

**KBEM Radio Station**  
**Financial Statements**  
**June 30, 2024 and 2023**

## KBEM Radio Station Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to the Financial Statements	9



## Independent Auditor's Report

The Board of Education of Special School District No. 1 and the Corporation for Public Broadcasting  
KBEM Radio Station  
Minneapolis, Minnesota

### ***Opinion***

We have audited the financial statements of KBEM Radio Station, which comprise the statements of financial position as of June 30, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of KBEM Radio Station as of June 30, 2024 and 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KBEM Radio Station 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.

### ***Substantial Doubt About the Entity's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that KBEM Radio Station will continue as a going concern. As discussed in Note 11 to the financial statements, KBEM Radio Station has suffered recurring losses from operations, has significant deterioration of net assets, and has stated that substantial doubt exists about KBEM Radio Station'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 11. 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 KBEM Radio Station's ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

### ***Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 KBEM Radio Station'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 KBEM Radio Station'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.

### ***Restriction on Use***

Our report is intended solely for the information and use of the Board of Education of Special School District No. 1 and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.



St. Cloud, Minnesota  
November 21, 2024

**KBEM Radio Station**  
**Statements of Financial Position**  
**As of June 30, 2024 and 2023**

	2024	2023
<b>Assets</b>		
Current assets		
Accounts receivable - program revenue	\$ -	\$ 50,000
Underwriting receivables	12,633	9,483
Grants receivable	186,654	176,070
Total current assets	199,287	235,553
Equipment, net	283,374	96,333
Right-of-use asset, net	184,919	237,670
Total assets	\$ 667,580	\$ 569,556
<b>Liabilities and Net Assets</b>		
Current liabilities		
Cash overdraft	\$ 623,055	\$ 3,140
Current maturities of operating lease liability	54,805	44,710
Accounts payable	206,587	34,582
Accrued expenses	32,950	62,998
Refundable advances	70,972	123,482
Total current liabilities	988,369	268,912
Long-term liabilities		
Operating lease liability	121,514	184,360
Total liabilities	1,109,883	453,272
Net assets (deficit)		
Without donor restrictions	(456,910)	103,761
With donor restrictions	14,607	12,523
Total net assets (deficit)	(442,303)	116,284
Total liabilities and net assets	\$ 667,580	\$ 569,556

See notes to financial statements.

**KBEM Radio Station  
Statement of Activities  
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
Grant revenue	\$ 458,748	\$ -	\$ 458,748
Contributions			
Members	983,005	7,600	990,605
In-kind	43,921	-	43,921
In-kind sponsorships	23,250	-	23,250
Underwriting	159,364	-	159,364
Program revenue - MnDOT	200,000	-	200,000
Net assets released from restriction	5,516	(5,516)	-
Total public support and revenue	<u>1,873,804</u>	<u>2,084</u>	<u>1,875,888</u>
<b>Expenses</b>			
Program services	1,752,029	-	1,752,029
Management and general	514,630	-	514,630
Fundraising	167,816	-	167,816
Total expenses	<u>2,434,475</u>	<u>-</u>	<u>2,434,475</u>
Change in net assets	(560,671)	2,084	(558,587)
<b>Net Assets (Deficit)</b>			
Beginning of year	<u>103,761</u>	<u>12,523</u>	<u>116,284</u>
End of year	<u>\$ (456,910)</u>	<u>\$ 14,607</u>	<u>\$ (442,303)</u>

See notes to financial statements.

**KBEM Radio Station  
Statement of Activities  
Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
Grant revenue	\$ 342,155	\$ -	\$ 342,155
Contributions			
Members	736,881	-	736,881
In-kind	42,321	-	42,321
In-kind sponsorships	1,500	-	1,500
Underwriting	152,471	-	152,471
Program revenue - MnDOT	200,000	-	200,000
Net assets released from restriction	6,811	(6,811)	-
Total public support and revenue	<u>1,482,139</u>	<u>(6,811)</u>	<u>1,475,328</u>
<b>Expenses</b>			
Program services	1,188,589	-	1,188,589
Management and general	262,470	-	262,470
Fundraising	174,914	-	174,914
Total expenses	<u>1,625,973</u>	<u>-</u>	<u>1,625,973</u>
Change in net assets	<u>(143,834)</u>	<u>(6,811)</u>	<u>(150,645)</u>
<b>Net Assets</b>			
Beginning of year, as previously stated	238,098	19,334	257,432
Prior period adjustment	<u>9,497</u>	<u>-</u>	<u>9,497</u>
Beginning of year, as restated	<u>247,595</u>	<u>19,334</u>	<u>266,929</u>
End of year	<u>\$ 103,761</u>	<u>\$ 12,523</u>	<u>\$ 116,284</u>

**KBEM Radio Station**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	Program Services			Management and General	Fundraising	Total
	Programming and Production	Broadcasting and Engineering	Total			
Salaries	\$ 537,832	\$ 127,004	\$ 664,836	\$ 60,740	\$ 115,595	\$ 841,171
Payroll taxes and benefits	202,116	20,543	222,659	19,515	52,221	294,395
Total salaries and related taxes and benefits	739,948	147,547	887,495	80,255	167,816	1,135,566
Consulting fees	771,545	-	771,545	-	-	771,545
Office expenses	682	-	682	24,052	-	24,734
General supplies and equipment	-	-	-	335,719	-	335,719
Membership dues and licensing	11,518	-	11,518	-	-	11,518
Donated event sponsorships	23,250	-	23,250	-	-	23,250
Donated space	6,000	-	6,000	23,004	-	29,004
Donated materials	-	14,917	14,917	-	-	14,917
Operating lease expense	-	-	-	51,600	-	51,600
Depreciation	36,622	-	36,622	-	-	36,622
Total expenses by function	<u>\$ 1,589,565</u>	<u>\$ 162,464</u>	<u>\$ 1,752,029</u>	<u>\$ 514,630</u>	<u>\$ 167,816</u>	<u>\$ 2,434,475</u>

See notes to financial statements.

**KBEM Radio Station**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	Program Services			Management and General	Fundraising	Total
	Programming and Production	Broadcasting and Engineering	Total			
Salaries	\$ 407,168	\$ 94,206	\$ 501,374	\$ 62,384	\$ 123,655	\$ 687,413
Payroll taxes and benefits	132,493	32,414	164,907	19,813	51,259	235,979
Total salaries and related taxes and benefits	539,661	126,620	666,281	82,197	174,914	923,392
Consulting fees	473,167	-	473,167	-	-	473,167
Office expenses	1,161	-	1,161	16,282	-	17,443
General supplies and equipment	-	-	-	82,716	-	82,716
Membership dues and licensing	18,289	-	18,289	-	-	18,289
Donated event sponsorships	1,500	-	1,500	-	-	1,500
Donated space	6,000	-	6,000	25,960	-	31,960
Donated materials	-	10,361	10,361	-	-	10,361
Operating lease expense	-	-	-	55,315	-	55,315
Depreciation	11,830	-	11,830	-	-	11,830
Total expenses by function	<u>\$ 1,051,608</u>	<u>\$ 136,981</u>	<u>\$ 1,188,589</u>	<u>\$ 262,470</u>	<u>\$ 174,914</u>	<u>\$ 1,625,973</u>

See notes to financial statements.

**KBEM Radio Station**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ (558,587)	\$ (141,134)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	36,622	11,830
Amortization of right-of-use asset	44,151	63,450
Proceeds from grants restricted for equipment	(115,881)	(24,076)
Change in operating assets and liabilities		
Accounts receivable	50,000	(50,000)
Underwriting receivables	(3,150)	(9,497)
Grants receivable	(10,584)	(107,394)
ROU asset - prepaid rent	8,600	(8,600)
Accounts payable	139,630	27,067
Accrued expenses	(30,048)	14,956
Refundable advances	(52,510)	(9,393)
Operating lease liability	(52,751)	(47,086)
Total adjustments	14,079	(138,743)
Net cash flows - operating activities	(544,508)	(279,877)
 <b>Cash Flows - Investing Activities</b>		
Proceeds from grants restricted for equipment	115,881	24,076
Purchases of equipment	(191,288)	(38,320)
Net cash flows - investing activities	(75,407)	(14,244)
 <b>Cash Flows - Financing Activities</b>		
Cash overdraft	619,915	3,140
 Net change in cash	-	(290,981)
 <b>Cash</b>		
Beginning of year	-	290,981
End of year	\$ -	\$ -
 <b>Supplemental Disclosure of Cash Flow Information</b>		
Operating cash outflows from operating lease	\$ 51,600	\$ 48,600
 <b>Supplemental Disclosure for Non-Cash Investing and Financing Activities</b>		
Purchases of equipment included in accounts payable	\$ 36,900	\$ -
ROU assets obtained in exchange for operating lease liability	\$ -	\$ 236,273

See notes to financial statements.

## **KBEM Radio Station Notes to Financial Statements**

### **NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Organization**

KBEM Radio Station (the Station) was founded in 1970 as a sub-department of Special School District No. 1 (the District) and is considered to be a special purpose government engaged primarily in business-type activities (BTA) to establish non-commercial community radio as an alternative to other Twin Cities stations, to fill the voids in music and news left by traditional broadcasters, to provide access to airwaves for the public at large, and to empower community members to use radio broadcasting.

The individuals that work for the Station are all employees of the District.

#### **Basis of Accounting**

The Station is a special purpose government of the District that would normally follow the accounting standards prescribed by the Government Auditing Standards Board (GASB). However, the Station is regulated by the Corporation for Public Broadcasting (CPB), who has instructed the Station to follow the accounting standards prescribed by the Financial Accounting Standards Board (FASB) because the Station's primary source of revenue is from contributions, not from government grants or taxes. In accordance with this direction, the Station has prepared the accompanying financial statements in accordance accounting standards prescribed by the FASB.

The Station's financial statements are intended to present the assets, liabilities, net assets, support and revenue, expenses and changes in net assets, functional expenses, and cash flows of only that portion of the funds of the District that are attributable to the transactions of the Station.

#### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Concentrations**

Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of accounts and grants receivables.

The Station is subject to a degree of vulnerability due to concentrations the receivables and revenue from major funding sources. The Station received program revenue from Minnesota Department of Transportation (MnDOT) which accounted for 10% and 14% of total public support and revenue for both 2024 and 2023, respectively.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable - Program Revenue**

Accounts receivable are the result of the Station's contract with the MnDOT. The Station uses historical loss information and the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions as there has been no significant changes in the pay source, credit terms and collection practices, or economic conditions. Management believes an allowance for credit losses is not necessary as of June 30, 2024 and 2023.

**Grants Receivable**

Grants receivable are primarily from grant awards and revenues relating to the Station's current year which are expected to be received in the subsequent year. The Station determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. As of June 30, 2024 and 2023, no allowance for uncollectable grants receivable is deemed necessary.

**Property and Equipment**

Property and equipment with a value in excess of \$500 are capitalized and are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the assets.

**Long-Lived Assets**

The Station records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended June 30, 2024 and 2023.

**Net Assets**

Net assets and public support and revenue 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 grantor restrictions.

*Net Assets with Donor Restrictions*

Net assets subject to donor or 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished). All other donor-imposed restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

*Grant Revenue*

A portion of the Station's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Station 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.

*Contributions*

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable 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.

*Underwriting*

The Station follows contribution revenue recognition for underwriting revenue.

*Program Revenue - MnDOT*

Program revenue is received from the Minnesota Department of Transportation (MnDOT) for broadcasting roadway travel information to motorists in the Metro area during the morning and evening peak times and major incidents. The contract may be terminated by the Station or MnDOT by written notification within a minimum of 90 days' notice to the other party. If sufficient funding is not provided by the State of Minnesota or other funding source, MnDOT has the authority to immediately terminate the contract. The contract for 2024 and 2023 was amended to extend the expiration date through June 30, 2024. This revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Station and are recognized over time. Payment is received in quarterly installments of \$50,000.

**In-Kind Contributions and Sponsorships**

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Station's 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. Donated professional services, contributed goods, and space (facilities and tower space) are recorded at fair value at the date of donation.

Donated space (tower transmitter and facility) is recorded at fair value based on the Station's portion of the building and related costs. Costs included in the calculation include depreciation, utilities, and engineers. Donated materials (cd's) and tickets are recorded at fair value of similar items and stated ticket prices. Donated sponsorships are recorded at the respective fair values of the services provided, which is equal to the commensurate value of services and/or materials exchanged.

**KBEM Radio Station**  
**Notes to Financial Statements**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and employee benefits which are allocated on the basis of estimates of time and effort.

**Tax Status**

Because the Station is a department of Special School District No. 1, the Station is exempt from income taxes as a part of the District under Internal Revenue Service Code Section 115. Accordingly, the financial statements do not reflect a provision for income taxes.

**Leases**

The Station recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Station does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Station are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Station has elected the practical expedients (1) to discount the lease liability using the risk-free rate for all classes of assets, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components for all classes of assets.

**Recently Adopted Accounting Pronouncement**

Effective July 1, 2023, the Station adopted Financial Accounting Standards Board (FASB) ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial assets. The Station adopted this new guidance using the modified retrospective transition method. The adoption did not have a material impact on the Station's financial statements and primarily resulted in enhanced disclosure.

**Subsequent Events**

The Station has evaluated subsequent events through November 21, 2024, the date which the financial statements were available to be issued.

**KBEM Radio Station  
Notes to Financial Statements**

**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 of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accounts receivable - program revenue	\$ -	\$ 50,000
Underwriting receivables	12,633	9,483
Grants receivable	<u>186,654</u>	<u>176,070</u>
Total financial assets	199,287	235,553
Less net assets with donor restrictions	<u>14,607</u>	<u>12,523</u>
Total financial assets available for general expenditures	<u>\$ 184,680</u>	<u>\$ 223,030</u>

The Station generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE 3 - EQUIPMENT**

Property and equipment consists of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Radio and sound equipment	\$ 648,370	\$ 424,706
Less accumulated depreciation	<u>364,996</u>	<u>328,373</u>
Property and equipment, net	<u>\$ 283,374</u>	<u>\$ 96,333</u>

**NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Summer interns	<u>\$ 14,607</u>	<u>\$ 12,523</u>

**KBEM Radio Station  
Notes to Financial Statements**

**NOTE 5 - GRANTS**

The Station received Community Service Grants (CSG) from the Corporation for Public Broadcasting (CPB). CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual CSGs to qualifying public broadcasting entities. CSGs are used to supplement 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 years as described in the Communication Act, 47 United States Code Annotated, Section 396(k)(7). Each grant must be expended within two years of the initial grant authorization.

Grant revenue consists of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Community service grants (CPB)	\$ 172,927	\$ 82,001
Community service grant (CPB - ARPA)	-	20,397
American Rescue Plan Act (CPB)	2,551	-
Artistic, cultural, and historical programming grant (Legacy grant)	117,726	185,472
Community service and equipment grant	165,544	54,285
Total grant revenue	\$ 458,748	\$ 342,155

**NOTE 6 - IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Donated space	\$ 29,004	\$ 31,960
Donated materials	8,820	8,660
Donated tickets	6,097	1,701
In-kind sponsorships	23,250	1,500
Total in-kind contributions	\$ 67,171	\$ 43,821

All in-kind contributions are unrestricted and utilized in programming and production, other than facility space which is utilized for management and general purposes.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Station receives administrative support from the District. Administrative support provided by the District is valued based on square footage occupied by the Station and the cost charged to third parties to lease similar space from the District. In-kind contributions from the District totaled \$23,004 and \$25,960 for 2024 and 2023, respectively.

**KBEM Radio Station  
Notes to Financial Statements**

**NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED)**

Cash balances of the Station are pooled with cash balances of the District.

**NOTE 8 - RETIREMENT PLAN**

The individuals that work for the Station are employees of the District. As such, the Station has recorded the portion of retirement plan contributions it is responsible for. The District participates in a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement Association (PERA). PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code. Total employer contributions to this plan were \$61,290 and \$50,074, for 2024 and 2023, respectively.

**NOTE 9 - LEASE**

In 2023, the District (on behalf of the Station) amended a lease arrangement for a tower to extend the remaining lease term 5 years (through April 2028). The lease states there are no further options to extend the term.

Future minimum lease payments under the operating lease are as follows for the year ended June 30:

2025	\$ 43,000
2026	51,600
2027	51,600
2028	43,000
Total lease payments	189,200
Less amounts representing interest	<u>12,881</u>
Present value of operating lease liability	<u><u>\$ 176,319</u></u>

For the years ended June 30, 2024 and 2023 total operating lease costs were \$51,600 and \$55,315, respectively.

As of June 30, 2024 and 2023, the Station's operating lease weighted-average remaining lease term was 46 and 58 months, respectively, and the weighted-average discount rate was 3.64% for both years.

**NOTE 10 - RESTATEMENT**

During the year ended June 30, 2024, the Station determined underwriting receivables should have been recorded for prior years. For the year ended June 30, 2023, a prior period adjustment increased beginning net assets by \$9,497 and underwriting revenue was decreased by \$14. As of June 30, 2023, underwriting receivables and ending net assets increased by \$9,483 and ending net assets increased by \$9,483.

**KBEM Radio Station  
Notes to Financial Statements**

**NOTE 11 - GOING CONCERN - MANAGEMENT'S PLAN**

During fiscal year 2023, the Station's donations were reflected in the budget for immediate accessibility, with approximately \$1,300 from carryforward funds added at the start of fiscal year 2024. Prior to this, donations were loaded separately in the financial system and inaccessible for spending. Despite the Board of Education's decision not to fund essential equipment and services for the new Career and Technical Education Center (CTE), totaling approximately \$359,006, the Station took the initiative to self-fund these projects, utilizing the perceived surplus in the budget. These factors create a substantial doubt about the Station's ability to continue as a going concern through November 21, 2025 (one year after issuance of the accompanying financial statements).

The Station's manager and program coordinator met with Minneapolis Public Schools finance staff to discuss the financial situation. After historical financial analysis was done, the spending in fiscal year 2023 and fiscal year 2024 set back the positive finance situation. This overspending was a direct result of having funds reflected in the budget that should not have been made available for the Station to spend.

The Station is actively addressing its going concern issues through coordinated efforts with the Minneapolis Public Schools finance department, including ongoing meetings focused on financial guidance. The financial system now separates donations and underwriting payments from the budget, and prior year budgets will not carry forward. To enhance revenue generation, a new Development Specialist has been hired to boost underwriting contributions, while the Interim Station Manager is contemplating keeping a vacant Radio Announcer position unfilled to better manage costs. Continuous monitoring of General Fund revenue and expenses will be prioritized through fiscal year 2025 and onward to ensure fiscal health.

The financial statements do not include any adjustments that might be necessary if the Station is unable to continue as a going concern.