

**FRIENDS OF KEXP  
DBA KEXP-FM**

Financial Statements

For the Year Ended December 31, 2023

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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, 2023 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, 2023, 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 2022 Summarized Comparative Information

We have previously audited KEXP's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 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 5, 2024

**FRIENDS OF KEXP DBA KEXP-FM**

**Statement of Financial Position  
December 31, 2023  
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 4,434,408	\$ 1,167,361
Business support and other receivables, net	745,232	737,625
Pledges receivable, net	612,762	711,693
Prepaid expenses and other assets	763,288	410,826
Operating lease right-of-use asset	10,555,516	10,727,452
Board-designated quasi-endowment investments	10,014,555	13,225,995
Property and equipment, net	3,550,825	4,464,115
Intangible assets	3,885,487	3,885,487
	<u>3,885,487</u>	<u>3,885,487</u>
<b>Total Assets</b>	<b><u>\$ 34,562,073</u></b>	<b><u>\$ 35,330,554</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 585,232	\$ 358,616
Payroll liabilities	923,997	776,417
Deferred revenue-		
Business support and other	114,044	56,527
Contributed	10,000	48,836
University of Washington	270	434,944
Operating lease liability	10,788,835	10,846,972
	<u>10,788,835</u>	<u>10,846,972</u>
<b>Total Liabilities</b>	<b>12,422,378</b>	<b>12,522,312</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated	11,949,375	9,240,742
Board-designated quasi-endowment	10,014,555	13,225,995
	<u>10,014,555</u>	<u>13,225,995</u>
Total without donor restrictions	21,963,930	22,466,737
With donor restrictions	175,765	341,505
	<u>175,765</u>	<u>341,505</u>
<b>Total Net Assets</b>	<b><u>22,139,695</u></b>	<b><u>22,808,242</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 34,562,073</u></b>	<b><u>\$ 35,330,554</u></b>

See accompanying notes.

**FRIENDS OF KEXP DBA KEXP-FM**

**Statement of Activities  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)**

	2023		Total	2022 Total
	Without Donor Restrictions	With Donor Restrictions		
<b>Operating Support and Revenue:</b>				
Contributions-				
Individual	\$ 8,495,382	\$ 104,722	\$ 8,600,104	\$ 8,955,547
Corporation and foundation	25,899		25,899	90,831
Special events	28,202		28,202	42,937
Business support	3,316,021		3,316,021	3,086,077
In-kind contributions	1,315,048		1,315,048	1,356,259
Government funding	1,729,808		1,729,808	591,276
Advertising and royalties	817,591		817,591	714,574
Retail sales	23,806		23,806	22,343
Other revenue	220,441		220,441	322,085
Net assets released from restrictions	268,051	(268,051)		
<b>Total Operating Support and Revenue</b>	<b>16,240,249</b>	<b>(163,329)</b>	<b>16,076,920</b>	<b>15,181,929</b>
<b>Operating Expenses:</b>				
Program services	12,223,824		12,223,824	10,850,379
Management and general	1,566,577		1,566,577	1,321,500
Fundraising	4,820,252		4,820,252	4,535,099
Total expenses	18,610,653		18,610,653	16,706,978
Losses on uncollectible pledges	23,027	2,411	25,438	22,524
<b>Total Expenses and Losses</b>	<b>18,633,680</b>	<b>2,411</b>	<b>18,636,091</b>	<b>16,729,502</b>
<b>Change in Net Assets Before Nonoperating Activities</b>	<b>(2,393,431)</b>	<b>(165,740)</b>	<b>(2,559,171)</b>	<b>(1,547,573)</b>
<b>Nonoperating Activities:</b>				
Investment return	1,890,624		1,890,624	(3,065,214)
<b>Total Change in Net Assets</b>	<b>(502,807)</b>	<b>(165,740)</b>	<b>(668,547)</b>	<b>(4,612,787)</b>
Net assets, beginning of year	22,466,737	341,505	22,808,242	27,421,029
<b>Net Assets, End of Year</b>	<b>\$ 21,963,930</b>	<b>\$ 175,765</b>	<b>\$ 22,139,695</b>	<b>\$ 22,808,242</b>

See accompanying notes.

**FRIENDS OF KEXP DBA KEXP-FM**

**Statement of Functional Expenses  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)**

	2023				Total	2022 Total
	Program Services	Management and General	Fundraising	Total Support Services		
Salaries and wages	\$ 6,292,378	\$ 835,364	\$ 1,742,816	\$ 2,578,180	\$ 8,870,558	\$ 7,592,037
Employee benefits	1,088,460	151,494	340,856	492,350	1,580,810	1,311,671
Payroll taxes	549,760	71,254	150,008	221,262	771,022	651,120
Contract service expenses	178,039		375,879	375,879	553,918	522,194
<b>Total payroll and related</b>	<b>8,108,637</b>	<b>1,058,112</b>	<b>2,609,559</b>	<b>3,667,671</b>	<b>11,776,308</b>	<b>10,077,022</b>
Professional services	633,147	82,030	783,124	865,154	1,498,301	1,545,825
Depreciation	1,099,887	85,321	232,630	317,951	1,417,838	1,397,795
Information technology	725,276	162,324	93,952	256,276	981,552	984,802
Occupancy	504,278	39,634	108,854	148,488	652,766	631,997
Office	194,454	25,629	243,219	268,848	463,302	428,434
Premiums			437,872	437,872	437,872	476,543
Performances and events	266,100	216	43,990	44,206	310,306	203,113
Advertising and promotion	200,923	394	44,946	45,340	246,263	232,801
Legal	167,292	34,038	21,159	55,197	222,489	105,710
Research and education	155,036	15,023	26,182	41,205	196,241	222,259
Meetings and travel	109,824	2,316	32,603	34,919	144,743	110,486
Vehicle donation fees			127,808	127,808	127,808	141,561
Insurance	46,073	4,303	11,909	16,212	62,285	63,520
Human resources		56,525		56,525	56,525	71,356
Other expenses	12,897	712	2,445	3,157	16,054	13,754
	<b>\$12,223,824</b>	<b>\$ 1,566,577</b>	<b>\$4,820,252</b>	<b>\$ 6,386,829</b>	<b>\$18,610,653</b>	<b>\$16,706,978</b>

See accompanying notes.



**FRIENDS OF KEXP DBA KEXP-FM**

**Statement of Cash Flows  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (668,547)	\$ (4,612,787)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	1,417,838	1,397,795
Realized and unrealized investment (gains) losses	(1,528,127)	3,054,024
Loss on disposal of fixed assets		23,307
University of Washington deferred revenue	(434,674)	(408,575)
Change in operating assets and liabilities:		
Business support and other receivables, net	(7,607)	(16,340)
Pledges receivable, net	98,931	(297,996)
Prepaid expenses and other assets	(352,462)	(31,422)
Accounts payable and accrued expenses	226,616	(69,682)
Payroll liabilities	147,580	102,475
Deferred business support and other revenue	57,517	(68,908)
Deferred contributed revenue	(38,836)	(120,040)
Right-of-use asset, net lease liability	113,799	119,520
<b>Net Cash Used in Operating Activities</b>	<b>(967,972)</b>	<b>(928,629)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(12,551,911)	(2,613,245)
Sale of investments	17,291,478	2,941,982
Purchases of property and equipment	(504,548)	(739,844)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>4,235,019</b>	<b>(411,107)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from contributions restricted to investment in long-term assets		16,758
<b>Net Cash Provided by Financing Activities</b>		<b>16,758</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>3,267,047</b>	<b>(1,322,978)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	1,167,361	2,490,339
<b>End of Year</b>	<b>\$ 4,434,408</b>	<b>\$ 1,167,361</b>
<b>Supplemental Disclosure of Noncash Activities:</b>		
Change in University of Washington deferred revenue	\$ (434,674)	\$ (408,575)

See accompanying notes.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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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.

**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 acquired the rights to the FCC License and other intangible assets from the University (Note 7).

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.

**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.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

##### 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 were \$169,264 and \$151,034 of conditional promises to give outstanding as of December 31, 2023 and 2022, respectively. Conditional promises are expected to be recognized over the next year. Conditional grants given in advance and included in deferred revenue on the statement of financial position total \$10,000 and \$48,836 as of December 31, 2023 and 2022, respectively. The deferred conditional grant as of December 31, 2023, relates to funding of a long-term asset that must be used for public benefit for a period of ten years and will be recognized over the period using straight-line methodology.

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 \$114,044 and \$56,527 of deferred revenue for conditional business support agreements at December 31, 2023 and 2022, respectively. Additionally, there was \$232,273 and \$220,938 of business support contracts signed but not billed or earned at December 31, 2023 and 2022, respectively. Revenue from conditional underwriting grants is expected to be recognized over the next year.

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 \$331,768 and \$300,912 as of the year ended December 31, 2023 and 2022, 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.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

**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.

**Business Support and Other Receivables** - Business support and other receivables are stated at net realizable value and are related to underwriting, sponsorships, royalties, and advertising support.

KEXP extends credit to customers as part of 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 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, 2023 or 2022.

**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.

**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 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, 2023 or 2022.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

**Right-of-Use Asset and Lease Liability** - KEXP determines if an arrangement contains a lease at inception. Operating leases are included in 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 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 consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Professional services	\$ 1,189,275	\$ 1,033,968
Technology services	125,473	125,460
Goods	300	196,831
<b>Total In-Kind Contributions</b>	<b><u>\$ 1,315,048</u></b>	<b><u>\$ 1,356,259</u></b>

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

**Nonoperating Activities** - KEXP's 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 expensed advertising costs as they are incurred. Advertising costs totaled \$246,262 and \$232,800 for the years ended December 31, 2023 and 2022, 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.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

#### Note 1 - Continued

**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, 2022, 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.

#### Note 2 - Receivables

Receivables consist of the following at December 31:

	2023			Total	2022 Total
	Pledges	Business Support	Other Receivables		
Due to be collected-					
In less than one year	\$ 602,918	\$ 398,451	\$ 358,120	\$ 1,359,489	\$ 1,436,683
One to five years	44,181			44,181	45,870
Total pledges receivable	647,099	398,451	358,120	1,403,670	1,482,553
Less allowance for doubtful accounts	(31,296)	(11,339)		(42,635)	(30,866)
Less present value discount (4.8% - 5.4%)	(3,041)			(3,041)	(2,369)
<b>Pledges, Business Support and Other Receivables, Net</b>	<b>\$ 612,762</b>	<b>\$ 387,112</b>	<b>\$ 358,120</b>	<b>\$ 1,357,994</b>	<b>\$ 1,449,318</b>

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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

Investments consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash equivalents	\$ 184,567	\$ 169,461
Equities	3,899,315	4,800,943
Mutual funds	<u>5,930,673</u>	<u>8,255,591</u>
<b>Total Investments</b>	<b><u>\$ 10,014,555</u></b>	<b><u>\$ 13,225,995</u></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.

All investments held by KEXP are valued using Level 1 inputs.

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, 2023 and 2022.

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.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 4 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 11,146,568	\$ 11,146,568
Software	336,961	336,961
Operating equipment and furniture	2,027,168	1,591,365
Digital library	504,520	504,520
Computers	<u>31,220</u>	<u>25,754</u>
	14,046,437	13,605,168
Less accumulated depreciation	(10,740,463)	(9,328,320)
Work in process	<u>244,851</u>	<u>187,267</u>
	<u><b>\$ 3,550,825</b></u>	<u><b>\$ 4,464,115</b></u>

#### Note 5 - Leases

The 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 successive 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 \$496,252 and \$490,934 for the years ending December 31, 2023 and 2022, respectively.

Supplemental cash flows related to leases as of December 31, 2023 is as follows:

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



## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 5 - Continued

Future minimum cash and sponsorship payments required under these leases are as follows for the years ending December 31:

For the Year Ending December 31,	
2024	\$ 445,089
2025	461,007
2026	472,737
2027	484,815
2028	497,253
Thereafter	<u>8,975,762</u>
Total future minimum lease payments	11,336,663
Less present value discount	<u>(547,828)</u>
<b>Total Operating Lease Liabilities</b>	<b><u>\$ 10,788,835</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 \$39,606 and \$38,416 of rental revenues related to operating leases, for the years ended December 31, 2023, and 2022, 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,	
2024	\$ 61,710
2025	63,561
2026	<u>16,007</u>
	<b><u>\$ 141,278</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 \$479,138 and \$396,184 for the years ended December 31, 2023 and 2022, 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, the sponsorship obligation is satisfied by performing sponsorships for the University over a ten-year period.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 7 - Continued

During 2023 and 2022, KEXP provided sponsorships valued at \$434,674 and \$408,578, respectively, to the University, and therefore recognized sponsorship revenue and reduced the obligation by these amounts. The remaining sponsorship obligation of \$270 is shown as deferred revenue, University of Washington on the statement of financial position and is expected to be earned during the year ended December 31, 2023.

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

	<u>2023</u>	<u>2022</u>
Support and revenue-		
In-kind contributions	\$ 1,206,188	\$ 1,159,428
Business support	<u>434,674</u>	<u>408,578</u>
	<b><u>\$ 1,640,862</u></b>	<b><u>\$ 1,568,006</u></b>
Expenses-		
In-kind technology services	\$ 125,473	\$ 125,460
In-kind professional services (fundraising and others)	<u>1,080,715</u>	<u>1,033,968</u>
Total in-kind expenses	1,206,188	1,159,428
Payroll and related expenses	173,540	168,766
Other expenses	<u>20,709</u>	<u>24,230</u>
<b>Total Expenses</b>	<b><u>\$ 1,400,437</u></b>	<b><u>\$ 1,352,424</u></b>

As of December 31, 2023 and 2022, \$270 and \$434,944, respectively, were due to the University under the sponsorship obligation.

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

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

	<u>2023</u>	<u>2022</u>
Restricted for time	\$ 135,765	\$ 317,505
Restricted for purpose	<u>40,000</u>	<u>24,000</u>
	<b><u>\$ 175,765</u></b>	<b><u>\$ 341,505</u></b>

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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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. Onetime 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 for 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 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.

## FRIENDS OF KEXP DBA KEXP-FM

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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#### Note 9 - Continued

**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.

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

	<u>2023</u>	<u>2022</u>
Board-designated quasi-endowment, beginning of year	\$ 13,225,995	\$ 16,608,756
Investment return	1,858,560	(3,072,761)
Appropriated for expenditure	<u>(5,070,000)</u>	<u>(310,000)</u>
<b>Board-Designated Quasi-Endowment, End of Year</b>	<b><u>\$ 10,014,555</u></b>	<b><u>\$ 13,225,995</u></b>

During the year ended December 31, 2023 the board voted to appropriate \$5,070,000 to be used for the purchase of a radio station, consistent with the board's designation to use the funds for one-time spending.

#### 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, 2023 and 2022 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, 2023 (With Comparative Totals for 2022)

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#### Note 10 - Continued

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,434,408	\$ 1,167,361
Board-designated quasi-endowment investments	10,014,555	13,225,995
Pledges receivable, net	612,762	711,693
Business support and other receivables, net	<u>745,232</u>	<u>737,625</u>
Total financial assets	15,806,957	15,842,674
Less long-term portion of pledges receivables	(44,181)	(45,870)
Less board-designated quasi-endowment investments	(10,014,555)	(13,225,995)
Less quasi endowment appropriated funds to be spent on purchase of radio station	(5,070,000)	
Less donor-imposed purpose restrictions	<u>(40,000)</u>	<u>(24,000)</u>
<b>Financial Assets Available for Operations Within One Year</b>	<b><u>\$ 638,221</u></b>	<b><u>\$ 2,546,809</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 years ended December 31, 2023 and 2022, was \$1,035,354 and \$134,723, respectively included as government funding on the statement of activities.

#### Note 12 - Subsequent Events

On November 14, 2023, KEXP entered into an agreement to purchase a San Francisco Bay Area FCC license for 92.7 FM for \$3 million. As of year end, KEXP had put down \$300,000 in earnest money. The purchase of the FCC license closed February 1, 2024.

KEXP has evaluated subsequent events through June 5, 2024, the date on which the financial statements were available to be issued.