

KNHC C89.5 RADIO STATION

FINANCIAL REPORT

August 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seattle Public Schools
Seattle, Washington

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of KNHC C89.5 Radio Station (the Station, a public telecommunications entity operated by Seattle Public Schools), an aggregated fund of Seattle Public Schools, as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Station as of August 31, 2023 and 2022, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the financial position and changes in financial position of the Station and do not purport to and do not present fairly the financial position of Seattle Public Schools as of August 31, 2023 and 2022, or the changes in its financial position, including its net pension or other post-employment benefit obligations and related deferred inflows and outflows, for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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.

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 the Station's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards 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.

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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 generally accepted auditing standards, 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 the Station'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 the Station'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.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 6 and the budgetary comparison information on pages 20 through 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information as of and for the years ended August 31, 2023 and 2022, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Greenwood Ohlund

Seattle, Washington
February 6, 2024

KNHC C89.5 RADIO STATION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended August 31, 2023 and 2022

The discussion and analysis of KNHC C89.5 Radio Station's (the Station) financial performance provides an overall review of the Station's financial activities for the fiscal years ended August 31, 2023 and 2022. The Station is a segment of the Seattle School District #1 (the District). The intent of this discussion and analysis is to look at the Station's financial performance as a whole, and readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Station's financial performance.

KNHC C89.5 Radio Station Mission

KNHC C89.5, Seattle's Home for Dance, has served the community since its beginnings in 1971. The mission has been simple: to provide the audience with cutting edge dance music while serving as a training ground in broadcasting skills for students in Seattle Public Schools (SPS).

Governance Organization and Responsibilities

The Board of Directors for SPS is an elected body of seven citizens representing geographical regions, known as Districts, within the City of Seattle. The length of each member's term is four years. Directors are elected by district in the primary elections and at large (city-wide) in the general election of odd-numbered years.

It is the belief of the Board of Directors and Superintendent that they are partners in the governance team of SPS. Both must do their jobs well for the organization to be successful and for the governance team, as a whole, to be effective. The Board of Directors oversees the Station as part of the overall District operations.

Report Components

This annual report consists of the following components:

- Management's Discussion and Analysis – Management's Discussion and Analysis (MD&A) is information presented, as required, by the Governmental Accounting Standards Board (GASB). This section will provide readers of this report with an introduction to the basic financial statements and an analytical overview of the Station's activities. It also provides additional information that supplements the financial statements and the notes to the financial statements.
- Financial Statements – The financial statements present financial information about the Station that transpired during the fiscal year.
- Notes to the Financial Statements – The notes to the financial statements are an integral part of these financial statements and provide a more detailed presentation of various activities of the Station, such as capital assets and organizational structure. The reader of the financial statements should take particular note of the information included in the notes.

KNHC C89.5 RADIO STATION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended August 31, 2023 and 2022

Financial Structure

The Station's revenue comes from four major sources: underwriting and individual philanthropic gifts (including matching gifts from area businesses), grants from the Corporation for Public Broadcasting (CPB), District appropriations, and indirect support (including use of physical space) from the District. These are described in more detail below.

- Public Support – KNHC solicits ongoing support from the general public through the process of annual membership drives for new and existing donors, matching gifts from area businesses, and from area businesses and nonprofit organizations through corporate underwriting.
- Corporation for Public Broadcasting – KNHC receives a grant from the CPB. This grant includes restricted funds to be used to acquire and produce national programming, and unrestricted funds to be used for general station operations. The grant is renewable each year, provided the Station continues to meet the minimum requirements and Congress continues to fund the CPB.
- District Appropriations – The District appropriations (support from SPS) for the Station are a direct result of the expenditures that occur within the general fund of the District for the operation of the Station as a training lab for students of the District.
- Indirect Support – Additional revenues are generated as the result of indirect support (which include the use of physical space) from the District.

Overview of Financial Statements

Combined government-wide and fund-basis financial statements have been presented, with eliminations and adjustments included as part of the statements. The government-wide financial statements include the financial activities of the overall government whereas the fund financial statements provide information about specific funds, with the emphasis on major governmental funds. The Station has elected to present combined government-wide and fund-basis financial statements because it has only one all-purpose governmental fund.

Financial Highlights

The assets of the Station exceeded the liabilities by \$2,809,425 as of August 31, 2023. Of this amount, \$2,601,717 is unrestricted and available to meet the Station's ongoing obligations to its creditors and provide for general operating funds. \$26,672 is restricted under the CPB grant, to be used only to acquire or produce nationally distributed programming, and \$77,866 is restricted by donors for capital assets. The remaining \$103,170 is held for investments in capital assets, net of depreciation.

The Station ended the fiscal year with an increase of \$261,403 in its net position.

KNHC C89.5 RADIO STATION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended August 31, 2023 and 2022

Financial Analysis

Statements of Net Position and Activities

	Net Position			
	2023	2022	Difference	% Change
Current and other assets	\$ 2,691,499	\$ 2,466,671	\$ 224,828	9.11%
Restricted assets	104,538	16,247	88,291	543.43%
Capital assets, net	103,170	106,963	(3,793)	-3.55%
Total assets	2,899,207	2,589,881	309,326	11.94%
Total liabilities	89,782	41,859	47,923	114.49%
Net position	\$ 2,809,425	\$ 2,548,022	\$ 261,403	10.26%
			Activities	
			2023	2022
Revenues			\$ 1,554,853	\$ 1,393,990
Expenditures			1,293,450	1,117,729
Change in net position			261,403	276,261
Net position, beginning of year			2,548,022	2,271,761
Net position, end of year			\$ 2,809,425	\$ 2,548,022

The statements of net position and activities are provided on a comparative basis.

As noted earlier, net position may serve, over time, as a useful indicator of an entity's financial position. In the case of the Station, assets exceeded liabilities by \$2,809,425 as of August 31, 2023.

Statements of Governmental Fund Revenue and Expenditures

	2023	2022	Difference	% Change
Individual contributions	\$ 791,073	\$ 722,059	\$ 69,014	9.56%
Underwriting	343,161	332,407	10,754	3.24%
Grants from Corporation for Public Broadcasting	110,509	100,269	10,240	10.21%
Support from Seattle Public Schools	170,985	156,633	14,352	9.16%
Indirect support from Seattle Public Schools	100,303	88,813	11,490	12.94%
In-kind contributions	21,053	23,125	(2,072)	-8.96%
Investment return	17,769	(29,316)	47,085	160.61%
Total	\$ 1,554,853	\$ 1,393,990	\$ 160,863	11.54%

KNHC C89.5 RADIO STATION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Difference</u>	<u>% Change</u>
Programming	\$ 304,469	\$ 241,460	\$ 63,009	26.10%
Broadcasting and engineering	545,746	432,202	113,544	26.27%
Membership	226,555	243,281	(16,726)	-6.88%
Underwriting	<u>201,632</u>	<u>192,950</u>	<u>8,682</u>	<u>4.50%</u>
Total	<u>\$ 1,278,402</u>	<u>\$ 1,109,893</u>	<u>\$ 168,509</u>	<u>15.18%</u>

During the current fiscal year, the Station's governmental fund balance increased by \$276,451. The key elements of the change in the Station's fund balance for the year ended August 31, 2023, are as follows:

- Total revenue increased \$160,863 (11.54%) from the prior year. The Station's individual program continued to grow focusing on sustainable members and major giving. Support from business and nonprofit communities increased as we focus on rebuilding our corporate relationships that lapsed during the pandemic. Favorable interest rates also resulted in increased investment return.
- Programming expenses increased by \$63,009 (26.10%) from the previous year. Costs for salaries, benefits, and payroll taxes for current staff count for the majority of this increase but we continued to invest in part time staff for weekend production and hired a podcast producer.
- Broadcast and engineering costs increased by \$113,544 (26.27%) from the previous year. We've been replacing aging equipment, investing in professional development, and hired a part time marketing/promotions specialist.
- Membership expenses decreased by \$16,726 (6.88%) from the previous year. We chose less expensive thank you gifts and paid particular attention to gift size to limit postage costs.
- Underwriting expenses increased \$8,682 (4.50%) from the previous year. Higher insurance rates for the corporate support director and we modified commission structure to reward the director for exceeding monthly goals.

Requests for Information

This financial report is designed to present the user (listeners, taxpayers, and other interested parties) with a general overview of the Station's finances and to demonstrate the Station's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Amy Fleming, Director, Accounting Services, Seattle Public Schools. The address is 2445 Third Avenue S, Seattle, WA 98124.

KNHC C89.5 RADIO STATION

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

August 31, 2023

ASSETS	General Fund	Adjustments (Note 3)	Statement of Net Position
Current Assets			
Cash and cash equivalents	\$ 411,882	\$ -	\$ 411,882
Investments	1,307,113	-	1,307,113
Underwriting receivable, net of allowance	26,228	-	26,228
Due from Seattle Public Schools	946,276	-	946,276
Total current assets	2,691,499	-	2,691,499
Restricted Assets			
Cash and Cash Equivalents Restricted for			
Capital Assets	77,866	-	77,866
Due from Seattle Public Schools	26,672	-	26,672
Capital Assets			
Broadcasting equipment, net	-	103,170	103,170
Total assets	<u>\$ 2,796,037</u>	<u>\$ 103,170</u>	<u>\$ 2,899,207</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 37,018	\$ -	\$ 37,018
Accrued Payroll Liabilities - long-term	-	52,764	52,764
Total liabilities	37,018	52,764	89,782
FUND BALANCE/NET POSITION			
Fund Balance			
Restricted for special projects	104,538	(104,538)	-
Assigned	581,575	(581,575)	-
Unassigned	2,072,906	(2,072,906)	-
Total fund balance	2,759,019	(2,759,019)	-
Total liabilities and fund balance	<u>\$ 2,796,037</u>		
Net Position			
Net investment in capital assets		103,170	103,170
Restricted for special projects		104,538	104,538
Unrestricted		2,601,717	2,601,717
Total net position		2,809,425	2,809,425
Total liabilities and net position		<u>\$ 103,170</u>	<u>\$ 2,899,207</u>

See accompanying notes to financial statements.

KNHC C89.5 RADIO STATION

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

August 31, 2022

ASSETS	General Fund	Adjustments (Note 3)	Statement of Net Position
Current Assets			
Cash and cash equivalents	\$ 829,992	\$ -	\$ 829,992
Investments	795,212	-	795,212
Underwriting receivable, net of allowance	55,686	-	55,686
Due from Seattle Public Schools	785,781	-	785,781
Total current assets	2,466,671	-	2,466,671
Restricted Assets			
Due from Seattle Public Schools	16,247	-	16,247
Capital Assets			
Broadcasting equipment, net	-	106,963	106,963
Total assets	<u>\$ 2,482,918</u>	<u>\$ 106,963</u>	<u>\$ 2,589,881</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 350	\$ -	\$ 350
Accrued Payroll Liabilities - long-term			
	-	41,509	41,509
Total liabilities	350	41,509	41,859
FUND BALANCE/NET POSITION			
Fund Balance			
Restricted for special projects	16,247	(16,247)	-
Assigned	463,726	(463,726)	-
Unassigned	2,002,595	(2,002,595)	-
Total fund balance	2,482,568	(2,482,568)	-
Total liabilities and fund balance	<u>\$ 2,482,918</u>		
Net Position			
Net investment in capital assets		106,963	106,963
Restricted for special projects		16,247	16,247
Unrestricted		2,424,812	2,424,812
Total net position		2,548,022	2,548,022
Total liabilities and net position		<u>\$ 106,963</u>	<u>\$ 2,589,881</u>

See accompanying notes to financial statements.

KNHC C89.5 RADIO STATION

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES For the Year Ended August 31, 2023

	General Fund	Adjustments (Note 3)	Statement of Activities
Revenues			
Individual contributions	\$ 791,073	\$ -	\$ 791,073
Underwriting	343,161	-	343,161
Grants from Corporation for Public Broadcasting	110,509	-	110,509
Support from Seattle Public Schools	170,985	-	170,985
Indirect support from Seattle Public Schools	100,303	-	100,303
In-kind contributions	21,053	-	21,053
Investment return	17,769	-	17,769
	1,554,853	-	1,554,853
Expenditures/Expenses			
Programming	304,469	5,780	310,249
Broadcasting and engineering	545,746	5,904	551,650
Membership	226,555	2,920	229,475
Underwriting	201,632	444	202,076
	1,278,402	15,048	1,293,450
Net change in fund balance	276,451	(276,451)	-
Change in net position		\$ 261,403	261,403
Fund Balance/Net Position, beginning of year	2,482,568		2,548,022
Fund Balance/Net Position, end of year	\$ 2,759,019		\$ 2,809,425

See accompanying notes to financial statements.

KNHC C89.5 RADIO STATION

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES For the Year Ended August 31, 2022

	General Fund	Adjustments (Note 3)	Statement of Activities
Revenues			
Individual contributions	\$ 722,059	\$ -	\$ 722,059
Underwriting	332,407	-	332,407
Grants from Corporation for Public Broadcasting	100,269	-	100,269
Support from Seattle Public Schools	156,633	-	156,633
Indirect support from Seattle Public Schools	88,813	-	88,813
In-kind contributions	23,125	-	23,125
Investment return	(29,316)	-	(29,316)
Total revenues	1,393,990	-	1,393,990
Expenditures/Expenses			
Programming	241,460	3,982	245,442
Broadcasting and engineering	432,202	3,946	436,148
Membership	243,281	(77)	243,204
Underwriting	192,950	(15)	192,935
Total expenditures/expenses	1,109,893	7,836	1,117,729
Net change in fund balance	284,097	(284,097)	-
Change in net position		\$ 276,261	276,261
Fund Balance/Net Position, beginning of year	2,198,471		2,271,761
Fund Balance/Net Position, end of year	\$ 2,482,568		\$ 2,548,022

See accompanying notes to financial statements.

KNHC C89.5 RADIO STATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Entity and Summary of Significant Accounting Policies

Reporting Entity

These financial statements present KNHC-FM C89.5 Radio (the Station), an aggregated fund of Seattle Public Schools (SPS). The Station has been on the air in Seattle, Washington, since 1971 and is operated by SPS professional staff with assistance from students of Nathan Hale High School as part of a radio broadcasting course.

The Station is governed by the School Board of SPS and is included in the governmental funds of SPS. The financial statements present only the financial position and changes in financial position of the Station and do not purport to and do not present fairly the financial position of SPS as of August 31, 2023 and 2022, or the changes in its financial position, including its net pension obligations and related deferred inflows and outflows, for the years then ended. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

For financial reporting purposes, the Station includes C89.5/KNHC Public Radio Association (blended component unit) (the Association), a Washington State nonprofit tax-exempt organization affiliated with the Station. The Association is governed by a separate Board of Directors from SPS and exists exclusively to benefit the Station. The Association's financial data, which is made up of cash and underwriting receivables, is included in the financial statements of the Station.

Government-Wide and Fund Financial Statements

Combined government-wide and fund-basis financial statements have been presented, with eliminations and adjustments included as part of the statements. The government-wide financial statements include the financial activities of the overall government whereas the fund financial statements provide information about specific funds, with the emphasis on major governmental funds. The Station has elected to present combined government-wide and fund-basis financial statements because it has only one all-purpose governmental fund.

The financial transactions of the Station are blended into the governmental funds of SPS. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenue, and expenditures.

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements for the Station are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

KNHC C89.5 RADIO STATION

NOTES TO FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Governmental funds for the Station are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Adjustments and Eliminations

As noted above, the fund-basis financial statements and the government-wide financial statements each use a different basis of accounting. The adjustments and eliminations presented on the financial statements represent the amounts needed to reconcile the fund-basis financial statements with the government-wide financial statements. The following is a brief description of the reconciling adjustments:

1. The fund-basis financial statements report capital outlays as current expenditures whereas in the government-wide financial statements, the cost of those assets is capitalized and allocated over their estimated useful lives and is reported as depreciation expense.
2. Termination benefits are not due and payable in the current period and, therefore, are not reported in the fund-basis statements until paid. On the government-wide basis, these liabilities are included as liabilities on the statement of net position, and the change in liability from the prior fiscal year is reflected as an addition to or reduction of the current period's expense.

Cash and Cash Equivalents

A significant amount of the Station's cash and cash equivalents are maintained by SPS where they are pooled with SPS' funds. The Station's cash and cash equivalents pooled with SPS' funds are not separately identifiable, and are therefore presented within "Due from SPS" on the governmental fund balance sheet and statement of net position. Cash and cash equivalents presented on the government-wide and fund financial statements represent those held by the Association at a bank separate from SPS. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

At August 31, 2023, the carrying amount of cash and bank balance was \$489,748. At August 31, 2022, the carrying amount of cash was \$829,992, and the bank balance was \$829,891. Of the bank balance at August 31, 2023 and 2022, \$227,556 and \$350,539, respectively, was carried in excess of federal depository insurance.

Certain cash and cash equivalents is classified as a noncurrent asset as it is restricted by the donor for capital assets.

KNHC C89.5 RADIO STATION

NOTES TO FINANCIAL STATEMENTS

Investments and Investment Return

Investments in fixed income mutual funds are carried at fair value using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets (such as national exchanges) for identical assets. Investments in certificates of deposit are carried at cost plus accrued interest. Investment return, including net realized and unrealized gains or losses, and interest and dividends earned are recorded as nonoperating revenue (expenses). Gains and losses from the sale of securities are recorded using the specific-identification method.

The Station's investments consist of the following at August 31:

	2023	2022
Certificates of deposit	\$ 1,307,113	\$ 569,100
Mutual funds - fixed income	-	226,112
	<u>\$ 1,307,113</u>	<u>\$ 795,212</u>

Credit Risk

With respect to fixed income investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations as required by the fixed income security. The Station's investment policy, adopted by the Board of Directors, allows for up to a moderate amount of risk. As of August 31, 2022, the Station's fixed income securities had a range of credit ratings of BBB to AAA.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. There is no formal policy for the plan that limits investment maturities as a means of managing its exposure to fair value losses. The mutual funds held by the Pension Trust Fund all have a weighted-average maturity of less than one year.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Station will not be able to recover the value of its investments or collateral securities that are in possession of a third party.

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Station, and are held by either the counterparty or the counterparty's trust department or agent, but not in the name of the Station. As of August 31, 2023 and 2022, the Station's investments are in open-end mutual funds and certificates of deposit and are not exposed to custodial credit risk.

Concentration of Credit Risk

The Stations investment holdings include mutual funds and certificates of deposit. Holdings in mutual funds are intended to cover an appropriate range of asset classes that reasonably span the risk/return spectrum. Within mutual fund holdings, there are no significant concentrations of investments in any one entity.

KNHC C89.5 RADIO STATION

NOTES TO FINANCIAL STATEMENTS

Holding targets by mutual fund type are set by the Station's investment policy. All holdings are within the investment policy's acceptable ranges at August 31, 2023 and 2022.

Receivables

All underwriting fees are generated from companies located in the Pacific Northwest. These receivables are stated at their outstanding principal balances.

Management reviews underwriting 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. Management has recognized an allowance for uncollectible contributions receivable of \$6,950 and \$9,110 at August 31, 2023 and 2022, respectively.

Due from Seattle Public Schools

"Due from SPS" represents assets, including cash and cash equivalents, as well as liabilities, including accounts payable and accrued expenses, assumed by SPS. As all assets and liabilities of the Station are pooled with SPS in the fund accounting of SPS. When the Station generates revenue and support, "Due from SPS" increases, and when expenses are incurred, "Due from SPS" decreases.

At August 31, 2023 and 2022, SPS also holds \$26,672 and \$16,247, respectively, restricted for special projects received under a community service grant from the Corporation for Public Broadcasting.

Capital Assets and Depreciation

Capital assets purchased or acquired by the Station with a value over \$5,000 are recorded at cost. Contributed assets are recorded at fair value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on broadcasting equipment is calculated on the straight-line basis with estimated useful lives of 5 or 10 years. Depreciation expense is allocated evenly between programming and broadcasting and engineering expense functions.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows represent a use of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. The Station had no activities that meet the definition of deferred inflows or outflows in the government funds or government-wide financial statements at August 31, 2023 or 2022.

Compensated Absences

It is the Station's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since SPS does not have a policy to pay any amounts when employees separate from service with SPS. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured (e.g., as a result of employee resignations and retirements).

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NOTES TO FINANCIAL STATEMENTS

In-Kind Contributions

Donations of goods or services are recorded at their estimated fair value at the date of donation. Such donations are reported as unassigned or unrestricted support unless the donor has restricted the donated asset or services to a specific purpose. During the years ended August 31, 2023 and 2022, the Station received in-kind contributions of professional fundraising and other services with an estimated value of \$21,053 and \$23,125, respectively.

The Station occasionally enters into barter agreements where the Station provides underwriting to local businesses for services. Barter transactions are reported at the estimated fair value of the services received. Revenue is reported when the sponsorship spots are broadcast, and the services received are reported when received as expenditures/expenses. There were no barter transactions during the years ended August 31, 2023 and 2022.

Support from Seattle Public Schools

SPS provided \$170,985 and \$156,633 of its general fund resources to cover certain payroll costs of the Station during the years ended August 31, 2023 and 2022, respectively.

Indirect Support from Seattle Public Schools

The Station receives office, studio, and other indirect support from SPS. Indirect administrative support from SPS consists of allocated costs based on a formula developed by the Corporation for Public Broadcasting. The amount of indirect support of \$100,303 and \$88,813 was included as revenue and has been allocated to various programmatic expense categories for the years ended August 31, 2023 and 2022, respectively.

Net Position/Fund Balances

Net position of the Station is classified in three components for government-wide presentation:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. At August 31, 2023, the Station had \$104,538 of its fund balance restricted for special projects including \$77,866 for capital projects, and \$26,672 under a community service grant from the Corporation for Public Broadcasting. At August 31, 2022, the Station had \$16,247 of its fund balance restricted for special projects under a community service grant from the Corporation for Public Broadcasting.
- Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

The Station first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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NOTES TO FINANCIAL STATEMENTS

Fund balance of the Station is classified in the governmental fund financial statements as follows:

- Nonspendable fund balance consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact. There were no nonspendable funds at August 31, 2023 and 2022; therefore, this classification has not been presented.
- Restricted fund balance consists of amounts that are restricted for specific purposes. These restrictions are either (a) imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed through constitutional provisions or enabling legislation. At August 31, 2023, the Station had \$104,538 of its fund balance restricted for special projects including \$77,866 for capital projects, and \$26,672 under a community service grant from the Corporation for Public Broadcasting. At August 31, 2022, the Station had \$16,247 of its fund balance restricted for special projects under a community service grant from the Corporation for Public Broadcasting.
- Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless SPS removes or changes the specific use by taking the same type of action it used to commit those amounts. The School Board is SPS' highest level of authority. All actions concerning the approval, elimination, or modifications of fund balances will be accomplished through a resolution of budgetary reallocations. There were no committed funds at August 31, 2023 and 2022; therefore, this classification has not been presented.
- Assigned fund balance consists of amounts that are constrained by the Station intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be SPS' highest decision-making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. SPS management staff will have the overall responsibilities for monitoring these balances. At August 31, 2023 and 2022, the Station had \$581,575 and \$463,726, respectively, of assigned fund balances to meet budgetary requirements for the following fiscal year of the Station.
- Unassigned fund balance is the residual classification for the general fund.

The Station first applies assigned resources when an expenditure is incurred for purposes for which both assigned and unassigned resources are available.

Budget Process

The SPS School Board adopts annual appropriated budgets for the Station. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative unless the Station enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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NOTES TO FINANCIAL STATEMENTS

Excess of Expenditures over Appropriations

Expenditures for underwriting exceeded budgeted appropriations by \$80,156 because of underwriting commissions incurred to contractors during the year ended August 31, 2023.

There were no expenditures materially in excess of budgeted appropriations during the year ended August 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter stating that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Note 2. Capital Assets

The changes in capital assets of the Station are as follows for the year ended August 31, 2023:

	Balance, August 31, 2022	Additions	Retirements	Transfers	Balance, August 31, 2023
Broadcasting equipment	\$ 247,989	\$ 6,818	\$ -	\$ -	\$ 254,807
Less: accumulated depreciation	(141,026)	(10,611)	-	-	(151,637)
Net capital assets	\$ 106,963	\$ (3,793)	\$ -	\$ -	\$ 103,170

The changes in capital assets of the Station are as follows for the year ended August 31, 2022:

	Balance, August 31, 2021	Additions	Retirements	Transfers	Balance, August 31, 2022
Broadcasting equipment	\$ 247,989	\$ -	\$ -	\$ -	\$ 247,989
Less: accumulated depreciation	(132,913)	(8,113)	-	-	(141,026)
Net capital assets	\$ 115,076	\$ (8,113)	\$ -	\$ -	\$ 106,963

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NOTES TO FINANCIAL STATEMENTS

Note 3. Government-Wide Financial Statement Reconciliation

The Station recognizes certain transactions on the government-wide financial statements that are treated differently on the governmental fund financial statements. The following is a reconciliation of the fund balances/net position and changes in fund balances/net position from the governmental fund financial statements to the government-wide financial statements:

	2023	2022
<u>Governmental Fund Balance Sheet/Statement of Net Position</u>		
Fund balance - general fund	\$ 2,759,019	\$ 2,482,568
Capital assets - net	103,170	106,963
Accrued vacation	(52,764)	(41,509)
Net position - government-wide	\$ 2,809,425	\$ 2,548,022
 <u>Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities</u>		
Change in fund balance - general fund	\$ 276,451	\$ 284,097
Acquisition of capital assets	6,818	-
Depreciation expense	(10,611)	(8,113)
Accrued vacation	(11,255)	277
Change in net position - government-wide	\$ 261,403	\$ 276,261

Note 4. Commitments and Contingencies

SPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SPS purchases commercial insurance coverage to mitigate such risks. SPS, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of management and legal counsel, the disposition of these matters is not expected to have a material adverse effect on the Station's general-purpose financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended August 31, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Individual contributions	\$ 506,672	\$ 506,672	\$ 791,073	\$ 284,401
Underwriting	325,000	325,000	343,161	18,161
Grants from Corporation for Public Broadcasting	100,269	100,269	110,509	10,240
Support from Seattle Public Schools	156,633	156,633	170,985	14,352
Indirect support from Seattle Public Schools	88,813	88,813	100,303	11,490
In-kind contributions	-	-	21,053	21,053
Investment return	2,000	2,000	17,769	15,769
Total revenue	1,179,387	1,179,387	1,554,853	375,466
Expenditures				
Programming	308,459	308,459	304,469	3,990
Broadcasting and engineering	499,224	499,224	545,746	(46,522)
Membership	201,159	201,159	226,555	(25,396)
Underwriting	121,476	121,476	201,632	(80,156)
Total expenditures	1,130,318	1,130,318	1,278,402	(148,084)
Net change in fund balance	\$ 49,069	\$ 49,069	\$ 276,451	\$ 227,382

See accompanying note to required supplementary information.

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BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended August 31, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Individual contributions	\$ 427,000	\$ 427,000	\$ 722,059	\$ 295,059
Underwriting	235,000	235,000	332,407	97,407
Grants from Corporation for Public Broadcasting	94,793	94,793	100,269	5,476
Support from Seattle Public Schools	159,866	159,866	156,633	(3,233)
Indirect support from Seattle Public Schools	80,131	80,131	88,813	8,682
In-kind contributions	-	-	23,125	23,125
Investment return	2,000	2,000	(29,316)	(31,316)
Total revenue	998,790	998,790	1,393,990	395,200
Expenditures				
Programming	236,361	236,361	241,460	(5,099)
Broadcasting and engineering	540,117	540,117	432,202	107,915
Membership	227,601	227,601	243,281	(15,680)
Underwriting	169,976	169,976	192,950	(22,974)
Total expenditures	1,174,055	1,174,055	1,109,893	64,162
Net change in fund balance	\$ (175,265)	\$ (175,265)	\$ 284,097	\$ 459,362

See accompanying note to required supplementary information.

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NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Method of Accounting

Annual budgets are prepared using the modified accrual basis of accounting. Accordingly, there are no reconciling items between the budgetary basis of accounting and the method used in the fund financial statements.