

**FRIENDS OF KEXP  
DBA KEXP-FM**

Financial Statements

For the Year Ended December 31, 2024

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## Independent Auditor's Report

**To the Board of Directors  
Friends of KEXP  
Seattle, Washington**

### Opinion

We have audited the financial statements of Friends of KEXP dba KEXP-FM (KEXP), which comprise the statement of financial position, as of December 31, 2024 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KEXP as of December 31, 2024, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KEXP 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.

### Report on 2023 Summarized Comparative Information

We have previously audited KEXP's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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.



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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 KEXP's ability to continue as a going concern for one year after the date that the financial statements are 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 KEXP'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 KEXP'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.

*Clark Nuber PS*

Certified Public Accountants  
June 3, 2025

# FRIENDS OF KEXP DBA KEXP-FM

## Statement of Financial Position December 31, 2024 (With Comparative Totals for 2023)

	2024	2023
<b>Assets</b>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 855,691	\$ 4,434,408
Pledges receivable, net	495,705	612,762
Business support receivables, net	681,187	387,112
Royalty and other receivables	440,445	358,120
Prepaid expenses and other assets	182,131	763,288
Operating lease right-of-use asset	10,059,690	10,555,516
Board-designated quasi-endowment investments	8,458,750	10,014,555
Property and equipment, net	2,339,219	3,550,825
Intangible assets	7,635,487	3,885,487
<b>Total Assets</b>	<b>\$ 31,148,305</b>	<b>\$ 34,562,073</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 432,146	\$ 585,232
Payroll liabilities	1,054,315	923,997
Deferred revenue-		
Business support and other	94,586	114,044
Contributed	158,038	10,000
University of Washington		270
Operating lease liability	10,398,167	10,788,835
<b>Total Liabilities</b>	<b>12,137,252</b>	<b>12,422,378</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated	10,040,325	11,949,375
Board-designated quasi-endowment	8,458,750	10,014,555
Total without donor restrictions	18,499,075	21,963,930
With donor restrictions	511,978	175,765
<b>Total Net Assets</b>	<b>19,011,053</b>	<b>22,139,695</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 31,148,305</b>	<b>\$ 34,562,073</b>

See accompanying notes.

# FRIENDS OF KEXP DBA KEXP-FM

## Statement of Activities For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
			2023 Total
<b>Operating Support and Revenue:</b>			
Contributions-			
Individual	\$ 8,783,360	\$ 637,689	\$ 9,421,049
Corporation and foundation	186,357		186,357
Special events	245,802		245,802
Business support	3,508,929		3,508,929
In-kind contributions	1,018,577		1,018,577
Government funding	685,995		685,995
Advertising and royalties	915,711		915,711
Retail sales	24,633		24,633
Other revenue	204,693		204,693
Net assets released from restrictions	276,053	(276,053)	
<b>Total Operating Support and Revenue</b>	<b>15,850,110</b>	<b>361,636</b>	<b>16,211,746</b>
<b>Operating Expenses and Losses:</b>			
Program services	13,295,792		13,295,792
Management and general	1,559,901		1,559,901
Fundraising	5,509,432		5,509,432
<b>Total expenses</b>	<b>20,365,125</b>		<b>20,365,125</b>
Losses on uncollectible pledges	1,766	25,423	27,189
<b>Total Expenses and Losses</b>	<b>20,366,891</b>	<b>25,423</b>	<b>20,392,314</b>
<b>Change in Net Assets Before Nonoperating Activities</b>	<b>(4,516,781)</b>	<b>336,213</b>	<b>(4,180,568)</b>
<b>Nonoperating Activities:</b>			
Investment return	1,051,926		1,051,926
<b>Total Change in Net Assets</b>	<b>(3,464,855)</b>	<b>336,213</b>	<b>(3,128,642)</b>
Net assets, beginning of year	21,963,930	175,765	22,139,695
<b>Net Assets, End of Year</b>	<b>\$ 18,499,075</b>	<b>\$ 511,978</b>	<b>\$ 19,011,053</b>

See accompanying notes.

# FRIENDS OF KEXP DBA KEXP-FM

## Statement of Functional Expenses For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	2024					
	Program Services	Management and General	Fundraising	Total Support Services	Total	2023 Total
Salaries and wages	\$ 6,663,458	\$ 875,335	\$ 2,098,767	\$ 2,974,102	\$ 9,637,560	\$ 8,870,558
Employee benefits	1,254,714	177,080	423,856	600,936	1,855,650	1,580,810
Payroll taxes	572,108	74,830	177,014	251,844	823,952	771,022
Contract service expenses	178,646		388,433	388,433	567,079	553,918
Total payroll and related	8,668,926	1,127,245	3,088,070	4,215,315	12,884,241	11,776,308
Professional services	781,587	84,783	785,390	870,173	1,651,760	1,498,301
Depreciation	1,117,392	82,999	250,428	333,427	1,450,819	1,417,838
Information technology	770,622	129,909	92,180	222,089	992,711	981,552
Occupancy	568,680	39,012	120,273	159,285	727,965	652,766
Office	175,959	19,527	298,384	317,911	493,870	463,302
Premiums			480,931	480,931	480,931	437,872
Performances and events	294,840	96	121,125	121,221	416,061	310,306
Advertising and promotion	329,448	462	45,043	45,505	374,953	246,262
Meetings and travel	169,620	5,742	79,202	84,944	254,564	144,743
Research and education	192,866	3,009	1,665	4,674	197,540	196,241
Legal	156,278	3,392	5,355	8,747	165,025	222,489
Vehicle donation fees			114,963	114,963	114,963	127,808
Insurance	59,455	5,398	16,471	21,869	81,324	62,285
Human resources		58,130		58,130	58,130	56,525
Other expenses	10,119	197	9,952	10,149	20,268	16,055
	<u>\$13,295,792</u>	<u>\$ 1,559,901</u>	<u>\$ 5,509,432</u>	<u>\$ 7,069,333</u>	<u>\$20,365,125</u>	<u>\$18,610,653</u>

See accompanying notes.



# FRIENDS OF KEXP DBA KEXP-FM

## Statement of Cash Flows For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	2024	2023
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (3,128,642)	\$ (668,547)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	1,450,819	1,417,838
Realized and unrealized investment gains	(802,611)	(1,528,127)
University of Washington deferred revenue	(270)	(434,674)
Change in operating assets and liabilities:		
Pledges receivable, net	117,057	98,931
Business support receivables, net	(294,075)	36,906
Royalty and other receivables	(82,325)	(44,513)
Prepaid expenses and other assets	581,157	(352,462)
Accounts payable and accrued expenses	(153,086)	226,616
Payroll liabilities	130,318	147,580
Deferred business support and other revenue	(19,458)	57,517
Deferred contributed revenue	148,038	(38,836)
Right-of-use asset, net lease liability	105,158	113,799
<b>Net Cash Used in Operating Activities</b>	<b>(1,947,920)</b>	<b>(967,972)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(14,643,264)	(12,551,911)
Sale of investments	17,001,680	17,291,478
Purchases of property and equipment	(239,213)	(504,548)
Purchase of intangible asset - FCC license	(3,750,000)	
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(1,630,797)</b>	<b>4,235,019</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(3,578,717)</b>	<b>3,267,047</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	4,434,408	1,167,361
<b>End of Year</b>	<b>\$ 855,691</b>	<b>\$ 4,434,408</b>
<b>Supplemental Disclosure of Noncash Activities:</b>		
Change in University of Washington deferred revenue	\$ (270)	\$ (434,674)

See accompanying notes.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 1 - 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 fostering an international community of music lovers and music makers through broadcast, online and in-person music programming. KEXP's mission is to enrich your life by championing music and discovery. Revenues are derived primarily from contributions from KEXP's general audience.

In February 2024, Friends of KEXP purchased Bay Area station 92.7 FM for \$3.75M to simulcast KEXP's broadcast to Alameda, Oakland and San Francisco, CA. KEXP added 3 local full-time staff in July and a Bay Area music show, *Vinelands*, with 2 rotating DJs in August 2024.

**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.

**Basis of Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of KEXP and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions for use. Changes in this category of net assets include restricted contributions whose donor-imposed restrictions were met during the fiscal year.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of KEXP or the passage of time.

#### Revenue Recognition -

Contributions - Contribution revenue is recognized when cash is received, goods and services are donated, or when an unconditional promise is made. KEXP's contributions are derived from various sources: amplifiers (individual donations); other grants and contracts, community service and other grants from the Corporation for Public Broadcasting; donated professional services, materials and facilities; and fundraising events. Conditional promises to give are not recorded as revenue until donor conditions are met. There was \$57,016 and \$169,264 of conditional promises to give outstanding as of December 31, 2024 and 2023, respectively. Conditional grants given in advance and included in deferred revenue on the statement of financial position total \$158,038 and \$10,000 as of December 31, 2024 and 2023, respectively. Conditional promises are expected to be recognized over the next year.

Business Support - Business support revenue is considered a conditional grant. Revenue from these transactions is recognized as donor-imposed conditions of the business support agreements are met, typically when spots air, impressions are collected, or events are held. There was \$94,586 and \$114,044 of deferred revenue for conditional business support agreements at December 31, 2024 and 2023, respectively. Additionally, there was \$854,469 and \$232,273 of business support contracts signed but not billed or earned at December 31, 2024 and 2023, respectively. Revenue from conditional underwriting grants is expected to be recognized over the next year.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 1 - Continued

Royalties - Royalty revenue is generated through licensing agreements and engagement through clicks on KEXP's YouTube channel and is recognized at the time licensed products are issued or clicks generated. Each agreement has a price per usage or click. Payment is made on these revenues after the amounts are earned. Accounts receivable related to these balances are \$371,612 and \$331,768 as of the year ended December 31, 2024 and 2023, respectively.

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 released from restriction 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.

**Investments** - Investments in debt and equity securities with readily determinable market values are recorded at fair value. Investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price. Unrealized and realized gains and losses on investments are reported net of related investment expense on the statement of activities.

**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 organizations. 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.

**Business Support Receivables** - Business support accounts receivable are stated at net realizable value.

**Royalty and Other Receivables** - Royalty and other accounts receivable are stated at the amount KEXP expects to collect. KEXP has adopted a method of calculating an allowance for credit losses that involves evaluating the credit risk of outstanding receivables based on the length of time they have been outstanding and applying credit loss rates to aging categories based upon historical credit loss rates adjusted for reasonable and supported forecasts. Balances that remain outstanding after KEXP has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for credit losses as of December 31, 2024 or 2023.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 1 - Continued

**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 are carried at cost.

Leasehold improvements	Lesser of 7 - 10 years or remaining lease term
Software	3 - 10 years
Operating equipment and furniture	9 years
Digital library	4 - 5 years
Computers	3 years

**Intangible Assets** - In 2014, KEXP capitalized the FCC license for 90.3 FM 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. In 2024, KEXP purchased the FCC license for 92.7 FM. 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 licenses or other intangible assets at December 31, 2024 or 2023.

**Right-of-Use Asset and Lease Liability** - KEXP determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent KEXP's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. KEXP's leases do not provide an implicit rate of return; thus, KEXP uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. Lease terms may include options to extend or terminate the lease when it is reasonably certain KEXP will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$10,000.

**Donated Goods, Facilities, and Services** - KEXP receives in-kind contributions in return for sponsorship of its radio programming. KEXP also receives donations of goods and facilities including 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 consisted of the following at December 31:

	2024	2023
Professional services	\$ 843,604	\$ 1,189,275
Technology services	125,473	125,473
Goods	49,500	300
<b>Total In-Kind Contributions</b>	<b>\$ 1,018,577</b>	<b>\$ 1,315,048</b>

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 1 - Continued

In-kind contributions of professional services, technology services, and goods were used in operations during the year.

**Nonoperating Activities** - KEXP presents the activity associated with its board designated quasi-endowment, including endowment investment return, as nonoperating activity within the statement of activities.

**Advertising Costs** - KEXP expenses advertising costs as they are incurred. Advertising costs totaled \$374,953 and \$246,262 for the years ended December 31, 2024 and 2023, respectively.

**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 function. When costs are shared among functions such as facilities and guest services, executive costs, administrative costs, information services, and technology operations, expenses are allocated based on employee counts or estimated percentage of effort.

**Federal Income Taxes** - The Internal Revenue Service (IRS) has determined that KEXP is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515.

**Concentrations of Credit Risk** - Financial instruments which potentially subject KEXP to concentrations of credit risk consist of investments and cash. At various times during the fiscal year, KEXP's bank and investment balances were in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance amounts.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP 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.

**Prior Year Comparative Information** - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with KEXP's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

**Financial Statement Reclassifications** - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

**Subsequent Events** - KEXP has evaluated subsequent events through the REPORT DATE, the date on which the financial statements were available to be issued.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

#### Note 2 - Receivables

Receivables consist of the following at December 31:

	2024				2023
	Pledges	Business Support	Royalty and Other	Total	
Due to be collected-					
In less than one year	\$ 345,979	\$ 682,215	\$ 440,445	\$ 1,468,639	\$ 1,359,489
One to five years	166,000			166,000	44,181
Total pledges receivable	511,979	682,215	440,445	1,634,639	1,403,670
Less allowance for doubtful accounts	(9,420)	(1,028)		(10,448)	(42,635)
Less present value discount (4.8% - 5.4%)	(6,854)			(6,854)	(3,041)
<b>Pledges, Business Support, Royalty and Other Receivables, Net</b>	<b>\$ 495,705</b>	<b>\$ 681,187</b>	<b>\$ 440,445</b>	<b>\$ 1,617,337</b>	<b>\$ 1,357,994</b>

#### Note 3 - Investments and Fair Value Measurements

Investments consisted of the following at December 31:

	2024	2023
Cash equivalents	\$ 80,744	\$ 184,567
Corporate bonds	922,201	
Equities	40,327	3,899,315
Mutual funds	7,415,478	5,930,673
<b>Total Investments</b>	<b>\$ 8,458,750</b>	<b>\$ 10,014,555</b>

**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.

# FRIENDS OF KEXP DBA KEXP-FM

## Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

### Note 3 - Continued

Fair values of assets and liabilities measured on a recurring basis were as follows:

	Fair Value Measurements as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 80,744	\$ -	\$ -	\$ 80,744
Corporate bonds		922,201		922,201
Equities	40,327			40,327
Mutual funds	7,415,478			7,415,478
	<u>\$ 7,536,549</u>	<u>\$ 922,201</u>	<u>\$ -</u>	<u>\$ 8,458,750</u>

	Fair Value Measurements as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 184,567	\$ -	\$ -	\$ 184,567
Equities	3,899,315			3,899,315
Mutual funds	5,930,673			5,930,673
	<u>\$ 10,014,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,014,555</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Cash and Cash Equivalents - Cash includes money market funds valued at cost plus accrued interest, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the KEXP at year end.

Equities - Valued at quoted market prices in active markets for identical assets.

Corporate Bonds - Valued using bid valuations from similar instruments in actively quoted markets.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 4 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 11,146,568	\$ 11,146,568
Software	343,013	336,961
Operating equipment and furniture	2,344,042	2,027,168
Digital library	459,023	504,520
Computers	<u>31,220</u>	<u>31,220</u>
	14,323,866	14,046,437
Less accumulated depreciation	(12,058,461)	(10,740,463)
Construction in progress	<u>73,814</u>	<u>244,851</u>
	<u><u>\$ 2,339,219</u></u>	<u><u>\$ 3,550,825</u></u>

#### Note 5 - Leases

KEXP leases office space and two instances of transmission tower space under long-term, noncancelable lease agreements which expire at various dates through 2051. The lease for office space includes renewal options for four additional term of five years each and the lease for tower space includes renewal options for five additional terms of five years. These extensions are included in the lease liability as it is reasonably certain the options will be exercised. Both leases require a combination of cash payments and sponsorships provided to the lessor over the life of these leases. Fixed operating lease costs were \$550,247 and \$496,252 for the years ending December 31, 2024 and 2023, respectively.

Supplemental cash flows related to leases as of December 31 was as follows:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$ 445,089	\$ 382,452
Right-of-use assets obtained in exchange for operating lease liability	\$ -	\$ 281,473
Weighted-average remaining lease term - operating leases	21.04 years	21.97 years
Weighted-average discount rate - operating leases	0.51%	0.53%



## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 5 - Continued

Future minimum cash and sponsorship payments required under these leases are as follows:

For the Year Ending December 31,

2025	\$ 461,007
2026	472,737
2027	484,815
2028	497,253
2029	434,094
Thereafter	<u>8,541,668</u>
Total future minimum lease payments	10,891,574
Less present value discount	<u>(493,407)</u>
<b>Total Operating Lease Liabilities</b>	<b><u>\$ 10,398,167</u></b>

Operating leases arise from the subleases of KEXP's office space to retail customers. The initial lease terms range from one to five years, with no option to extend. KEXP recognized \$42,178 and \$39,606 of rental revenues related to operating leases, for the years ended December 31, 2024 and 2023, respectively.

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

For the Year Ending December 31,

2025	\$ 63,561
2026	<u>16,007</u>
	<b><u>\$ 79,568</u></b>

#### Note 6 - 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 \$537,755 and \$479,138 for the years ended December 31, 2024 and 2023, respectively.

#### Note 7 - Related Entity Activity

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, KEXP provided sponsorship benefits to the University. The sponsorship obligation was satisfied by performing sponsorships for the University over a ten-year period. The sponsorship obligation was satisfied during the year ended December 31, 2024.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 7 - Continued

In 2014, a new cooperation agreement (the Cooperation Agreement) was signed 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. In 2024, KEXP and the University entered into a second amended and restated Cooperation Agreement to extend the relationship and define the exchange of assets and services.

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

	<u>2024</u>	<u>2023</u>
Support and revenue-		
In-kind contributions	\$ 1,218,897	\$ 1,206,188
Business support	<u>411,361</u>	<u>434,674</u>
<b>Total Revenues</b>	<b><u>\$ 1,630,258</u></b>	<b><u>\$ 1,640,862</u></b>
Expenses-		
In-kind technology services	\$ 125,453	\$ 125,473
In-kind professional services (fundraising and others)	<u>1,093,444</u>	<u>1,080,715</u>
Total in-kind expenses	1,218,897	1,206,188
Payroll and related expenses	178,146	173,540
Other expenses	<u>19,590</u>	<u>20,709</u>
<b>Total Expenses</b>	<b><u>\$ 1,416,633</u></b>	<b><u>\$ 1,400,437</u></b>

#### Note 8 - Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Restricted for time	\$ 289,043	\$ 135,765
Restricted for purpose	<u>222,935</u>	<u>40,000</u>
	<b><u>\$ 511,978</u></b>	<b><u>\$ 175,765</u></b>

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 9 - 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.

**Interpretation of Relevant Law** - The Board has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for KEXP to track fair value of the original gift as of the gift date of the board-designated endowment funds absent explicit stipulations to the contrary. As a result of this interpretation, KEXP classifies as endowment net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund.

The remaining portion of the board-designated endowment is also classified within net assets without donor restrictions, subject to expenditure requested by the board, until those amounts are appropriated for expenditure by KEXP in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, KEXP considers the following factors in making a determination to appropriate or accumulate board-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of KEXP and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of KEXP; and
- The investment policies of KEXP.

**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's 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 and its Board intend to use regular withdrawals from the quasi-endowment to supplement other sources of income as part of its annual budget process for the foreseeable future and are subject to and limited by Board approval.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 9 - Continued

Changes in board-designated quasi-endowment net assets for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Board-designated quasi-endowment, beginning of year	\$ 10,014,555	\$ 13,225,995
Investment return	1,022,195	1,858,560
Appropriated for expenditure	<u>(2,578,000)</u>	<u>(5,070,000)</u>
<b>Board-Designated Quasi-Endowment, End of Year</b>	<b><u>\$ 8,458,750</u></b>	<b><u>\$ 10,014,555</u></b>

During the year ended December 31, 2024, the board voted to appropriate \$2,578,000 as part of the 2024 operating budget. During the year ended December 31, 2023, the board voted to appropriate \$5,070,000 to be used for the purchase the FCC license for 92.7 FM.

#### Note 10 - Liquidity and Availability

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, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 10 - Continued

	2024	2023
Cash and cash equivalents	\$ 855,691	\$ 4,434,408
Pledges receivable, net	495,705	612,762
Business support receivables, net	681,187	387,112
Royalty and other receivables	440,445	358,120
Board-designated quasi-endowment investments	<u>8,458,750</u>	<u>10,014,555</u>
Total financial assets	10,931,778	15,806,957
Less long-term portion of pledges receivables	(166,000)	(44,181)
Less board-designated quasi-endowment investments	(8,458,750)	(10,014,555)
Less quasi endowment appropriated funds to be spent on purchase of radio station		(5,070,000)
Less donor-imposed purpose restrictions	<u>(222,935)</u>	<u>(40,000)</u>
<b>Financial Assets Available for Operations Within One Year</b>	<b><u>\$ 2,084,093</u></b>	<b><u>\$ 638,221</u></b>

#### Note 11 - Federal COVID-Relief Funding

**Employee Retention Tax Credit (ERTC)** - In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the ERTC to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by KEXP. KEXP's accounting policy for the ERTC is to record revenue when the refundable tax credits are received from the government. Total ERTC revenue recognized during the year ended December 31, 2023 was \$1,035,354 included as other revenue on the statement of activities. There was no ERTC revenue recognized during the year ended December 31, 2024.