-end.
- Management has reduced expenses through eliminating or reducing staffing positions.
- The Organization is seeking partnerships for future operational efforts with other public broadcast operations.
- The Organization, along with other public broadcasting stations, have made an emergency request for supplemental state funding.

If operating losses and declines in cash continue, the ability to continue as a going concern may be impacted. The financial statements do not include any adjustments that might be necessary if the Organization were unable to continue as a going concern.



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