

ALL CLASSICAL PUBLIC MEDIA, INC.

Audited Financial Statements

For the Year Ended June 30, 2016



MCDONALD JACOBS

Shareholders

MARK A. CLIFT, CPA

KARIN S. WANDTKE, CPA To the Board of Directors

SANG AHN, CPA All Classical Public Media, Inc.

GERARD DEBLOIS JR., CPA

MARY STRASDIN, CPA

ANTHONY ALMER, CPA

TYEE CARR, CPA

Principals

JAKE JACOBS, CPA

SUSAN J. MARKS, CPA

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of All Classical Public Media, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All Classical Public Media, Inc. as of June 30, 2016, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited All Classical Public Media, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
October 26, 2016

ALL CLASSICAL PUBLIC MEDIA, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2016  
(With comparative totals for 2015)

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,312,214	\$ 1,263,626
Accounts receivable, net of allowance of \$5,915 for 2016 and \$23,565 for 2015	100,139	82,678
Pledges receivable, net	89,186	569,705
Prepaid expenses and other assets	114,429	82,706
Investments	322,582	170,888
Beneficial interest in assets held by OCF	258,020	280,212
Property and equipment, net	2,647,404	2,717,198
Broadcast licenses	5,610,800	5,610,800
 TOTAL ASSETS	 \$10,454,774	 \$10,777,813
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 180,895	\$ 172,490
Deferred revenue	50,000	1,100
Deferred rent	171,268	159,592
Note payable	-	309,489
Total liabilities	402,163	642,671
Net assets:		
Unrestricted:		
Undesignated	1,124,604	1,303,087
Board-designated	211,155	188,861
Net property, equipment, and broadcast licenses	8,258,204	8,018,509
Total unrestricted	9,593,963	9,510,457
Temporarily restricted	386,924	554,103
Permanently restricted	71,724	70,582
Total net assets	10,052,611	10,135,142
 TOTAL LIABILITIES AND NET ASSETS	 \$10,454,774	 \$10,777,813

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2016  
(With comparative totals for 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and revenue:</b>					
Contributions and grants	\$ 2,541,632	\$ 74,191	\$ -	\$ 2,615,823	\$ 2,689,030
Underwriting	644,256	-	-	644,256	676,071
Donated materials and services	57,161	-	-	57,161	55,347
Program revenue	109,733	-	-	109,733	-
Special event revenue, net of direct costs of \$4,415 for 2016 and \$48,188 for 2015	2,857	-	-	2,857	16,822
Investment loss	(6,010)	-	-	(6,010)	(3)
Change in value - beneficial interest in assets held by OCF	(7,015)	(3,763)	1,142	(9,636)	(520)
Other income	23,553	-	-	23,553	12,689
Net assets released from restrictions:					
Satisfaction of time restrictions	160,000	(160,000)	-	-	-
Satisfaction of purpose restrictions	77,607	(77,607)	-	-	-
<b>Total support and revenue</b>	<u>3,603,774</u>	<u>(167,179)</u>	<u>1,142</u>	<u>3,437,737</u>	<u>3,449,436</u>
<b>Expenses:</b>					
Program services:					
Platforms	948,674	-	-	948,674	853,392
Production	1,151,603	-	-	1,151,603	1,005,590
Promotion	265,759	-	-	265,759	177,160
<b>Total program services</b>	<u>2,366,036</u>	<u>-</u>	<u>-</u>	<u>2,366,036</u>	<u>2,036,142</u>
Management and general	413,430	-	-	413,430	432,647
Fundraising	489,126	-	-	489,126	480,108
Underwriting	251,676	-	-	251,676	263,584
<b>Total expenses</b>	<u>3,520,268</u>	<u>-</u>	<u>-</u>	<u>3,520,268</u>	<u>3,212,481</u>
 Change in net assets	 83,506	 (167,179)	 1,142	 (82,531)	 236,955
<b>Net assets:</b>					
Beginning of year	<u>9,510,457</u>	<u>554,103</u>	<u>70,582</u>	<u>10,135,142</u>	<u>9,898,187</u>
 End of year	 <u>\$ 9,593,963</u>	 <u>\$ 386,924</u>	 <u>\$ 71,724</u>	 <u>\$ 10,052,611</u>	 <u>\$ 10,135,142</u>

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2016  
(With comparative totals for 2015)

	Program Services			Total Program Services	Supporting Services			2016 Total	2015 Total
	Platforms	Production	Promotion		Management and General	Fundraising	Underwriting		
Salaries and related expenses	\$ 309,573	\$ 760,508	\$ 88,099	\$ 1,158,180	\$ 455,875	\$ 212,131	\$ 211,293	\$ 2,037,479	\$ 1,785,486
Professional fees	495	20,651	3,637	24,783	26,746	564	12,280	64,373	71,954
Supplies	8,151	3,067	2,981	14,199	5,451	34,908	1,647	56,205	92,460
Telephone and internet	118,104	1,368	2,340	121,812	43,609	5,157	480	171,058	122,590
Printing and mailing costs	447	-	971	1,418	50,263	22,001	-	73,682	82,992
Rent and utilities	86,805	-	1,100	87,905	276,407	-	-	364,312	351,565
Repairs and maintenance	101,719	1,928	-	103,647	815	60	-	104,522	82,802
Travel, conferences, training	5,895	1,593	5,870	13,358	5,411	1,483	-	20,252	15,946
Affiliation fees/program purchases	459	34,637	59,486	94,582	1,393	-	-	95,975	33,127
Advertising and marketing	-	1,047	29,163	30,210	7,667	30,925	-	68,802	53,450
Donor/corporate cultivation	-	-	98	98	-	10,819	-	10,917	25,766
Insurance	1,202	6,114	-	7,316	35,295	-	-	42,611	35,247
Bank fees	-	-	-	-	5,331	47,238	4,130	56,699	43,818
Miscellaneous	1,120	451	15,109	16,680	5,874	3,060	(9,790)	15,824	55,025
Depreciation	-	-	-	-	337,557	-	-	337,557	360,253
Overhead allocation	314,704	320,239	56,905	691,848	(844,264)	120,780	31,636	-	-
Total expenses	<u>\$ 948,674</u>	<u>\$ 1,151,603</u>	<u>\$ 265,759</u>	<u>\$ 2,366,036</u>	<u>\$ 413,430</u>	<u>\$ 489,126</u>	<u>\$ 251,676</u>	<u>\$ 3,520,268</u>	<u>\$ 3,212,481</u>

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2016  
(With comparative totals for 2015)

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (82,531)	\$ 236,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	337,557	360,253
Loss on disposal of assets	-	19,047
Change in beneficial interest in assets held by OCF	9,636	520
Unrealized loss on investments	16,128	2,740
Allowance for uncollectible accounts and pledges	(17,649)	652,357
Donated stock held at year-end	-	123,835
Contributions restricted for permanent endowment, capital additions and debt reduction	-	(232,905)
(Increase) decrease in:		
Accounts and pledges receivable	480,707	(446,695)
Prepaid expenses and other assets	(31,723)	7,528
Increase (decrease) in:		
Accounts payable and accrued expenses	8,405	(166,878)
Deferred revenue and deferred rent	60,576	58,776
Net cash provided by operating activities	781,106	615,533
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(267,763)	(204,907)
Proceeds from beneficial interest in assets held by OCF	12,556	12,210
Proceeds from investmentst	147,800	-
Purchase of investments	(315,622)	(173,628)
Net cash used in investing activities	(423,029)	(366,325)
<b>Cash flows from financing activities:</b>		
Contributions restricted for permanent endowment, capital additions and debt reduction	-	232,905
Principal payments on note payable	(309,489)	(109,882)
Net cash provided by (used in) financing activities	(309,489)	123,023
Net increase in cash and cash equivalents	48,588	372,231
Cash and cash equivalents - beginning of year	1,263,626	891,395
Cash and cash equivalents - end of year	\$ 1,312,214	\$ 1,263,626
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 3,080	\$ 5,904

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are those that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.



ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

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

Contributions and Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Conditional contributions received are recorded as deferred revenue until the conditions have been met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Allowance for Uncollectible Accounts

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

Investments

Investments are reported at fair value. The Organization's investments in Real Estate Investment Trust (REIT) are reported based on information provided by fund managers.

Property and Equipment

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

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Intangible Assets – Broadcast Licenses

Intangible assets consisting of broadcast licenses totaling \$5,610,800 at June 30, 2016 and 2015 are recorded at cost and are not subject to amortization.

Income Tax Status

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

The Organization follows the provisions of FASB ASC Topic, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organization's information returns for years ending June 30, 2012 and prior are generally no longer subject to examination by tax authorities in its major tax jurisdictions. The Organization is not a private foundation.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets, Materials and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

I. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Licensed Program Rights

Program series and other syndicated products are recorded at the unamortized cost and are included in prepaid expenses. These programs and products are amortized on a straight-line basis over the period of the license agreement.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed in the period in which these are incurred. Advertising expense approximated \$68,800 and \$53,500 for the years ended June 30, 2016 and 2015, respectively.

Use of Estimates

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

Summarized Financial Information for 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through October 26, 2016, the date the financial statements were available to be issued.

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

2. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2016 and 2015 represent unconditional promises to give as follows:

	<u>2016</u>	<u>2015</u>
Receivable within one year	\$ 89,186	\$ 369,705
Receivable in two to five years	333,333	533,333
Thereafter	<u>333,334</u>	<u>333,334</u>
	755,853	1,236,372
Less allowance for uncollectible pledges	<u>666,667</u>	<u>666,667</u>
Net pledges receivable	<u>\$ 89,186</u>	<u>\$ 569,705</u>

In June 2015, the Organization was awarded a long-term multiyear pledge, receivable in three installments of \$333,333 each, with the second and third installments receivable in 2020 and 2025. The first installment was partially received in June 2015, with the balance received in July 2015 (also see Note 3 as to restrictions on use of proceeds). Due to uncertainty related to the long-term nature of subsequent installments, management has recorded an allowance of \$666,667.

3. INVESTMENTS

Investments are reported at fair value and consist of the following:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 71,045	\$ 2,936
Common stock	91,413	167,952
REIT investments	<u>160,124</u>	<u>-</u>
Total investments	<u>\$ 322,582</u>	<u>\$ 170,888</u>

Proceeds of the multiyear pledge discussed in Note 2 were invested in a separate investment accounts in accordance with donor restrictions. The corpus of the contribution proceeds is to be held in separate investment accounts until May 31, 2030. Investment earnings are unrestricted and available for general operations. A summary of investment activity is as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 10,118	\$ 1,960
Realized/unrealized losses	<u>(16,128)</u>	<u>(1,963)</u>
Net investment loss	<u>\$ (6,010)</u>	<u>\$ (3)</u>

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

4. BENEFICIAL INTEREST IN ASSETS HELD BY OCF

The Organization established an endowment fund that is held by the Oregon Community Foundation (OCF). The Organization's fund is pooled with other assets managed by OCF and is invested in debt, equity and other securities which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF, however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. Also, under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization. The beneficial interest in assets totaled \$258,020 and \$280,212 at June 30, 2016 and 2015, respectively. The fund consists of both board-designated and donor restricted endowments (See Note 11).

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016 and 2015:

	2016	2015
Antennas	\$ 1,292,018	\$ 1,267,516
Broadcasting equipment	701,414	599,324
Furniture and equipment	749,027	733,070
Vehicles	59,694	-
Leasehold improvements	2,233,440	2,167,920
Total property and equipment	5,035,593	4,767,830
Less accumulated depreciation	2,388,189	2,050,632
Property and equipment, net	\$ 2,647,404	\$ 2,717,198

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

6. NOTE PAYABLE

In September 2013, the Organization received a loan from Meyer Memorial Trust with an initial balance of \$500,000 and an interest rate of 1.75%. Quarterly payments of \$28,947 including interest are due through March of 2018. The note was received to assist with costs related to the build-out and relocation to the new facility and is secured by property and equipment. The note was paid in full during 2016.

7. LEASE COMMITMENTS

The Organization leases its facility under a lease agreement through July 1, 2023. Monthly base rent is approximately \$16,300 with annual rate increases. In accordance with U.S. generally accepted accounting principles, the Organization amortizes the lease on the straight-line basis over the term, resulting in level rent expense year-to-year. The difference between the annual expense recognized on the straight-line basis and the amounts actually paid by the Organization is reflected as deferred rent payable of \$171,268 at June 30, 2016 and \$159,592 at June 30, 2015.

The Organization leases land, tower and antennae equipment as follows:

Portland:

- The Organization leases space on the tower for \$600 per month for the Portland station antennae under an agreement expiring February 2020. Annual rent increases by the greater of 2% or the percentage change in the Consumer Price Index. Monthly rent with annual increase is currently \$759.
- The Organization leases the Portland station antennae and transmission lines for one transmitter and associated equipment for \$100 per month under an agreement expiring March 2020.

McMinnville:

- The Organization leases a radio translator license for \$250 per month under an agreement expiring October 2025. Under a separate agreement, the Organization will pay an annual minimum HD radio license fee of \$1,000. The lease has a termination clause whereby the lease can be terminated with 30-day notice and a cancellation fee of \$1,500.

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

7. LEASE COMMITMENTS, Continued

Hood River/The Dalles:

- The Organization leases space on a tower and in a building for \$500 per month for the Hood River station radio transmitting and receiving equipment under an agreement expiring June 2021.
- The Organization leases a radio translator license for \$325 per month under an agreement expiring October 2019. Rent increases by 3% annually. Monthly rent with annual increase is currently \$335.

Otter Crest:

- The Organization leases space on a tower and in a building for \$950 per month for the Otter Crest station radio transmitting and receiving equipment under an agreement expiring December 2022.

Corvallis:

- The Organization leases the FCC broadcast license of FM Translator K239BP 95.7MHz, Flynn, Oregon, in order to rebroadcast its programs. The operating lease is \$400 a month with an agreement ending May 1, 2024.

The Organization also leases office equipment under operating leases for a total of \$2,464 per month. The leases expire in July 2018 and August 2020.

The Organization subleases office space to another nonprofit organization effective June 1, 2014 through June 30, 2017. Monthly sublease rent is \$1,500 with annual increases (\$1,684 in 2016).

Total rent expense under these agreements approximated \$330,000 for 2016 and \$328,000 for 2015.

Future minimum lease payments, net of sublease payments, are as follows:

Years ending June 30, 2017		\$ 305,600
2018		330,400
2019		339,100
2020		326,900
2021		325,000
Thereafter		681,400
		\$ 2,308,400

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

8. BOARD-DESIGNATED NET ASSETS

Board-designated net assets at June 30, 2016 and 2015 consist of the following:

	2016	2015
Board-designated endowment (Note 11)	\$ 172,706	\$ 188,861
Other board designated	38,449	-
Total board-designated net assets	\$ 211,155	\$ 188,861

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Accumulated endowment earnings (Note 11)	\$ 13,590	\$ 20,769
Time restricted	373,334	533,334
Total temporarily restricted net assets	\$ 386,924	\$ 554,103

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2016 and 2015 consist of donor restricted contributions made to the Organization's endowment fund held by OCF. The contributions are held in perpetuity, with income earned on the fund classified as temporarily restricted until appropriated for expenditure (see Note 11).

11. ENDOWMENT

The Organization's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.



ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

II. ENDOWMENT, Continued

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the portion of investment return added to the permanent endowment to maintain its purchasing power. For purposes of determining that portion, each year the Organization adjusts permanently restricted net assets by the change in the Consumer Price Index (CPI) for that year. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

ALL CLASSICAL PUBLIC MEDIA, INC.  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2016

II. ENDOWMENT, Continued

Return Objectives, Risk Parameters and Strategies for Achieving Objectives

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To achieve its objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested primarily with the Oregon Community Foundation (OCF) which maintains a well-diversified asset mix, which includes equity, debt and other securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions to support operations. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return consistent with the market. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year an amount as allowed under the policies established by the OCF and which is distributed to the Organization. In establishing this policy, OCF considered the long-term expected investment return on the endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

The composition of endowment net assets at June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2016</b>				
Donor-restricted	\$ -	\$ 13,590	\$ 71,724	\$ 85,314
Board-designated	172,706	-	-	172,706
	<u>\$ 172,706</u>	<u>\$ 13,590</u>	<u>\$ 71,724</u>	<u>\$ 258,020</u>
<b>June 30, 2015</b>				
Donor-restricted	\$ -	\$ 20,769	\$ 70,582	\$ 91,351
Board-designated	188,861	-	-	188,861
	<u>\$ 188,861</u>	<u>\$ 20,769</u>	<u>\$ 70,582</u>	<u>\$ 280,212</u>

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

II. ENDOWMENT, Continued

The changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2014	\$ 198,301	\$ 25,511	\$ 69,130	\$ 292,942
Investment income	2,027	707	-	2,734
Fees	(1,877)	(654)	-	(2,531)
Realized/unrealized loss on investments	(536)	(187)	-	(723)
Appropriated for expenditure	(9,054)	(3,156)	-	(12,210)
Transfer	-	(1,452)	1,452	-
Balance at June 30, 2015	188,861	20,769	70,582	280,212
Investment income	2,666	997	-	3,663
Fees	(1,632)	(610)	-	(2,242)
Realized/unrealized loss on investments	(8,049)	(3,008)	-	(11,057)
Appropriated for expenditure	(9,140)	(3,416)	-	(12,556)
Transfer	-	(1,142)	1,142	-
Balance at June 30, 2016	<u>\$ 172,706</u>	<u>\$ 13,590</u>	<u>\$ 71,724</u>	<u>\$ 258,020</u>

12. PENSION PLAN

The Organization has a 401(k) retirement plan covering substantially all employees. The Organization may make elective contributions to the plan. Employer matching contributions to the plan for 2016 and 2015 totaled \$25,597 and \$21,654, respectively.

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Portland. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of insured limits were approximately \$1,105,600 and \$1,039,500 at June 30, 2016 and 2015, respectively.

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

13. **CONCENTRATIONS OF CREDIT RISK, Continued**

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

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

Over half of the Organization's employees are members of the International Brotherhood of Electrical Workers Local 48. The Organization's contract with the union is in effect through June 30, 2017. The Organization's other employees are not represented by a union.

14. **FAIR VALUE MEASUREMENTS**

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Assets at June 30, 2016:			
Common stock	\$ 91,413	\$ 91,413	\$ -
REIT investments	160,124	-	160,124
Beneficial interest in assets held by others (OCF)	258,020	-	258,020
Assets at June 30, 2015:			
Common stock	167,952	167,952	-
Beneficial interest in assets held by others (OCF)	280,212	-	280,212

Fair values for investments in common stock are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of REIT investments are based on the net asset value per unit at the value determined by the fund managers using a market approach for real property held within the fund. Fair values for investments held by others (OCF) which are invested in co-mingled trusts and pooled funds, are based on the net asset value per unit as provided by the fund custodians, using a market approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include:

REIT investments:

	<u>2016</u>
Balance at beginning of year	\$ -
Additions	162,676
Change in value (unrestricted)	<u>(2,552)</u>
Balance at end of year	<u>\$ 160,124</u>

ALL CLASSICAL PUBLIC MEDIA, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2016

14. FAIR VALUE MEASUREMENTS, Continued

Beneficial interest in assets held by others (OCF):

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 280,212	\$ 292,942
Disbursements	(12,556)	(12,210)
Change in value	<u>(9,636)</u>	<u>(520)</u>
Balance at end of year	<u>\$ 258,020</u>	<u>\$ 280,212</u>

Change in value is reported on statement of activities as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ (7,015)	\$ (386)
Temporarily restricted	(3,763)	(1,586)
Permanently restricted	<u>1,142</u>	<u>1,452</u>
	<u>\$ (9,636)</u>	<u>\$ (520)</u>