

KUOW/Puget Sound Public Radio

Financial Statements
Years Ended June 30, 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



KUOW/Puget Sound Public Radio

Financial Statements
Years Ended June 30, 2023 and 2022

KUOW/Puget Sound Public Radio

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Independent Auditor's Report

The Board of Directors
KUOW/Puget Sound Public Radio
Seattle, Washington

Opinion

We have audited the financial statements of KUOW/Puget Sound Public Radio, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KUOW/Puget Sound Public Radio as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 KUOW/Puget Sound Public Radio 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.

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.

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 KUOW/Puget Sound Public Radio's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 KUOW/Puget Sound Public Radio'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 KUOW/Puget Sound Public Radio'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.

BDO USA, P.C.

January 8, 2024

Financial Statements

KUOW/Puget Sound Public Radio

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,058,316	\$ 7,206,078
Investments	4,144,205	3,866,580
Accounts receivable, net	504,133	699,939
Pledges receivable, current portion	233,335	118,948
Prepaid expenses	298,252	327,575
Total Current Assets	10,238,241	12,219,120
Investments held for long-term purposes	5,617,460	5,172,168
Interest in endowment held by the University	93,592	100,601
Long-term pledges receivable, net	525,730	415,074
Operating lease right-of-use asset, net	12,754,283	-
Finance lease right-of-use asset, net	78,075	-
Property, plant, and equipment, net	3,815,126	4,144,762
Total Assets	\$ 33,122,507	\$ 22,051,725
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 351,578	\$ 582,493
Operating lease liability, current portion	494,642	-
Finance lease liability, current portion	41,270	-
Total Current Liabilities	887,490	-
Operating lease liability, non-current portion	12,607,805	-
Finance lease liability, non-current portion	36,804	-
Total Liabilities	13,532,099	582,493
Net Assets		
Without donor restrictions	18,673,945	20,745,288
With donor restrictions	916,463	723,944
Total Net Assets	19,590,408	21,469,232
Total Liabilities and Net Assets	\$ 33,122,507	\$ 22,051,725

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statements of Activities

Year ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Listener support	\$ 15,526,400	\$ 305,000	\$ 15,831,400	\$ 14,341,454	\$ 504,047	\$ 14,845,501
Business support	4,362,538	-	4,362,538	4,932,397	-	4,392,397
Community service grant from the Corporation for Public Broadcasting	932,226	-	932,226	974,694	-	974,694
Interest and dividend income	218,539	-	218,539	241,182	-	241,182
Donated services and supplies	64,180	-	64,180	19,000	-	19,000
Direct support from the University	138,143	-	138,143	131,615	-	131,615
Indirect support from the University	93,814	-	93,814	106,123	-	106,123
Other income	77,659	-	77,659	74,935	-	74,935
	21,413,499	305,000	21,718,499	20,821,400	504,047	21,325,447
Net Assets Released from Restrictions	112,481	(112,481)	-	168,095	(168,095)	-
Total Revenue and Support	21,525,980	192,519	21,718,499	20,989,495	335,952	21,325,447
Expenses						
Program services:						
Programming and production	11,483,203	-	11,483,203	8,856,880	-	8,856,880
Broadcasting	915,936	-	915,936	768,300	-	768,300
Public information	2,372,926	-	2,372,926	4,076,904	-	4,076,904
Total Program Services	14,772,065	-	14,772,065	13,702,084	-	13,702,084
Supporting services:						
Listener support	4,340,644	-	4,340,644	2,755,643	-	2,755,643
General and administrative	3,511,967	-	3,511,967	2,526,478	-	2,526,478
Business support	1,499,220	-	1,499,220	1,667,048	-	1,667,048
Total Supporting Services	9,351,831	-	9,351,831	6,949,169	-	6,949,169
Total Expenses	24,123,896	-	24,123,896	20,651,253	-	20,651,253
Change in Net Assets, before gain on forgiveness of Paycheck Protection Program loan and investment gain (loss)	(2,597,916)	192,519	(2,405,397)	338,242	335,952	674,194
Gain on Forgiveness of Paycheck Protection Program Loan	-	-	-	2,112,670	-	2,112,670
Investment Gain (Loss)	526,573	-	526,573	(1,543,617)	-	(1,543,617)
Change in Net Assets	(2,071,343)	192,519	(1,878,824)	907,295	335,952	1,243,247
Net Assets, beginning of year	20,745,288	723,944	21,469,232	19,837,993	387,992	20,225,985
Net Assets, end of year	\$ 18,673,945	\$ 916,463	\$ 19,590,408	\$ 20,745,288	\$ 723,944	\$ 21,469,232

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statement of Functional Expenses

Year ended June 30, 2023

	Program Services				Supporting Services				Total
	Programming and Production	Broadcasting	Public Information	Total Program Services	Listener Support	General and Administrative	Business Support	Total Supporting Services	
Salaries and benefits, including pension expense of \$937,124	\$ 7,274,445	\$ 481,935	\$ 1,600,166	\$ 9,356,546	\$ 2,000,714	\$ 2,323,526	\$ 801,218	\$ 5,125,458	\$ 14,482,004
Program acquisition	2,325,483	-	-	2,325,483	-	-	-	-	2,325,483
Other contract services	216,714	231,198	233,526	681,438	364,740	532,904	61,959	959,603	1,641,041
Professional services	528,313	4,236	99,607	632,156	774,054	191,895	28,918	994,867	1,627,023
Rent	720,193	52,952	239,323	1,012,468	243,159	229,505	85,087	557,751	1,570,219
Agent and processing fees	-	-	-	-	415,227	-	443,279	858,506	858,506
Depreciation and amortization	249,094	16,816	75,149	341,059	83,556	71,469	29,428	184,453	525,512
Supplies	18,224	86,162	17,959	122,345	223,729	95,282	1,608	320,619	442,964
Telecommunications	66,801	25,265	24,333	116,399	19,162	16,976	7,938	44,076	160,475
Travel	37,598	13,712	21,257	72,567	21,460	15,117	5,956	42,533	115,100
Postage	687	578	1,003	2,268	103,606	8,383	44	112,033	114,301
Printing	1,183	80	1,184	2,447	74,671	3,771	140	78,582	81,029
Miscellaneous	-	-	-	-	-	4,295	17,950	22,245	22,245
Total Expenses, before donated services and similar	11,438,735	912,934	2,313,507	14,665,176	4,324,078	3,493,123	1,483,525	9,300,726	23,965,902
Donated Services and Supplies and Indirect Support from the University	44,468	3,002	59,419	106,889	16,566	18,844	15,695	51,105	157,994
Total Expenses	\$ 11,483,203	\$ 915,936	\$ 2,372,926	\$ 14,772,065	\$ 4,340,644	\$ 3,511,967	\$ 1,499,220	\$ 9,351,831	\$ 24,123,896

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statement of Functional Expenses

Year ended June 30, 2022

	Program Services				Supporting Services				Total
	Programming and Production	Broadcasting	Public Information	Total Program Services	Listener Support	General and Administrative	Business Support	Total Supporting Services	
Salaries and benefits, including pension expense of \$812,727	\$ 5,452,516	\$ 443,792	\$ 2,806,830	\$ 8,703,138	\$ 888,578	\$ 1,720,445	\$ 871,386	\$ 3,480,409	\$ 12,183,547
Program acquisition	2,213,005	-	-	2,213,005	-	-	-	-	2,213,005
Other contract services	52,794	142,219	397,899	592,912	265,791	254,048	58,869	578,708	1,171,620
Professional services	306,782	26,469	284,010	617,261	659,877	262,503	24,917	947,297	1,564,558
Rent	502,920	43,389	334,238	880,547	136,739	127,611	63,734	328,084	1,208,631
Agent and processing fees	-	-	-	-	439,051	-	560,510	999,561	999,561
Depreciation and amortization	202,176	12,905	107,539	322,620	60,222	38,715	30,111	129,048	451,668
Supplies	4,931	63,080	62,219	130,230	129,921	72,343	5,581	207,845	338,075
Telecommunications	59,163	25,010	35,536	119,709	14,140	11,482	8,036	33,658	153,367
Travel	14,758	7,945	5,002	27,705	2,487	16,544	1,848	20,879	48,584
Postage	-	368	1,258	1,626	46,377	4,415	91	50,883	52,509
Printing	610	45	2,009	2,664	98,240	2,569	125	100,934	103,598
Miscellaneous	-	-	-	-	-	2,677	34,730	37,407	37,407
Total Expenses, before donated services and similar	8,809,655	765,222	4,036,540	13,611,417	2,741,423	2,513,352	1,659,938	6,914,713	20,526,130
Donated Services and Supplies and Indirect Support from the University	47,225	3,078	40,364	90,667	14,220	13,126	7,110	34,456	125,123
Total Expenses	\$ 8,856,880	\$ 768,300	\$ 4,076,904	\$ 13,702,084	\$ 2,755,643	\$ 2,526,478	\$ 1,667,048	\$ 6,949,169	\$ 20,651,253

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statements of Cash Flows

<i>Year ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (1,878,824)	\$ 1,243,247
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	525,512	451,668
Non-cash lease expense	667,627	-
Loss (gain) on investments	(526,573)	1,543,617
Gain on forgiveness of Paycheck Protection Program loan	-	(2,112,670)
Change in operating assets and liabilities:		
Accounts receivable	195,806	(134,227)
Pledges receivable	(225,043)	(372,869)
Prepaid expenses	29,323	(102,139)
Accounts payable and accrued expenses	(159,041)	293,991
Operating lease liabilities	(319,463)	-
Net Cash Provided by (Used in) Operating Activities	(1,690,676)	810,618
Cash Flows from Investing Activities		
Acquisitions of property and equipment	(232,579)	(160,981)
Purchase of investments	(3,521,637)	(1,428,504)
Sale of investments	3,332,302	691,222
Net Cash Used in Investing Activities	(421,914)	(898,263)
Cash Flows from Financing Activity		
Payments for principal on finance leases	(35,172)	-
Net Cash Used in Financing Activity	(35,172)	-
Change in Cash and Cash Equivalents	(2,147,762)	(87,645)
Cash and Cash Equivalents, beginning of year	7,206,078	7,293,723
Cash and Cash Equivalents, end of year	\$ 5,058,316	\$ 7,206,078
Supplemental Cash Flow Information		
Non-cash investing and financing activity:		
Purchase of property and equipment not yet paid	\$ -	\$ 71,874
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Operating right-of-use assets and lease liabilities recorded upon adoption of ASC 842	\$ 13,421,910	\$ -
Finance right-of-use assets obtained in exchange for lease liabilities	113,246	-

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

KUOW/Puget Sound Public Radio (KUOW) is a nonprofit corporation providing public radio programming and services to the Puget Sound region including Seattle, Tacoma, and other communities in Western Washington and Southern British Columbia. KUOW currently operates the three following public radio stations:

- KUOW FM Seattle
- KUOW Tumwater
- KQOW Bellingham

All three stations are licensed to the University of Washington (the University).

Fiscal Year

KUOW operates on a fiscal year ending on June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

KUOW reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions restricted by time or program are reported as restricted support and are then reclassified to net assets without donor restrictions when the restrictions are met. If restricted contributions are received and the restrictions are met in the period received, they are recorded as being without donor restrictions.

Net Assets with Donor Restrictions

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as time restrictions are met.

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Notes to Financial Statements

Net assets with donor restrictions consist of the following:

<i>June 30,</i>	2023	2022
Net Assets with Purpose or Time Restrictions		
Future periods	\$ 695,961	\$ 470,305
Wayne C. Roth Fund	121,941	121,941
Arts Coverage	-	26,128
Opportunities for youth	4,969	4,969
	822,871	623,343
Net Assets with Endowment Restrictions		
Interest in endowment held by the University	93,592	100,601
	\$ 916,463	\$ 723,944

Net assets with endowment restrictions consist of a portion of a pool of various investments. The investment is accounted for at the fair value of the underlying investments and is considered Level 3 in the fair value hierarchy described below. The income is to be used to support the operations of KUOW.

The value of Level 3 assets is provided by the University. The change in value year over year is a result of changes in fair value of the underlying assets (a loss of \$7,009 and a gain of \$3,733 during the years ended June 30, 2023 and 2022, respectively).

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are allocated across several services. Payroll expenses are allocated based on the program or function benefited. Payroll-related costs, including payroll taxes and employer benefits, are allocated based on employment classifications using a percentage rate calculated by the University each year. Expenses such as rent, insurance, depreciation, and amortization are allocated on a headcount basis.

Donated Services and Support from the University

Donated services are recognized at their estimated fair value in the financial statements. The value of donated services received was \$64,180 and \$19,000 for the years ended June 30, 2023 and 2022, respectively.

Direct support from the University (amounting to \$138,143 in 2023 and \$131,615 in 2022) primarily represents the portion of the salary and benefits for KUOW's President that was paid for by the University. Direct support also includes other payroll-related support.

KUOW also receives indirect administrative support from the University. This support consists of:

- Human resources
- Payroll
- Legal counsel
- Purchasing and disbursing

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Notes to Financial Statements

- Media relations and communications

The value of indirect support is recorded based on the Corporation for Public Broadcasting guidelines and totaled \$93,814 and \$106,123 for the years ended June 30, 2023 and 2022, respectively.

On the statements of functional expenses, donated services and supplies and the indirect support from the University are combined into one line and consist of the following:

<i>June 30,</i>		2023		2022
Donated services	\$	64,180	\$	19,000
Indirect support from the University		93,814		106,123
	\$	157,994	\$	125,123

The University pays certain expenses such as payroll, benefits, and rent on behalf of KUOW, and KUOW reimburses the University for these costs each month. As of June 30, 2023, KUOW owed \$78,012 to the University, which is included in accounts payable and accrued expenses. As of June 30, 2022, KUOW owed \$51,266 to the University, which is included in accounts payable and accrued expenses.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash in a bank and money market funds held in an investment account. At times during the year, KUOW has cash in banks in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Amounts held in investment accounts are not covered by FDIC insurance; however, some balances may be covered by the Securities Investor Protection Corporation. To mitigate this risk, management believes it has selected financially sound financial institutions to hold its funds.

Accounts Receivable

Almost all donations and business support revenues come from individuals and companies located in the Pacific Northwest. Business support receivables are stated at their outstanding principal balances. Management reviews receivables on a regular basis and establishes an allowance for accounts that may not be collectible. Any amounts written off are charged against the allowance. The allowance for doubtful accounts balances was \$28,179 and \$24,261 at June 30, 2023 and 2022, respectively.

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Notes to Financial Statements

Pledges Receivable

Pledges receivable consist of unconditional promises to give and are recognized as revenue when the promise is made. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are initially recorded at fair value at the time of donation, which is measured at the present value of expected future cash flows. To arrive at fair value, the pledges are discounted using an estimated present value risk-adjusted discount rate and an allowance for doubtful accounts. As of June 30, 2023, KUOW has four pledges receivable due over a multiple-year period. The pledges receivable are discounted using a rate of 3%. As of June 30, 2022, KUOW had one pledge receivable due over a multiple-year period. This pledge receivable was discounted using a rate of 3.0%. Pledges receivable were as follows:

<i>June 30,</i>		2023		2022
Due within one year	\$	234,248	\$	119,861
Due within one to five years		264,574		155,717
Thereafter		404,866		404,866
		903,688		680,444
Less: discount on pledge receivable		(144,623)		(146,422)
	\$	759,065	\$	534,022

Pledges receivable are recorded in the statements of financial position as follows:

<i>June 30,</i>		2023		2022
Pledges receivable, current portion	\$	233,335	\$	118,948
Pledges receivable, net of current portion and discount		525,730		415,074
	\$	759,065	\$	534,022

There were two donors and one donor who accounted for more than 10% of KUOW's pledges receivable balance as of June 30, 2023 and 2022, respectively. One donor accounted for approximately 55% and another accounted for 26% of KUOW's pledges receivable balance as of June 30, 2023. One donor accounted for approximately 83% of KUOW's pledges receivable balance as of June 30, 2022.

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Fair Value Measurements

Fair value is defined 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 (i.e., an exit price). Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments are stated at fair value in these financial statements.

Investments

KUOW's investments consists of common stock, domestic equity mutual funds, international equity mutual funds, commingled equity funds, and fixed-income funds and are reported at fair value in the statements of financial position using Level 1 inputs on the fair value hierarchy. The fair value of Level 1 investments is based on the quoted prices in active markets.

Investment in interest in endowment held by the University is accounted for at the fair value of the underlying investments and is considered Level 3 in the fair value hierarchy described below.

Investments also include the Bernstein Multi-Manager Alternative Fund, which is a diversified fund of hedge funds and is also not actively traded. The Multi-Manager Alternative Fund seeks to provide long-term capital appreciation by allocating assets among hedge funds that employ a broad range of strategies. The Bernstein Multi-Manager Alternative Fund is valued based on the net asset value (NAV) of the underlying investments. NAV would not be used as a practical expedient to determine

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Notes to Financial Statements

fair value if it is expected the related investments would sell for a different amount than NAV. The investments have no redemption restrictions and have no future funding requirements.

KUOW classifies certain investments on the statements of financial position as long-term, as the investments have been set aside for use in future years.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, in the case of donated property, at the estimated fair market value at the date of donation. Depreciation and amortization are calculated by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the anticipated lease term if shorter than the asset's useful life. Donated assets are considered unrestricted property unless the use is specifically restricted by the donor. KUOW's policy is to capitalize items with a cost greater than \$3,000 and a useful life greater than one year.

Leases (effective July 1, 2022)

KUOW determines if an arrangement includes a lease at inception. Right-of-use lease assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The implicit rates for KUOW's leases are not readily determinable; therefore, KUOW has made an accounting policy to use a risk-free rate as of the lease commencement date as the discount rate used to determine the present value of future minimum lease payments when measuring the lease liabilities and right-of-use assets at commencement of a lease. The right-of-use lease asset includes any lease payments made and excludes lease incentives and variable lease payments. Variable lease payments typically consist of common-area maintenance charges for office leases and charges based on usage of equipment and vehicles, which are expensed as incurred. KUOW recognizes an option to extend a lease as part of the right-of-use lease assets and lease liabilities only if it is reasonably certain that the option would be exercised.

Leases (through June 30, 2022)

Prior to July 1, 2022, for operating leases, rent expense was recognized on a straight-line basis over the term of the lease. Assets and obligations related to capital leases would be included in property and equipment and capital lease liabilities on the statements of financial position. KUOW did not have any leases classified as capital leases.

Revenue from Contracts with Customers

KUOW recognizes revenue in accordance with FASB ASC Topic 606 (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- *Step 1* - Identify the contract with the customer.
- *Step 2* - Identify the performance obligations in the contract.
- *Step 3* - Determine the transaction price.
- *Step 4* - Allocate the transaction price to the performance obligations in the contract.

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Notes to Financial Statements

- *Step 5* - Recognize revenue when the organization satisfies a performance obligation.

KUOW only applies the five-step model to contracts with customers when it is probable that KUOW will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer.

Business support (formerly referred to as underwriting) revenues are recognized when the related programming is aired on the radio or when digital sponsorships are delivered (i.e., the number of times the sponsorship appears in viewed internet pages) at the amount KUOW has the right to invoice. Revenue is recognized as a point in time. No significant judgments are necessary to determine the amount or timing of revenue recognition. Customers are billed at the end of each month for sponsorships aired during that month. Payment is generally due within 30 days of the invoice date. As of June 30, 2023 and 2022, KUOW had receivables for underwriting receivables of \$477,645 and \$667,928, respectively.

Business support received in advance is recognized as deferred business support revenue. As of June 30, 2023 and 2022, KUOW had no deferred business support revenue.

KUOW expenses incremental costs to obtain a contract (such as sales commissions, general and administrative costs, and costs that cannot be assigned to a performance obligation) when incurred because the amortization period would have been one year or less.

Contributions and Grants

Listener support represents amounts given or pledged by individuals and are recognized in the period received.

Grant revenue from the Corporation for Public Broadcasting represents unrestricted funding to support general operations. All grant revenue is recognized as revenue when the grant is awarded unless there are conditions placed on the grant by the donor. There were no outstanding conditional grants as of June 30, 2023 or 2022.

Paycheck Protection Program Loan

In March 2021, KUOW received funding under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) totaling \$2,112,670. The proceeds from the loan were used to retain staff. The loan incurred interest at 1.0% and was unsecured. KUOW received forgiveness of both the outstanding principal and interest in August 2021.

The SBA has stated that all PPP loans in excess of \$2 million, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan require or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties. While KUOW believes the PPP loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review. KUOW has not accrued any liability associated with the risk of an adverse SBA review.

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Notes to Financial Statements

Fundraising

Total fundraising costs were \$5,839,864 and \$4,422,511 for the years ended June 30, 2023 and 2022, respectively. The composition of fundraising costs appears in the listener support and business support columns of the statements of functional expenses.

Income Taxes

KUOW is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Recent Accounting Pronouncements Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires that substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. Additionally, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which offers an additional transition method whereby entities may apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets rather than application of the new leases standard at the beginning of the earliest period presented in the financial statements. Further, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of ASC 842 for private business entities for annual periods beginning after December 15, 2021. KUOW elected the transition method available under ASU 2018-11 and adopted ASC 842 on July 1, 2022 and, as a result, recorded an operating right-of-use asset and corresponding lease liability of \$13,421,910. No cumulative-effect adjustment was made to net assets as of the adoption date. KUOW has elected not to recognize a right-of-use asset and lease liability for short-term leases. A short-term lease is a lease with an expected lease term of 12 months or less that does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. KUOW also elected the package of practical expedients under the transition guidance that will retain the historical lease classification and initial direct costs for any leases that exist prior to adoption of the new guidance. See Note 5 for further disclosure.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to accounting principles generally accepted in the United States of America an impairment model (known as the current expected credit loss model) that is based on expected losses rather than incurred losses. ASU 2016-13 is effective for KUOW effective July 1, 2023. Early adoption is permitted. KUOW is currently evaluating the impact of adoption on its financial statements.

Reclassification

Certain amounts in the prior-year financial statements have been reclassified to conform to the current-year presentation.

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Notes to Financial Statements

Subsequent Events

KUOW has evaluated subsequent events through the date these financial statements were available to be issued, which was January 8, 2024.

2. Liquidity and Availability

KUOW strives to maintain liquid financial assets sufficient to cover three months of general operating expenditures. General expenditures include costs to run programs, fundraise, perform business support services, and other contractual obligations. Financial assets in excess of daily cash requirements are invested with specific investment targets as established by the Finance Committee and the Financial Investment Sub-Committee of Puget Sound Public Radio board.

KUOW manages cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability within the approved budgeted parameters.
- Maintaining adequate liquid assets.
- Maintaining sufficient reserves to provide reasonable assurance that long-term mission fulfillment will continue to be met, ensuring the sustainability of the organization.

The following table reflects KUOW's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions, donor restrictions, or internal board designations. In the event that the need arises to utilize board-designated funds for liquidity purposes, these reserves could be drawn upon through board resolution.

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 5,058,316	\$ 7,206,078
Investments	4,144,205	3,866,580
Investments held for long-term purposes	5,617,460	5,172,168
Accounts receivable, net	504,133	699,939
Pledges receivable	759,065	534,022
	16,083,179	17,478,787
Long-term pledges receivable	(525,730)	(415,074)
Net assets with donor restrictions, not for day-to-day operations	(822,871)	(623,343)
Investments held for long-term purposes	(5,617,460)	(5,172,168)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 9,117,118	\$ 11,268,202

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Notes to Financial Statements

3. Investments

Investments are presented within the statements of activities as follows:

<i>June 30,</i>	2023	2022
Investments	\$ 4,144,205	\$ 3,866,580
Investments held for long-term purposes	5,617,460	5,172,168
Interest in endowment held by the University	93,592	100,601
	\$ 9,855,257	\$ 9,139,349

The following schedules present information about KUOW's assets that have been measured at fair value on a recurring basis, and indicate classifications by level of input within the fair value hierarchy:

June 30, 2023

	Level 1	Level 2	Level 3	Total
Fixed-income funds	\$ 3,514,871	\$ -	\$ -	\$ 3,514,871
Commingled equity funds	1,327,399	-	-	1,327,399
Domestic equity mutual funds	1,968,673	-	-	1,968,673
Common stock	1,339,042	-	-	1,339,042
International equity mutual funds	746,218	-	-	746,218
Cash and accrued dividends	36,062	-	-	36,062
Interest in endowment held by the University	-	-	93,592	93,592
	\$ 8,932,265	\$ -	\$ 93,592	9,025,857

Assets, measured at NAV

Bernstein Multi-Manager Alternative Fund	829,400
	\$ 9,855,257

June 30, 2022

	Level 1	Level 2	Level 3	Total
Fixed-income funds	\$ 3,446,008	\$ -	\$ -	\$ 3,446,008
Commingled equity funds	1,886,154	-	-	1,886,154
Domestic equity mutual funds	1,527,309	-	-	1,527,309
Common stock	835,310	-	-	835,310
International equity mutual funds	495,374	-	-	495,374
Cash and accrued dividends	44,964	-	-	44,964
Interest in endowment held by the University	-	-	100,601	100,601
	\$ 8,235,119	\$ -	\$ 100,601	8,335,720

Assets, measured at NAV

Bernstein Multi-Manager Alternative Fund	803,629
	\$ 9,139,349

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Notes to Financial Statements

4. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows:

<i>June 30,</i>	2023	2022
Leasehold improvements	\$ 2,936,784	\$ 2,705,527
Equipment	1,303,595	1,276,427
Digital infrastructure	1,398,223	1,326,816
	5,638,602	5,308,770
Less: accumulated depreciation and amortization	(1,843,464)	(1,353,123)
	3,795,138	3,955,647
Construction in progress	14,388	183,515
Land	5,600	5,600
	\$ 3,815,126	\$ 4,144,762

Construction in progress as of June 30, 2023 and 2022 is made up of building refurbishments in progress, including an accessible and gender-neutral bathroom.

5. Operating Lease

As described in Note 1, KUOW adopted Topic 842 as of July 1, 2022. Prior-period amounts have not been adjusted and continue to be reported in accordance with historic accounting under Topic 840. KUOW has leasing arrangements as a lessee that create right-of-use assets and lease liabilities. These arrangements are described below.

Operating Leases

The University leases KUOW's broadcasting and administrative facilities under a lease that expires in June 2028. Lease payments are adjusted every five years for changes in the Consumer Price Index. The next adjustment will be in the fiscal year ending June 30, 2024. KUOW reimburses the University for the payments due under the lease. The lease has a renewal option to extend the date of the lease through June 2038.

Finance Leases

KUOW leases computer equipment under long-term agreements expiring at various dates through February 2026.

KUOW incurred total expense of \$1,605,390 related to leases for the year ended June 30, 2023, of which \$667,627 represents fixed rent expense under operating leases and \$35,171 pertains to amortization of the right-of-use asset for leases accounted for as finance leases. Costs incurred for short-term leases and variable lease payments during the year ended June 30, 2023 totaled \$902,592.

Interest expense on finance leases amounted to \$2,708 for the year ended June 30, 2023.

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Notes to Financial Statements

As of June 30, 2023, the weighted-average discount rate and the weighted-average remaining lease term for operating and finance leases was as follows:

Weighted-average discount rate applied (%):	
Operating leases	3.37
Finance leases	3.51
Weighted-average remaining lease term (in years):	
Operating leases	5.01
Finance leases	1.96

The following table provides quantitative information concerning future, undiscounted payments on KUOW's finance and operating leases:

Year ending June 30,

	Finance	Operating
2024	\$ 43,357	\$ 928,214
2025	32,227	928,214
2026	5,350	928,214
2027	-	928,214
2028	-	928,214
Thereafter	-	12,426,737
Total	80,934	17,067,807
Less: amounts representing interest	(2,860)	(3,965,360)
Amounts Recognized in the Statement of Financial Position	78,074	13,102,447
Less: current portion	(41,270)	(494,642)
Non-Current Portion of Lease Liabilities	\$ 36,804	\$ 12,607,805

Cash paid during the year ended June 30, 2023 for amounts included in the measurements of lease liabilities is as follows:

Operating cash flows from operating leases	\$ 766,479
Operating cash flows from financing leases	2,833
Financing cash flows from financing leases	35,172

Under ASC 840 rent expense for certain office space and equipment was \$1,220,365 for the year ended June 30, 2022.