

ALL CLASSICAL PUBLIC MEDIA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

All Classical

P O R T L A N D

KERN  THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

ALL CLASSICAL PUBLIC MEDIA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
All Classical Public Media, Inc.
Portland, Oregon

We have audited the accompanying financial statements of All Classical Public Media, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, 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.

Auditors' 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 auditors' 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 entity'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 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 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements of All Classical Public Media, Inc. as of June 30, 2017, were audited by other auditors whose report dated November 1, 2017 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
January 4, 2019

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals as of June 30, 2017)

ASSETS

	2018	2017
Cash and cash equivalents	\$ 1,463,049	\$ 1,490,827
Accounts receivable, net of allowance of \$7,500 for 2018 and \$16,000 for 2017	100,291	93,019
Pledges receivable, net	160,000	125,000
Prepaid expenses and other assets	146,486	75,136
Property and equipment, net	2,453,145	2,401,025
Investments, restricted	329,394	329,528
Beneficial interest in assets held by others	332,360	317,515
Broadcast licenses	5,610,800	5,610,800
Total assets	\$ 10,595,525	\$ 10,442,850

LIABILITIES AND NET ASSETS

Accounts payable	\$ 44,749	\$ 49,005
Accrued payroll and related liabilities	162,929	149,934
Deferred revenue	18,328	14,122
Deferred rent	169,375	174,613
Capital lease obligation	102,982	-
Total liabilities	498,363	387,674
Net assets		
Unrestricted		
Undesignated	1,221,682	1,267,502
Board designated	238,328	226,865
Net property, equipment, and broadcast licenses	7,964,092	8,011,825
Total unrestricted	9,424,102	9,506,192
Temporarily restricted	598,071	476,088
Permanently restricted	74,989	72,896
Total net assets	10,097,162	10,055,176
Total liabilities and net assets	\$ 10,595,525	\$ 10,442,850

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Support and revenue:					
Contributions and grants	\$ 2,730,022	\$ 238,788	\$ -	\$ 2,968,810	\$ 2,824,033
Underwriting	738,380	-	-	738,380	669,381
Donated materials and services	69,408	-	-	69,408	38,297
Program revenue	126,415	-	-	126,415	172,123
Investment income (loss), net	7,022	-	-	7,022	17,692
Change in value of beneficial interest in assets held by OCF	7,734	19,043	2,093	28,870	35,304
Other income	49,357	-	-	49,357	39,782
	<u>3,728,338</u>	<u>257,831</u>	<u>2,093</u>	<u>3,988,262</u>	<u>3,796,612</u>
Net assets released from restrictions	<u>135,848</u>	<u>(135,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,864,186</u>	<u>121,983</u>	<u>2,093</u>	<u>3,988,262</u>	<u>3,796,612</u>
Expenses					
Program services					
Platforms	947,937	-	-	947,937	864,473
Production	1,355,540	-	-	1,355,540	1,240,775
Promotion	294,899	-	-	294,899	352,079
Total program services	<u>2,598,376</u>	<u>-</u>	<u>-</u>	<u>2,598,376</u>	<u>2,457,327</u>
Supporting services					
Management and general	625,792	-	-	625,792	542,695
Fundraising	409,874	-	-	409,874	489,348
Underwriting	312,234	-	-	312,234	304,677
Total expenses	<u>3,946,276</u>	<u>-</u>	<u>-</u>	<u>3,946,276</u>	<u>3,794,047</u>
Change in net assets	(82,090)	121,983	2,093	41,986	2,565
Net assets, beginning of year	<u>9,506,192</u>	<u>476,088</u>	<u>72,896</u>	<u>10,055,176</u>	<u>10,052,611</u>
Net assets, end of year	<u>\$ 9,424,102</u>	<u>\$ 598,071</u>	<u>\$ 74,989</u>	<u>\$ 10,097,162</u>	<u>\$ 10,055,176</u>

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	PROGRAM SERVICES				SUPPORTING SERVICES			Total	
	Platforms	Production	Promotion	Total Program	Management and General	Fundraising	Underwriting	2018	2017
Salaries and related expenses	\$ 361,855	\$ 975,359	\$ 93,321	\$ 1,430,535	\$ 279,950	\$ 183,573	\$ 269,081	\$ 2,163,139	\$ 2,210,027
Professional fees	66,288	51,086	2,973	120,347	156,713	7,055	13,820	297,935	99,240
Supplies	14,745	3,034	1,085	18,864	15,145	31,693	1,488	67,190	92,305
Telephone and internet	120,372	1,463	-	121,835	5,934	216	480	128,465	151,659
Printing and mailing costs	202	127	873	1,202	35,567	22,995	243	60,007	70,448
Rent and utilities	157,331	142,013	11,361	310,705	14,201	31,243	11,361	367,510	360,549
Repairs and maintenance	40,982	-	-	40,982	4,492	-	-	45,474	70,987
Travel, conferences, training	5,940	14,570	1,760	22,270	9,094	2,610	1,624	35,598	20,981
Affiliation fees/program purchases	238	61,146	12,073	73,457	684	32,202	-	106,343	90,908
Advertising and marketing	-	8,689	155,490	164,179	3,600	437	290	168,506	173,710
Donor/corporate cultivation	-	-	1,370	1,370	7,443	1,020	-	9,833	13,226
Insurance	1,210	-	-	1,210	42,030	-	-	43,240	39,130
Bank fees	300	-	-	300	5,240	54,893	1,639	62,072	48,563
Miscellaneous	11,621	5,290	7,172	24,083	36,423	21,529	4,787	86,822	53,206
Depreciation	166,853	92,763	7,421	267,037	9,276	20,408	7,421	304,142	299,108
	<u>\$ 947,937</u>	<u>\$ 1,355,540</u>	<u>\$ 294,899</u>	<u>\$ 2,598,376</u>	<u>\$ 625,792</u>	<u>\$ 409,874</u>	<u>\$ 312,234</u>	<u>\$ 3,946,276</u>	<u>\$ 3,794,047</u>

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 41,986	\$ 2,565
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	304,142	299,108
Change in beneficial interest in assets held by OCF	(28,870)	(35,304)
Realized/unrealized (gains) losses on investments	134	(5,464)
Allowance for uncollectible accounts and pledges	8,500	10,085
Changes in assets and liabilities:		
Accounts and pledges receivable	(50,772)	(38,779)
Prepaid expenses and other assets	(71,350)	39,293
Accounts payable and accrued expenses	8,740	18,044
Deferred revenue and deferred rent	(1,032)	(32,533)
Net cash provided by (used in) operating activities	<u>211,478</u>	<u>257,015</u>
Cash flows from investing activities:		
Purchase of property and equipment	(239,374)	(52,729)
Proceeds from beneficial interest in assets held by OCF	14,025	14,258
Additions to beneficial interest in assets held by OCF	-	(38,449)
Purchase of investments	-	(1,482)
Net cash provided by (used in) investing activities	<u>(225,349)</u>	<u>(78,402)</u>
Cash flows from financing activities:		
Repayment of capital lease	<u>(13,907)</u>	<u>-</u>
Net increase in cash and cash equivalents	(27,778)	178,613
Cash and cash equivalents, beginning of year	<u>1,490,827</u>	<u>1,312,214</u>
Cash and cash equivalents, end of year	<u>\$ 1,463,049</u>	<u>\$ 1,490,827</u>
Supplemental disclosure of non-cash investing and financing transactions		
Property and equipment acquired under capital lease obligations	<u>\$ 116,889</u>	<u>\$ -</u>

See notes to financial statements.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – 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 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 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization 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 Organization 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 Organization 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

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. Cash and cash equivalents held for long-term investment purposes are excluded from cash and cash equivalents and included in investments.

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Trusts (REIT) are reported based on net asset value practical expedient 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, which range from 3 to 20 years.

Intangible Assets – Broadcast Licenses

Intangible assets consisting of broadcast licenses totaling \$5,610,800 at June 30, 2018 and 2017 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.

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 they are incurred. Advertising expense approximated \$169,000 and \$174,000 for the years ended June 30, 2018 and 2017, respectively, and is primarily for billboards which were discontinued after June 30, 2018.

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.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Financial Information for 2017

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 June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 Organization's endowment partner, Oregon Community Foundation (OCF), and is based upon the Organization'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.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis are as follows:

	June 30, 2018		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 64,033	\$ -	\$ 64,033
Equities	108,890	-	108,890
Beneficial interest in assets held by others	-	332,360	332,360
Total assets in FV hierarchy	<u>\$ 172,923</u>	<u>\$ 332,360</u>	<u>505,283</u>
Real Estate Investment Trusts (REIT) measured at NAV (a)			<u>156,472</u>
Total investments at fair value			<u>\$ 661,755</u>
	June 30, 2017		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 69,456	\$ -	\$ 69,456
Equities	100,497	-	100,497
Beneficial interest in assets held by others	-	317,515	317,515
Total assets in FV hierarchy	<u>\$ 169,953</u>	<u>\$ 317,515</u>	<u>487,468</u>
Real Estate Investment Trusts measured at NAV (a)			<u>159,575</u>
Total investments at fair value			<u>\$ 647,043</u>

(a) In accordance with FASB ASC 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Financial Position. In July 2018, approximately \$104,000 of a non-publicly traded REIT became publicly traded. After careful analysis, ¾ of it was sold in December 2018 at a per share asset value of approximately 56% of the net asset value above.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended June 30, the changes in investments classified as Level 3 are as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 317,515	\$ 258,020
Contributions	-	38,449
Total gains and (losses)	28,870	35,304
Distributions	<u>(14,025)</u>	<u>(14,258)</u>
Balance at June 30	<u>\$ 332,360</u>	<u>\$ 317,515</u>

NOTE D – PLEDGES RECEIVABLE AND RESTRICTED INVESTMENTS

Pledges receivable at June 30, 2018 and 2017 represent unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Receivable within one year	\$ 120,000	\$ 65,000
Receivable in two to five years	373,333	393,333
Thereafter	<u>333,334</u>	<u>333,334</u>
	826,667	791,667
Less allowance for uncollectible pledges	<u>(666,667)</u>	<u>(666,667)</u>
	<u>\$ 160,000</u>	<u>\$ 125,000</u>

In June 2015, the Organization was awarded a long-term multiyear pledge, receivable in three installments of \$333,334 each, with the second and third installments receivable in 2020 and 2025. The first installment was received in 2015 (also see Note C 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.

Proceeds of this multiyear pledge were invested in 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>2018</u>	<u>2017</u>
Interest and dividends	\$ 13,200	\$ 12,228
Realized/unrealized gains (losses)	<u>(6,178)</u>	<u>5,464</u>
	<u>\$ 7,022</u>	<u>\$ 17,692</u>

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE E – 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. Variance power was not granted to OCF unless the Organization 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 Organization each year. 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 \$332,360 and \$317,515 at June 30, 2018 and 2017, respectively. The fund consists of both board-designated and donor restricted endowments (See Note K).

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Antennas	\$ 1,452,633	\$ 1,275,921
Broadcasting equipment	754,394	709,345
Furniture and equipment	880,637	755,424
Vehicles	69,671	69,671
Leasehold improvements	<u>2,243,882</u>	<u>2,234,593</u>
	5,401,217	5,044,954
Less accumulated depreciation	<u>(2,948,072)</u>	<u>(2,643,929)</u>
	<u>\$ 2,453,145</u>	<u>\$ 2,401,025</u>

Equipment totaling \$116,889 is held under two capital leases, with accumulated amortization of \$13,908.

NOTE G – LEASE COMMITMENTS

Office Facilities and Equipment:

The Organization leases its facility under a lease agreement through July 1, 2023 with two five-year renewal terms available thereafter. 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 \$169,375 and \$174,613 at June 30, 2018 and 2017, respectively.

The Organization subleases office space to two other nonprofit organizations. One sublease is effective through June 30, 2020, and another through March 31, 2019. Total monthly sublease rent is currently \$3,334 with annual increases in one of the subleases (currently \$1,584 in 2018).

The Organization also leases office equipment under two capital leases for a total of \$2,660 per month. The leases have bargain purchase options at the end and terminate in October 2021 and 2022.

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G – LEASE COMMITMENTS (CONTINUED)

Land, Tower, and Antennae Equipment:

Location	Monthly Base Rent	Initial Lease Expiration Date/ Renewal Months	Equipment	Other
Portland	\$ 2,000	June 2023/60	<ul style="list-style-type: none"> ● Transmitter building ● Transmission tower ● Master auxiliary antenna license 	<ul style="list-style-type: none"> ● If antenna becomes primary use, base rent increases to \$5,000.
Portland	\$ 600	February 2020	<ul style="list-style-type: none"> ● Station antennae ● Transmission lines ● Tower space 	<ul style="list-style-type: none"> ● For one transmitter and associated equipment. ● Rent increases by greater of 2% or CPI annually, currently \$744.
McMinnville	\$ 250	October 2025	<ul style="list-style-type: none"> ● Radio translator license ● HD radio license annual minimum fee \$1,000 	<ul style="list-style-type: none"> ● 30-day notice and a cancellation fee of \$1,500.
Hood River/ The Dalles	\$ 500	June 2021	<ul style="list-style-type: none"> ● Tower space ● Building space 	<ul style="list-style-type: none"> ● For radio transmitting and receiving equipment.
Hood River/ The Dalles	\$ 325	October 2019/ 12 automatically	<ul style="list-style-type: none"> ● Radio translator license 	<ul style="list-style-type: none"> ● Rent increases by 3% annually, currently \$355.
Otter Crest	\$ 950	October 2022	<ul style="list-style-type: none"> ● Tower space ● Building space 	<ul style="list-style-type: none"> ● For radio transmitting and receiving equipment.
Corvallis	\$ 400	October 2023/60	<ul style="list-style-type: none"> ● FCC broadcast license 	<ul style="list-style-type: none"> ● FM Translator K239BP 95.7MHz Flynn, Oregon.

Total rent expense under these agreements approximated \$309,000 per year for 2018 and 2017. Future minimum lease payments are as follows:

Year Ending June 30,	Operating Leases	Capital Leases
2019	\$ 352,766	\$ 31,930
2020	363,435	31,930
2021	362,071	31,930
2022	365,010	23,175
2023	364,036	6,268
Thereafter	35,841	-
		125,233
Less interest at 10%		(22,251)
	<u>\$ 1,843,159</u>	<u>\$ 102,982</u>

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE H – BOARD-DESIGNATED NET ASSETS

Board-designated net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Board designated endowment (Note K)	\$ <u>238,328</u>	\$ <u>226,865</u>

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Accumulated endowment earnings (Note K)	\$ 19,043	\$ 17,754
Time restricted	443,334	458,334
Purpose	135,694	-
	\$ 598,071	\$ 476,088

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017 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 K).

NOTE K – 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.

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.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE K – ENDOWMENT (CONTINUED)

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

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

For the OCF funds, the Organization 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 permanent 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.

ALL CLASSICAL PUBLIC MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE K – ENDOWMENT (CONTINUED)

The composition of and changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted, Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2016	\$ 172,706	\$ 13,590	\$ 71,724	\$ 258,020
Investment income	1,980	673	-	2,653
Contributions	38,449	-	-	38,449
Fees	(1,939)	(659)	-	(2,598)
Realized/unrealized loss	-	-	-	-
on investments	26,312	8,937	-	35,249
Appropriated for expenditure	(10,643)	(3,615)	-	(14,258)
Transfer	-	(1,172)	1,172	-
Balance at June 30, 2017	<u>226,865</u>	<u>17,754</u>	<u>72,896</u>	<u>317,515</u>
Investment income	2,067	610	-	2,677
Fees	(2,305)	(680)	-	(2,985)
Realized/unrealized gain	-	-	-	-
on investments	22,532	6,646	-	29,178
Appropriated for expenditure	(10,831)	(3,194)	-	(14,025)
Transfer	-	(2,093)	2,093	-
Balance at June 30, 2018	<u>\$ 238,328</u>	<u>\$ 19,043</u>	<u>\$ 74,989</u>	<u>\$ 332,360</u>

NOTE L – 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 2018 and 2017 totaled \$24,668 and \$32,361, respectively.

NOTE M – 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 \$1,248,800 and \$1,220,600 at June 30, 2018 and 2017, respectively.

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.

ALL CLASSICAL PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE M – CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Pledges and accounts receivable are unsecured and are substantially all receivables 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, 2019. The Organization's other employees are not represented by a union.

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 4, 2019, which is the date the financial statements were available to be issued.