

**FRIENDS OF KEXP  
DBA KEXP-FM**

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

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



FRIENDS OF KEXP  
DBA KEXP-FM

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

July 20, 2021

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, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Friends of KEXP dba KEXP-FM as of December 31, 2020 and 2019 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.

*Jacobson Jarvis & Co, PLLC*

Jacobson Jarvis & Co, PLLC

FRIENDS OF KEXP  
DBA KEXP-FM

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	As Restated (See Note M) <u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,221,812	\$ 3,654,364
Investments	12,081,413	10,759,322
Business support receivables, net	405,208	449,529
Pledges receivable, net	635,053	691,235
Prepaid expenses and inventory	215,315	292,913
Property and equipment, net	6,230,784	7,560,873
Intangible assets	<u>3,885,487</u>	<u>3,885,487</u>
	<u>\$27,675,072</u>	<u>\$ 27,293,723</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 208,638	\$ 497,023
Payroll liabilities	583,517	738,211
Deferred revenue	31,690	40,178
Refundable advances	68,793	45,000
Payable to University of Washington	<u>1,281,350</u>	<u>1,659,411</u>
	<u>2,173,988</u>	<u>2,979,823</u>
 <b>NET ASSETS</b>		
Without donor restrictions	25,043,486	23,807,609
With donor restrictions	<u>457,598</u>	<u>506,291</u>
	<u>25,501,084</u>	<u>24,313,900</u>
	<u>\$27,675,072</u>	<u>\$ 27,293,723</u>

FRIENDS OF KEXP  
DBA KEXP-FM

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING SUPPORT AND REVENUE</b>						
Contributions	\$11,184,832	\$ 326,039	\$11,510,871	\$11,492,933	\$ 86,000	\$11,578,933
Paycheck Protection Program	1,366,915	-	1,366,915	-	-	-
Advertising	323,321		323,321	322,613		322,613
Retail sales	2,458		2,458	11,778		11,778
Other revenue	39,044		39,044	445,086		445,086
	<u>12,916,570</u>	<u>326,039</u>	<u>13,242,609</u>	<u>12,272,410</u>	<u>86,000</u>	<u>12,358,410</u>
Net assets released from restrictions						
Satisfaction of program requirements	206,850	(206,850)	-	80,497	(80,497)	-
Passage of time requirements	167,882	(167,882)	-	608,303	(608,303)	-
Total operating support and revenue	<u>13,291,302</u>	<u>(48,693)</u>	<u>13,242,609</u>	<u>12,961,210</u>	<u>(602,800)</u>	<u>12,358,410</u>
<b>OPERATING EXPENSES</b>						
Program services	8,457,825		8,457,825	9,061,440		9,061,440
Management and general	830,023		830,023	725,220		725,220
Fundraising	4,096,282		4,096,282	3,919,817		3,919,817
Total operating expenses	<u>13,384,130</u>		<u>13,384,130</u>	<u>13,706,477</u>		<u>13,706,477</u>
Change in net assets before non-operating activity	<u>(92,828)</u>	<u>(48,693)</u>	<u>(141,521)</u>	<u>(745,267)</u>	<u>(602,800)</u>	<u>(1,348,067)</u>
<b>NON-OPERATING ACTIVITY</b>						
Capital project support	-	-	-	13,431	-	13,431
Planned giving	-	-	-	202,598	-	202,598
Investment income, gains and losses	1,328,705	-	1,328,705	1,645,388	-	1,645,388
Change in non-operating net assets	<u>1,328,705</u>	<u>-</u>	<u>1,328,705</u>	<u>1,861,417</u>	<u>-</u>	<u>1,861,417</u>
Total change in net assets	<u>1,235,877</u>	<u>(48,693)</u>	<u>1,187,184</u>	<u>1,116,150</u>	<u>(602,800)</u>	<u>513,350</u>
<b>NET ASSETS</b>						
Beginning of the year - As Restated (See Note M)	<u>23,807,609</u>	<u>506,291</u>	<u>24,313,900</u>	<u>22,691,459</u>	<u>1,109,091</u>	<u>23,800,550</u>
End of the year	<u>\$25,043,486</u>	<u>\$ 457,598</u>	<u>\$25,501,084</u>	<u>\$23,807,609</u>	<u>\$ 506,291</u>	<u>\$24,313,900</u>

FRIENDS OF KEXP  
DBA KEXP-FM

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020					2019				
	Program Services	Support Services		Total Support Services	Total	Program Services	Support Services		Total Support Services	Total
		Management and General	Fundraising				Management and General	Fundraising		
Salaries and wages	\$ 4,504,581	\$ 470,178	\$ 1,464,347	\$ 1,934,525	\$ 6,439,106	\$ 4,161,729	\$ 367,500	\$ 1,563,083	\$ 1,930,583	\$ 6,092,312
Employee benefits	750,362	88,452	302,224	390,676	1,141,038	662,472	81,488	298,227	379,715	1,042,187
Payroll taxes	371,159	38,299	117,118	155,417	526,576	334,745	29,532	123,576	153,108	487,853
Total payroll and related	<u>5,626,102</u>	<u>596,929</u>	<u>1,883,689</u>	<u>2,480,618</u>	<u>8,106,720</u>	<u>5,158,946</u>	<u>478,520</u>	<u>1,984,886</u>	<u>2,463,406</u>	<u>7,622,352</u>
Fundraising and other	631,836	8,395	1,134,121	1,142,516	1,774,352	807,265	46,793	1,066,060	1,112,853	1,920,118
Legal	23,500	-	10,668	10,668	34,168	18,500	4,403	-	4,403	22,903
Accounting	-	27,511	-	27,511	27,511	-	27,440	-	27,440	27,440
Total fees for service	<u>655,336</u>	<u>35,906</u>	<u>1,144,789</u>	<u>1,180,695</u>	<u>1,836,031</u>	<u>825,765</u>	<u>78,636</u>	<u>1,066,060</u>	<u>1,144,696</u>	<u>1,970,461</u>
Depreciation and amortization	1,111,103	67,334	271,994	339,328	1,450,431	1,318,091	12,403	77,002	89,405	1,407,496
Information technology	561,861	70,836	93,295	164,131	725,992	629,536	70,680	100,147	170,827	800,363
Office	132,361	13,887	285,964	299,851	432,212	106,029	12,996	269,177	282,173	388,202
Occupancy	190,129	10,387	43,224	53,611	243,740	323,798	26,030	103,863	129,893	453,691
Premiums	620	-	171,128	171,128	171,748	-	-	103,471	103,471	103,471
Vehicle donation fees	-	-	88,258	88,258	88,258	-	-	45,333	45,333	45,333
Research	62,354	3,176	3,686	6,862	69,216	74,336	5,129	9,915	15,044	89,380
Performances	34,094	-	25,168	25,168	59,262	325,964	271	20,031	20,302	346,266
Human resource administration	9,664	27,934	2,711	30,645	40,309	28,534	28,784	14,523	43,307	71,841
Insurance	26,974	2,277	9,453	11,730	38,704	26,889	2,311	9,220	11,531	38,420
Printing and design	14,686	368	22,197	22,565	37,251	9,449	400	31,183	31,583	41,032
Travel	17,469	555	14,000	14,555	32,024	125,870	6,895	39,909	46,804	172,674
Fundraising supplies	442	296	30,096	30,392	30,834	-	-	31,482	31,482	31,482
Dues and subscriptions	12,321	138	6,503	6,641	18,962	74,214	1,932	11,956	13,888	88,102
Advertising and promotion	2,097	-	127	127	2,224	32,714	233	1,659	1,892	34,606
Collections and acquisitions	212	-	-	-	212	1,305	-	-	-	1,305
	<u>\$ 8,457,825</u>	<u>\$ 830,023</u>	<u>\$ 4,096,282</u>	<u>\$ 4,926,305</u>	<u>\$ 13,384,130</u>	<u>\$ 9,061,440</u>	<u>\$ 725,220</u>	<u>\$ 3,919,817</u>	<u>\$ 4,645,037</u>	<u>\$ 13,706,477</u>

See notes to financial statements.

FRIENDS OF KEXP  
DBA KEXP-FM

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 10,595,687	\$ 8,689,996
Cash received from other revenue	415,758	744,154
Cash paid to employees and suppliers	<u>(10,336,929)</u>	<u>(9,317,627)</u>
Net Cash Provided by Operating Activities	<u>674,516</u>	<u>116,523</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,903,905)	(406,841)
Sale of investments	1,903,905	273,825
Sale of certificates of deposit	-	155,264
Purchase of property and equipment	<u>(120,342)</u>	<u>(923,149)</u>
Net Cash Used by Investing Activities	<u>(120,342)</u>	<u>(900,901)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of payable to University of Washington	(50,000)	(50,000)
Proceeds from contributions restricted to Capital Campaign	<u>63,274</u>	<u>202,267</u>
Net Cash Provided by Financing Activities	<u>13,274</u>	<u>152,267</u>
Change in Cash and Cash Equivalents	567,448	(632,111)
Cash and Cash Equivalents - beginning of year	<u>3,654,364</u>	<u>4,286,475</u>
Cash and Cash Equivalents - end of year	<u>\$ 4,221,812</u>	<u>\$ 3,654,364</u>



FRIENDS OF KEXP  
DBA KEXP-FM

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,187,184	\$ 513,350
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	(328,061)	(603,546)
Depreciation and amortization	1,450,431	1,407,496
Reinvested earnings	(264,666)	(237,240)
Gain on investments	(1,057,425)	(1,408,246)
Change in:		
Business support receivables, net	44,321	(48,656)
Pledges receivable, net	(7,092)	164,991
Prepaid expenses and inventory	77,598	13,059
Accounts payable and accrued expenses	(288,385)	135,240
Payroll liabilities	(154,694)	134,969
Refundable advances	23,793	45,000
Deferred revenue	<u>(8,488)</u>	<u>106</u>
Net Cash Provided by Operating Activities	<u>\$ 674,516</u>	<u>\$ 116,523</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020 AND 2019

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:

	(Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2020				
Cash equivalents	\$ 229,100	\$ -	\$ -	\$ 229,100
Mutual funds	<u>11,852,313</u>	<u>-</u>	<u>-</u>	<u>11,852,313</u>
	<u>\$12,081,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,081,413</u>
As of December 31, 2019				
Cash equivalents	\$ 68,152	\$ -	\$ -	\$ 68,152
Mutual funds	<u>10,691,170</u>	<u>-</u>	<u>-</u>	<u>10,691,170</u>
	<u>\$10,759,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,759,322</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 or 2019.

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, 2020 AND 2019

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, 2020, conditional contributions and grants for which no amounts had been received in advance totaling \$152,806 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, 2020 AND 2019

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, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 17,343,486	\$ 15,554,450
Less amounts not available to be used within one year:		
Endowment investments	(12,081,413)	(10,759,322)
Donor-imposed purpose restrictions	(15,453)	(305,637)
Long-term receivables	<u>(205,475)</u>	<u>(201,999)</u>
Financial Assets Available for Operations Within One Year	<u>\$ 5,041,145</u>	<u>\$ 4,287,492</u>

NOTE C - RECEIVABLES

Receivables consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Pledges receivable for operations	\$ 573,397	\$ 457,441
Capital Campaign receivables	36,808	95,882
Capital project receivables	83,334	250,000
Business support receivables	<u>405,208</u>	<u>449,529</u>
	1,098,747	1,252,852
Allowance for uncollectible receivables	(58,092)	(104,779)
Discount at 0.75% to 1.00%	<u>(394)</u>	<u>(7,309)</u>
	<u>\$ 1,040,261</u>	<u>\$ 1,140,764</u>
Gross receivables due in one year or less	\$ 893,272	\$ 1,050,853
Gross receivables due in one to five years	<u>205,475</u>	<u>201,999</u>
	<u>\$ 1,098,747</u>	<u>\$ 1,252,852</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 10,621,258	\$ 10,621,258
Software	336,961	943,186
Operating equipment and furniture	1,217,808	1,190,078
Digital library	450,966	467,322
Computers	19,957	14,201
	<u>12,646,950</u>	<u>13,236,045</u>
Less: accumulated depreciation	(6,636,506)	(5,910,275)
Work in process	220,340	235,103
	<u>\$ 6,230,784</u>	<u>\$ 7,560,873</u>

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
For future operations	\$ 442,145	\$ 200,654
Other operations	15,453	55,637
Capital project	-	250,000
	<u>\$ 457,598</u>	<u>\$ 506,291</u>

NOTE F - IN-KIND CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Donated goods	\$ 467,768	\$ 693,503
Donated services	1,642,905	1,779,169
Donated facility usage	102,996	225,415
	<u>\$ 2,213,669</u>	<u>\$ 2,698,087</u>

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

	<u>2020</u>	<u>2019</u>
Program services related	\$ 732,413	\$ 866,791
Management and general related	33,952	37,211
Fundraising related	1,087,882	1,207,878
	<u>\$ 1,854,247</u>	<u>\$ 2,111,880</u>



FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE F - IN-KIND CONTRIBUTIONS (Continued)

The main difference between in-kind revenue and in-kind expense in 2020 and 2019 is due to the donated pay-down to University of Washington of the FCC License of \$403,508 and \$603,546, 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 2020, in response to the pandemic, the City of Seattle provided nine months of rent forgiveness totaling \$47,813 in cash rent and \$174,420 in public benefit obligation. Subsequent to year end, the City of Seattle provided an additional six month of forgiveness. 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>
2021	\$ 32,513	\$ 118,606	\$ 151,119
2022	66,218	241,560	307,778
2023	67,542	246,392	313,934
2024	68,892	251,320	320,212
2025	<u>5,750</u>	<u>20,978</u>	<u>26,728</u>
	<u>\$ 240,915</u>	<u>\$ 878,856</u>	<u>\$ 1,119,771</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:

2021	\$ 32,626
2022	33,606
2023	34,618
2024	35,621
2025	<u>33,613</u>
	<u>\$ 170,084</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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:

2021	\$ 56,473
2022	58,168
2023	59,913
2024	61,710
2025	63,561
Thereafter	<u>16,007</u>
	<u>\$ 315,832</u>

NOTE I - EMPLOYEE BENEFIT PLAN

KEXP has adopted a 403(b) contribution pension 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 \$325,291 and \$313,296 for the years ended December 31, 2020 and 2019, 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 2020 and 2019, KEXP provided sponsorships valued at \$403,508 and \$603,546, 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:

2021	\$ 400,110
2022	400,110
2023	400,110
2024	<u>81,020</u>
	<u>\$ 1,281,350</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE J - RELATED ENTITY ACTIVITY (Continued)

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

	<u>2020</u>	<u>2019</u>
Support and revenue		
In-kind contributions	\$ 1,224,913	\$ 1,191,518
Use of sponsorship obligation	328,061	603,546
Underwriting contribution	75,446	16,818
	<u>\$ 1,628,420</u>	<u>\$ 1,811,882</u>
Expenses		
In-kind information technology	\$ 125,460	\$ 158,827
In-kind fundraising and other fees for service	1,099,453	1,032,691
In-kind expenses	<u>1,224,913</u>	<u>1,191,518</u>
Payroll and related	163,339	161,766
Other expenses	25,817	80,479
	<u>\$ 1,414,069</u>	<u>\$ 1,433,763</u>

The following amounts are due to the University at December 31:

	<u>2020</u>	<u>2019</u>
Note payable	\$ -	\$ 50,000
Sponsorship obligation	1,281,350	1,609,411
	<u>\$ 1,281,350</u>	<u>\$ 1,659,411</u>

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, 2020 AND 2019

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, 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	<u>-</u>	<u>-</u>	<u>-</u>
Investment return:			
Reinvested earnings, net of fees of \$51,628	264,666	-	264,666
Net investment gain	<u>1,057,425</u>	<u>-</u>	<u>1,057,425</u>
Total Investment Return	<u>1,322,091</u>	<u>-</u>	<u>1,322,091</u>
Appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Board-designated quasi-endowment, end of year	<u>\$12,081,413</u>	<u>\$ -</u>	<u>\$12,081,413</u>

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Changes in Board-Designated Quasi-Endowment Net Assets for the Year Ended December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated quasi-endowment, beginning of year	\$ 8,980,918	\$ -	\$ 8,980,918
Contributions, net	<u>427,390</u>	<u>-</u>	<u>427,390</u>
Investment return:			
Reinvested earnings, net of fees of \$50,807	216,593	-	216,593
Net investment gain	<u>1,408,246</u>	<u>-</u>	<u>1,408,246</u>
Total Investment Return	<u>1,624,839</u>	<u>-</u>	<u>1,624,839</u>
Appropriated for expenditure	<u>(273,825)</u>	<u>-</u>	<u>(273,825)</u>
Board-designated quasi-endowment, end of year	<u>\$10,759,322</u>	<u>\$ -</u>	<u>\$10,759,322</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 - PRIOR PERIOD RESTATEMENT

During 2020, KEXP discovered that an asset on the property and equipment listing had not been properly depreciated in prior years. A correction was made to previously reported balances to decrease net property and equipment and net assets without donor restrictions as of December 31, 2018 by \$115,613. This correction had no impact of the change in net assets for the year ended December 31, 2019.

FRIENDS OF KEXP DBA KEXP-FM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE N - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2020 through July 20, 2021, 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, 2020, including the estimates inherent in the processing of financial statements.