

**FRIENDS OF KEXP
DBA KEXP-FM**

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

YEARS ENDED DECEMBER 31, 2021 AND 2020



FRIENDS OF KEXP
DBA KEXP-FM

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Friends of KEXP
Seattle, Washington

We have audited the accompanying financial statements of Friends of KEXP dba KEXP-FM (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020 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 KEXP dba KEXP-FM as of December 31, 2021 and 2020, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Friends of KEXP dba KEXP-FM 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.

Responsibilities of Management 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.

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 KEXP dba KEXP-FM'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 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 generally accepted auditing standards and 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, including omissions, 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 generally accepted auditing standards 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 KEXP dba KEXP-FM'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 KEXP dba KEXP-FM'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.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
June 1, 2022

FRIENDS OF KEXP
DBA KEXP-FM

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,490,339	\$ 4,221,812
Investments	16,608,756	12,081,413
Business support receivables, net	663,760	405,208
Pledges receivable, net	423,056	635,053
Prepaid expenses and inventory	444,327	215,315
Property and equipment, net	5,145,373	6,230,784
Intangible assets	<u>3,885,487</u>	<u>3,885,487</u>
	<u>\$29,661,098</u>	<u>\$ 27,675,072</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 428,298	\$ 208,638
Payroll liabilities	673,941	583,517
Deferred earned revenue	125,435	31,690
Deferred contributed revenue	168,876	68,793
Payable to University of Washington	<u>932,494</u>	<u>1,281,350</u>
	<u>2,329,044</u>	<u>2,173,988</u>
NET ASSETS		
Without donor restrictions	26,916,463	25,043,486
With donor restrictions	<u>415,591</u>	<u>457,598</u>
	<u>27,332,054</u>	<u>25,501,084</u>
	<u>\$29,661,098</u>	<u>\$ 27,675,072</u>

See notes to financial statements.

FRIENDS OF KEXP
DBA KEXP-FM

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Contributions	\$12,924,695	\$ 209,014	\$13,133,709	\$11,184,832	\$ 326,039	\$11,510,871
Paycheck Protection Program	-	-	-	1,366,915	-	1,366,915
Advertising and royalties	601,478		601,478	323,321		323,321
Retail sales	6,453		6,453	2,458		2,458
Other revenue	293,095		293,095	39,044		39,044
	13,825,721	209,014	14,034,735	12,916,570	326,039	13,242,609
Net assets released from restrictions						
Satisfaction of program requirements	153,086	(153,086)	-	206,850	(206,850)	-
Passage of time requirements	97,935	(97,935)	-	167,882	(167,882)	-
Total operating support and revenue	14,076,742	(42,007)	14,034,735	13,291,302	(48,693)	13,242,609
OPERATING EXPENSES						
Program services	8,643,259		8,643,259	8,457,825		8,457,825
Management and general	910,522		910,522	830,023		830,023
Fundraising	4,044,827		4,044,827	4,096,282		4,096,282
Total operating expenses	13,598,608		13,598,608	13,384,130		13,384,130
Change in net assets before non-operating activity	478,134	(42,007)	436,127	(92,828)	(48,693)	(141,521)
NON-OPERATING ACTIVITY						
Investment income, gains and losses	1,394,843	-	1,394,843	1,328,705	-	1,328,705
Total change in net assets	1,872,977	(42,007)	1,830,970	1,235,877	(48,693)	1,187,184
NET ASSETS						
Beginning of the year	25,043,486	457,598	25,501,084	23,807,609	506,291	24,313,900
End of the year	<u>\$26,916,463</u>	<u>\$ 415,591</u>	<u>\$27,332,054</u>	<u>\$25,043,486</u>	<u>\$ 457,598</u>	<u>\$25,501,084</u>

FRIENDS OF KEXP
DBA KEXP-FM

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021					2020				
	Support Services					Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	Total	Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries and wages	\$ 4,571,575	\$ 538,139	\$ 1,328,819	\$ 1,866,958	\$ 6,438,533	\$ 4,504,581	\$ 470,178	\$ 1,464,347	\$ 1,934,525	\$ 6,439,106
Employee benefits	827,391	103,194	254,839	358,033	1,185,424	750,362	88,452	302,224	390,676	1,141,038
Payroll taxes	296,201	25,709	86,830	112,539	408,740	371,159	38,299	117,118	155,417	526,576
Total payroll and related	5,695,167	667,042	1,670,488	2,337,530	8,032,697	5,626,102	596,929	1,883,689	2,480,618	8,106,720
Professional services	749,253	40,160	1,199,771	1,239,931	1,989,184	655,336	35,906	1,144,789	1,180,695	1,836,031
Depreciation and amortization	1,046,780	72,778	251,756	324,534	1,371,314	1,111,103	67,334	271,994	339,328	1,450,431
Information technology	575,446	60,990	108,929	169,919	745,365	561,861	70,836	93,295	164,131	725,992
Office	89,643	10,260	373,385	383,645	473,288	132,361	13,887	285,964	299,851	432,212
Occupancy	206,400	12,221	42,275	54,496	260,896	190,129	10,387	43,224	53,611	243,740
Premiums	-	-	162,300	162,300	162,300	620	-	171,128	171,128	171,748
Vehicle donation fees	-	-	151,753	151,753	151,753	-	-	88,258	88,258	88,258
Human resources administration	44,618	38,929	14,327	53,256	97,874	9,664	27,934	2,711	30,645	40,309
Other operating expenses	28,762	1,490	48,091	49,581	78,343	66,903	1,219	91,461	92,680	159,583
Research	69,161	3,714	3,377	7,091	76,252	62,354	3,176	3,686	6,862	69,216
Advertising and promotion	60,891	32	3,190	3,222	64,113	2,097	-	127	127	2,224
Dues and subscriptions	47,487	337	6,297	6,634	54,121	12,321	138	6,503	6,641	18,962
Insurance	29,651	2,569	8,888	11,457	41,108	26,974	2,277	9,453	11,730	38,704
	<u>\$ 8,643,259</u>	<u>\$ 910,522</u>	<u>\$ 4,044,827</u>	<u>\$ 4,955,349</u>	<u>\$ 13,598,608</u>	<u>\$ 8,457,825</u>	<u>\$ 830,023</u>	<u>\$ 4,096,282</u>	<u>\$ 4,926,305</u>	<u>\$ 13,384,130</u>

See notes to financial statements.

FRIENDS OF KEXP
DBA KEXP-FM

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$11,167,263	\$10,595,687
Cash received from other revenue	699,225	415,758
Cash paid to employees and suppliers	<u>(10,142,857)</u>	<u>(10,336,929)</u>
Net Cash Provided by Operating Activities	<u>1,723,631</u>	<u>674,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(20,356,484)	(1,903,905)
Sale of investments	17,167,233	1,903,905
Purchase of property and equipment	<u>(285,903)</u>	<u>(120,342)</u>
Net Cash Used by Investing Activities	<u>(3,475,154)</u>	<u>(120,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of payable to University of Washington	-	(50,000)
Proceeds from contributions restricted to Capital Campaign	<u>20,050</u>	<u>63,274</u>
Net Cash Provided by Financing Activities	<u>20,050</u>	<u>13,274</u>
Change in Cash and Cash Equivalents	(1,731,473)	567,448
Cash and Cash Equivalents - Beginning of Year	<u>4,221,812</u>	<u>3,654,364</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,490,339</u>	<u>\$ 4,221,812</u>

FRIENDS OF KEXP
DBA KEXP-FM

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in net assets	\$ 1,830,970	\$ 1,187,184
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Sponsorships provided to University of Washington in lieu of obligation repayment	(348,856)	(328,061)
Depreciation and amortization	1,371,314	1,450,431
Reinvested earnings	(298,271)	(264,666)
Gain on investments	(1,039,821)	(1,057,425)
Change in:		
Business support receivables, net	(258,552)	44,321
Pledges receivable, net	191,947	(7,092)
Prepaid expenses and inventory	(229,012)	77,598
Accounts payable and accrued expenses	219,660	(288,385)
Payroll liabilities	90,424	(154,694)
Deferred contributed revenue	100,083	23,793
Deferred earned revenue	<u>93,745</u>	<u>(8,488)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,723,631</u>	<u>\$ 674,516</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Friends of KEXP, dba KEXP-FM (KEXP), is a not-for-profit corporation organized in 2001 for the purpose of operating a radio station, and currently operates as an arts organization, including the station. KEXP's mission is to enrich your life by championing music and discovery. Receipts are derived primarily from contributions from the organization's general audience.

Related Entity - KEXP is an affiliate of the University of Washington (the University), a public university in Washington State. The University has neither majority ownership nor majority voting interest. Therefore, KEXP's financial information is not consolidated with the University.

Until 2014, the University held the Federal Communications Commission license (FCC License) for the broadcast frequency of 90.3 FM, which KEXP operated on behalf of the University through a long-term management agreement (the Management Agreement). In 2014, KEXP was assigned the rights to the FCC License and other intangible assets from the University (See Note J).

In 2014, at the time the FCC License was transferred, the Management Agreement was replaced with a new cooperation agreement (the Cooperation Agreement) to reflect changes in the relationship between the University and KEXP. The Cooperation Agreement reflects the affiliation between KEXP and the University, including that KEXP's individual donor revenue is counted towards the University's fundraising goals, and that one member of KEXP's Board of Directors is an officer of the University. In addition, the University provides support for KEXP's operations, including fundraising staff and services. Finally, as part of the agreement, KEXP provides on-air underwriting and online advertising services for the University. In May 2017, the Cooperation Agreement was amended, clarifying the affiliate status, simplifying technology support and increasing the on-air announcements over the next two-year period.

New Home Capital Campaign - KEXP conducted a multi-year capital campaign (the Capital Campaign) for building a new home at the Seattle Center. KEXP's new location officially opened in April 2016 and offers flexible indoor spaces to accommodate more performances and events with public participation, better artist amenities, and up-to-date equipment that support the best possible programming.

Income tax status

KEXP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. KEXP qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). Taxable unrelated business income includes on-line advertising.

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

KEXP files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. KEXP is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Basis of presentation

KEXP presents its financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Agency is required to report information regarding its financial position and activities 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.

Contributions restricted by donors 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) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Cash and cash equivalents

For purposes of the statements of cash flows, KEXP considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At times, cash and cash equivalents may exceed federally insured limits. KEXP has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. Long-term pledges are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. KEXP also uses fair value concepts to test various long-lived assets for impairment.

Investments

Investments are measured at fair value on a recurring basis and consist of the following:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
As of December 31, 2021				
Cash equivalents	\$ 285,586	\$ -	\$ -	\$ 285,586
Equities	5,982,032			5,982,032
Mutual funds	10,341,138	-	-	10,341,138
	<u>\$16,608,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,608,756</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
As of December 31, 2020				
Cash equivalents	\$ 229,100	\$ -	\$ -	\$ 229,100
Mutual funds	11,852,313	-	-	11,852,313
	<u>\$12,081,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,081,413</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business support receivables

Business support receivables are stated at net realizable value and are related to underwriting, sponsorships, and advertising support. An allowance for uncollectible balances has been established by management based upon KEXP's historical experience in the collection of balances due.

Pledges receivable

Pledges receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in more than one year are initially recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using donor-specific risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible balances has been established by management based upon KEXP's historical experience in the collection of balances due.

Property and equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals and betterments in excess of \$5,000 that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of three to ten years.

Intangible assets

In 2014, KEXP capitalized the FCC License and other intangible assets including a trademark, domain name, and other intellectual property, at cost acquired in exchange for a sponsorship obligation to the University. The FCC License and other intangible assets are considered indefinite-lived assets and thus not amortized, but reviewed on an annual basis for any possible impairment. Management determined there were no events or changes in circumstance indicating an impaired value of the FCC License or other intangible assets at December 31, 2021 or 2020.

Employee retention tax credit

During 2021, KEXP applied for a \$230,895 employee retention tax credit (ERTC) offered as part of the IRS' Coronavirus Tax Relief program. This amount is included in other revenue on the statement of activities for the year ended December 31, 2021.

Support and revenue recognition

KEXP recognizes advertising revenue in the period the advertising occurs. Contributions include individual donor gifts, corporate and foundation grants, and underwriting and sponsorship support.

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

KEXP recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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. KEXP has contracts and grants that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2021 and 2020, conditional contributions and grants for which no amounts had been received in advance totaling \$60,090 and \$152,806, respectively, have not been recognized in the accompanying financial statements.

Donated goods, facilities and services

KEXP receives in-kind contributions in return for sponsorship of its radio programming. Donations of goods and facilities include supplies, equipment, software and program and office space and are recorded as revenue at the estimated fair value at the date of donation. Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. In-kind contributions are included in contributions on the statements of activities.

Non-operating activities

KEXP's non-operating activities represent a major Capital Campaign, one-time capital projects, and planned giving.

Advertising costs

Advertising costs are expensed as incurred.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses and of activities. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on employee counts or estimated percentage of effort.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B - LIQUIDITY

KEXP receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. KEXP manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

KEXP has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days' operating expenses. KEXP has a policy to target a year-end balance of reserves of undesignated net assets without donor restrictions to meet 30 to 60 days of expected expenditures. To achieve these targets, KEXP forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

	<u>2021</u>	<u>2020</u>
Total financial assets	\$20,185,911	\$17,343,486
Less amounts not available to be used within one year:		
Endowment investments	(16,608,756)	(12,081,413)
Donor-imposed purpose restrictions	(5,338)	(15,453)
Long-term receivables	<u>(153,060)</u>	<u>(205,475)</u>
Financial Assets Available for Operations Within One Year	<u>\$ 3,418,757</u>	<u>\$ 5,041,145</u>

NOTE C - RECEIVABLES

Receivables consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable for operations	\$ 453,320	\$ 573,397
Capital Campaign receivables	16,758	36,808
Capital project receivables	-	83,334
Business support receivables	<u>663,760</u>	<u>405,208</u>
	1,133,838	1,098,747
Allowance for uncollectible receivables	(43,141)	(58,092)
Discount at 0.75% to 1.00%	<u>(3,881)</u>	<u>(394)</u>
	<u>\$ 1,086,816</u>	<u>\$ 1,040,261</u>
Gross receivables due in one year or less	\$ 980,778	\$ 893,272
Gross receivables due in one to five years	<u>153,060</u>	<u>205,475</u>
	<u>\$ 1,133,838</u>	<u>\$ 1,098,747</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$10,621,258	\$10,621,258
Software	336,961	336,961
Operating equipment and furniture	1,399,386	1,217,808
Digital library	450,966	450,966
Computers	<u>19,957</u>	<u>19,957</u>
	12,828,528	12,646,950
Less: accumulated depreciation	(7,930,526)	(6,636,506)
Work in process	<u>247,371</u>	<u>220,340</u>
	<u>\$ 5,145,373</u>	<u>\$ 6,230,784</u>

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following programs and purposes at December 31:

	<u>2021</u>	<u>2020</u>
For future operations	\$ 410,253	\$ 442,145
Other purposes	<u>5,338</u>	<u>15,453</u>
	<u>\$ 415,591</u>	<u>\$ 457,598</u>

NOTE F - IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Donated goods	\$ 384,419	\$ 467,768
Donated services	1,795,972	1,642,905
Donated facility usage	<u>51,632</u>	<u>102,996</u>
	<u>\$ 2,232,023</u>	<u>\$ 2,213,669</u>

Related in-kind expenses consist of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Program services related	\$ 772,065	\$ 732,413
Management and general related	27,305	33,952
Fundraising related	<u>1,229,690</u>	<u>1,087,882</u>
	<u>\$ 2,029,060</u>	<u>\$ 1,854,247</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE F - IN-KIND CONTRIBUTIONS (Continued)

The main difference between in-kind revenue and in-kind expense in 2021 and 2020 is due to the donated pay-down to University of Washington of the FCC License of \$362,381 and \$403,508, respectively. (See Note J)

NOTE G - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, KEXP applied for and received a Paycheck Protection Program ("PPP") loan through BECU in the amount of \$1,366,915. The loan was funded on April 8, 2020 and had a maturity date of April 8, 2022. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, and office lease payments. KEXP entered into the program with the intention of complying with the terms for forgiveness and recognized the loan as a conditional grant. KEXP believes it met the conditions for forgiveness as of December 31, 2020 and therefore has recognized the amount as support for the year then ended. KEXP received forgiveness of their PPP loan in April 2021.

NOTE H - COMMITMENTS

KEXP signed a lease for space at the Seattle Center that expires in 2025. The lease requires a combination of cash payments and sponsorships provided to the landlord over the life of the lease. During 2021, in response to the pandemic, the City of Seattle provided eight months of rent forgiveness totaling \$43,350 in cash rent and \$158,141 in public benefit obligation. Future minimum cash and sponsorship payments under this lease are as follows for the years ending December 31:

	<u>Cash</u>	<u>Sponsorships</u>	<u>Total</u>
2022	66,326	241,955	\$ 308,281
2023	67,652	246,795	314,447
2024	69,005	251,731	320,736
2025	70,385	256,765	327,150
2026	71,793	261,900	333,693
	<u>\$ 345,161</u>	<u>\$ 1,259,146</u>	<u>\$ 1,604,307</u>

The future minimum lease obligation on the Seattle Center space is offset by a sublease, with expected future minimum rental income as follows for the years ending December 31:

2022	\$ 12,500
2023	30,000
2024	30,000
2025	30,000
2026	30,000
Thereafter	17,500
	<u>\$ 150,000</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE H - COMMITMENTS (Continued)

KEXP also signed a lease that expires in 2026 with a third party for tower transmission space. Future minimum lease payments under this lease are as follows for the years ending December 31:

2022	58,168
2023	59,913
2024	61,710
2025	63,561
2026	16,007
	<u>\$ 259,359</u>

NOTE I - EMPLOYEE BENEFIT PLAN

KEXP has adopted a 403(b) contribution retirement plan for all full-time employees. The amount of KEXP's contribution to the plan is determined annually at the discretion of the Board of Directors. Contributions to the plan totaled \$337,972 and \$325,291 for the years ended December 31, 2021 and 2020, respectively.

NOTE J - RELATED ENTITY ACTIVITY

In 2005, KEXP issued an interest-free note payable to the University for \$250,000 to assist in restructuring staffing capacity. The intent of the funds has been fully executed. In accordance with the amended Cooperation Agreement, the University required repayments of the note payable through 2020. The final repayments made during the year ended December 31, 2020 totaled \$50,000.

In 2014, KEXP acquired an FCC License, other intangible assets, and equipment from the University in exchange for a sponsorship obligation. The assets acquired were appraised at \$4,001,100. KEXP allocated \$115,613 of the appraised value to equipment, based on estimated fair value, and the remaining value to the FCC License and other intangible assets. In lieu of cash repayments, the sponsorship obligation is satisfied by performing sponsorships for the University over a ten-year period.

During 2021 and 2020, KEXP provided sponsorships valued at \$362,381 and \$403,508, respectively, to the University, and therefore recognized sponsorship revenue and reduced the obligation by these amounts. Sponsorships performed as repayment of the sponsorship obligation are expected to be as follows for the years ending December 31:

2022	\$ 400,110
2023	400,110
2024	132,274
	<u>\$ 932,494</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE J - RELATED ENTITY ACTIVITY (Continued)

The following transactions occurred between KEXP and the University during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Support and revenue		
In-kind contributions	\$ 1,258,600	\$ 1,224,913
Use of sponsorship obligation	362,381	328,061
Underwriting contribution	-	75,446
	<u>\$ 1,620,981</u>	<u>\$ 1,628,420</u>
Expenses		
In-kind information technology	\$ 125,460	\$ 125,460
In-kind fundraising		
and other fees for service	<u>1,133,140</u>	<u>1,099,453</u>
In-kind expenses	1,258,600	1,224,913
Payroll and related	160,605	163,339
Other expenses	<u>13,422</u>	<u>25,817</u>
	<u>\$ 1,432,627</u>	<u>\$ 1,414,069</u>

As of December 31, 2021 and 2020, \$932,494 and \$1,281,350, respectively, were due to the University under the sponsorship obligation.

NOTE K - BOARD-DESIGNATED QUASI-ENDOWMENT FUND

KEXP's endowment fund consists of one board-designated quasi-endowment fund established with proceeds from an estate gift to fund a combination of one-time spending and ongoing initiatives. One-time spending will support future infrastructure and capacity upgrades. Ongoing initiatives may include growth initiatives, new mission-driving services, and achievement of strategic plan objectives.

As required by financial accounting standards, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowments in Washington State are governed by the "Uniform Prudent Management of Institutional Funds Act," UPMIFA, as stated in the Revised Code of Washington (RCW) 24.55.

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE K - BOARD-DESIGNATED QUASI-ENDOWMENT FUND (Continued)

Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives

The long-term objective for KEXP is to earn a total rate of return from investment assets which shall exceed demands placed on the portfolio to support KEXP's spending policy, plus the rate of inflation.

The Finance Committee is responsible for target and actual asset allocation for the investments that best meet the needs of KEXP. The investment portfolio shall be broadly diversified, with no disproportionate or extreme positions that might cause significant diminution of value given adverse developments. The Finance Committee periodically reviews the asset allocation to deem that it is appropriate for KEXP objectives.

KEXP's investment policy guidelines are reviewed and reconfirmed or revised on at least an annual basis. Performance of KEXP's investments is reviewed on a regular basis by the Board of Directors.

Spending Policy

KEXP has developed spending guidelines that will be adopted as an official spending policy within the next year. The withdrawal rate will be reviewed on an annual basis by the Finance Committee.

Changes in Board-Designated Quasi-Endowment Net Assets for the Year Ended December 31, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated quasi-endowment, beginning of year	\$12,081,413	\$ -	\$12,081,413
Contributions, net	<u>3,189,251</u>	<u>-</u>	<u>3,189,251</u>
Investment return:			
Reinvested earnings, net of fees of \$60,553	298,271	-	298,271
Net investment gain	<u>1,039,821</u>	<u>-</u>	<u>1,039,821</u>
Total Investment Return	<u>1,338,092</u>	<u>-</u>	<u>1,338,092</u>
Appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Board-designated quasi-endowment, end of year	<u>\$16,608,756</u>	<u>\$ -</u>	<u>\$16,608,756</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE K - BOARD-DESIGNATED QUASI-ENDOWMENT FUND (Continued)

Changes in Board-Designated Quasi-Endowment Net Assets for the Year Ended December 31, 2020:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated quasi-endowment, beginning of year	\$10,759,322	\$ -	\$10,759,322
Contributions, net	-	-	-
Investment return:			
Reinvested earnings, net of fees of \$51,628	264,666	-	264,666
Net investment gain	1,057,425	-	1,057,425
Total Investment Return	1,322,091	-	1,322,091
Appropriated for expenditure	-	-	-
Board-designated quasi-endowment, end of year	<u>\$12,081,413</u>	<u>\$ -</u>	<u>\$12,081,413</u>

NOTE L - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management continues to evaluate the ongoing impacts of the COVID-19 pandemic and has concluded that while the virus is likely to continue to have a negative effect on KEXP's financial position, change in net asset and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2021 through June 1, 2022 which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2021, including the estimates inherent in the processing of financial statements.