



Consolidated Financial Statements
June 30, 2021 and 2020

Spokane Public Radio, Inc.

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Independent Auditor's Report

To the Board of Directors
Spokane Public Radio, Inc.
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Spokane Public Radio, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spokane Public Radio, Inc. as of June 30, 2021 and 2020, and the 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Spokane, Washington
November 30, 2021

Spokane Public Radio, Inc.
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 819,545	\$ 684,208
Certificate of deposit	10,271	10,123
Subscription and membership promises to give, net	41,993	60,096
Underwriting receivable	39,773	33,757
Prepaid expenses	-	10,000
Beneficial interest in assets held by community foundation	146,780	135,273
Property and equipment, net	3,857,021	4,014,737
Cash surrender value of life insurance policy	25,317	24,526
	<u>\$ 4,940,700</u>	<u>\$ 4,972,720</u>
Liabilities and Net Assets		
Accounts payable	\$ 955	\$ 689
Accrued expenses	108,726	45,500
Advance from donor	140,000	140,000
Notes payable	344,229	388,123
Paycheck Protection Program loan	-	174,600
Total liabilities	<u>593,910</u>	<u>748,912</u>
Net Assets		
Without donor restrictions		
Undesignated	4,251,466	3,675,805
Noncontrolling interest	-	423,095
Total without donor restrictions	4,251,466	4,098,900
With donor restrictions	<u>95,324</u>	<u>124,908</u>
Total net assets	<u>4,346,790</u>	<u>4,223,808</u>
	<u>\$ 4,940,700</u>	<u>\$ 4,972,720</u>

Spokane Public Radio, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Corporation for Public Broadcasting			
Community Service Grant (CSG)	\$ 420,404	\$ -	\$ 420,404
State grants	55,000	-	55,000
Foundation grants	23,250	-	23,250
Total grants	498,654	-	498,654
Gross special events revenue	2,634	-	2,634
Subscriptions and memberships	1,011,167	5,141	1,016,308
Paycheck Protection Program loan forgiveness	174,600	-	174,600
Underwriting and sponsorships	343,779	-	343,779
Contributions	31,573	-	31,573
Donated professional services	116,410	-	116,410
Interest and royalty income	10,198	-	10,198
Rent	1,726	-	1,726
Change in value from beneficial interest	(9,863)	-	(9,863)
Net assets released from restrictions	34,725	(34,725)	-
Total revenue, support, and gains	2,215,603	(29,584)	2,186,019
Expenses			
Program services expense			
Programming, public relations, and program guide	1,115,035	-	1,115,035
Engineering and equipment	327,170	-	327,170
Total program expenses	1,442,205	-	1,442,205
Supporting services expense			
Management and general	376,667	-	376,667
Fundraising and membership development	236,164	-	236,164
Total supporting services expenses	612,831	-	612,831
Total expenses	2,055,036	-	2,055,036
Change in Net Assets	160,567	(29,584)	130,983
Noncontrolling Interest			
Distributions	(8,001)	-	(8,001)
Net Assets, Beginning of Year	4,098,900	124,908	4,223,808
Net Assets, End of Year	\$ 4,251,466	\$ 95,324	\$ 4,346,790

Spokane Public Radio, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Corporation for Public Broadcasting			
Community Service Grant (CSG)	\$ 313,475	\$ -	\$ 313,475
Foundation grants	25,000	-	25,000
Total grants	338,475	-	338,475
Gross special events revenue	92,126	-	92,126
Less cost of direct benefits to donors	(18,476)	-	(18,476)
Net special events revenue	73,650	-	73,650
Subscriptions and memberships	1,061,895	18,249	1,080,144
Underwriting and sponsorships	353,825	-	353,825
Contributions	87,517	-	87,517
Donated professional services	121,212	-	121,212
Interest and royalty income	2,697	-	2,697
Rent	6,900	-	6,900
Change in value from beneficial interest	(459)	-	(459)
Net assets released from restrictions	38,782	(38,782)	-
Total revenue, support, and gains	2,084,494	(20,533)	2,063,961
Expenses			
Program services expense			
Programming, public relations, and program guide	1,169,409	-	1,169,409
Engineering and equipment	287,576	-	287,576
Total program expenses	1,456,985	-	1,456,985
Supporting services expense			
Management and general	345,292	-	345,292
Fundraising and membership development	265,363	-	265,363
Total supporting services expenses	610,655	-	610,655
Total expenses	2,067,640	-	2,067,640
Change in Net Assets	16,854	(20,533)	(3,679)
Noncontrolling Interest			
Distributions	(8,002)	-	(8,002)
Net Assets, Beginning of Year	4,090,048	145,441	4,235,489
Net Assets, End of Year	\$ 4,098,900	\$ 124,908	\$ 4,223,808

Spokane Public Radio, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					
	Programming, Public Relations and Program Guide	Engineering and Equipment	Total	Management and General	Fundraising and Membership Development	Total
Payroll and Employee Benefits	\$ 402,983	\$ 71,410	\$ 474,393	\$ 244,067	\$ 188,324	\$ 906,784
Professional Services	99,091	53,068	152,159	59,828	25,013	237,000
Supplies and Postage	3,745	1,948	5,693	9,883	1,091	16,667
Utilities and Telephone	21,496	64,399	85,895	-	-	85,895
Rental Space	5,400	21,440	26,840	-	-	26,840
Repairs and Maintenance	25,814	22,875	48,689	16,951	460	66,100
Network Programming Fees	452,724	-	452,724	-	-	452,724
Marketing and Development	6,933	-	6,933	23,351	-	30,284
Insurance	23,800	-	23,800	950	-	24,750
Bank Fees	-	-	-	3,619	4,560	8,179
Printing	1,071	-	1,071	-	-	1,071
Tax Items	1,023	597	1,620	256	256	2,132
Depreciation	63,452	88,030	151,482	15,463	15,204	182,149
Interest	7,503	3,403	10,906	1,256	1,256	13,418
Other	-	-	-	1,043	-	1,043
Total Expenses by Function	<u>\$ 1,115,035</u>	<u>\$ 327,170</u>	<u>\$ 1,442,205</u>	<u>\$ 376,667</u>	<u>\$ 236,164</u>	<u>\$ 2,055,036</u>

Spokane Public Radio, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					
	Programming, Public Relations and Program Guide	Engineering and Equipment	Total	Management and General	Fundraising and Membership Development	Total
Payroll and Employee Benefits	\$ 392,788	\$ 78,782	\$ 471,570	\$ 231,072	\$ 176,363	\$ 879,005
Professional Services	81,357	47,420	128,777	58,209	17,959	204,945
Supplies and Postage	9,261	4,883	14,144	2,957	4,613	21,714
Utilities and Telephone	36,544	43,752	80,296	5,931	5,931	92,158
Rental Space	3,535	27,315	30,850	-	1,285	32,135
Repairs and Maintenance	23,834	16,253	40,087	6,455	3,904	50,446
Network Programming Fees	452,346	-	452,346	-	-	452,346
Marketing and Development	24,769	390	25,159	4,646	20,719	50,524
Insurance	27,781	492	28,273	1,161	211	29,645
Bank Fees	12	7	19	4,886	2,728	7,633
Printing	126	-	126	-	2,386	2,512
Direct Fundraising Costs	-	-	-	-	18,476	18,476
Depreciation	107,693	62,821	170,514	26,923	26,923	224,360
Interest	8,440	4,923	13,363	2,110	2,110	17,583
Other	923	538	1,461	942	231	2,634
Total Expenses by Function	1,169,409	287,576	1,456,985	345,292	283,839	2,086,116
Less Expenses Included with Revenues on the Statement of Activities						
Cost of direct benefits to donors	-	-	-	-	(18,476)	(18,476)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 1,169,409</u>	<u>\$ 287,576</u>	<u>\$ 1,456,985</u>	<u>\$ 345,292</u>	<u>\$ 265,363</u>	<u>\$ 2,067,640</u>

Spokane Public Radio, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 130,983	\$ (3,679)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	182,149	224,360
Paycheck Protection Program loan forgiveness	(174,600)	-
Imputed interest expense	11,481	12,504
Change in beneficial interest in assets held by community foundation	9,863	459
Cash surrender value of donated life insurance policy	(791)	(775)
Changes in operating assets and liabilities		
Subscription and membership promises to give, net	18,103	(14,339)
Underwriting receivable	(6,016)	12,052
Prepaid expenses	9,852	-
Accounts payable	266	(8,184)
Accrued expenses	63,226	(2,662)
Net Cash from Operating Activities	<u>244,516</u>	<u>219,736</u>
Investing Activities		
Maturity of certificate of deposit	10,123	10,123
Purchase of certificate of deposit	(10,123)	(10,123)
Purchase of property and equipment	(24,433)	-
Contributions to community foundation	(21,370)	(77,180)
Net Cash used for Investing Activities	<u>(45,803)</u>	<u>(77,180)</u>
Financing Activities		
Collections of contributions restricted to building project	-	22,368
Distributions	(8,001)	(8,002)
Proceeds from issuance of Paycheck Protection Program loan	-	174,600
Principal payments on notes payable	(55,375)	(70,574)
Net Cash from (used for) Financing Activities	<u>(63,376)</u>	<u>118,392</u>
Net Change in Cash and Cash Equivalents	135,337	260,948
Cash and Cash Equivalents, Beginning of Year	<u>684,208</u>	<u>423,260</u>
Cash and Cash Equivalents, End of Year	<u>\$ 819,545</u>	<u>\$ 684,208</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 1,937</u>	<u>\$ 5,079</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

Spokane Public Radio, Inc. (the Organization) is a Washington nonprofit organization operating three noncommercial public radio stations in Spokane, Washington (KPBZ-FM 90.3, KPBX-FM 91.1, and KSFC-FM 91.9). The stations serve parts of eastern Washington, northern Idaho, western Montana, eastern Oregon, and British Columbia, Canada, through ten full power radio repeater stations and three translator stations. Management estimates that the stations reach between sixty and seventy thousand listeners, based upon published radio listener surveys.

Spokane Public Radio, Inc. offers a variety of classical music, jazz, and blues, as well as current news and public affairs programming. Spokane Public Radio, Inc. is supported primarily by listener contributions, local business underwriting, foundation grants, and grants from the Corporation of Public Broadcasting for program activities.

Principles of Consolidation

The consolidated financial statements include the accounts of Spokane Public Radio, Inc. and its wholly owned subsidiary, SPR Manager, LLC, which owns an interest in SPR Landlord, LLC, and SPR Master Tenant, LLC. The consolidated entities are collectively referred to as “the Organization”. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. SPR Manager, LLC, SPR Landlord, LLC, and SPR Master Tenant, LLC are for profit supporting organizations organized during October 2015 in connection with the financing, rehabilitation, and ownership of the Monroe firehouse property, which was completed and placed in service in October 2015 (Note 3).

Concentration of Credit Risk

The Organization maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Certificates of Deposit

Certificates of deposit are recorded at cost, which approximates fair market value. The interest rate on the certificate is 0.35% and will mature during the year ended June 30, 2022.

Underwriting Receivable

Underwriting receivable consists of amounts due under various underwriting contracts. Management determines the allowance for uncollectable accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for doubtful accounts was considered necessary at June 30, 2021 and 2020.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property and Equipment

Property and equipment additions over \$250 are recorded at cost, or if donated, at the fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over their estimated useful lives ranging from two to twenty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Beneficial Interest in Assets Held by Community Foundation

The Organization established an endowment fund that is perpetual in nature (the Fund) at Innovia Foundation (Innovia) and named itself as beneficiary. The Organization granted variance power to Innovia, which allows Innovia to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of Innovia's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by Innovia for the benefit of the Organization and is reported at fair value in the consolidated statements of financial position, with changes in fair value recognized in the consolidated statements of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

The Organization recognizes grants and contributions (including contributions referred to as subscriptions and memberships) when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization recognizes revenue from underwriting and sponsorships during the period in which the related services are provided to customers. The performance obligation of delivering underwriting services is simultaneously received and consumed by the customers, therefore the revenue is recognized over time on the output method based on periods the underwriting was utilized. The underwriting contracts are non-refundable.

Donated Services and In-Kind Contributions

The value of contributed services meeting the requirements for recognition in the consolidated financial statements are recorded as revenue and expense when received. Contributed professional services and advertising are valued according to estimates provided by the donor (Note 12). In addition, other volunteers contribute significant amounts of time to the Organizations' program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include supplies and postage, rental space, utilities and telephone, repairs and maintenance, insurance, interest, and depreciation, which are allocated on a usage or specifically identified basis, as well as payroll and employee benefits, marketing and development, and professional services, which are allocated based on estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred and were \$25,582 and \$44,789 during the years ended June 30, 2021 and 2020, respectively.

Income Taxes

Spokane Public Radio, Inc. is organized as a Washington nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) of the Internal Revenue Code as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. Spokane Public Radio, Inc. is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Spokane Public Radio, Inc. is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Spokane Public Radio, Inc. has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

SPR Landlord, LLC and SPR Master Tenant, LLC are organized as for-profit Washington limited liability companies. As a limited liability company, each entity's taxable income or loss is allocated to members in accordance with their formation documents. 90% of the income or loss attributable to SPR Landlord, LLC and 1% of the income or loss attributable to SPR Master Tenant, LLC is allocated to SPR Manager, LLC. The remaining income or loss is allocated to the noncontrolling interest. SPR Manager, LLC is organized as a for profit Washington limited liability company, but, for income tax purposes, has elected to be treated as a corporation. No current or deferred tax provision has been recorded in the consolidated financial statements as the corporation incurred losses during the fiscal years ended June 30, 2021 and 2020 and the timing of any tax benefit to be realized from the losses is uncertain.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

COVID-19 Consideration

During 2020 and 2021, the world-wide coronavirus pandemic impacted national and global economies. The Organization is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Organization is not known.

Subsequent Events

The Organization has evaluated subsequent events through November 30, 2021, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 814,545	\$ 679,208
Certificate of deposit	10,271	10,123
Promises to give	41,993	60,096
Underwriting receivable	39,773	33,757
	<u>\$ 906,582</u>	<u>\$ 783,184</u>

Cash balances are typically available for general expenditure less amounts restricted by donors for specified purposes. The board of directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need, determined by their estimate of three months of operating costs.

The Organization may also structure its financial assets to be available as its general expenditures and liabilities become due. The board has the ability to withdraw funds as needed from investments.

Note 3 - Federal Historic Tax Credit Program

In connection with the construction of the Monroe firehouse property, the Organization obtained additional funding by utilizing the Federal Historic Tax Credit Program (FHTC). In September 2015 as part of the process to monetize these credits, certain for-profit limited liability companies (LLCs) were formed to hold and lease or sublease the property. The LLC holding the property, SPR Landlord, LLC, is owned 90% by SPR Manager, LLC, an entity owned 100% by Spokane Public Radio, Inc., and 10% by SPR Master Tenant, LLC, an entity owned 99% by outside investors (Investors) and 1% by SPR Manager, LLC. SPR Manager, LLC, SPR Landlord, LLC, and SPR Master Tenant, LLC are collectively known as the "HTC Entities". The various lease agreements between the entities ultimately result in Spokane Public Radio, Inc. leasing substantially all of the property from SPR Master Tenant, LLC under a sublease agreement.

The FHTC permits taxpayers to receive a credit against federal income taxes for making qualified rehabilitation expenditures (QRE) that were incurred in rehabilitating the Monroe firehouse. The HTC Entities were integrated into the FHTC transaction to generate qualified QREs that could then be sold to the Investors. By interposing the HTC Entities, the QREs and resulting tax credits are deemed for tax purposes to have been generated by a "for profit" entity and not by the nonprofit Spokane Public Radio, Inc., thus making them economically valuable to the Investors. The controlling interest in SPR Master Tenant, LLC, was purchased by SPR Manager, LLC during the year ended June 30, 2021. SPR Manager, LLC now owns 100% of SPR Master Tenant, LLC, and the HTC Entities are effectively 100% owned subsidiaries of Spokane Public Radio, Inc. as of June 30, 2021.

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset. The fair value of the Organization's beneficial interest in assets held by community foundation is based on the fair value of the investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at June 30, 2021 and 2020:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held by Community Foundation				
June 30, 2021	\$ 146,780	\$ -	\$ -	\$ 146,780
June 30, 2020	\$ 135,273	\$ -	\$ -	\$ 135,273

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

Balance, June 30, 2020	\$ 135,273
Contributions	21,370
Investment return, net	(9,863)
Balance, June 30, 2021	\$ 146,780

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

Balance, June 30, 2019	\$ 58,552
Contributions	77,180
Investment return, net	(459)
Balance, June 30, 2020	\$ 135,273

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Within one year	\$ 63,655	\$ 75,551
Less allowance for uncollectable promises to give	(21,662)	(15,455)
	\$ 41,993	\$ 60,096

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Broadcast and production equipment	\$ 1,767,526	\$ 1,743,093
Furniture and fixtures	39,612	39,612
Transmitter buildings and other	29,864	29,864
Vehicles	6,614	6,614
Monroe firehouse	4,159,578	4,159,578
	<u>6,003,194</u>	<u>5,978,761</u>
Less accumulated depreciation	<u>(2,404,150)</u>	<u>(2,222,001)</u>
	3,599,044	3,756,760
Monroe firehouse land	116,653	116,653
Property adjacent to Monroe firehouse	<u>141,324</u>	<u>141,324</u>
	<u><u>\$ 3,857,021</u></u>	<u><u>\$ 4,014,737</u></u>

At June 30, 2021 and 2020, the Monroe firehouse property includes capitalized interest of \$42,544.

Liens are held by the U.S. Government on generators and broadcasting and studio equipment purchased with certain grant funds in the amount of \$246,156, which includes a lien applied for in August 2012. The lien covers a ten-year period following purchase of the equipment and expires in 2022.

Note 7 - Advance from Donor

In November 2014, a donor advanced \$140,000 to the Organization to fund the acquisition of the property adjacent to the Monroe firehouse. There are no defined repayment terms for this advance. For the years ended June 30, 2021 and 2020, no payments were made on the advance.

Note 8 - Notes Payable

Notes payable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note Payable to Washington Trust Bank, due in monthly installments of \$1,781, including interest at 4.5%, to February 2025, secured by equipment and guaranteed by a donor and the donor's living trust	\$ 72,068	\$ 89,738
Noninterest Bearing Note Payable, due in quarterly installments of \$9,426, to October 2029, secured by real property ^(A)	320,492	358,197
Less unamortized discount based on imputed interest rate of 4%	<u>(48,331)</u>	<u>(59,812)</u>
	<u><u>\$ 344,229</u></u>	<u><u>\$ 388,123</u></u>

^(A)For the years ended June 30, 2021 and 2020, imputed interest related to the note of \$11,481 and \$12,504, respectively, was expensed. Unamortized discount on the note is included in net assets with donor restrictions at June 30, 2021 and 2020, respectively.

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 45,773
2023	47,730
2024	49,771
2025	44,777
2026	31,998
Thereafter	<u>124,180</u>
	<u><u>\$ 344,229</u></u>

Note 9 - Paycheck Protection Program (PPP) Loan

The Organization was granted a \$174,600 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized the full amount of \$174,600 as contribution revenue for the year ended June 30, 2021.

Note 10 - Leases

The Organization leases translator and antenna systems under a month-to-month lease agreement.

Rent expense for the years ended June 30, 2021 and 2020 totaled \$26,840 and \$32,135, respectively.

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Subject to expenditure for Specified Purpose		
Emergency Funds	\$ 5,000	\$ 5,000
Subject to the Passage of Time		
Promises to give, net	41,993	60,096
Noninterest bearing note payable discount	48,331	59,812
	<u>\$ 95,324</u>	<u>\$ 124,908</u>

Net assets were released from donor restrictions when capital campaign promises to give and subscription and membership promises to give were collected, donor purpose was satisfied, and interest expense was recognized related to noninterest bearing note payable discount as of June 30, 2021 and 2020 in the amounts of \$34,725 and \$38,782, respectively.

Note 12 - Donated Professional Services and Materials

Donated professional services and materials received during the years ended June 30, 2021 and 2020 are as follows:

	Program Services	Management and General	Fundraising and Development	Total
<u>June 30, 2021</u>				
Accounting	\$ -	\$ 16,000	\$ -	\$ 16,000
Computer services	20,273	-	-	20,273
Other professional	2,728	-	-	2,728
Legal fees	-	3,635	-	3,635
Janitorial	6,640	-	-	6,640
Advertising	22,246	-	-	22,246
Food and drink	-	2,184	-	2,184
Production engineering	42,704	-	-	42,704
	<u>\$ 94,591</u>	<u>\$ 21,819</u>	<u>\$ -</u>	<u>\$ 116,410</u>
	Program Services	Management and General	Fundraising and Development	Total
<u>June 30, 2020</u>				
Accounting	\$ -	\$ 16,000	\$ -	\$ 16,000
Computer services	20,153	-	-	20,153
Other professional	690	-	-	690
Legal fees	-	900	-	900
Janitorial	5,427	-	-	5,427
Advertising	30,556	-	-	30,556
Food and drink	-	1,880	-	1,880
Production engineering	45,606	-	-	45,606
	<u>\$ 102,432</u>	<u>\$ 18,780</u>	<u>\$ -</u>	<u>\$ 121,212</u>

The Organization received approximately 2,700 and 2,800 hours of non-specified volunteer hours for the years ended June 30, 2021 and 2020, respectively, for which the value has not been recorded.

Note 13 - Employee Benefits

Spokane Public Radio, Inc. sponsors a tax-deferred pension plan qualified under Section 403(b) of the Internal Revenue Code covering substantially all permanent employees. Employees can defer up to 20% of their annual compensation into their plan accounts. In addition, Spokane Public Radio, Inc. sponsors a tax-deferred Simplified Employee Pension Plan (SEP) covering all permanent employees. The plan provides that employees who have attained age 21 may contribute up to 15% of their earnings to the SEP, up to the maximum contribution allowed by the IRS. The Board of Directors approved contributions in the amount of 2% of eligible participant's compensation, with a minimum of \$25 per eligible participant for the years ended June 30, 2021 and 2020. Employer contributions were \$14,756 and \$14,589 for the years ended June 30, 2021 and 2020, respectively.

Note 14 - Fundraising Events

Revenue and direct expenses for the three largest fundraising events and a total for all other events during the years ended June 30, 2021 and 2020 are as follows:

	Year Ended June 30, 2021				
	Record and Video Sales	Thank You Concert	Fall Lecture Series	Spring Lecture Series	Total
Revenue	\$ 2,634	\$ -	\$ -	\$ -	\$ 2,634
Direct fundraising costs	-	-	-	-	-
Fundraising, net	<u>\$ 2,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,634</u>
	Year Ended June 30, 2020				
	Record and Video Sales	Thank You Concert	Fall Concert	Spring Lecture Series	Total
Revenue	\$ 57,849	\$ 1,208	\$ 29,582	\$ 3,487	\$ 92,126
Direct fundraising costs	10,476	-	8,000	-	18,476
Fundraising, net	<u>\$ 47,373</u>	<u>\$ 1,208</u>	<u>\$ 21,582</u>	<u>\$ 3,487</u>	<u>\$ 73,650</u>