

**KSRQ PIONEER 90.1**  
**THIEF RIVER FALLS, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
KSRQ Pioneer 90.1  
Thief River Falls, Minnesota

We have audited the accompanying financial statements of KSRQ Pioneer 90.1, a division of Northland Community and Technical College, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSRQ Pioneer 90.1 as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, KSRQ Pioneer 90.1 adopted the provisions of FASB Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in the year ended June 30, 2019. This resulted in changes to accounting policies regarding classification of net assets, new disclosures were added regarding liquidity and availability, and disclosures related to the functional allocation of expenses were expanded. Our opinion is not modified with respect to this matter.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

September 9, 2020

**KSRQ PIONEER 90.1**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

	2019
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Accounts receivable	\$ 27,912
Due from the college	88,001
Total current assets	115,913
 Total assets	 \$ 115,913
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Vacation payable	\$ 15,824
Accrued compensated absences	24,122
Total current liabilities	39,946
Total liabilities	39,946
 <b>NET ASSETS</b>	
Net assets without donor restrictions	67,747
Net assets with donor restrictions	8,220
Total net assets	75,967
 Total liabilities and net assets	 \$ 115,913

SEE NOTES TO THE FINANCIAL STATEMENTS

**KSRQ PIONEER 90.1**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NET ASSETS WITHOUT DONOR RESTRICTIONS**

	2019
<b>REVENUE AND SUPPORT</b>	
Community service grants from Corporation for Public Broadcasting	\$ 67,747
Legacy Grant	110,082
Underwriting	10,354
Colleges and universities	101,804
Indirect admin support	87,755
In-kind contributions	14,833
Pledges and donations	11,929
Total revenue and support	404,504
<b>EXPENSES</b>	
Program services	
Programming and production	176,201
Broadcasting and engineering	31,456
Program information and promotion	848
Support services	
Management and general	45,441
Fundraising and membership development	8,598
Underwriting and grant solicitation	22,753
Total expenses	285,297
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 119,207
 NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	 <u>(51,460)</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	 <u><u>\$ 67,747</u></u>

**NET ASSETS WITH DONOR RESTRICTIONS**

<b>REVENUE AND SUPPORT</b>	
Community service grants from Corporation for Public Broadcasting	\$ 15,926
Net assets released from restrictions	(2,534)
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	 13,392
 NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	 <u>(5,172)</u>
 NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	 <u><u>\$ 8,220</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**KSRQ PIONEER 90.1**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Management and General	Fundraising and Member Development	Underwriting and Grant Solicitation	
Salaries	\$ 114,801	\$ -	\$ -	\$ 29,276	\$ -	\$ 14,638	\$ 158,715
Payroll taxes and employee benefits	37,994	-	-	15,706	-	7,853	61,553
Permit and license fees	10,484	5,108	745	-	6,500	23	22,860
Professional fees	6,255	2,519	25	-	-	-	8,799
Public speakers and entertainment	5,000	-	-	-	-	-	5,000
Purchased services	-	940	-	-	-	-	940
Advertising	-	-	-	-	120	-	120
Office expense:							
Supplies and materials	1,653	239	78	-	624	-	2,594
Postal, mailing, shipping	14	-	-	33	605	-	652
Printing and duplicating	-	-	-	426	749	-	1,175
Wireless communications	-	645	-	-	-	-	645
Occupancy expenses:							
Rent	-	4,620	-	-	-	-	4,620
Electricity	-	17,385	-	-	-	-	17,385
Travel	-	-	-	-	-	239	239
<b>Total Expenses</b>	<b>\$ 176,201</b>	<b>\$ 31,456</b>	<b>\$ 848</b>	<b>\$ 45,441</b>	<b>\$ 8,598</b>	<b>\$ 22,753</b>	<b>\$ 285,297</b>

SEE NOTES TO THE FINANCIAL STATEMENTS

**KSRQ PIONEER 90.1**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019
OPERATING ACTIVITIES	
Change in net assets	\$ 132,599
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Accounts receivable	914
Due from the college	(136,342)
Vacation payable	737
Accrued compensated absences	2,092
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -

SEE NOTES TO THE FINANCIAL STATEMENTS



**KSRQ PIONEER 90.1**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Principal Business Activity**

KSRQ Pioneer 90.1, a Minnesota non-profit corporation, was organized to operate a noncommercial public radio station to serve the population of the northwest Minnesota and northeast North Dakota. Major revenue sources are community service grants received from the Corporation for Public Broadcasting and state grants.

**Financial Statement Presentation**

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, (GAAP), as codified by the Financial Accounting Standards Board. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting**

The Station's financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-For-Profit entities. The codification requires the Station to report information regarding its financial position and activities according to two classes of net assets as follows:

**Net assets without donor restrictions**, are net assets which include unrestricted resources and are subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. The governing board may delegate designation decisions to internal management. Such designations are considered to be included in board-designated net assets.

**Net assets with donor restrictions**, are net assets which represent net assets resulting from contributions and other inflows of assets whose use by the Station is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, stipulating that resources are to be used after a specified date, for particular programs or services or to acquire buildings or equipment. Other donor-imposed restrictions are perpetual in nature, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment return from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. All net assets with donor restrictions are temporary in nature and are restricted by donors. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions. If restrictions are satisfied during the same fiscal year that support is received, the entire transaction is reported as without donor restrictions.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Station does not have its own cash and checking accounts. All receipts and disbursements of the Station are operated through Northland Community and Technical College's checking account.

**KSRQ PIONEER 90.1**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2019

**Due from the College**

Due from the college represents advancements and reimbursements made during the year to cover operating expenses made by the Station.

**Contributions**

Under professional standards, contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the absence or existence and nature of any donor restrictions.

**In-Kind Contributions**

Contributed facilities are recorded at their estimated fair value at the date of donation.

**Corporation for Public Broadcasting Community Service Grants**

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

**Advertising Expense**

Costs incurred for advertising are expensed as incurred.

**Functional Allocation of Expenses**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, salaries and benefit costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

**KSRQ PIONEER 90.1**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2019

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Income Taxes**

The Station is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. In addition, the agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

The Station's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

**Implementation of Accounting Standards Update (ASU) No. 2016-14**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*." This ASU simplifies and improves how a not-for-profit association classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. KSRQ Pioneer 90.1 adopted ASU 2016-14 during the year ended June 30, 2019.

**NOTE 2 AVAILABILITY AND LIQUIDITY**

The Station does not have any financial resources to cover its operations going forward. However, the Station would receive financial support from the college if needed.

**NOTE 3 IN-KIND CONTRIBUTIONS**

The Station has in-kind contributions totaling \$14,833 for the year ended June 30, 2019. Of this balance, \$14,833 was related to the use of the Station's facilities for the year ended June 30, 2019.

**NOTE 4 COMMUNITY SERVICE GRANT**

In September 2018, the Station was awarded a community service grant in the amount of \$83,673 from the Corporation for Public Broadcasting. The grant is used to help support the operations of the Station for the period of October 1, 2018 to September 30, 2020. Of this grant, \$15,926 was restricted and the funds are to be used for the acquisition, production, promotion, and distribution of national programming. As of June 30, 2019, the Station had \$8,220 left of restricted funds to spend.

**KSRQ PIONEER 90.1**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2019

**NOTE 5 NONFEDERAL FINANCIAL SUPPORT (NFFS)**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS includes payments from any State, or any educational institution in exchange for services or materials with respect to the provision of educational or instructional television or radio programs. Payments received by a public broadcast station from any other sources (e.g. for-profit entities or individuals), including nonprofit organizations that are not educational institutions, or for any other purposes may not be included as NFFS.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

For the year ended June 30, 2019, reported NFFS for the Station was as follows:

	<u>2019</u>
Cash receipts	\$ 234,169
Indirect admin support	87,755
In-kind contributions	<u>14,833</u>
Total NFFS	<u>\$ 336,757</u>

**NOTE 6 CONCENTRATION OF RISK**

A substantial portion of the Station's funding is received from the Corporation for Public Broadcasting (CPB). A decrease in the amount of funding from CPB would most likely make it impossible for the Station to continue operations. Continued support from CPB is not assured and could vary considerably in the future.

**NOTE 7 INCOME TAXES**

It is the opinion of management that the Station has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Station are subject to examination by the IRS, generally for three years after they were filed. The Station is current on all required filings.

**KSRQ PIONEER 90.1**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2019

**NOTE 8 NEW ACCOUNTING PRONOUNCEMENTS**

ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) – During 2014, the FASB issued a new standard related to revenue recognition. ASU 2014-09, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be effective for the Station for annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.

ASU 2016-02, *Leases* (Topic 842) – During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-01 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Station for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Management has not yet determined what effect these pronouncements will have on the Station's financial statements.

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Station's financial statements.

**NOTE 9 SUBSEQUENT EVENTS**

On March 11, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Station may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. Subsequent events have been evaluated through September 9, 2020, which is the date these financial statements were available to be issued.