

Copy of Financial Statement

**THE KBOO FOUNDATION
FINANCIAL STATEMENTS
Year Ended September 30, 2014**



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Year Ended September 30, 2014

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KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
The KBOO Foundation

We have reviewed the accompanying statement of financial position of The KBOO Foundation (a nonprofit organization) as of September 30, 2014, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from the Organization's September 30, 2013 financial statements, which were audited by us, and in our report dated July 18, 2014, we expressed an unmodified opinion on those financial statements.

KERN & THOMPSON, LLC

Portland, Oregon
December 19, 2014

THE KBOO FOUNDATION

STATEMENT OF FINANCIAL POSITION

September 30, 2014

(With Comparative Totals as of September 30, 2013)

ASSETS

	<u>2014</u> <u>Reviewed</u>	<u>2013</u> <u>Audited</u>
Cash and cash equivalents	\$ 281,682	\$ 257,335
Accounts receivable	36,914	8,537
Prepaid expenses	3,166	7,599
	<u>321,762</u>	<u>273,471</u>
Property and equipment - net	187,291	198,313
Beneficial interest in assets held by others	<u>219,038</u>	<u>208,930</u>
Total assets	<u>\$ 728,091</u>	<u>\$ 680,714</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 2,281	\$ 12,421
Accrued payroll and related liabilities	<u>16,842</u>	<u>18,821</u>
Total liabilities	<u>19,123</u>	<u>31,242</u>
Net assets		
Unrestricted		
Undesignated	277,485	240,542
Board designated for operating reserve	200,000	200,000
Board designated endowment funds	<u>219,038</u>	<u>208,930</u>
Total unrestricted	696,523	649,472
Temporarily restricted	<u>12,445</u>	<u>-</u>
Total net assets	<u>708,968</u>	<u>649,472</u>
Total liabilities and net assets	<u>\$ 728,091</u>	<u>\$ 680,714</u>

See accountants' review report and notes to financial statements.

THE KBOO FOUNDATION
STATEMENT OF ACTIVITIES

Year Ended September 30, 2014
(With Comparative Totals for the Year Ended September 30, 2013)

	2014			2013
	Reviewed			
	Unrestricted	Temporarily Restricted	Total	Audited
Revenues, gains and other support				
Membership subscriptions	\$ 590,849	\$ -	\$ 590,849	\$ 519,553
Contributions	17,032	25,500	42,532	13,363
In-kind contributions	63,246	-	63,246	62,444
Special events, net of expense of \$2,000	11,782	-	11,782	15,456
Underwriting and advertising	69,732	-	69,732	73,583
Lease income	9,225	-	9,225	7,800
Investment income	22,268	-	22,268	22,069
Other income	26,914	-	26,914	-
	<u>811,048</u>	<u>25,500</u>	<u>836,548</u>	<u>714,268</u>
Net assets released from restrictions	13,055	(13,055)	-	-
Total revenue, gains and other support	<u>824,103</u>	<u>12,445</u>	<u>836,548</u>	<u>714,268</u>
Expenses				
Programming and production	537,399	-	537,399	552,077
Broadcast and technical	53,969	-	53,969	63,913
Program information	8,565	-	8,565	11,593
Total program services	<u>599,933</u>	<u>-</u>	<u>599,933</u>	<u>627,583</u>
Supporting services				
Administration	76,541	-	76,541	74,027
Fund-raising	100,578	-	100,578	90,305
Total expenses	<u>777,052</u>	<u>-</u>	<u>777,052</u>	<u>791,915</u>
Change in net assets	47,051	12,445	59,496	(77,647)
Net assets, beginning of year	<u>649,472</u>	<u>-</u>	<u>649,472</u>	<u>727,119</u>
Net assets, end of year	<u>\$ 696,523</u>	<u>\$ 12,445</u>	<u>\$ 708,968</u>	<u>\$ 649,472</u>

See accountants' review report and notes to financial statements.

THE KBOO FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended September 30, 2014
(With Comparative Totals for the Year Ended September 30, 2013)

	<u>2014</u> <u>Reviewed</u>	<u>2013</u> <u>Audited</u>
Cash flows from operating activities:		
Change in net assets	\$ 59,496	\$ (77,647)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	23,246	24,552
Net (gain) loss on investments	(18,996)	(19,071)
Changes in assets and liabilities:		
Accounts receivable	(28,377)	498
Prepaid expenses	4,433	7,770
Accounts payable	(10,140)	(2,146)
Accrued payroll and related liabilities	(1,979)	116
Net cash provided by (used in) operating activities	<u>27,683</u>	<u>(65,928)</u>
Cash flows from investing activities:		
Distributions from beneficial interest in assets held by others	8,888	8,652
Purchase of property and equipment	(12,224)	-
Net cash provided by (used in) investing activities	<u>(3,336)</u>	<u>8,652</u>
Net increase in cash and cash equivalents	24,347	(57,276)
Cash and cash equivalents, beginning of year	<u>257,335</u>	<u>314,611</u>
Cash and cash equivalents, end of year	<u>\$ 281,682</u>	<u>\$ 257,335</u>

See accountants' review report and notes to financial statements.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A – DESCRIPTION OF ORGANIZATION

The KBOO Foundation (the Foundation) is an Oregon non-profit corporation which operates a listener-supported, non-commercial public radio station in Portland, Oregon.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be permanently maintained.

Expenses are reported as a decrease in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (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

The Foundation classifies as cash and cash equivalents all checking, savings, and money market accounts used for operating purposes.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. The Foundation has elected to show temporarily restricted contributions whose restrictions are met in the same fiscal year as unrestricted.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Concentrations of Credit Risk

Receivables consist primarily of uncollected fees from program contracts and subleases, which are unsecured. No allowance for doubtful accounts has been recorded, as management believes all accounts are collectible, based on historical experience and knowledge of current circumstances. Accounts receivable over 90 days old are considered delinquent and are immaterial at September 30, 2014.

The Foundation has cash and cash equivalents which may exceed depository insurance limits. The Foundation makes such deposits with high credit quality entities and has not experienced any credit related losses.

Investments are valued at their fair value in the statement of financial position. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is also shown in the statement of activities.

Endowment Investment and Spending Policies

The goal of the Foundation's investment program for funds held as Board designated endowment is to achieve a total rate of return that will allow the Foundation 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 Foundation 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). Foundation endowment assets are invested in The Oregon Community Foundation (OCF) as an endowment partner.

The Foundation 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 Board designated 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.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies (Continued)

The Foundation's investment objective for funds held as Board designated endowment funds is to preserve capital and, if possible, purchasing power over the life of the fund. To meet this objective, assets of individual funds are invested in a mixture of cash, bonds, stocks and other investments that will produce a reasonable return over a reasonable period, consistent with the payout schedule and program objective of the fund.

Contributed Services

The value of contributed services meeting the requirements for recognition has been recorded in the financial statements (see Note H). Additionally, numerous volunteers have donated a significant number of hours to the Foundation. Although these services do not meet the criteria for recognition under generally accepted accounting principles, they are integral to the Foundation's mission. The Foundation had approximately 500 volunteers for the year ended September 30, 2014.

Property and Equipment

Fixed assets in excess of \$1,500 individually are reported at cost or, in the case of donated property, at estimated fair value determined as of the date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of individual assets, which range from 5 to 30 years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Foundation has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a)(1) of the Code. Accordingly, donations made to the Foundation qualify as charitable contributions.

The Organization does not believe it has unrelated trade or business income in excess of \$1,000. As such, no provision for income taxes is reflected in the financial statements. The Foundation's federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized in the Statements of Activities. Certain costs, including salaries and benefits, rent and utilities, have been allocated among the programs and supporting services benefited.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

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 September 30, 2013, from which the summarized information was derived.

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 Foundation's endowment partner, OCF, and is based upon the Foundation'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.

Fair value of assets measured on a recurring basis at September 30, 2014 were:

	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>219,038</u>

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended September 30, 2014, the changes in investments (all unrestricted board designated net assets) classified as Level 3 are as follows:

Balance September 30, 2013	\$ 208,930
Total gains and (losses)	18,996
Distributions	<u>(8,888)</u>
Balance September 30, 2014	<u>\$ 219,038</u>

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In December 2000, \$100,000 was transferred to the Oregon Community Foundation (OCF) in conjunction with the Board designated endowment fund. Variance power was not granted to OCF unless the Foundation 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 Foundation each year.

NOTE E – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2014 consist of:

Cash on hand and in checking	\$ 65,400
Money market accounts (includes Board designated operating reserve of \$200,000)	214,681
Brokerage	<u>1,601</u>
	<u>\$ 281,682</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2014:

Land	\$ 23,709
Building and improvements	192,720
Office furniture and equipment	108,524
Production and broadcast equipment	1,032,696
Construction in process	<u>12,224</u>
	1,369,873
Less accumulated depreciation	<u>(1,182,582)</u>
	<u>\$ 187,291</u>

Depreciation expense for the year ended September 30, 2014 was \$23,246.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

NOTE F – PROPERTY AND EQUIPMENT (CONTINUED)

Several pieces of equipment were acquired with partial funding from the National Telecommunications and Information Administration, which retains a priority reversionary interest in the equipment. Equipment subject to the reversionary interest totals \$77,466 for the year ended September 30, 2014, and is included in property and equipment on page 2. The reversionary interest will be in effect through April 2021.

NOTE G – NET ASSETS

In addition to the Board designated endowment funds (see Note D), the Board has designated a portion of cash and unrestricted net assets as a three-month operating reserve for the future. These Board designated net assets totaled \$200,000 as of September 30, 2014.

Temporarily restricted net assets of \$12,445 consist of grants restricted for purpose as of September 30, 2014.

NOTE H – IN-KIND CONTRIBUTIONS

In-kind contributions of transmitter space rents included in the Statement of Activities for the year ended September 30, 2014 are \$63,246.

NOTE I – LEASE COMMITMENTS

The Foundation leases tower space for certain repeater stations from third parties under operating lease agreements for various terms ranging up to 5 years with renewal options. The minimum rental commitments are summarized as follows:

<u>Year Ending September 30,</u>	
2015	\$ 54,226
2016	<u>38,439</u>
	<u>\$ 92,665</u>

Total rent expense for the year ended September 30, 2014 was \$120,463, including in-kind transmitter space rents contributed.

The Foundation subleases space on the towers to various unaffiliated not-for profit organizations on a month-to-month basis. Tower rental income is included as "lease income" in the statement of activities.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

NOTE J – EMPLOYEE BENEFIT PLAN

The Foundation maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. Retirement contributions by the Foundation are at the discretion of the Board of Directors. No contributions were made by the Foundation for the year ended September 30, 2014.

NOTE K – CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

The Foundation's staff, with the exception of management, (representing approximately 75% of the Foundation's employees), are members of the Communications Workers of America Local 7901, Local #123, American. The Foundation's contract with the union has been renewed through September 30, 2015. The Foundation's management are not represented by a union.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 19, 2014, which is the date the financial statements were available to be issued.