



**Pacific Public Media
(KNKX)**

Financial Statements
Years Ended May 31, 2021 and 2020

Pacific Public Media
(KNKX)

Financial Statements
Years Ended May 31, 2021 and 2020

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(KNKX)**

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Independent Auditor's Report

To the Board of Directors
Pacific Public Media
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Pacific Public Media (KNKX), which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KNKX as of May 31, 2021 and 2020, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the KNKX's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance



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with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the KNKX'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 KNKX's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

October 12, 2021

Financial Statements

**Pacific Public Media
(KNKX)**

Statements of Financial Position

<i>May 31,</i>	2021	2020
Assets		
Current Assets		
Cash	\$ 3,512,829	\$ 3,288,683
Underwriting receivables	137,379	268,413
Contributions receivable, net	1,377,883	1,428,143
Prepaid expenses	111,020	118,791
Total Current Assets	5,139,111	5,104,030
Contributions receivable - Tacoma Station, net	8,382	28,965
Software and equipment, net	3,745,285	3,548,056
Identifiable intangible assets, net	7,935,000	7,935,000
Total Assets	\$ 16,827,778	\$ 16,616,051
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 38,678	\$ 120,968
Salaries and benefits payable	142,938	134,703
Other debt	133,709	85,355
Deferred underwriting	26,270	32,306
Total Current Liabilities	341,595	373,332
Paycheck Protection Program Loan	-	687,500
Other debt, net of current portion	129,961	-
Deferred underwriting - PLU	508,855	613,660
Lease incentive liability	197,456	204,445
Total Liabilities	1,177,867	1,878,937
Net Assets		
Without donor restrictions	14,259,094	13,509,967
With donor restrictions	1,390,817	1,227,147
Total Net Assets	15,649,911	14,737,114
Total Liabilities and Net Assets	\$ 16,827,778	\$ 16,616,051

See accompanying notes to financial statements.

**Pacific Public Media
(KNKX)**

Statements of Activities

<i>Year Ended May 31,</i>	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Listener support	\$ 4,780,454	\$ 1,227,883	\$ 6,008,337	\$ 4,314,846	\$ 1,175,487	\$ 5,490,333
Grants	90,000	150,000	240,000	23,000	-	23,000
Community service grant from Corporation for Public Broadcasting	794,140	-	794,140	561,559	-	561,559
Underwriting	1,200,469	-	1,200,469	1,815,202	-	1,815,202
In-kind contributions	226,091	-	226,091	11,552	-	11,552
Other income	31,399	-	31,399	68,257	-	68,257
Net assets released from restrictions	1,214,213	(1,214,213)	-	1,163,293	(1,163,293)	-
Total Revenue and Support	8,336,766	163,670	8,500,436	7,957,709	12,194	7,969,903
Expenses						
Program services						
Programming and production	3,495,082	-	3,495,082	3,485,335	-	3,485,335
Broadcasting and engineering	1,400,660	-	1,400,660	1,311,288	-	1,311,288
Program information and promotion	318,240	-	318,240	125,347	-	125,347
Total program services	5,213,982	-	5,213,982	4,921,970	-	4,921,970
Supporting services						
General and administrative	891,344	-	891,344	674,520	-	674,520
Fundraising and membership development	1,953,418	-	1,953,418	1,786,401	-	1,786,401
Total supporting services	2,844,762	-	2,844,762	2,460,921	-	2,460,921
Total Expenses	8,058,744	-	8,058,744	7,382,891	-	7,382,891
Change in Net Assets before Tacoma Station Campaign and Paycheck Protection Program Loan Forgiveness	278,022	163,670	441,692	574,818	12,194	587,012
Tacoma Station Capital Campaign contributions	-	57,191	57,191	-	1,747,321	1,747,321
Tacoma Station Capital Campaign expenses	(273,586)	-	(273,586)	(1,117,822)	-	(1,117,822)
Paycheck Protection Program loan forgiveness	687,500	-	687,500	-	-	-
Net assets released from restrictions	57,191	(57,191)	-	3,412,901	(3,412,901)	-
Change in Net Assets	749,127	163,670	912,797	2,869,897	(1,653,386)	1,216,511
Net Assets, beginning of year	13,509,967	1,227,147	14,737,114	10,640,070	2,880,533	13,520,603
Net Assets, end of year	\$ 14,259,094	\$ 1,390,817	\$ 15,649,911	\$ 13,509,967	\$ 1,227,147	\$ 14,737,114

See accompanying notes to financial statements.

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Statement of Functional Expenses

<i>Year Ended May 31, 2021</i>	Program Services				Supporting Services			Tacoma Station	Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	General and Administrative	Fundraising and Membership Development	Total Supporting Services		
Salaries, payroll taxes, and benefits	\$ 2,063,011	\$ 306,452	\$ -	\$ 2,369,463	\$ 657,375	\$ 1,163,203	\$ 1,820,578	\$ -	\$ 4,190,041
Professional and contract fees	1,292,598	16,591	39,974	1,349,163	134,041	331,602	465,643	23,792	1,838,598
Occupancy and tower leases	-	578,930	-	578,930	-	-	-	(6,990)	571,940
Depreciation and amortization	25,101	8,513	-	33,614	3,472	3,300	6,772	220,424	260,810
Advertising	-	-	249,471	249,471	8,440	-	8,440	-	257,911
Online digital services	43,589	159,824	-	203,413	-	1,118	1,118	-	204,531
Telephone and internet services	3,729	161,937	-	165,666	-	-	-	-	165,666
Postage printing and shipping	10	4,603	1,978	6,591	237	141,372	141,609	-	148,200
Bank service charges	-	-	-	-	-	147,213	147,213	-	147,213
Supplies	392	10,302	76	10,770	8,909	78,799	87,708	-	98,478
Equipment, repair, and maintenance	-	46,924	-	46,924	-	-	-	22,212	69,136
Taxes	181	21,713	1,416	23,310	3,840	17,203	21,043	1,355	45,708
Insurance	-	-	-	-	40,396	-	40,396	-	40,396
All Things Considered Project	38,726	-	-	38,726	-	-	-	-	38,726
Meetings and entertainment	50	-	1,450	1,500	2,502	34,702	37,204	-	38,704
Travel	19,908	11,945	22	31,875	1,925	4,301	6,226	-	38,101
Utilities - power and gas	-	37,218	-	37,218	-	-	-	-	37,218
Software and technology	-	-	23,853	23,853	896	7,666	8,562	-	32,415
Dues and subscriptions	7,787	-	-	7,787	1,530	22,939	24,469	-	32,256
License, fees and permits	-	28,851	-	28,851	1,146	-	1,146	-	29,997
Legal services	-	-	-	-	13,200	-	13,200	12,793	25,993
Bad debts	-	-	-	-	12,942	-	12,942	-	12,942
Office expense	-	6,857	-	6,857	493	-	493	-	7,350
Total Expenses	3,495,082	1,400,660	318,240	5,213,982	891,344	1,953,418	2,844,762	273,586	8,332,330
Less: Tacoma station expenses	-	-	-	-	-	-	-	(273,586)	(273,586)
Total Expenses Included in the Statements of Activities	\$ 3,495,082	\$ 1,400,660	\$ 318,240	\$ 5,213,982	\$ 891,344	\$ 1,953,418	\$ 2,844,762	\$ -	\$ 8,058,744

See accompanying notes to financial statements.

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Statement of Functional Expenses

<i>Year Ended May 31, 2020</i>	Program Services				Supporting Services			Tacoma Station	Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	General and Administrative	Fundraising and Membership Development	Total Supporting Services		
Salaries, payroll taxes, and benefits	\$ 2,030,937	\$ 322,348	\$ -	\$ 2,353,285	\$ 369,848	\$ 620,565	\$ 990,413	\$ 535,578	\$ 3,879,276
Professional and contract fees	1,284,414	81,313	56,301	1,422,028	109,713	836,660	946,373	268,179	2,636,580
Occupancy and tower leases	-	560,214	-	560,214	-	-	-	-	560,214
Depreciation and amortization	24,267	7,167	-	31,434	3,143	2,986	6,129	159,495	197,058
Advertising	-	-	53,737	53,737	-	-	-	15,227	68,964
Online digital services	-	137,857	-	137,857	-	-	-	-	137,857
Telephone and internet services	5,472	68,638	-	74,110	138	-	138	2,326	76,574
Postage, printing, and shipping	-	4,779	7,260	12,039	2,789	78,948	81,737	5,324	99,100
Bank service charges	-	-	-	-	-	133,909	133,909	-	133,909
Supplies	410	21,745	4,311	26,466	16,207	66,810	83,017	3,809	113,292
Equipment, repairs, and maintenance	-	9,768	-	9,768	-	-	-	96,540	106,308
Insurance	-	-	-	-	30,872	-	30,872	-	30,872
All Things Considered Project	62,356	-	-	62,356	-	-	-	-	62,356
Travel	27,493	14,031	640	42,164	12,875	7,533	20,408	-	62,572
Utilities - power and gas	-	41,210	-	41,210	-	-	-	-	41,210
Software and technology	24,107	24,165	-	48,272	30,776	890	31,666	8,637	88,575
Dues and subscriptions	18,396	40	-	18,436	35,782	11,900	47,682	-	66,118
Office expense	5,802	18,013	2,201	26,016	9,284	15,574	24,858	21,818	72,692
Legal services	-	-	-	-	19,278	-	19,278	-	19,278
Bad debt	-	-	-	-	32,020	-	32,020	-	32,020
Events and marketing	1,681	-	897	2,578	-	9,074	9,074	-	11,652
Amortization	-	-	-	-	1,795	-	1,795	-	1,795
In-kind support	-	-	-	-	-	1,552	1,552	-	1,552
Miscellaneous	-	-	-	-	-	-	-	889	889
Total Expenses	3,485,335	1,311,288	125,347	4,921,970	674,520	1,786,401	2,460,921	1,117,822	8,500,713
Less: Tacoma station expenses	-	-	-	-	-	-	-	(1,117,822)	(1,117,822)
Total Expenses Included in the Statements of Activities	\$ 3,485,335	\$ 1,311,288	\$ 125,347	\$ 4,921,970	\$ 674,520	\$ 1,786,401	\$ 2,460,921	\$ -	\$ 7,382,891

See accompanying notes to financial statements.

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Statements of Cash Flows

<i>Year Ended May 31,</i>	2021	2020
Cash Flows from (for) Operating Activities		
Change in net assets	\$ 912,797	\$ 1,216,511
Adjustments to reconcile change in net assets to net cash flows from (for) operating activities:		
Contributions for Tacoma station capital campaign	(57,191)	(1,747,321)
Depreciation	260,810	197,058
Other amortization	-	1,795
Bad debt expense	12,942	32,020
Changes in operating assets and liabilities		
Underwriting receivables	131,034	37,193
Contributions receivable, net	37,318	(324,617)
Tenant improvement receivable	-	104,844
Prepaid expenses	7,771	14,385
Contributed use of facilities receivable	-	5,839
Accounts payable and accrued expenses	(82,290)	(39,868)
Salaries and benefits payable	8,235	6,898
PPP loan forgiveness	(687,500)	-
Lease incentive liability	(6,989)	-
Deferred underwriting	(110,841)	(89,889)
Net Cash Flows from (for) Operating Activities	426,096	(585,152)
Cash Flows for Investing Activity		
Tacoma station capital campaign plus other acquisitions	(68,158)	(1,582,759)
Cash Flows from (for) Financing Activities		
Cash collected for Tacoma station	77,774	2,194,140
Cash received from long-term debt	-	687,500
Payments on long-term and other debt	(211,566)	-
Cash received from other debt	-	85,355
Net Cash Flows from (for) Financing Activities	(133,792)	2,966,995
Net Change in Cash	224,146	735,044
Cash, beginning of year	3,288,683	2,553,639
Cash, end of year	\$ 3,512,829	\$ 3,288,683
Supplemental Disclosure		
Purchase of software and equipment through acquisition of debt	\$ 389,881	\$ -

See accompanying notes to financial statements.

Pacific Public Media (KNKX)

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

Pacific Public Media, incorporated January 13, 2016, and operating under KNKX 88.5 FM (KNKX), is a nonprofit corporation providing public radio programming and services to the Puget Sound region. KNKX broadcasts from its Seattle and Tacoma stations.

KNKX prides itself as being the region's best leading source of jazz, blues, and in-depth local and national news, available 24 hours a day online, through a cell phone application, or on the radio. KNKX also provides a full-time streaming jazz service, Jazz24. Broadcasting around the world, Jazz24 reaches a worldwide audience and further spreads the American music genre of jazz to new and old listeners alike.

Financial Statement Presentation

KNKX reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions restricted by time or program are reported as net assets with donor restrictions and are then reclassified to net assets without donor restrictions when the restrictions are met.

Board-Designated Net Assets

KNKX has an operating reserve of \$1,693,439 that is designated by the board and included within net assets without donor restrictions at May 31, 2021 and 2020.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at May 31:

	2021	2020
Time-restricted listener support	\$ 1,227,883	\$ 1,175,487
All Things Considered broadcasting	12,934	51,660
Time-restricted grants	150,000	-
	<u>\$ 1,390,817</u>	<u>\$ 1,227,147</u>

Time-restricted listener support represents contributions scheduled by the listener to be received in the following year. KNKX has elected to report net assets with donor restrictions whose restrictions are met in the same period they are received as being without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Pacific Public Media (KNKX)

Notes to Financial Statements

Recent Accounting Pronouncement Adopted

During the year ended May 31, 2021, KNKX adopted the provisions of the Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (commonly referred to as Accounting Standards Codification Topic 606 (ASC 606)), issued by the Financial Accounting Standards Board (FASB). The pronouncement was issued to clarify the principles for recognizing revenue, and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

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

KNKX adopted this update on the modified prospective basis. The only revenue stream affected by this ASU is underwriting revenue. There was no significant impact on KNKX's financial statements as the method and timing of revenue recognition did not change under ASC 606. As such, no adjustment to net assets was necessary at June 1, 2020.

Cash

Cash consists of cash held in banks. At times during the year, KNKX has cash in banks in excess of the FDIC insurance limits. To mitigate this risk, management believes it has selected financially sound banks to hold its funds.

Receivables

Almost all underwriting fees come from companies located in the Pacific Northwest. These receivables are stated at their outstanding principal balances.

Unconditional promises to give (contributions receivable) that are expected to be collected in one year are recorded at net realizable value. Contributions receivable over periods in excess of one year are initially recorded at fair value including assumptions about expected year of collection, estimated allowance, and donor-specific discount rates.

Management reviews underwriting and contributions receivable 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 determined an allowance for uncollectible underwriting receivable was not necessary at May 31, 2021 or 2020. Management has recognized an allowance for uncollectible contributions receivable of \$0 and \$28,965 at May 31, 2021 and 2020, respectively. Writeoffs amounted to \$12,941 and \$32,020 for the years ended May 31, 2021 and 2020, respectively.

Software and Equipment

KNKX capitalizes expenditures for software and equipment at cost or, if donated, at the estimated fair value at the time of receipt. KNKX capitalizes software and equipment purchases with a cost or donated value of greater than \$10,000 and a useful life in excess of one year. Depreciation and

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Notes to Financial Statements

amortization is computed using the straight-line method over the estimated useful life for all software and equipment. Leasehold improvements are depreciated on the straight-line basis over the shorter of the term of the lease or the estimate useful life of the improvements. As of May 31, 2020, all construction in progress related to the new Tacoma Station was placed in service.

Identifiable Intangible Assets

Identifiable intangible assets are stated at cost and consist of \$7,935,000 in FCC licenses at May 31, 2021 and 2020. FCC licenses were acquired in 2016 from Pacific Lutheran University (PLU) and have an indefinite life and, therefore, are not amortized. Intangible assets are reviewed at least annually for potential impairment.

Long-Term Debt

In April 2020, KNKX received a loan through the SBA Paycheck Protection Program (PPP Loan) in the amount of \$687,500. The loan incurs interest at 1% and is unsecured. The principal and interest of the note is forgivable if the proceeds are spent on qualifying costs during the 24-week period following the date the note is issued. Qualified costs are considered as 60% of the loan amount on payroll costs, 40% on non-payroll costs including rent and utilities. Principal and interest payments are deferred for the first 10-months of the note period, following the 24-week period. KNKX received forgiveness of both the outstanding principal and interest on December 18, 2020, and has recorded the PPP loan forgiveness as income in the statements of activities during the year ended May 31, 2021.

During the year ended May 31, 2021, KNKX financed the purchase of software for \$389,881. The note is interest free and payable in quarterly installments of \$32,490. Minimum loan payments totaling \$129,960 per year are due in the fiscal years ending May 31, 2022 and 2023.

Revenue Recognition

Listener support represents unconditional amounts given or pledged by individuals and are recognized in the period received. Subscription revenue consists of automatically renewing pledges and are included within listener support. Subscriptions are recognized for a 12-month period as of the renewal date of the initial commitment, as subscriptions may be canceled at any time by the donor. During the years ended May 31, 2021 and 2020, KNKX received \$109,683 and \$65,986 in contributions from related parties, respectively.

Grant revenue from the Corporation for Public Broadcasting represents unrestricted funding to support general operations. All grant revenue is recognized as revenue when the grant is awarded unless there are conditions placed on the grant by the donor. There were no outstanding conditional grants as of May 31, 2021 or 2020.

Underwriting fees are recognized when the related programming is aired on the radio or when digital sponsorships are delivered (i.e. the number of times the sponsorship appears in viewed internet pages) at the amount KNKX has the right to invoice. Revenue is recognized as a point in time. No significant judgements are necessary to determine the amount or timing of revenue recognition. Customers are billed at the end of each month for sponsorships aired during that month. Payment is generally due within 30 days of the invoice date. As of May 31, 2021 and 2020, KNKX had receivables for underwriting receivables of \$137,379 and \$268,413, respectively.

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Notes to Financial Statements

Underwriting fees received in advance are recognized as deferred underwriting revenue. In a prior year, KNKX partially paid for the purchase of an asset through the promise of future underwriting (see Note 5). The deferred underwriting related to this agreement was \$508,855 and \$613,660 as of May 31, 2021 and May 31, 2020, respectively.

KNKX expenses incremental costs to obtain a contract (such as sales commissions, general and administrative costs, and costs that cannot be assigned to a performance obligation) when incurred because the amortization period would have been one year or less.

In-Kind Contributions

Donated services and supplies are recognized at their estimated fair value in the financial statements. For the year ended May 31, 2021, \$226,091 in-kind advertising was received from one donor. There were no similar concentrations for the year ended May 31, 2020. In addition, many individuals volunteer their time and perform a variety of tasks for KNKX, but these services do not meet the criteria for recognition in the financial statements as contributed services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Occupancy, depreciation, and amortization expenses are allocated on a square-footage basis. Expenses such as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other are allocated to their functional areas based on estimated time and effort.

Income Taxes

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

Subsequent Events

KNKX has evaluated subsequent events through the date these financial statements were available to be issued, which was October 12, 2021.

2. Liquidity and Availability of Resources

KNKX strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The general expenditures include costs to run programs, fundraise, perform underwriting services, and other contractual obligations. Financial assets in excess of daily cash requirements can be invested in certificates of deposit, money market funds, and other short-term investments (beginning in 2021).

KNKX manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term mission fulfillment will continue to be met, ensuring the sustainability of the organization.

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Notes to Financial Statements

The following table reflects KNKX financial assets as of May 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions, donor restrictions, or internal board designations. KNKX has board-designated funds held for an operating reserve. In the event that the need arises to utilize board-designated funds for liquidity purposes, these reserves could be drawn upon through board resolution.

<i>May 31,</i>	2021	2020
Financial Assets at Year-End		
Cash and cash equivalents	\$ 3,512,829	\$ 3,288,683
Underwriting receivables	137,379	268,413
Contributions receivable, net	1,377,883	1,428,143
Contributions receivable - Tacoma station, net	8,382	28,965
Total Financial Assets	5,036,473	5,014,204
Board-designated reserve	(1,693,493)	(1,693,493)
Donor-restricted for time or purpose	(1,390,817)	(1,227,147)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 1,952,163	\$ 2,093,564

3. Software and Equipment

Software and equipment consist of the following at:

<i>May 31,</i>	2021	2020
Property Plant & Equipment	\$ 1,048,373	\$ 1,005,215
Leasehold Improvements	2,785,800	2,760,800
Software	389,881	-
	4,224,054	3,766,015
Less: Accumulated depreciation and amortization	(478,769)	(217,959)
	\$ 3,745,285	\$ 3,548,056

Software at May 31, 2021 has not been placed in service and is not being amortized until the software is fully in use by management.

**Pacific Public Media
(KNKX)**

Notes to Financial Statements

4. Contributed Use of Facilities

KNKX leased office space from PLU under an operating agreement that expired in June 2019. Upon execution of the lease, KNKX recognized an in-kind contribution of use of facilities for the fair value of leased premises for the noncancelable lease period totaling \$204,167. A discount was not recognized on the long-term pledge as the amount was not material. The contributed use of facilities receivable is amortized on a straight-line basis over the lease term to rent expense (included in occupancy on the statements of functional expenses). Rent expense under this lease was \$5,839 during the year ended May 31, 2020. There was no unamortized balance of the contributed use of facilities receivable at May 31, 2021 and 2020.

In September 2018, KNKX entered into a new lease agreement for office and broadcasting space in Tacoma, Washington, which replaced the leased space at PLU when the lease expired in June 2019. The new lease was effective July 2019, with a 10-year term including four five-year options to extend (for a total available lease period of 30 years). The landlord has agreed to cover tenant improvements up to \$209,688. Therefore, KNKX recorded a lease incentive liability related to these leasehold improvements, which will be amortized over the term of the lease as a reduction to rent expense. See Note 6 for future minimum rent payments.

5. Deferred Underwriting - PLU

Under terms of the Asset Purchase Agreement (the Agreement) with PLU in 2016 (see Note 1), KNKX paid \$7 million in cash and was obligated to provide \$1 million of underwriting services to PLU. Under the Agreement, up to \$100,000 of underwriting is to be provided per year for 10 years, with an allowed unused carryover amount of \$10,000 per year. Underwriting in excess of \$100,000 per year will reduce the following year's allocation. Underwriting performed under the Agreement during the years ended May 31, 2021 and 2020, was \$104,805 and \$104,830, respectively. The remaining deferred obligation is \$508,855 and \$613,660 at May 31, 2021 and 2020, respectively.

6. Operating Leases

KNKX leases its Seattle office and broadcasting station under a noncancelable lease that expires in December 2021. Lease payments are adjusted annually for changes in the Consumer Price Index. Lease expense under this lease during the years ended May 31, 2021 and 2020, was \$197,877 and \$176,804, respectively. In addition, lease expense related to the Tacoma station lease described in Note 4 was \$161,260 and \$150,271 during the years ended May 31, 2021 and 2020, respectively. Future minimum lease payments under these leases (assuming no Consumer Price Index adjustment) are as follows for the years ending May 31:

2022	\$	285,180
2023		191,178
2024		190,582
2025		185,097
2026		189,724
Thereafter		615,170
	\$	1,656,931

**Pacific Public Media
(KNKX)**

Notes to Financial Statements

KNKX leases equipment and facilities for the purpose of transmitting at 11 separate locations (in addition to its Seattle and Tacoma stations). Terms range from month-to-month to an expiration in December 2030, and generally require monthly or annual payments with fixed annual increases. Lease expense under these leases during the years ended May 31, 2021 and 2020, was \$212,803 and \$222,964, respectively.

Future minimum lease payments under these leases are as follows for the years ending May 31:

2022	\$	204,122
2023		210,503
2024		218,149
2025		217,951
2026		220,773
Thereafter		704,058

\$ 1,775,556

7. Retirement Plan

KNKX has a defined contribution 401(k) pension plan (the Plan) covering employees who meet prescribed service requirements. Contributions are made in accordance with the provisions of the Plan, which require employer contributions of 3% of total compensation and, in addition, a match of employee contributions of up to 5% of compensation. During the years ended May 31, 2021 and 2020, KNKX contributed \$242,866 and \$237,049, respectively, to the Plan.