



KUOW/Puget Sound Public Radio

Financial Statements
Years Ended June 30, 2021 and 2020

KUOW/Puget Sound Public Radio

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Years Ended June 30, 2021 and 2020

KUOW/Puget Sound Public Radio

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Independent Auditor's Report

To 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, 2021 and 2020, 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, 2021 and 2020, 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.



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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 our 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, LLP

November 19, 2021

Financial Statements

KUOW/Puget Sound Public Radio

Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,293,723	\$ 3,955,766
Investments	4,438,572	3,694,576
Accounts receivable, net	565,712	619,462
Pledges receivable	161,153	383,593
Prepaid expenses	225,436	145,240
Total Current Assets	12,684,596	8,798,637
Investments held for endowment	5,410,284	4,231,699
Interest in endowment held by the University	96,828	72,428
Property, plant, and equipment, net	4,363,575	4,860,113
Total Assets	\$ 22,555,283	\$ 17,962,877
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 216,628	\$ 191,504
Payroll Protection Program Loan	2,112,670	-
Total Liabilities	2,329,298	191,504
Net Assets		
Without donor restrictions	19,837,993	17,199,515
With donor restrictions	387,992	571,858
Total Net Assets	20,225,985	17,771,373
Total Liabilities and Net Assets	\$ 22,555,283	\$ 17,962,877

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statements of Activities

Year Ended June 30,	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Listener support, net	\$ 13,804,373	\$ 47,239	\$ 13,851,612	\$ 13,303,875	\$ 151,936	\$ 13,455,811
Business support, net	3,730,062	-	3,730,062	4,577,500	-	4,577,500
Community service grant from Corporation for Public Broadcasting	877,898	-	877,898	921,644	-	921,644
Other grants and contributions	64,025	-	64,025	60,634	-	60,634
Interest and dividend income	124,796	-	124,796	156,136	-	156,136
Donated services and supplies	38,630	-	38,630	53,136	-	53,136
Direct support from the University	130,356	-	130,356	131,724	-	131,724
Indirect support from the University	130,978	-	130,978	132,083	-	132,083
	18,901,118	47,239	18,948,357	19,336,732	151,936	19,488,668
Net Assets Released from Restrictions	231,105	(231,105)	-	510,833	(510,833)	-
Total Revenue and Support	19,132,223	(183,866)	18,948,357	19,847,565	(358,897)	19,488,668
Expenses						
Program services						
Programming and production	8,432,533	-	8,432,533	8,642,909	-	8,642,909
Broadcasting	727,479	-	727,479	813,391	-	813,391
Public information	3,833,323	-	3,833,323	3,833,587	-	3,833,587
Total program services	12,993,335	-	12,993,335	13,289,887	-	13,289,887
Supporting services						
Listener support	2,277,129	-	2,277,129	2,314,138	-	2,314,138
General and administrative	2,017,999	-	2,017,999	1,879,591	-	1,879,591
Business support	928,373	-	928,373	919,707	-	919,707
Total supporting services	5,223,501	-	5,223,501	5,113,436	-	5,113,436
Total Expenses	18,216,836	-	18,216,836	18,403,323	-	18,403,323
Change in Net Assets Before Investment Gain (Loss)	915,387	(183,866)	731,521	1,444,242	(358,897)	1,085,345
Investment Gain (Loss)	1,723,091	-	1,723,091	(222,361)	-	(222,361)
Change in Net Assets	2,638,478	(183,866)	2,454,612	1,221,881	(358,897)	862,984
Net Assets, beginning of year	17,199,515	571,858	17,771,373	15,977,634	930,755	16,908,389
Net Assets, end of year	\$ 19,837,993	\$ 387,992	\$ 20,225,985	\$ 17,199,515	\$ 571,858	\$ 17,771,373

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio
Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	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 \$695,804	\$ 5,181,708	\$ 440,794	\$ 2,664,089	\$ 8,286,591	\$ 1,089,146	\$ 1,414,499	\$ 677,069	\$ 3,180,714	\$ 11,467,305
Professional services	124,179	3,016	151,758	278,953	379,982	148,067	19,534	547,583	826,536
Contract services									
Program acquisition	2,118,577	-	-	2,118,577	-	-	-	-	2,118,577
Rent	532,101	41,165	285,780	859,046	160,228	104,029	80,114	344,371	1,203,417
Other contract services	58,380	87,395	366,475	512,250	194,483	192,882	52,258	439,623	951,873
Printing	561	2	15	578	156,255	401	4	156,660	157,238
Telecommunications	59,226	33,310	29,634	122,170	16,297	9,922	7,970	34,189	156,359
Postage	28	291	675	994	45,113	5,451	783	51,347	52,341
Depreciation and amortization	281,546	17,971	149,759	449,276	83,865	53,913	41,933	179,711	628,987
Supplies	5,092	84,981	130,224	220,297	130,495	50,351	1,173	182,019	402,316
Miscellaneous	-	-	-	-	3,197	3,183	38,496	44,876	44,876
Travel	12,850	7,106	432	20,388	517	16,857	263	17,637	38,025
Total expenses before donated services and similar	8,374,248	716,031	3,778,841	12,869,120	2,259,578	1,999,555	919,597	5,178,730	18,047,850
Donated services and supplies and indirect support from the University	58,285	11,448	54,482	124,215	17,551	18,444	8,776	44,771	168,986
Total Expenses	\$ 8,432,533	\$ 727,479	\$ 3,833,323	\$ 12,993,335	\$ 2,277,129	\$ 2,017,999	\$ 928,373	\$ 5,223,501	\$ 18,216,836

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio
Statement of Functional Expenses

Year Ended June 30, 2020	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 \$478,795	\$ 5,258,019	\$ 517,067	\$ 2,616,866	\$ 8,391,952	\$ 1,150,277	\$ 1,263,645	\$ 654,570	\$ 3,068,492	\$ 11,460,444
Professional services	224,586	6,088	215,594	446,268	78,345	133,570	56,147	268,062	714,330
Contract services									
Program acquisition	2,137,230	-	-	2,137,230	-	-	-	-	2,137,230
Rent	513,272	59,798	269,993	843,063	146,572	119,307	75,170	341,049	1,184,112
Other contract services	78,929	86,033	387,842	552,804	31,872	102,786	17,649	152,307	705,111
Agency and processing fees	-	-	2,169	2,169	168,967	60,715	29,348	259,030	261,199
Printing	424	-	4,335	4,759	201,975	12,694	-	214,669	219,428
Postage	9	324	257	590	212,850	3,131	1,138	217,119	217,709
Telecommunications	53,349	36,187	27,952	117,488	16,549	10,663	6,631	33,843	151,331
Supplies	9,439	66,354	92,284	168,077	192,092	82,846	2,099	277,037	445,114
Depreciation and amortization	271,503	28,284	141,406	441,193	79,190	62,156	39,596	180,942	622,135
Travel	38,512	7,252	15,756	61,520	9,348	9,094	3,953	22,395	83,915
Miscellaneous	-	-	-	-	-	1,046	15,000	16,046	16,046
Total expenses before donated services and similar	8,585,272	807,387	3,774,454	13,167,113	2,288,037	1,861,653	901,301	5,050,991	18,218,104
Donated services and supplies and indirect support from the University	57,637	6,004	59,133	122,774	26,101	17,938	18,406	62,445	185,219
Total Expenses	\$ 8,642,909	\$ 813,391	\$ 3,833,587	\$ 13,289,887	\$ 2,314,138	\$ 1,879,591	\$ 919,707	\$ 5,113,436	\$ 18,403,323

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statements of Cash Flows

<i>Year Ended June 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 2,454,612	\$ 862,984
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	628,987	622,135
Loss (gain) on investments	(1,723,091)	222,361
Change in operating assets and liabilities		
Accounts receivable	53,750	140,067
Pledges receivable	222,440	297,240
Prepaid expenses	(80,196)	(69,317)
Accounts payable and accrued expenses	25,124	3,540
Net Cash Flows from Operating Activities	1,581,626	2,079,010
Cash Flows for Investing Activities		
Acquisitions of property and equipment	(132,449)	(466,385)
Sale (purchase) of investments	(223,890)	26,624
Net Cash Flows for Investing Activities	(356,339)	(439,761)
Cash Flows from Financing Activity		
SBA PPP loan	2,112,670	-
Net Cash Flows from Financing Activity	2,112,670	-
Change in Cash and Cash Equivalents	3,337,957	1,639,249
Cash and Cash Eequivalents, beginning of year	3,955,766	2,316,517
Cash and Cash Equivalents, end of year	\$ 7,293,723	\$ 3,955,766

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 at June 30:

	2021	2020
Net Assets with Purpose or Time Restrictions		
Arts Coverage	\$ 26,128	\$ 69,636
Digital services	-	166,666
Future periods	111,870	130,000
Wayne C. Roth Fund	121,941	101,903
RadioActive studio construction	31,225	31,225
	291,164	499,430
Net Assets with Endowment Restrictions		
Interest in endowment held by the University	96,828	72,428
	\$ 387,992	\$ 571,858

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 gain of \$24,400 and a loss of \$8,064 during the years ended June 30, 2021 and 2020, respectively).

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Certain investments and the interest in funds held by the University are presented at fair value in these financial statements.

KUOW/Puget Sound Public Radio

Notes to Financial Statements

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 benefitted. Payroll-related costs, including payroll taxes and employer benefits, are allocated based on employment classifications using a percentage rate calculated by the University of Washington each year. Expenses such as rent, insurance (which is included with contract services on the statement of functional expenses), depreciation, and amortization are allocated on a headcount basis.

Donated Services and Supplies/Support from the University

Donated services and supplies are recognized at their estimated fair value in the financial statements and consist of the following for the years ended June 30:

	2021	2020
Services	\$ 16,150	\$ 27,075
Supplies	22,480	26,061
	\$ 38,630	\$ 53,136

Direct support from the University (amounting to \$130,356 in 2021 and \$131,724 in 2020) 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
- Media relations and communications

The value of indirect support is recorded based on the Corporation for Public Broadcasting guidelines, and totaled \$130,978 and \$132,083 for the years ended June 30, 2021 and 2020, 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 at June 30:

	2021	2020
Donated services and supplies	\$ 38,630	\$ 53,136
Indirect support from the University	130,978	132,083
	\$ 169,608	\$ 185,219

KUOW/Puget Sound Public Radio

Notes to Financial Statements

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, 2021, KUOW had overpaid for these reimbursements and was due \$9,387 from the University, which is included in accounts receivable. As of June 30, 2020, KUOW owed \$121,408 to the University, which is included within 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 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 \$13,975 and \$28,723 at June 30, 2021 and 2020, respectively.

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. KUOW's long-term pledges receivable are expected to be collected as of June 30, 2021. As of June 30, 2021 and 2020, no discount was recorded as management determined that the discount would be immaterial to these financial statements.

For the years ended June 30, 2021 and 2020, 89% and 97% of total pledges receivable is due from one and two organizations, respectively.

Investments

Investments are stated at fair value either using Level 1 inputs on the fair value hierarchy or net asset value (NAV). Investments stated at fair value (using Level 1 inputs) include mutual funds and exchange-traded funds. These investments are valued based on quoted prices in active markets. Investments also include Bernstein Dynamic Asset Allocation Overlays (A and B), which are similar to mutual funds but not actively traded, and the Bernstein Multi-Manager Alternative Fund, which is a diversified fund of hedge funds and is also not actively traded. Overlay A is an equity-oriented asset allocation and invests in domestic and international common stocks, futures contracts, and forward currency contracts. Overlay B is a fixed-income-oriented asset allocation and invests in domestic and international bonds, futures contracts, and forward currency contracts. The

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Multi-Manager Alternative Fund seeks to provide long-term capital appreciation by allocating assets among hedge funds that employ a broad range of strategies.

Overlays A and B, and the Multi-Manager Alternative Fund are valued based on the NAV of the underlying investments. NAV would not be used as a practical expedient to determine 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.

Investments are summarized as follows:

	2021	2020
Mutual Funds and Exchange-Traded Funds		
(valued using Level 1 inputs)	\$ 4,151,156	\$ 2,450,009
Bernstein Multi-Manager Alternative Fund (valued at NAV)	287,416	244,842
Bernstein Dynamic Asset Allocation Overlays (valued at NAV)		
Overlay A	-	467,865
Overlay B	-	531,860
	\$ 4,438,572	\$ 3,694,576

Investments held for the endowment are summarized as follows:

	2021	2020
Mutual Funds and Exchange-Traded Funds		
(valued using Level 1 inputs)	\$ 4,872,412	\$ 2,637,087
Bernstein Multi-Manager Alternative Fund (valued at NAV)	537,872	458,198
Bernstein Dynamic Asset Allocation Overlays (valued at NAV)		
Overlay A	-	894,819
Overlay B	-	241,595
	\$ 5,410,284	\$ 4,231,699

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.

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Notes to Financial Statements

Revenue

Listener support represents amounts given or pledged by individuals and are recognized in the period received. Listener support is presented net of related agency and processing fees of \$512,976 and \$333,256 for the years ended June 30, 2021 and 2020, respectively.

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, 2021 or 2020.

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, 2021 and 2020, KUOW had receivables for underwriting receivables of \$508,039 and \$579,415, respectively.

Business support received in advance are recognized as deferred business support revenue. As of June 30, 2021 and 2020, 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.

Business support revenue is presented net of related agency and processing fees of \$482,647 and \$471,002 for the years ended June 30, 2021 and 2020, respectively.

Fundraising

Total fundraising costs were \$3,205,502 and \$3,233,845 for the years ended June 30, 2021 and 2020, respectively. These costs exclude agency and processing fees directly related to revenue, which are netted against related listener support or business support revenue on the statements of activities. 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 Pronouncement Adopted

During the year ended June 30, 2021, KUOW adopted the provisions of the Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (commonly referred to as Accounting Standards Codification Topic 606 (ASC 606)), issued by the Financial Accounting Standards Board (FASB). The pronouncement was issued to clarify the principles for recognizing revenue, and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the

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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

Step 5: Recognize revenue when the organization satisfies a performance obligation

KUOW adopted this update on the modified retrospective basis. There was no significant impact on KUOW's financial statements as the method and timing of revenue recognition did not change under ASC 606. As such, no adjustment to net assets was necessary at July 1, 2020.

Subsequent Events

KUOW has evaluated subsequent events through the date these financial statements were available to be issued, which was November 19, 2021.

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 AB Bernstein 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, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term mission fulfillment will continue to be met, ensuring the sustainability of the organization.

KUOW/Puget Sound Public Radio

Notes to Financial Statements

The following table reflects KUOW's financial assets as of June 30, 2021 and 2020, 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.

	2021	2020
Cash	\$ 7,293,723	\$ 3,955,766
Investments	4,438,572	3,694,576
Investments held for endowment	5,410,284	4,231,699
Accounts receivable, net	565,712	619,462
Pledges receivable	161,153	383,593
	17,869,444	12,885,096
Net assets with donor restrictions, not for day-to-day operations	(387,992)	(571,858)
Board-designated funds held as endowment (see Note 5)	(5,410,284)	(4,231,699)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,071,168	\$ 8,081,539

3. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows as of June 30:

	2021	2020
Leasehold improvements	\$ 2,618,644	\$ 7,543,944
Equipment	1,049,516	1,049,516
Digital infrastructure	1,326,816	1,326,816
	4,994,976	9,920,276
Less: Accumulated depreciation and amortization	(901,455)	(5,418,536)
	4,093,521	4,501,740
Construction in progress	264,454	352,773
Land	5,600	5,600
	\$ 4,363,575	\$ 4,860,113

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Construction in progress as of June 30, 2021 and 2020, is made up of studio refurbishments in progress, and the buildout of new digital infrastructure modules.

4. Operating Lease

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.

Future minimum lease payments under this lease (assuming no Consumer Price Index adjustment) are as follows for the years ending June 30:

2022	\$	1,127,955
2023		1,127,955
2024		1,127,955
2025		1,127,955
2026		1,127,955
Thereafter		2,255,909
	\$	7,895,684

5. Board-Designated Funds Held as Endowment

As mentioned in Note 1, KUOW has an interest in an endowment held by the University. KUOW's other endowment consists of one board-designated fund established to provide long-term stability and support for the programs, operations, and activities of KUOW. As this endowment is not restricted by outside donors, it is board-designated and is included with net assets without donor restrictions (referred to as a quasi-endowment).

This endowment changed in value as follows for the years ended June 30:

	2021	2020
Assets, beginning of year	\$ 4,231,699	\$ 4,470,655
Gain (loss) in value of investments	1,178,585	(238,956)
Endowment Net Assets, end of year	\$ 5,410,284	\$ 4,231,699

Interpretation of Relevant Law

Although KUOW's endowment is board-designated (and, therefore, can be withdrawn), it expects to use this money as "seed money" for future endowment growth (including donor-restricted gifts). As part of these plans, the Board of Directors of KUOW has interpreted the state of

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Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, KUOW classifies gifts made by contributors as donor-restricted net assets at (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, KUOW considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Return Objectives and Risk Parameters

KUOW has adopted investment and spending policies for endowment assets that attempt to provide a blend of portfolio appreciation and modest current income by investing primarily in equity securities with a moderate investment in fixed-income investments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, KUOW targets a diversified asset allocation, which is reviewed at least annually.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Directors of KUOW established a spending policy outlining annual distribution terms for the fund. The annual distribution from the fund is 4% to either the general operating funds of KUOW or board-specified program(s) unless otherwise altered for the period by majority vote of the Board of Directors.

6. COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, KUOW continues to operate during the COVID-19 outbreak and, as of this report date, has not experienced significant impacts to its

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financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, KUOW is not able to estimate the effects of the pandemic on its future operations, financial condition or liquidity for fiscal year 2022. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provision relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to the tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business and nonprofits harmed by COVID-19. In March 2021, KUOW was awarded a \$2,112,670 SBA Paycheck Protection Program loan, which was forgiven, in full, on August 19, 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.

On December 27, 2020, President Trump signed into law the “Consolidated Appropriations Act, 2021,” which included additional economic stimulus and COVID 19 related relief including additional PPP funds and expansion of the Employee Retention Credit.

On March 11, 2021, President Biden signed into law the “American Rescue Plan Act of 2021” (the American Rescue Plan), which included additional economic stimulus and tax credits, including the expansion of the Employee Retention Credit.

Outside of the PPP loan, KUOW believes the impact these laws will have on its financial condition, results of operation, or liquidity will be minimal.