

**KUOW PUGET SOUND PUBLIC RADIO
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**



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**KUOW PUGET SOUND PUBLIC RADIO
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INDEPENDENT AUDITORS' REPORT

Board of Directors
KUOW Puget Sound Public Radio
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of KUOW Puget Sound Public Radio (KUOW) (a Washington nonprofit corporation), which comprise the statements of financial position as of June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of KUOW as of June 30, 2024, and the changes in 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of KUOW 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.

Prior Period Financial Statements

The 2023 financial statements of KUOW were audited by other auditors whose report dated January 8, 2024, expressed an unmodified opinion on those statements.

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's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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'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'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.



CliftonLarsonAllen LLP

Bellevue, Washington
January 16, 2025

**KUOW PUGET SOUND PUBLIC RADIO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,435,554	\$ 5,094,378
Investments	4,130,424	4,108,143
Accounts Receivable, Net	902,899	504,133
Pledges Receivable, Net, Current Portion	168,484	233,335
Prepaid Expenses	<u>266,911</u>	<u>298,252</u>
Total Current Assets	6,904,272	10,238,241
OTHER ASSETS		
Investments Held for Long-Term Purposes	5,962,943	5,617,460
Interest in Endowment Held by the University	100,801	93,592
Long-Term Pledges Receivable, Net	357,246	525,730
Operating Lease Right-of-Use Asset, Net	12,073,209	12,754,283
Finance Lease Right-of-Use, Net	36,800	78,075
Property, Plant, and Equipment, Net	<u>3,641,725</u>	<u>3,815,126</u>
Total Other Assets	22,172,724	22,884,266
Total Assets	<u><u>\$ 29,076,996</u></u>	<u><u>\$ 33,122,507</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 489,566	\$ 351,578
Operating Lease Liability, Current Portion	511,555	494,642
Finance Lease Liability, Current Portion	<u>32,227</u>	<u>41,270</u>
Total Current Liabilities	1,033,348	887,490
NONCURRENT LIABILITIES		
Operating Lease Liability, Noncurrent Portion	12,094,929	12,607,805
Finance Lease Liability, Noncurrent Portion	<u>5,249</u>	<u>36,804</u>
Total Noncurrent Liabilities	12,100,178	12,644,609
Total Liabilities	13,133,526	13,532,099
NET ASSETS		
Without Donor Restrictions	15,191,986	18,675,396
With Donor Restrictions	<u>751,484</u>	<u>915,012</u>
Total Net Assets	<u>15,943,470</u>	<u>19,590,408</u>
Total Liabilities and Net Assets	<u><u>\$ 29,076,996</u></u>	<u><u>\$ 33,122,507</u></u>

See accompanying Notes to Financial Statements.

**KUOW PUGET SOUND PUBLIC RADIO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Listener Support	\$ 14,463,343	\$ -	\$ 14,463,343
Business Support	4,532,589	-	4,532,589
Community Service Grant from the Corporation for Public Broadcasting	1,004,089	-	1,004,089
Net Investment Income	1,015,027	7,209	1,022,236
Donated Services and Supplies	35,552	-	35,552
Direct Support from the University	141,543	-	141,543
Indirect Support from the University	89,815	-	89,815
Other Income	51,026	-	51,026
Net Assets Released from Restrictions	170,737	(170,737)	-
Total Revenue and Support	21,503,721	(163,528)	21,340,193
EXPENSES			
Program Services Expenses:			
Programming and Production	12,297,866	-	12,297,866
Broadcasting	850,084	-	850,084
Public Information	2,777,132	-	2,777,132
Total Program Services Expenses	15,925,082	-	15,925,082
Supporting Services Expenses:			
Listener Support	3,123,563	-	3,123,563
General and Administrative	3,639,244	-	3,639,244
Business Support	2,299,242	-	2,299,242
Total Supporting Services Expenses	9,062,049	-	9,062,049
Total Expenses	24,987,131	-	24,987,131
CHANGE IN NET ASSETS	(3,483,410)	(163,528)	(3,646,938)
Net Assets - Beginning of Year	18,675,396	915,012	19,590,408
NET ASSETS - END OF YEAR	\$ 15,191,986	\$ 751,484	\$ 15,943,470

See accompanying Notes to Financial Statements.

**KUOW PUGET SOUND PUBLIC RADIO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Listener Support	\$ 15,525,386	\$ 305,000	\$ 15,830,386
Business Support	4,362,538	-	4,362,538
Community Service Grant from the Corporation for Public Broadcasting	932,226	-	932,226
Net Investment Income	745,112	-	745,112
Donated Services and Supplies	64,180	-	64,180
Direct Support from the University	138,143	-	138,143
Indirect Support from the University	93,814	-	93,814
Other Income	78,673	-	78,673
Net Assets Released from Restrictions	<u>112,481</u>	<u>(112,481)</u>	<u>-</u>
 Total Revenue and Support	 22,052,553	 192,519	 22,245,072
EXPENSES			
Program Services Expenses:			
Programming and Production	11,483,203	-	11,483,203
Broadcasting	915,936	-	915,936
Public Information	<u>2,372,926</u>	<u>-</u>	<u>2,372,926</u>
Total Program Services Expenses	14,772,065	-	14,772,065
 Supporting Services Expenses:			
Listener Support	4,340,644	-	4,340,644
General and Administrative	3,511,967	-	3,511,967
Business Support	<u>1,499,220</u>	<u>-</u>	<u>1,499,220</u>
Total Supporting Services Expenses	9,351,831	-	9,351,831
Total Expenses	<u>24,123,896</u>	<u>-</u>	<u>24,123,896</u>
 CHANGE IN NET ASSETS	 (2,071,343)	 192,519	 (1,878,824)
 Net Assets - Beginning of Year	 <u>20,746,739</u>	 <u>722,493</u>	 <u>21,469,232</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 18,675,396</u></u>	 <u><u>\$ 915,012</u></u>	 <u><u>\$ 19,590,408</u></u>

See accompanying Notes to Financial Statements.

KUOW PUGET SOUND PUBLIC RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	Program Services				Supporting Services				2024 Total	2023 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 \$892,556	\$ 7,857,873	\$ 531,219	\$ 2,054,821	\$ 10,443,913	\$ 1,359,197	\$ 2,537,789	\$ 1,541,573	\$ 5,438,559	\$ 15,882,472	\$ 14,482,004
Program Acquisition	2,399,845	-	-	2,399,845	-	-	-	-	2,399,845	2,325,483
Other Contract Services	214,981	132,967	206,852	554,800	469,368	382,560	64,832	916,760	1,471,560	1,641,041
Professional Services	452,310	9,367	94,478	556,155	171,846	201,594	28,043	401,483	957,638	1,627,023
Rent	936,431	59,442	270,120	1,265,993	267,911	261,594	96,432	625,937	1,891,930	1,605,390
Agent and Processing Fees	-	-	-	-	395,347	15	490,918	886,280	886,280	858,506
Depreciation and Amortization	248,207	14,622	67,992	330,821	71,971	64,886	23,438	160,295	491,116	490,341
Supplies	10,099	64,376	17,871	92,346	174,721	53,400	2,643	230,764	323,110	442,964
Telecommunications	92,716	24,300	28,849	145,865	23,241	22,897	9,508	55,646	201,511	160,475
Travel	36,565	8,612	7,189	52,366	11,130	84,884	1,770	97,784	150,150	115,100
Postage	300	2,320	828	3,448	90,083	4,309	51	94,443	97,891	114,301
Printing	3,147	185	948	4,280	73,669	1,337	324	75,330	79,610	81,029
Miscellaneous	-	-	-	-	1,000	2,346	25,305	28,651	28,651	22,245
Total Functional Expenses - Before Donated Services and Similar	12,252,474	847,410	2,749,948	15,849,832	3,109,484	3,617,611	2,284,837	9,011,932	24,861,764	23,965,902
Donated Services and Supplies and Indirect Support from the University	45,392	2,674	27,184	75,250	14,079	21,633	14,405	50,117	125,367	157,994
Total Functional Expenses	<u>\$ 12,297,866</u>	<u>\$ 850,084</u>	<u>\$ 2,777,132</u>	<u>\$ 15,925,082</u>	<u>\$ 3,123,563</u>	<u>\$ 3,639,244</u>	<u>\$ 2,299,242</u>	<u>\$ 9,062,049</u>	<u>\$ 24,987,131</u>	<u>\$ 24,123,896</u>

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	736,326	54,138	244,684	1,035,148	248,606	234,646	86,990	570,242	1,605,390
Agent and Processing Fees	-	-	-	-	415,227	-	443,279	858,506	858,506
Depreciation and Amortization	232,961	15,630	69,788	318,379	78,109	66,328	27,525	171,962	490,341
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 Functional 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 Functional Expenses	<u>\$ 11,483,203</u>	<u>\$ 915,936</u>	<u>\$ 2,372,926</u>	<u>\$ 14,772,065</u>	<u>\$ 4,340,644</u>	<u>\$ 3,511,967</u>	<u>\$ 1,499,220</u>	<u>\$ 9,351,831</u>	<u>\$ 24,123,896</u>

See accompanying Notes to Financial Statements.

**KUOW PUGET SOUND PUBLIC RADIO
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,646,938)	\$ (1,878,824)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	491,116	490,341
Bad Debt Expense	11,000	15,000
Noncash Operating Lease Expense	227,063	661,562
Realized (Gain) Loss on Sale of Investments	(64)	544
Unrealized Gain on Investments	(774,766)	(515,881)
Change in Interest in Endowment Held by the University	(7,209)	7,009
Change in Operating Assets and Liabilities:		
Accounts Receivable, Net	(409,766)	210,806
Pledges Receivable, Net	233,335	(225,043)
Prepaid Expenses	31,341	29,323
Accounts Payable and Accrued Expenses	58,481	(159,041)
Net Cash Used by Operating Activities	<u>(3,786,407)</u>	<u>(1,364,204)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property, Plant, and Equipment	(238,208)	(232,579)
Purchase of Investments	(8,202,720)	(3,492,584)
Sale of Investments	8,609,786	3,332,302
Net Cash Provided (Used) by Investing Activities	<u>168,858</u>	<u>(392,861)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for Principal on Finance Leases	(41,275)	(354,635)
Net Cash Used by Financing Activities	<u>(41,275)</u>	<u>(354,635)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,658,824)	(2,111,700)
Cash and Cash Equivalents - Beginning of Year	<u>5,094,378</u>	<u>7,206,078</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,435,554</u></u>	<u><u>\$ 5,094,378</u></u>
SUPPLEMENTAL DISCLOSURE(S) OF NONCASH INVESTING AND FINANCING ACTIVITY		
Operating Right-of-Use Assets and Lease Liabilities Recorded Upon		
Adoption of Accounting Standards Codification (ASC) 842	\$ -	\$ 16,421,910
Finance Right-of-Use Assets Obtained in Exchange for Lease Liabilities	-	113,246
Total	<u><u>\$ -</u></u>	<u><u>\$ 16,535,156</u></u>
Property, Plant, and Equipment Acquisitions Included in Accounts		
Payable and Accrued Expenses	<u><u>\$ 79,507</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 ORGANIZATION

Nature of Operations

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. KUOW follows financial statement presentation requirements issued by the Financial Accounting Standards Board (FASB) for nonprofit entities. Under these provisions, net assets, revenues, gains, and losses are classified based on donor-imposed restrictions.

Accordingly, net assets of KUOW and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources that are free of donor-imposed restrictions. All revenues, expenses, gains, and losses that are not changes in donor restricted net assets are considered without donor restriction. Any limitations on these funds are determined by the board of directors.

Net Assets With Donor Restrictions – The donor restrictions are restrictions that will be met either by the passage of time or by satisfying the purpose of the restriction, or resources which the donor has specified must be maintained in perpetuity. The income related to resources held in perpetuity are considered donor restricted resources that are temporary in nature based on the donor's instructions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 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.

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 at June 30, 2024 and 2023, was \$36,533 and \$28,179, respectively.

Pledges Receivable

Unconditional promises to give are recorded at net realizable value if expected to be collected within one year and at present value of future cash flows if expected to be collected over more than one year. The discounts on those amounts expected to be collected over more than one year are computed using the three-month treasury rate at the date in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recorded when conditions are met as stipulated by the donor.

Leases

KUOW determines if an arrangement includes a lease at inception. Right of use (ROU) 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 ROU assets at commencement of a lease.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The ROU lease asset includes any lease payments made and excludes any 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 as option to extend a lease as part of the ROU lease assets and liabilities only if it is reasonably certain that the option would be exercised. Leases with an initial term of 12 months or less (short-term leases) are not recorded on the statement of financial position. Short-term lease expense is recognized on a straight-line basis over the lease term.

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.

Depreciation and amortization expense for the years ended June 30, 2024 and 2023, was \$491,116 and \$490,341, respectively.

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.
- 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.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (Continued)

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, 2024, 2023, and 2022, KUOW had receivables for underwriting receivables of \$768,985, \$477,645, and \$667,928 respectively.

Business support received in advance is recognized as deferred business support revenue. As of June 30, 2024, 2023, and 2022, KUOW had \$79,408, \$-0-, and \$-0-, respectively, of 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 both unrestricted and restricted funding. The unrestricted portion of funding is to support general operations, and the restricted portion of funding is to acquire national programming. 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, 2024 and 2023.

Noncash Contributions

Noncash contributions which have a readily determinable market value, or which are intended for internal use by KUOW (such as equipment and supplies), are recorded as revenue based upon their market value at the date of donation. Noncash contributions which do not have a readily determinable market value are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

Donated Services and Support from the University

Donated Services are recognized at their fair value in the financial statements. The value of donated services received for the years ended June 30, 2024 and 2023, was \$35,552 and \$64,180, respectively.

Direct support from the University for the years ended June 30, 2024 and 2023, was \$141,543 and \$138,143, respectively, 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 PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Support from the University (Continued)

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

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

	2024	2023
Donated Services	\$ 35,552	\$ 64,180
Indirect Support From the University	89,815	93,814
Total	<u>\$ 125,367</u>	<u>\$ 157,994</u>

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, 2024 and 2023, KUOW owed \$1,116 and \$78,012, respectively, to the University, which is included in accounts payable and accrued expenses.

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.

Advertising

KUOW expenses advertising and promotion costs as they are incurred. Advertising and promotion expenses for the years ended June 30, 2024 and 2023, was \$222,701 and \$193,786, respectively, and is included in the statements of functional expenses.

Fundraising

Total fundraising costs for the years ended June 30, 2024 and 2023 was \$5,422,805 and \$5,839,864, respectively. The composition of fundraising costs appears in the listener support and business support columns of the statements of functional expenses.

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.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

New Accounting Pronouncement Effective in the Current Accounting Period

At the beginning of 2024, KUOW adopted Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. KUOW adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on KUOW's financial statements.

Reclassifications

Certain amounts presented in the preceding year have been reclassified to conform with the financial statement presentation in the current year. The reclassifications have no effect on the change in net assets or net assets previously stated.

Subsequent Events

KUOW has evaluated subsequent events through the date these financial statements were available to be issued, which was January 16, 2025.

NOTE 3 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.

KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

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.

	2024	2023
Cash and Cash Equivalents	\$ 1,435,554	\$ 5,094,378
Investments	4,130,424	4,108,143
Investments Held For Long-Term Purposes	5,962,943	5,617,460
Accounts Receivable, Net	902,899	504,133
Pledges Receivable	525,730	759,065
Total	12,957,550	16,083,179
Long-Term Pledges Receivable	(357,246)	(525,730)
Net Assets With Donor Restrictions, Not For Day-to-Day Operations	(650,683)	(821,420)
Investments Held For Long-Term Purposes	(5,962,943)	(5,617,460)
Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year	<u>\$ 5,986,678</u>	<u>\$ 9,118,569</u>

NOTE 4 INVESTMENTS

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 as of June 30, 2024:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed Income Funds	\$ 3,576,064	\$ -	\$ -	\$ 3,576,064
Domestic Equity Mutual Funds	2,183,494	-	-	2,183,494
Common Stock	2,889,105	-	-	2,889,105
International Equity Mutual Funds	572,975	-	-	572,975
Interest in Endowment Held by the University	-	-	100,801	100,801
Total	<u>\$ 9,221,638</u>	<u>\$ -</u>	<u>\$ 100,801</u>	9,322,439
Assets Measured at NAV:				
Bernstein Multi-Manager Alternative Fund				871,729
Total Investments				<u>\$ 10,194,168</u>

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

The following table set forth by level with the fair value hierarchy as of June 30, 2023:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
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	1,399,042	-	-	1,399,042
International Equity Mutual Funds	686,218	-	-	686,218
Interest in Endowment Held by the University	-	-	93,592	93,592
Total	<u>\$ 8,896,203</u>	<u>\$ -</u>	<u>\$ 93,592</u>	<u>8,989,795</u>
Assets Measured at NAV:				
Bernstein Multi-Manager Alternative Fund				829,400
Total Investments				<u>\$ 9,819,195</u>

Investments are presented within the statement of activities as follows:

	2024	2023
Investments	\$ 4,130,424	\$ 4,108,143
Investments Held For Long-Term Purposes	5,962,943	5,617,460
Interest in Endowment Held By the University	100,801	93,592
Total	<u>\$ 10,194,168</u>	<u>\$ 9,819,195</u>

Net investment income consists of the following as of June 30:

	2024	2023
Interest and Dividends	\$ 287,728	\$ 240,052
Realized Gains and (Losses)	64	(544)
Unrealized Gains	774,766	515,881
Less: Investment Expenses	(40,322)	(10,277)
Total Net Investment Income	<u>\$ 1,022,236</u>	<u>\$ 745,112</u>

Net investment income consists of interest, dividends, realized and unrealized gains and losses on investments, and investment expenses.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable consists 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, 2024, KUOW has one pledge receivable due over a multiple-year period. This pledge receivable was discounted using a rate of 3%. Pledges receivable was the following as of June 30:

	2024	2023
Due Within One Year	\$ 171,144	\$ 234,248
Due Within Two to Five Years	124,574	264,574
Thereafter	373,722	404,866
Total	669,440	903,688
Less: Discount On Pledge Receivable	(143,710)	(144,623)
Total	<u>\$ 525,730</u>	<u>\$ 759,065</u>

Pledges receivable are recorded in the statements of financial position as follows at June 30:

	2024	2023
Pledges Receivable, Net of Discount	\$ 168,484	\$ 233,335
Pledges Receivable, Net of Current Portion and Discount	357,246	525,730
Total	<u>\$ 525,730</u>	<u>\$ 759,065</u>

There were two donors for the years ended June 30, 2024 and 2023, who accounted for more than 92% and 81%, respectively, of KUOW's pledges receivable balance. One donor accounted for approximately 73% and another accounted for 19% of KUOW's pledges receivable balance as of June 30, 2024. One donor accounted for approximately 55% and another accounted for 26% of KUOW's pledges receivable balance as of June 30, 2023.

NOTE 6 LEASES

As described in Note 2, KUOW adopted Topic 842 as of July 1, 2022. Prior amounts have not been adjusted and continue to be reported in accordance with historic accounting under Topic 840. KUOW has leasing agreements as a lessee that create right of use asset 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 2029. 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.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 6 LEASES (CONTINUED)

Finance Leases

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

The following table provides quantitative information concerning KUOW's leases:

	<u>2024</u>	<u>2023</u>
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 37,408	\$ 35,172
Interest on Lease Liabilities	2,088	2,708
Operating Lease Cost	1,114,622	1,605,390
Total lease cost	<u>\$ 1,154,118</u>	<u>\$ 1,643,270</u>
Other Information:	<u>2024</u>	<u>2023</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	\$ 928,205	\$ 766,479
Finance Cash Flows from Operating Leases	\$ 2,088	\$ 2,833
Finance Cash Flows from Finance Leases	\$ 37,476	\$ 35,172
Weighted-Average Remaining Lease Term -		
Finance Leases	1 Year	1.96 Years
Operating Leases	14 Years	5.01 Years
Weighted-Average Discount Rate - Finance Leases	3.51%	3.51%
Weighted-Average Discount Rate - Operating Leases	3.37 %	3.37 %

The maturity analysis of the operating and finance lease liabilities as of June 30, 2024:

<u>Year Ending June 30,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2025	\$ 32,227	\$ 928,214	\$ 960,441
2026	5,350	928,214	933,564
2027	-	928,214	928,214
2028	-	928,214	928,214
2029	-	1,124,077	1,124,077
Thereafter	-	11,301,339	11,301,339
Total Lease Payments	37,577	16,138,272	16,175,849
Less: Interest	(101)	(3,531,788)	(3,531,889)
Amounts Recognized in the Statement of Financial Position	37,476	12,606,484	12,643,960
Less: Current Portion	(32,227)	(511,555)	(543,782)
Noncurrent Portion of Lease Liabilities	<u>\$ 5,249</u>	<u>\$ 12,094,929</u>	<u>\$ 12,100,178</u>

KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 LEASES (CONTINUED)

KUOW classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024:

	Finance Leases	Operating Leases	Totals
Short-Term Lease Liabilities	\$ 32,227	\$ 511,555	\$ 543,782
Long-Term Lease Liabilities	5,249	12,094,929	12,100,178
Total Lease Liabilities	<u>\$ 37,476</u>	<u>\$ 12,606,484</u>	<u>\$ 12,643,960</u>

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

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

	2024	2023
Leasehold Improvements	\$ 3,023,609	\$ 2,936,784
Equipment	1,314,679	1,303,595
Digital Infrastructure	1,519,132	1,398,223
	<u>5,857,420</u>	<u>5,638,602</u>
Less: Accumulated Depreciation and Amortization	<u>(2,334,581)</u>	<u>(1,843,463)</u>
	3,522,839	3,795,139
Construction in Progress	113,286	14,388
Land	5,600	5,600
Total	<u>\$ 3,641,725</u>	<u>\$ 3,815,127</u>

Construction in progress as of June 30, 2024 is made up of building refurbishments in progress, including an uninterruptible power supply replacement system.

NOTE 8 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.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions consist of the following:

	2024	2023
Net Assets with Purpose or Time Restrictions		
Future Periods	\$ 525,730	\$ 695,961
Wayne C. Roth Fund	121,941	121,941
Braver Way	3,012	3,518
Total	<u>650,683</u>	<u>821,420</u>
Net Assets With Endowment Restrictions		
Interest in Endowment Held by the University	<u>100,801</u>	<u>93,592</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 751,484</u></u>	<u><u>\$ 915,012</u></u>

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 and for the years ended June 30, 2024 and 2023, a gain of \$1,098 and a loss of \$7,009, respectively.

NOTE 9 ENDOWMENT

KUOW holds an investment interest in an endowment held by the University. KUOW classifies net assets with donor restrictions held in perpetuity the original value of contributions to the endowment and the original value of subsequent contributions to the endowment. Investment income earned on endowment funds held in perpetuity is classified as net assets with donor restrictions until those funds are appropriated for expenditure. KUOW follows a set of prudent investing and spending standards for endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

KUOW has interpreted the UPMIFA, as requiring the preservation of the historical cost of the original gift of donor- restricted endowment funds absent explicit donor stipulations to the contrary and its own bylaws. As a result of this interpretation, KUOW classifies as donor-restricted net assets – perpetual in nature the original value of contributions to the permanent endowment and the original value of subsequent contributions to the endowment. Investment income earned on the amounts held in perpetuity is classified as donor-restricted until those funds are appropriated for expenditure by KUOW in a manner consistent with the standard of prudence prescribed by UPMIFA.

**KUOW PUGET SOUND PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 9 ENDOWMENT (CONTINUED)

Endowment Investment and Spending Policies

KUOW has adopted investment, and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the principal value of the endowment assets over the long-term. KUOW's spending and investment policies work together to achieve its long-term return objectives within prudent risk parameters.

Changes in endowment net assets for the year ended June 30, 2024 were as follows:

	Donor-Restricted		Total
	Purpose Restricted	Restricted in Perpetuity	
Beginning of Fiscal Year	\$ 43,592	\$ 50,000	\$ 93,592
Investment Income	7,209	-	7,209
End of Fiscal Year	<u>\$ 50,801</u>	<u>\$ 50,000</u>	<u>\$ 100,801</u>

Changes in endowment net assets for the year ended June 30, 2023 were as follows:

	Donor-Restricted		Total
	Purpose Restricted	Restricted in Perpetuity	
Beginning of Fiscal Year	\$ 50,601	\$ 50,000	\$ 100,601
Investment Loss	(7,009)	-	(7,009)
End of Fiscal Year	<u>\$ 43,592</u>	<u>\$ 50,000</u>	<u>\$ 93,592</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2024, KUOW does not have any funds that are underwater.

NOTE 10 CONTRIBUTIONS OF NONFINANCIAL ASSETS

KUOW receives donations of stock and recognizes it as contribution revenue in the period received. The donated stock is sold upon receipt, and the proceeds are used to support KUOW's general operations and program activities unless otherwise specified by the donor. The fair value of the donated stock was determined based on the closing market price on the date of the donation. The value of donated stock received during the years ended June 30 2024 and 2023, was \$157,843 and \$148,808, respectively.

