

**FRIENDS OF KEXP
DBA KEXP-FM**

Financial Statements

For the Year Ended December 31, 2025

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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, 2025 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KEXP as of December 31, 2025, 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 2024 Summarized Comparative Information

We have previously audited KEXP's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 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.

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Certified Public Accountants
June 4, 2026

FRIENDS OF KEXP DBA KEXP-FM

**Statement of Financial Position
December 31, 2025
(With Comparative Totals for 2024)**

	<u>2025</u>	<u>2024</u>
Assets		
Assets:		
Cash and cash equivalents	\$ 1,421,420	\$ 855,691
Pledges receivable, net	1,022,070	495,705
Business support receivables, net	467,143	681,187
Royalty and other receivables	455,555	440,445
Prepaid expenses and other assets	161,440	182,131
Investments	5,738	1,050
Board-designated quasi-endowment investments	7,260,602	8,457,700
Operating lease right-of-use asset	9,559,870	10,059,690
Property and equipment, net	1,453,446	2,339,219
Intangible assets	7,635,487	7,635,487
Total Assets	<u>\$ 29,442,771</u>	<u>\$ 31,148,305</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 371,778	\$ 432,146
Payroll liabilities	1,173,665	1,054,315
Deferred revenue-		
Business support and other	41,390	94,586
Contributed		158,038
Notes payable	199,574	
Operating lease liability	9,987,588	10,398,167
Total Liabilities	11,773,995	12,137,252
Net Assets:		
Without donor restrictions-		
Undesignated	9,090,235	10,040,325
Board-designated quasi-endowment	7,260,602	8,458,750
Total without donor restrictions	16,350,837	18,499,075
With donor restrictions	1,317,939	511,978
Total Net Assets	<u>17,668,776</u>	<u>19,011,053</u>
Total Liabilities and Net Assets	<u>\$ 29,442,771</u>	<u>\$ 31,148,305</u>

See accompanying notes.

FRIENDS OF KEXP DBA KEXP-FM

**Statement of Activities
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)**

	2025		Total	2024 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Support and Revenue:				
Contributions-				
Individual	\$ 10,408,632	\$ 1,152,004	\$ 11,560,636	\$ 9,421,049
Corporation and foundation	968,164		968,164	186,357
Special events	345,176		345,176	245,802
Business support	3,638,659		3,638,659	3,508,929
In-kind contributions	592,297		592,297	1,018,577
Government funding	551,315		551,315	685,995
Advertising and royalties	1,057,972		1,057,972	915,711
Retail sales	26,053		26,053	24,633
Other revenue	144,399		144,399	204,693
Net assets released from restrictions	343,028	(343,028)		
Total Operating Support and Revenue	18,075,695	808,976	18,884,671	16,211,746
Operating Expenses and Losses:				
Program services	13,585,343		13,585,343	13,295,792
Management and general	1,604,186		1,604,186	1,559,901
Fundraising	5,995,297		5,995,297	5,509,432
Total expenses	21,184,826		21,184,826	20,365,125
Losses on uncollectible pledges	54,461	3,015	57,476	27,189
Total Expenses and Losses	21,239,287	3,015	21,242,302	20,392,314
Change in Net Assets Before Nonoperating Activities	(3,163,592)	805,961	(2,357,631)	(4,180,568)
Nonoperating Activities:				
Investment return	1,015,354		1,015,354	1,051,926
Total Change in Net Assets	(2,148,238)	805,961	(1,342,277)	(3,128,642)
Net assets, beginning of year	18,499,075	511,978	19,011,053	22,139,695
Net Assets, End of Year	\$ 16,350,837	\$ 1,317,939	\$ 17,668,776	\$ 19,011,053

See accompanying notes.

FRIENDS OF KEXP DBA KEXP-FM

**Statement of Functional Expenses
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)**

	2025				Total	2024 Total
	Program Services	Management and General	Fundraising	Total Support Services		
Salaries and wages	\$ 6,789,723	\$ 887,349	\$ 2,366,556	\$ 3,253,905	\$ 10,043,628	\$ 9,637,560
Employee benefits	1,386,057	190,974	503,610	694,584	2,080,641	1,855,650
Payroll taxes	545,881	71,162	186,313	257,475	803,356	823,952
Contract service expenses	185,902		405,275	405,275	591,177	567,079
Total payroll and related	8,907,563	1,149,485	3,461,754	4,611,239	13,518,802	12,884,241
Professional services	724,478	95,575	759,004	854,579	1,579,057	1,651,760
Information technology	1,074,860	148,965	140,772	289,737	1,364,597	992,711
Depreciation	978,981	71,253	243,901	315,154	1,294,135	1,450,819
Occupancy	557,436	37,444	128,173	165,617	723,053	727,965
Premiums			567,768	567,768	567,768	480,931
Office	161,752	9,060	320,797	329,857	491,609	493,870
Advertising and promotion	358,806	311	61,017	61,328	420,134	374,953
Performances and events	375,377	1,004	34,271	35,275	410,652	416,061
Meetings and travel	140,865	7,086	63,324	70,410	211,275	254,564
Legal	177,484	12,942	7,508	20,450	197,934	165,025
Vehicle donation fees			142,712	142,712	142,712	114,963
Research and education	71,904	4,244	1,652	5,896	77,800	197,540
Insurance	48,225	4,513	15,450	19,963	68,188	81,324
Human resources		62,051		62,051	62,051	58,130
Other expenses	7,612	253	47,194	47,447	55,059	20,268
	\$13,585,343	\$ 1,604,186	\$5,995,297	\$ 7,599,483	\$21,184,826	\$20,365,125

See accompanying notes.

FRIENDS OF KEXP DBA KEXP-FM

**Statement of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)**

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,342,277)	\$ (3,128,642)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	1,294,135	1,450,819
Realized and unrealized investment gains	(875,927)	(802,611)
University of Washington deferred revenue		(270)
Change in operating assets and liabilities:		
Pledges receivable, net	(526,365)	117,057
Business support receivables, net	214,044	(294,075)
Royalty and other receivables	(15,110)	(82,325)
Prepaid expenses and other assets	20,691	581,157
Accounts payable and accrued expenses	(60,368)	(153,086)
Payroll liabilities	119,350	130,318
Deferred business support and other revenue	(53,196)	(19,458)
Deferred contributed revenue	(158,038)	148,038
Operating lease right-of-use asset, net lease liability	89,241	105,158
Net Cash Used in Operating Activities	(1,293,820)	(1,947,920)
Cash Flows From Investing Activities:		
Purchase of investments	(3,846,074)	(14,643,264)
Sale of investments	5,914,411	17,001,680
Purchases of property and equipment	(408,362)	(239,213)
Purchase of intangible asset - FCC license		(3,750,000)
Net Cash Provided by (Used in) Investing Activities	1,659,975	(1,630,797)
Cash Flows From Financing Activities:		
Proceeds from notes payable	208,516	
Payments on notes payable	(8,942)	
Net Cash Provided by Financing Activities	199,574	
Net Change in Cash and Cash Equivalents	565,729	(3,578,717)
Cash and Cash Equivalents:		
Beginning of year	855,691	4,434,408
End of Year	\$ 1,421,420	\$ 855,691
Supplemental Disclosure of Noncash Activities:		
Cash paid for interest	\$ 4,079	\$ -
Change in University of Washington deferred revenue	\$ -	\$ (270)

See accompanying notes.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

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.

KEXP operates one of the most influential listener-supported music radio stations in the world, broadcasting at KEXP 90.3 FM Seattle, KEXC 92.7 FM Alameda/San Francisco, and online worldwide.

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. As of December 31, 2024 KEXP had \$57,016 of conditional promises to give outstanding and \$158,038 conditional grants received in advance which are included in deferred revenue on the statement of financial position. There were no conditional promises to give or conditional grants given in advance as of December 31, 2025.

Business Support - Business support revenue is considered a conditional contribution. 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 \$41,390 and \$94,586 of deferred revenue for conditional business support agreements at December 31, 2025 and 2024, respectively. Additionally, there was \$890,854 and \$854,469 of business support contracts signed but not billed or earned at December 31, 2025 and 2024, respectively. Revenue from conditional underwriting contributions is expected to be recognized over the next two years.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

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 \$391,866 and \$371,612 as of December 31, 2025 and 2024, 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 - KEXP extends credit to customers as part of the sales process with typical payment terms of 30 days. Trade 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. 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.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 1 - Continued

Effective January 1, 2025, KEXP adopted the accounting guidance in Accounting Standards Update No 2025-05, *Financial Instruments-Credit Losses* (Topic 326) (ASU Topic 326) using the prospective approach. KEXP has elected the practical expedient permitted in ASU Topic 326. Accordingly, in developing reasonable and supportable forecasts as part of estimating expected credit losses, KEXP assumed that current conditions as of the statement of financial position date will not change for the remaining life of the asset. KEXP has also made the accounting policy election to consider collection activity after the balance sheet date through February 1, 2026, and estimated no expected credit losses as of December 31, 2025 and 2024.

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, 2025 or 2024.

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.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 1 - Continued

In-kind contributions consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Professional services	\$ 592,297	\$ 843,604
Technology services		125,473
Goods		<u>49,500</u>
Total In-Kind Contributions	<u>\$ 592,297</u>	<u>\$ 1,018,577</u>

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 \$420,134 and \$374,953 for the years ended December 31, 2025 and 2024, 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, 2024, from which the summarized information was derived.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 1 - Continued

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 June 4, 2026, the date on which the financial statements were available to be issued.

Note 2 - Receivables

Receivables consist of the following at December 31:

	2025				2024
	Pledges	Business Support	Royalty and Other	Total	
Due to be collected-					
In less than one year	\$ 611,890	\$ 491,757	\$ 455,555	\$ 1,559,202	\$ 1,468,639
One to five years	431,274			431,274	166,000
Total pledges receivable	1,043,164	491,757	455,555	1,990,476	1,634,639
Less allowance for doubtful accounts	(5,238)	(24,614)		(29,852)	(10,448)
Less present value discount (3.7% - 4.3%)	(15,856)			(15,856)	(6,854)
Pledges, Business Support, Royalty, and Other Receivables, Net	<u>\$1,022,070</u>	<u>\$ 467,143</u>	<u>\$ 455,555</u>	<u>\$ 1,944,768</u>	<u>\$ 1,617,337</u>

Note 3 - Investments and Fair Value Measurements

Investments consisted of the following at December 31:

	2025	2024
Cash equivalents	\$ 283,803	\$ 80,744
Corporate bonds	956,338	922,201
Equities		40,327
Exchange traded funds (ETF)	5,294,445	5,947,003
Mutual funds	731,754	1,468,475
Total Investments	<u>\$ 7,266,340</u>	<u>\$ 8,458,750</u>

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 3 - 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.

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, 2025 and 2024.

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.

ETF and 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.

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

	Fair Value Measurements as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 283,803	\$ -	\$ -	\$ 283,803
Corporate bonds		956,338		956,338
ETF	5,294,445			5,294,445
Mutual funds	731,754			731,754
	<u>\$ 6,310,002</u>	<u>\$ 956,338</u>	<u>\$ -</u>	<u>\$ 7,266,340</u>

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 3 - Continued

	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
ETF	5,947,003			5,947,003
Mutual funds	1,468,475			1,468,475
	<u>\$ 7,536,549</u>	<u>\$ 922,201</u>	<u>\$ -</u>	<u>\$ 8,458,750</u>

Note 4 - Property and Equipment

Property and equipment consist of the following at December 31:

	2025	2024
Leasehold improvements	\$ 11,146,568	\$ 11,146,568
Software	255,519	343,013
Operating equipment and furniture	2,295,786	2,344,042
Digital library	459,023	459,023
Computers	79,245	31,220
	14,236,141	14,323,866
Less accumulated depreciation	(13,173,871)	(12,058,461)
Project in progress	391,176	73,814
	<u>\$ 1,453,446</u>	<u>\$ 2,339,219</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 terms 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 \$550,247 for the years ending December 31, 2025 and 2024, respectively.

FRIENDS OF KEXP DBA KEXP-FM

**Notes to Financial Statements
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)**

Note 5 - Continued

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$ 461,007	\$ 445,089
Weighted-average remaining lease term - operating leases	20.13 years	21.04 years
Weighted-average discount rate - operating leases	0.49%	0.51%

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

For the Year Ending December 31,

2026	\$ 472,737
2027	484,815
2028	497,253
2029	434,094
2030	443,491
Thereafter	<u>8,098,177</u>
Total future minimum lease payments	10,430,567
Less present value discount	<u>(442,979)</u>
Total Operating Lease Liabilities	<u>\$ 9,987,588</u>

KEXP leases a portion of its Gathering Space under two sublease contracts. The initial lease terms range from one to five years, with no option to extend. KEXP recognized \$42,895 and \$42,178 of rental revenues for the years ended December 31, 2025 and 2024, respectively.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 6 - Notes Payable

During the year ended December 31, 2025, KEXP entered into two agreements. The terms and outstanding balance as of December 31, 2025 were as follows:

	<u>2025</u>
Original principal of \$47,168 bearing interest of 9.59% and requiring monthly principal and interest payments of \$1,187 beginning May 12, 2025 until maturity, May 5, 2029.	\$ 40,503
Original principal of \$161,348, bearing interest of 6.59% and requiring monthly principal and interest payments of \$3,164 beginning December 7, 2025 until maturity, November 7, 2030.	<u>159,071</u>
	<u>\$ 199,574</u>

Future maturities of the notes payable are as follows:

For the Year Ending December 31,

2026	\$ 39,156
2027	42,165
2028	45,414
2029	39,157
2030	<u>33,682</u>
	<u>\$ 199,574</u>

Note 7 - 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 \$612,550 and \$537,755 for the years ended December 31, 2025 and 2024, respectively.

Note 8 - Related Party Activity

University of Washington - In 2014, KEXP acquired an FCC license and other assets from the University in exchange for a sponsorship obligation, which was satisfied through the provision of sponsorship benefits over a ten-year period. The sponsorship obligation was fully satisfied during the year ended December 31, 2024.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 8 - Continued

KEXP and the University maintain an ongoing affiliation governed by a Cooperation Agreement, as amended and restated in 2024. The agreement defines the nature of the relationship between the parties, including fundraising coordination, shared governance participation, operational support provided by the University, and on-air underwriting and advertising services provided by KEXP.

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

	<u>2025</u>	<u>2024</u>
Support and revenue-		
In-kind contributions	\$ 513,628	\$ 869,577
Business support	<u>763,544</u>	<u>411,361</u>
Total Revenues	<u>\$ 1,277,172</u>	<u>\$ 1,280,938</u>
Expenses-		
In-kind technology services	\$ -	\$ 125,453
In-kind professional services (fundraising and others)	<u>513,628</u>	<u>1,093,444</u>
Total in-kind expenses	513,628	1,218,897
Payroll and related expenses	185,402	178,146
Other expenses	<u>718,497</u>	<u>19,590</u>
Total Expenses	<u>\$ 1,417,527</u>	<u>\$ 1,416,633</u>

Other Related Parties - KEXP received business support from certain entities that are considered related parties because members of KEXP's Board of Directors have significant influence over the decision-making of those entities. The business support was received in the ordinary course of KEXP's activities. The terms of the revenue were substantially similar to those provided by non-related parties, and KEXP did not provide any additional economic benefits in connection with this revenue. Business support from these related parties totaled \$187,000 and \$192,000 for the year ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, business support receivable from these related parties totaled \$12,000 and \$32,000.

During the year ended December 31, 2025 and 2024, members of KEXP's Board of Directors made contributions totaling \$382,000 and \$187,000, respectively. These contributions were made on the same terms as contributions received from other donors and were not subject to any conditions or donor restrictions unless otherwise noted. Pledges receivable from board members totaled \$153,000 and \$10,000 as of December 31, 2025 and 2024.

FRIENDS OF KEXP DBA KEXP-FM

**Notes to Financial Statements
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)**

Note 9 - Net Assets With Donor Restrictions

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

	2025	2024
Restricted for time	\$ 240,304	\$ 289,043
Restricted for purpose	1,077,635	222,935
	\$ 1,317,939	\$ 511,978

Note 10 - 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.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 10 - Continued

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

	<u>2025</u>	<u>2024</u>
Board-designated quasi-endowment, beginning of year	\$ 8,457,700	\$ 10,014,555
Investment return	1,011,742	1,022,195
Appropriated for expenditure	<u>(2,208,840)</u>	<u>(2,578,000)</u>
Board-Designated Quasi-Endowment, End of Year	<u>\$ 7,260,602</u>	<u>\$ 8,458,750</u>

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.

During the year ended December 31, 2025 and 2024, the Board voted to appropriate \$2,208,840 and \$2,578,000 as part of the 2025 and 2024 operating budgets, respectively.

Certain prior-year amounts in the notes related to classifications within net assets without donor restrictions have been reclassified to conform to the current-year presentation. These reclassifications had no impact on total net assets or change in net assets for any period presented.

Note 11 - 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.

FRIENDS OF KEXP DBA KEXP-FM

Notes to Financial Statements For the Year Ended December 31, 2025 (With Comparative Totals for 2024)

Note 11 - Continued

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, 2025 and 2024, the level of liquidity and reserves was managed within the policy requirements.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,421,420	\$ 855,691
Pledges receivable, net	1,022,070	495,705
Business support receivables, net	467,143	681,187
Royalty and other receivables	455,555	440,445
Investments	5,738	1,050
Board-designated quasi-endowment investments	<u>7,260,602</u>	<u>8,457,700</u>
Total financial assets	10,632,528	10,931,778
Less board-designed quasi-endowment investments	(7,260,602)	(8,458,750)
Less net assets with donor restrictions	<u>(1,317,939)</u>	<u>(511,978)</u>
Financial Assets Available for Operations Within One Year	<u>\$ 2,053,987</u>	<u>\$ 1,961,050</u>