



KUOW/Puget Sound Public Radio

Financial Statements **Years Ended June 30, 2020 and 2019**

KUOW/Puget Sound Public Radio

Financial Statements
Years Ended June 30, 2020 and 2019

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

Report on Financial Statements

We have audited the accompanying financial statements of KUOW/Puget Sound Public Radio, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUOW/Puget Sound Public Radio as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Prior-Period Financial Statement

The financial statements of KUOW/Puget Sound Public Radio as of and for the year ended June 30, 2019, were audited by Peterson Sullivan LLP, whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. Peterson Sullivan LLP expressed an unmodified opinion on those statements in their report dated November 14, 2019.

BDO USA, LLP

December 4, 2020

Financial Statements

KUOW/Puget Sound Public Radio

Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Current Assets		
Cash	\$ 3,955,766	\$ 2,316,517
Investments	3,694,576	3,696,541
Accounts receivable, net	619,462	759,529
Pledges receivable, current portion	383,593	314,166
Prepaid expenses	145,240	75,923
Total Current Assets	8,798,637	7,162,676
Investments held for endowment	4,231,699	4,470,655
Long-term pledges receivable, net	-	366,667
Interest in endowment held by the University	72,428	80,492
Property, plant, and equipment, net	4,860,113	5,015,863
Total Assets	17,962,877	17,096,353
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	191,504	187,964
Net Assets		
Without donor restrictions	17,199,515	15,977,634
With donor restrictions	571,858	930,755
Total Net Assets	17,771,373	16,908,389
Total Liabilities and Net Assets	\$ 17,962,877	\$ 17,096,353

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statements of Activities

Year Ended June 30,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Listener support, net	\$ 13,303,875	\$ 151,936	\$ 13,455,811	\$ 11,770,507	\$ 947,674	\$ 12,718,181
Business support, net	4,577,500	-	4,577,500	4,524,309	-	4,524,309
Community service grant from Corporation for Public Broadcasting	921,644	-	921,644	750,693	-	750,693
Other grants and contributions	60,634	-	60,634	25,040	-	25,040
Interest and dividend income	156,136	-	156,136	187,689	-	187,689
Donated services and supplies	53,136	-	53,136	223,249	-	223,249
Direct support from the University	131,724	-	131,724	133,152	-	133,152
Indirect support from the University	132,083	-	132,083	169,973	-	169,973
	19,336,732	151,936	19,488,668	17,784,612	947,674	18,732,286
Net Assets Released from Restrictions	510,833	(510,833)	-	249,753	(249,753)	-
Total Revenue and Support	19,847,565	(358,897)	19,488,668	18,034,365	697,921	18,732,286
Expenses						
Program services						
Programming and production	8,642,909	-	8,642,909	8,309,896	-	8,309,896
Broadcasting	813,391	-	813,391	883,561	-	883,561
Public information	3,833,587	-	3,833,587	3,827,290	-	3,827,290
	13,289,887	-	13,289,887	13,020,747	-	13,020,747
Supporting services						
Listener support	2,314,138	-	2,314,138	2,356,701	-	2,356,701
General and administrative	1,879,591	-	1,879,591	1,925,519	-	1,925,519
Business support	919,707	-	919,707	1,036,897	-	1,036,897
	5,113,436	-	5,113,436	5,319,117	-	5,319,117
Total Expenses	18,403,323	-	18,403,323	18,339,864	-	18,339,864
Change in Net Assets Before Investment Gain (Loss)	1,444,242	(358,897)	1,085,345	(305,499)	697,921	392,422
Investment Gain (Loss)	(222,361)	-	(222,361)	82,609	-	82,609
Change in Net Assets	1,221,881	(358,897)	862,984	(222,890)	697,921	475,031
Net Assets, beginning of year	15,977,634	930,755	16,908,389	16,200,524	232,834	16,433,358
Net Assets, end of year	\$ 17,199,515	\$ 571,858	\$ 17,771,373	\$ 15,977,634	\$ 930,755	\$ 16,908,389

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

Statement of Functional Expenses

<i>Year Ended June 30, 2019</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 \$496,130	\$ 4,986,505	\$ 494,565	\$ 2,459,093	\$ 7,940,163	\$ 1,221,806	\$ 1,252,661	\$ 861,623	\$ 3,336,090	\$ 11,276,253
Professional services	264,111	1,500	103,546	369,157	54,370	97,422	19,663	171,455	540,612
Contract services									
Program acquisition	2,056,011	-	-	2,056,011	-	-	-	-	2,056,011
Rent	507,115	64,455	266,306	837,876	121,569	139,925	65,584	327,078	1,164,954
Other contract services	104,265	139,834	540,255	784,354	29,295	123,026	18,496	170,817	955,171
Agency and processing fees	-	-	-	-	93,064	109,739	120	202,923	202,923
Printing	1,726	144	6,129	7,999	258,537	10,986	45	269,568	277,567
Postage	77	1,116	180	1,373	184,235	2,878	1,060	188,173	189,546
Telecommunications	64,033	45,219	33,088	142,340	18,979	14,233	7,599	40,811	183,151
Supplies	20,852	105,723	107,333	233,908	263,759	93,401	2,896	360,056	593,964
Depreciation and amortization	160,775	17,079	82,924	260,778	46,641	23,510	23,664	93,815	354,593
Travel	59,258	6,200	10,615	76,073	33,142	24,388	5,247	62,777	138,850
Miscellaneous	-	-	-	-	-	547	12,500	13,047	13,047
Total expenses before donated services and similar	8,224,728	875,835	3,609,469	12,710,032	2,325,397	1,892,716	1,018,497	5,236,610	17,946,642
Donated services and supplies and indirect support from the University	85,168	7,726	217,821	310,715	31,304	32,803	18,400	82,507	393,222
Total Expenses	\$ 8,309,896	\$ 883,561	\$ 3,827,290	\$ 13,020,747	\$ 2,356,701	\$ 1,925,519	\$ 1,036,897	\$ 5,319,117	\$ 18,339,864

See accompanying notes to financial statements.

KUOW/Puget Sound Public Radio

Statements of Cash Flows

<i>Year Ended June 30,</i>	2020	2019
Cash Flows from (for) Operating Activities		
Change in net assets	\$ 862,984	\$ 475,031
Adjustments to reconcile change in net assets to net cash flows from (for) operating activities:		
Depreciation and amortization	622,135	354,593
Loss (gain) on investments	222,361	(82,609)
Change in operating assets and liabilities		
Accounts receivable	140,067	(173,699)
Pledges receivable	297,240	(670,231)
Prepaid expenses	(69,317)	140,874
Accounts payable and accrued expenses	3,540	(75,810)
Net Cash Flows from (for) Operating Activities	2,079,010	(31,851)
Cash Flows from (for) Investing Activities		
Acquisitions of property and equipment	(466,385)	(1,656,468)
Sale of investments	26,624	3,053,302
Net Cash Flows from (for) Investing Activities	(439,761)	1,396,834
Change in Cash	1,639,249	1,364,983
Cash, beginning of year	2,316,517	951,534
Cash, end of year	\$ 3,955,766	\$ 2,316,517

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.

KUOW/Puget Sound Public Radio

Notes to Financial Statements

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Net Assets with Purpose or Time Restrictions		
Arts Coverage	\$ 69,636	\$ -
Digital services	166,666	333,333
Future periods	130,000	330,000
Smart speakers	-	78,802
Wayne C. Roth Fund	101,903	61,903
RadioActive studio construction	31,225	31,225
The Wild podcast	-	15,000
	499,430	850,263
Net Assets with Endowment Restrictions		
Interest in endowment held by the University	72,428	80,492
	\$ 571,858	\$ 930,755

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 \$8,064 and \$1,051 during the years ended June 30, 2020 and 2019, 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.

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 occupancy, insurance, 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:

	2020	2019
Services	\$ 27,075	\$ 175,494
Supplies	26,061	32,101
Contributed radio acknowledgements	-	15,654
	\$ 53,136	\$ 223,249

Direct support from the University (amounting to \$131,724 in 2020 and \$133,152 in 2019) 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 \$132,083 and \$169,973 for the years ended June 30, 2020 and 2019, 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:

	2020	2019
Donated services and supplies	\$ 53,136	\$ 223,249
Indirect support from the University	132,083	169,973
	\$ 185,219	\$ 393,222

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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, 2020, KUOW owed \$121,408 to the University, which is included within accounts payable and accrued expenses. As of June 30, 2019, KUOW had overpaid for these reimbursements and was due \$50,183 from the University, which is included within accounts receivable.

Cash

Cash 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 subscriptions and business support fees 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 \$28,723 and \$68,318 at June 30, 2020 and 2019, 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, 2020 and 2019, no discount was recorded as management determined that the discount would be immaterial to these financial statements.

For the years ended June 30, 2020 and 2019, 97% and 92% of total pledges receivable is due from 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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Notes to Financial Statements

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:

	2020	2019
Mutual Funds and Exchange-Traded Funds		
(valued using Level 1 inputs)	\$ 2,450,009	\$ 2,412,357
Bernstein Multi-Manager Alternative Fund (valued at NAV)	244,842	248,460
Bernstein Dynamic Asset Allocation Overlays (valued at NAV)		
Overlay A	467,865	503,151
Overlay B	531,860	532,573
	\$ 3,694,576	\$ 3,696,541

Investments held for the endowment are summarized as follows:

	2020	2019
Mutual Funds and Exchange-Traded Funds		
(valued using Level 1 inputs)	\$ 2,637,087	\$ 2,801,689
Bernstein Multi-Manager Alternative Fund (valued at NAV)	458,198	464,969
Bernstein Dynamic Asset Allocation Overlays (valued at NAV)		
Overlay A	894,819	962,078
Overlay B	241,595	241,919
	\$ 4,231,699	\$ 4,470,655

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.

Revenue

Listener support (individual subscriptions) represents amounts given or pledged by individuals and are recognized in the period received. Subscription revenue is recognized as payments are made, given that subscriptions may be canceled at any time by the donor. Listener support is

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Notes to Financial Statements

presented net of related agency and processing fees of \$333,256 and \$297,517 for the years ended June 30, 2020 and 2019, respectively.

Business support (formerly referred to as underwriting) revenue is recognized when the related programming is aired. Related revenue is presented net of related agency and processing fees of \$471,002 and \$571,534 for the years ended June 30, 2020 and 2019, respectively.

Grant revenue from the Corporation for Public Broadcasting represents unrestricted funding used to support general operations. Other grants and contributions represent both restricted and unrestricted funding obtained from other organizations and foundations. All grant revenue is recognized as revenue when it is granted unless there are conditions placed on the grant by the donor.

Fundraising

Total fundraising costs were \$3,233,845 and \$3,393,598 for the years ended June 30, 2020 and 2019, 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

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities ("Topic 958"), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction, which then governs the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by the Foundation in periods beginning after December 15, 2018. KUOW adopted this update in fiscal year 2020 under the modified prospective basis. The adoption of this update did not materially impact contribution revenue in the financial statements.

Subsequent Events

KUOW has evaluated subsequent events through the date these financial statements were available to be issued, which was December 4, 2020.

KUOW/Puget Sound Public Radio

Notes to Financial Statements

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.

The following table reflects the KUOW's financial assets as of June 30, 2020 and 2019, 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.

	2020	2019
Cash	\$ 3,955,766	\$ 2,316,517
Investments	3,694,576	3,696,541
Investments held for endowment	4,231,699	4,470,655
Accounts receivable, net	619,462	759,529
Pledges receivable, current portion	383,593	314,166
	12,885,096	11,557,408
Net assets with donor restrictions, not for day-to-day operations	(571,858)	(930,755)
Board-designated funds held as endowment (see Note 5)	(4,231,699)	(4,470,655)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,081,539	\$ 6,155,998

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KUOW/Puget Sound Public Radio

Notes to Financial Statements

3. Property, Plant, and Equipment

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

	2020	2019
Leasehold improvements	\$ 7,543,944	\$ 7,543,944
Equipment	1,049,516	804,354
Digital infrastructure	1,326,816	529,666
	9,920,276	8,877,964
Less: Accumulated depreciation and amortization	(5,418,536)	(4,796,402)
	4,501,740	4,081,562
Construction in progress	352,773	928,701
Land	5,600	5,600
	\$ 4,860,113	\$ 5,015,863

Construction in progress as of June 30, 2020 and 2019, 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:

2021	\$ 1,127,955
2022	1,127,955
2023	1,127,955
2024	1,127,955
2025	1,127,955
Thereafter	4,511,819
	\$ 10,151,594

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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:

	2020	2019
Assets, beginning of year	\$ 4,470,655	\$ 4,535,481
Loss in value of investments	(238,956)	(64,826)
Endowment Net Assets, end of year	\$ 4,231,699	\$ 4,470,655

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 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.

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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 will be 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, the KUOW continues to operate during the COVID-19 outbreak and, as of this report date, has not experienced significant impacts to its 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 2021. 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 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. KUOW did not apply for or receive a PPP loan or take advantage of any of the other benefits offered under the CARES Act because KUOW does not qualify for these benefits.

Management continues to examine the impact that the CARES Act may have on KUOW.