

ALL CLASSICAL PUBLIC MEDIA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2020

All Classical

P O R T L A N D

KERN  THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

ALL CLASSICAL PUBLIC MEDIA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
All Classical Public Media, Inc.
Portland, Oregon

We have audited the accompanying financial statements of All Classical Public Media, Inc. (a non-profit organization), 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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All Classical Public Media, Inc. 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 Matters

Report on Summarized Comparative Information

We have previously audited All Classical Public Media, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958)*, for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.



Portland, Oregon
December 21, 2020

ALL CLASSICAL PUBLIC MEDIA, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2020
(With Comparative Totals as of June 30, 2019)

ASSETS

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 3,075,429 | \$ 1,767,486 |
| Accounts receivable, net of allowance of \$7,500 for 2020 and 2019 | 52,914 | 81,239 |
| Pledges receivable, net | 363,560 | 212,541 |
| Prepaid expenses and other assets | 188,999 | 163,135 |
| Property and equipment, net | 2,118,345 | 2,244,281 |
| Investments, restricted | - | 295,646 |
| Investments | 292,560 | - |
| Beneficial interest in assets held by others | 323,054 | 339,142 |
| Broadcast licenses | 5,610,800 | 5,610,800 |
| Total assets | \$ 12,025,661 | \$ 10,714,270 |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|----------------------|
| Accounts payable | \$ 60,678 | \$ 39,011 |
| Accrued payroll and related liabilities | 269,243 | 148,295 |
| Deferred revenue | 27,941 | 50,487 |
| Deferred rent | 132,135 | 155,300 |
| Capital lease obligation | 55,306 | 80,329 |
| Refundable advance | 372,700 | - |
| Total liabilities | 918,003 | 473,422 |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 2,566,894 | 1,546,436 |
| Board designated endowments | 690,865 | 343,555 |
| Net property, equipment, and broadcast licenses | 7,673,840 | 7,774,752 |
| Total without donor restrictions | 10,931,599 | 9,664,743 |
| With donor restrictions | 176,059 | 576,105 |
| Total net assets | 11,107,658 | 10,240,848 |
| Total liabilities and net assets | \$ 12,025,661 | \$ 10,714,270 |

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|---|--|-----------------------------|-----------------------------|
| | | | 2020 | 2019 |
| Support and revenue: | | | | |
| Contributions and grants | \$ 4,016,352 | \$ 37,500 | \$ 4,053,852 | \$ 2,990,915 |
| Underwriting | 657,460 | - | 657,460 | 747,225 |
| Donated materials and services | 56,421 | - | 56,421 | 70,994 |
| Program revenue | 47,896 | - | 47,896 | 38,502 |
| Investment income (loss), net | (2,816) | - | (2,816) | (33,483) |
| Change in value of beneficial interest in assets held by OCF | 2,087 | (3,836) | (1,749) | 20,850 |
| Other income | 49,145 | - | 49,145 | 50,913 |
| | <u>4,826,545</u> | <u>33,664</u> | <u>4,860,209</u> | <u>3,885,916</u> |
| Net assets released from restrictions | <u>433,710</u> | <u>(433,710)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>5,260,255</u> | <u>(400,046)</u> | <u>4,860,209</u> | <u>3,885,916</u> |
| Expenses | | | | |
| Program services | | | | |
| Platforms | 1,008,462 | - | 1,008,462 | 962,435 |
| Production | 1,486,029 | - | 1,486,029 | 1,366,960 |
| Promotion | 42,332 | - | 42,332 | 55,228 |
| Total program services | <u>2,536,823</u> | <u>-</u> | <u>2,536,823</u> | <u>2,384,623</u> |
| Supporting services | | | | |
| Management and general | 458,992 | - | 458,992 | 489,390 |
| Fundraising | 594,129 | - | 594,129 | 519,418 |
| Underwriting | 403,455 | - | 403,455 | 348,799 |
| Total expenses | <u>3,993,399</u> | <u>-</u> | <u>3,993,399</u> | <u>3,742,230</u> |
| Change in net assets | 1,266,856 | (400,046) | 866,810 | 143,686 |
| Net assets | | | | |
| Beginning of year | <u>9,664,743</u> | <u>576,105</u> | <u>10,240,848</u> | <u>10,097,162</u> |
| Net assets, end of year | <u>\$ 10,931,599</u> | <u>\$ 176,059</u> | <u>\$ 11,107,658</u> | <u>\$ 10,240,848</u> |

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

| | PROGRAM SERVICES | | | | SUPPORTING SERVICES | | | Total | |
|------------------------------------|-------------------------|---------------------|------------------|----------------------|-------------------------------|--------------------|---------------------|---------------------|---------------------|
| | Platforms | Production | Promotion | Total Program | Management and General | Fundraising | Underwriting | 2020 | 2019 |
| Salaries and related expenses | \$ 376,414 | \$ 911,797 | \$ 3,095 | \$ 1,291,306 | \$ 286,019 | \$ 356,517 | \$ 287,444 | \$ 2,221,286 | \$ 2,071,022 |
| Professional fees | 126,136 | 92,915 | - | 219,051 | 56,832 | 17,268 | 37,007 | 330,158 | 308,660 |
| Supplies | 7,450 | 18,437 | 453 | 26,340 | 2,548 | 41,477 | 6,868 | 77,233 | 57,140 |
| Telephone and internet | 74,767 | 41,226 | - | 115,993 | 11,645 | 6,997 | 4,219 | 138,854 | 123,779 |
| Printing and mailing costs | 5,329 | 11,521 | 5 | 16,855 | 3,638 | 40,619 | 2,230 | 63,342 | 56,353 |
| Rent and utilities | 170,895 | 163,209 | - | 334,104 | 22,906 | 22,906 | 16,128 | 396,044 | 392,224 |
| Repairs and maintenance | 46,723 | 3,501 | - | 50,224 | 1,040 | 431 | 215 | 51,910 | 31,067 |
| Travel, conferences, training | 9,747 | 13,331 | 425 | 23,503 | 33,396 | 3,372 | 8,487 | 68,758 | 74,399 |
| Affiliation fees/program purchases | 1,160 | 47,757 | 6,364 | 55,281 | 329 | 1,735 | 842 | 58,187 | 63,511 |
| Advertising and marketing | - | 11,583 | 28,139 | 39,722 | 365 | 4,730 | 11,988 | 56,805 | 45,068 |
| Donor/corporate cultivation | - | 53 | - | 53 | 57 | 11,625 | 4,644 | 16,379 | 7,711 |
| Insurance | 11,919 | 19,680 | - | 31,599 | 9,658 | 3,645 | 1,944 | 46,846 | 45,132 |
| Bank fees | - | - | - | - | 4,308 | 45,618 | 2,652 | 52,578 | 52,329 |
| Miscellaneous | 15,189 | 26,537 | 3,851 | 45,577 | 8,780 | 19,718 | 10,051 | 84,126 | 79,215 |
| Depreciation | 162,733 | 124,482 | - | 287,215 | 17,471 | 17,471 | 8,736 | 330,893 | 334,620 |
| | <u>\$ 1,008,462</u> | <u>\$ 1,486,029</u> | <u>\$ 42,332</u> | <u>\$ 2,536,823</u> | <u>\$ 458,992</u> | <u>\$ 594,129</u> | <u>\$ 403,455</u> | <u>\$ 3,993,399</u> | <u>\$ 3,742,230</u> |

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 866,810 | \$ 143,686 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 330,893 | 334,620 |
| Change in beneficial interest in assets held by OCF | 1,749 | (20,850) |
| Realized/unrealized (gains) losses on investments | 3,086 | 33,748 |
| Allowance for uncollectible accounts and pledges | (332,000) | - |
| Changes in assets and liabilities: | | |
| Accounts and pledges receivable | 209,306 | (33,489) |
| Prepaid expenses and other assets | (25,864) | (16,649) |
| Accounts payable and accrued expenses | 142,615 | (20,372) |
| Deferred revenue and deferred rent | (45,711) | 18,084 |
| Refundable advance | 372,700 | - |
| Net cash provided by (used in) operating activities | <u>1,523,584</u> | <u>438,778</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (204,957) | (125,756) |
| Proceeds from beneficial interest in assets held by OCF | 14,339 | 14,068 |
| Net cash provided by (used in) investing activities | <u>(190,618)</u> | <u>(111,688)</u> |
| Cash flows from financing activities: | | |
| Repayment of capital lease | (25,023) | (22,653) |
| Net cash provided by (used in) financing activities | <u>(25,023)</u> | <u>(22,653)</u> |
| Net increase in cash and cash equivalents | 1,307,943 | 304,437 |
| Cash and cash equivalents, beginning of year | <u>1,767,486</u> | <u>1,463,049</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,075,429</u> | <u>\$ 1,767,486</u> |

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – DESCRIPTION OF ORGANIZATION

All Classical Public Media, Inc. (the Organization or All Classical Portland) (formerly KBPS Public Radio Foundation) is a non-profit corporation originally founded in 1991 to develop sustained financial support for radio station KQAC-FM Portland. The radio station is Portland's only all-classical radio station, whose mission is to advance knowledge of and appreciation for classical music; to build and sustain culturally vibrant local and global communities around this art form; to reflect the spirit of the Pacific Northwest; and to foster integrity, quality, and innovation in all that they do. Support is provided primarily by contributions from individuals, businesses, and foundations, and grants from the Corporation for Public Broadcasting (CPB).

KQAC-FM (formerly KBPS-FM) is a non-commercial public broadcasting station formerly owned and operated by School District No. 1, Multnomah County, Oregon (Portland Public Schools or the District). In December 2003, the license to KBPS-FM and the radio station assets were purchased from the District by the Organization, which now operates as KQAC-FM. In addition, the Organization owns and operates KQHR-FM in Hood River, Oregon, and KQOC-FM in Lincoln County. The Organization also operates all-classical K242AX in The Dalles, KSLC-HD2 in McMinnville, KQMI in Manzanita, 95.7 FM in Corvallis, and streams worldwide at www.allclassical.org.

Program Services

Through regional FM radio frequencies, and worldwide via its online streaming service and free mobile app, **All Classical Portland** provides daily programming that is 98% locally produced and curated for the community, and available to the world. Programs include in-studio concerts, special interviews and performances, historical and contextual information about compositions and composers, and news about local arts organizations. Specialty programs include *On Deck with Young Musicians* featuring young regional musicians, *Club Mod* focused on the music of living composers, and *Sunday Brunch: Exploring cultures through delicious music*. In addition, All Classical Portland produces and nationally syndicates *The Score*, a radio show about film music, and *Played in Oregon* featuring performances recorded in and around Oregon and SW Washington. As many as 259,800 weekly listeners tune in to All Classical Portland's FM broadcast in the Portland metro area alone (source: Nielsen Audio), and over 100,000 listeners access our online stream each month, representing nearly 200 countries.

A recognized leader in the classical music public radio industry for listenership, innovation, and quality, All Classical Portland is consistently ranked annually in the top 3 classical music radio stations in the nation.

In April 2019, All Classical Portland launched a new radio channel for children, the **International Children's Arts Network (ICAN)**. ICAN is a commercial-free network available on All Classical Portland's HD-2 channels, online at icanradio.org and via the free mobile All Classical Portland app. It is designed to educate, foster cross-cultural awareness, stimulate creativity and playfulness, awaken the imagination, and promote emotional literacy. ICAN's musical programming takes a broadened and inclusive approach to the classical canon to highlight traditions from around the globe, providing children with an entry point to learning about world cultures and traditions through music and literature. Daily programming consists of storytelling and poetry shared with music, imagined adventures in children's own voices, and a bedtime hour featuring lullabies from around the globe. In 2020, ICAN expanded to a full 24 hours/day and launched the podcast titled *Screenshot*.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

ICAN is one of four initiatives of **JOY (Joyous Outreach to You/th)** which launched in 2017 and is All Classical Portland's comprehensive initiative dedicated to equity and inclusivity. Other JOY programs include:

- **Youth Roving Reporters (YRR)**, an arts journalism training and mentorship program. Through the YRR educational program, All Classical Portland's on-air hosts mentor Youth Roving Reporters (ages 15-18), providing them with guidance and insight on what it is to be a broadcaster and how to effectively, authentically, and creatively tell the stories of their communities.
- **Where We Live** is JOY's radio series that shines a spotlight on organizations that present or create programs in art, theater or music that explore the intersection of art and social issues.
- **Artist in Residence (AIR)** program started in 2019. AIR has been designed to foster creative and professional growth for young, emerging, and established performing artists. Residents have access to All Classical Portland's world-class facilities and studios and are offered on-air and performance opportunities including appearances on radio programs, at station events and concerts, and on special broadcasts. Residents are encouraged to pursue artistic research projects and to publish related articles about their work and findings through All Classical Portland's wide-reaching platforms. Residents will receive a scholarship award to assist in their creative projects and performances, and/or continued studies. In addition, each resident is presented by All Classical Portland in recital during their residency. The residency is designed to support artists in pursuit of new projects and ideas, take creative risks, and to equitably support local performers and composers.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2020, a new accounting pronouncement became effective for the Organization: *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in the year ended June 30, 2020. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of June 30, 2019.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held for long-term investment purposes are excluded from cash and cash equivalents and included in investments.

Accounts Receivable

Accounts receivable are unsecured and are reported at the amount management expects to collect on balances outstanding at year-end.

Contributions Revenue and Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions (primarily underwriting) are recognized as the on-air announcements are completed. Amounts received in advance are recorded as deferred revenue until the Organization has satisfied the requirements of the contract.

Allowance for Uncollectible Accounts

Management provides for probable uncollectible amounts for accounts and pledges receivable through a charge to losses and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and pledges receivable. Amounts past due over 90 days are immaterial.

Investments

Investments are reported at fair value.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their fair market values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

Intangible Assets – Broadcast Licenses

Broadcast licenses are recorded at cost and are not subject to amortization.

Refundable Advance – Paycheck Protection Program Loan

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) “forgivable loan” to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$372,700 on April 23, 2020. The terms of the PPP loan include interest at 1% and maturity on April 23, 2022.

The Organization has concluded that although the legal form of the PPP is a loan, it believes the conditional criteria will be met and the SBA will approve its forgiveness application within the next fiscal year. Accordingly, the PPP loan represents, in substance, a conditional grant and has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

All Classical Public Media, Inc. is a nonprofit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax.

Donated Assets, Materials and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort or square footage.

Advertising Costs

Advertising costs are expensed in the period in which they are incurred. Advertising expense approximated \$56,000 and \$45,000 for the years ended June 30, 2020 and 2019, respectively.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2019

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE C – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair values are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments, exchange traded funds, and cash equivalents.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management’s assumptions and best estimates based on available data. Assets in this level include beneficial interest in assets held by others.

Fair value of the beneficial interest in assets held by others is determined by the Organization’s endowment partner, Oregon Community Foundation (OCF), and is based upon the Organization’s proportionate interest in OCF’s endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF’s endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners.

Realized and unrealized gains and losses from investments are reported in the Statement of Activities as investment income as they occur. There have been no changes in valuation techniques and related inputs.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis are as follows:

| | June 30, 2020 | | |
|--|---------------|------------|------------|
| | Level 1 | Level 3 | Total |
| Cash and cash equivalents | \$ 99,607 | \$ - | \$ 99,607 |
| Equities | 152,606 | - | 152,606 |
| Beneficial interest in assets held by others | - | 323,054 | 323,054 |
| Total assets in FV hierarchy | \$ 252,213 | \$ 323,054 | 575,267 |
| Real Estate Investment Trusts (REIT) measured at NAV (a) | | | 40,347 |
| Total investments and beneficial interest at fair value | | | \$ 615,614 |
| | June 30, 2019 | | |
| | Level 1 | Level 3 | Total |
| Cash and cash equivalents | \$ 113,231 | \$ - | \$ 113,231 |
| Equities | 134,343 | - | 134,343 |
| Beneficial interest in assets held by others | - | 339,142 | 339,142 |
| Total assets in FV hierarchy | \$ 247,574 | \$ 339,142 | 586,716 |
| Real Estate Investment Trusts measured at NAV (a) | | | 48,072 |
| Total investments and beneficial interest at fair value | | | \$ 634,788 |

(a) In accordance with FASB ASC 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Financial Position.

For the year ended June 30, the changes in investments classified as Level 3 are as follows:

| | 2020 | 2019 |
|------------------------------|------------|------------|
| Balance at beginning of year | \$ 339,142 | \$ 332,360 |
| Total gains and (losses) | (1,749) | 20,850 |
| Distributions | (14,339) | (14,068) |
| Balance at June 30 | \$ 323,054 | \$ 339,142 |

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE D – PLEDGES RECEIVABLE AND RESTRICTED INVESTMENTS

Pledges receivable at June 30, 2020 and 2019 represent unconditional promises to give as follows:

| | 2020 | 2019 |
|--|------------|------------|
| Receivable within one year | \$ 163,560 | \$ 193,541 |
| Receivable in two to five years | 267,000 | 353,000 |
| Thereafter | 268,000 | 333,000 |
| | 698,560 | 879,541 |
| Less allowance for uncollectible pledges | (335,000) | (667,000) |
| | \$ 363,560 | \$ 212,541 |

The Organization has determined the present value of the long term pledges is immaterial.

NOTE E – BENEFICIAL INTEREST IN ASSETS HELD BY OCF

The Organization established an endowment fund that is held by the Oregon Community Foundation (OCF). The Organization's fund is pooled with other assets managed by OCF. Variance power was not granted to OCF unless the Organization ceases to exist or loses its tax-exempt status, and distributions in the amount of a reasonable rate of return determined by OCF will be distributed to the Organization each year. OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization. The beneficial interest in assets totaled \$323,054 and \$339,142 at June 30, 2020 and 2019, respectively. The fund consists of both board-designated and donor restricted endowments (See Note J).

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

| | 2020 | 2019 |
|-------------------------------|--------------|--------------|
| Antennas | \$ 1,492,788 | \$ 1,492,788 |
| Broadcasting equipment | 997,946 | 800,109 |
| Furniture and equipment | 898,491 | 896,296 |
| Vehicles | 37,556 | 37,556 |
| Leasehold improvements | 2,259,255 | 2,259,255 |
| | 5,686,036 | 5,486,004 |
| Less accumulated depreciation | (3,567,691) | (3,241,723) |
| | \$ 2,118,345 | \$ 2,244,281 |

Equipment totaling \$116,889 is held under two capital leases, with accumulated amortization of \$53,898.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE G – LEASE COMMITMENTS

Office Facilities and Equipment:

The Organization leases its facility under a lease agreement through July 1, 2023 with two five-year renewal terms available thereafter. Current monthly base rent is approximately \$24,470 with annual rate increases. The Organization amortizes the lease on the straight-line basis over the term, resulting in level rent expense year-to-year. The difference between the annual expense recognized on the straight-line basis and the amounts actually paid by the Organization is reflected as deferred rent payable of \$132,135 and \$155,300 at June 30, 2020 and 2019, respectively.

The Organization subleases office space to two other nonprofit organizations. One sublease is effective through June 30, 2021, and another through March 31, 2021 with an automatic renewal. Total monthly sublease rent is currently \$3,593 with annual increases in the subleases.

The Organization also leases office equipment under two capital leases for a total of \$2,660 per month. The leases have bargain purchase options at the end and terminate in October 2021 and 2022.

Land, Tower, and Antennae Equipment:

| <u>Location</u> | <u>Current Monthly Base Rent</u> | <u>Initial Lease Expiration Date/ Renewal Months</u> | <u>Equipment</u> | <u>Other</u> |
|---------------------------|----------------------------------|--|--|---|
| Portland | \$ 2,123 | June 2023/60 | <ul style="list-style-type: none"> ● Transmitter building ● Transmission tower ● Master auxiliary antenna license | <ul style="list-style-type: none"> ● If antenna becomes primary use, base rent increases to \$5,000. |
| Portland | \$ 863 | February 2025 | <ul style="list-style-type: none"> ● Tower space | <ul style="list-style-type: none"> ● Rent increases by greater of 2% or CPI annually. |
| McMinnville | \$ 250 | September 2025 | <ul style="list-style-type: none"> ● Radio translator license ● HD radio license annual minimum fee \$1,000 | <ul style="list-style-type: none"> ● 30-day notice and a cancellation fee of \$1,500. |
| Hood River/ The Dalles | \$ 652 | June 2021 | <ul style="list-style-type: none"> ● Tower space ● Building space | <ul style="list-style-type: none"> ● For radio transmitting and receiving equipment. |
| Hood River/ The Dalles | \$ 377 | October 2021/ 12 automatically | <ul style="list-style-type: none"> ● Radio translator license | <ul style="list-style-type: none"> ● Rent increases by 3% annually, currently \$355. |
| Otter Crest | \$ 1,053 | October 2022 | <ul style="list-style-type: none"> ● Tower space ● Building space | <ul style="list-style-type: none"> ● For radio transmitting and receiving equipment. |
| Corvallis | \$ 465 | October 2023/60 | <ul style="list-style-type: none"> ● FCC broadcast license | <ul style="list-style-type: none"> ● FM Translator K239BP 95.7MHz Flynn, Oregon. |

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE G – LEASE COMMITMENTS (CONTINUED)

Total rent expense (including immaterial utilities) under these agreements approximated \$396,000 and \$392,000 per year for 2020 and 2019, respectively. Future minimum lease payments are as follows:

| Year Ending June 30, | Operating Leases | Capital Leases |
|-------------------------|---------------------|-------------------|
| 2021 | \$ 373,927 | \$ 31,931 |
| 2022 | 385,270 | 23,175 |
| 2023 | 400,886 | 6,265 |
| 2024 | 42,691 | - |
| 2025 | 13,349 | - |
| Thereafter | 500 | - |
| | 1,216,623 | 61,371 |
| Less interest at 10% | | (6,065) |
| | \$ 1,216,623 | \$ 55,306 |

NOTE H – BOARD-DESIGNATED NET ASSETS

Board-designated net assets at June 30, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|--|------------|------------|
| Board designated endowment held at OCF | \$ 231,233 | \$ 243,486 |
| Board designated endowment funds held elsewhere | 459,632 | 100,069 |
| Total Board designated net assets | \$ 690,865 | \$ 343,555 |

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE I – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| Subject to purpose restrictions | \$ <u>64,239</u> | \$ <u>144,803</u> |
| Subject to time restrictions: | | |
| Donor-restricted contributions | <u>20,000</u> | <u>335,646</u> |
| Principal restricted in perpetuity | 76,717 | 76,225 |
| Unappropriated accumulated endowment earnings | <u>15,103</u> | <u>19,431</u> |
| | <u>91,820</u> | <u>95,656</u> |
| Total net assets with donor restrictions | \$ <u><u>176,059</u></u> | \$ <u><u>576,105</u></u> |

NOTE J – ENDOWMENT

The Organization's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The donor restricted endowment is held at OCF in perpetuity, with income earned on the fund classified as subject to restrictions until appropriated for expenditure. The Board designated endowments are held at OCF and Umpqua Bank.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the establishment of a set of prudent management and investment standards for boards to follow when managing endowment funds. A donor's intent to maintain an endowment in perpetuity must be considered and the fund managed accordingly.

As a result of this interpretation, the Organization classifies as restricted net assets-corpora not subject to expiration:

- The original value of gifts donated to the perpetual endowment
- The original value of subsequent gifts to the endowment
- Accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, and
- The portion of investment return added to maintain purchasing power. For purpose of determining this portion, each year the Organization adds to restricted net assets-corpora not subject to expiration the change in the Consumer Price Index (CPI) for that year.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE J – ENDOWMENT (CONTINUED)

Return Objectives, Risk Parameters and Strategies for Achieving Objectives

The goal of the Organization's investment program for funds held as endowment is to achieve a total rate of return that will allow the Organization to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs.

To meet this investment objective, the Organization follows a total return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Organization endowment assets are invested in The Oregon Community Foundation (OCF) as an endowment partner, or at Umpqua Bank.

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the OCF funds, the Organization has adopted a spending policy based on the policies of its endowment partner, OCF, to determine the annual amount available for distributions from funds held as permanent endowment. Each year, OCF sets an annual payout rate for the coming year based on a 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout for grants will be 5% of market value; if the projected 10-year return is below 9%, the payout for grants will be 4-1/2% of market value. Market value is determined using a 13-quarter trailing average of fund market value.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE J – ENDOWMENT (CONTINUED)

The composition of and changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

| | Without Donor Restrictions- Board Designated | With Donor Restrictions Accumulated Earnings, Subject to Expiration | Corpus, Not Subject to Expiration | Total Net Endowment Assets |
|--|--|---|---|----------------------------------|
| Balance at June 30, 2018 | \$ 238,328 | \$ 19,043 | \$ 74,989 | \$ 332,360 |
| Investment income | 100,069 | - | - | 100,069 |
| Fees | 1,883 | 593 | - | 2,476 |
| Realized/unrealized gain on investments | 16,170 (10,701) | 5,088 (3,367) | - | 21,258 (14,068) |
| Appropriated for expenditure Transfer | (2,194) - | (690) (1,236) | - | (2,884) - |
| Balance at June 30, 2019 | \$ 343,555 | \$ 19,431 | \$ 76,225 | \$ 439,211 |
| Contributions | 359,201 | - | - | 359,201 |
| Interest income | 1,897 | 553 | - | 2,450 |
| Investment gains (losses) | (527) | (238) | - | (765) |
| Appropriations for expenditure | (2,341) | (732) | - | (3,073) |
| Expenditures | (10,920) | (3,419) | - | (14,339) |
| Transfer | - | (492) | 492 | - |
| Endowment net assets, end of year June 30, 2020 | <u>\$ 690,865</u> | <u>\$ 15,103</u> | <u>\$ 76,717</u> | <u>\$ 782,685</u> |

NOTE K – PENSION PLAN

The Organization has a 401(k) retirement plan covering substantially all employees. The Organization may make elective contributions to the plan. Employer matching contributions to the plan for 2020 and 2019 totaled \$26,683 and \$24,007, respectively.

NOTE L – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Portland. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of insured limits were approximately \$2,902,927 and \$1,569,375 at June 30, 2020 and 2019, respectively.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE L – CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Investment securities, including investments held by OCF, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Pledges and accounts receivable are unsecured and are substantially all receivables from organizations and individuals located within the same geographic region.

Over half of the Organization's employees are members of the International Brotherhood of Electrical Workers Local 48. The Organization's contract with the union is in effect through June 30, 2020. The Organization's other employees are not represented by a union.

NOTE M – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020:

| | |
|---|----------------------------|
| Financial assets at year-end* | |
| Cash and cash equivalents | \$ 3,075,429 |
| Pledges receivable | 363,560 |
| Other receivables | 52,914 |
| Investments | 292,560 |
| Beneficial interest held by others | <u>323,054</u> |
| Total financial assets | <u>4,107,517</u> |
| Less amounts unavailable for general expenditure within one year: | |
| Donor-imposed restrictions: | |
| Timing restrictions on investments and receivables due beyond one year | (20,000) |
| Restricted by donor for endowment | (91,820) |
| Restricted by donor for purpose | (64,239) |
| Board designations: | |
| Board-designated endowment fund | <u>(690,865)</u> |
| Total unavailable financial assets | <u>(866,924)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u><u>3,240,593</u></u> |

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE M – LIQUIDITY (CONTINUED)

The Organization's endowment funds consist of donor-restricted and board-designated endowment. Income from donor-restricted endowments is not restricted and, therefore, is available for general expenditure after appropriation for expenditure. The Organization's spending policy is described in Note J.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary to manage unanticipated liquidity needs.

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2020, which is the date the financial statements were available to be issued.

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events have continued for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

In November 2020, the Organization received an in-kind donation of a public radio station in McMinnville, Oregon. Included in the donation is the FCC license, all station equipment and a lease assumption. An appraisal has not yet been completed, accordingly an estimated fair value is not available as of the report date.