

THE KBOO FOUNDATION
FINANCIAL STATEMENTS
Year Ended September 30, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The KBOO Foundation
Portland, Oregon

We have audited the accompanying financial statements of The KBOO Foundation (a non-profit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities 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 The KBOO Foundation as of September 30, 2016, 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 prior year summarized comparative information has been derived from the The KBOO Foundation 2015 financial statements, which were reviewed by us, and in our reported dated June 30, 2016, we stated that we are not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the express of an opinion on the financial statements.

A handwritten signature in blue ink, appearing to read 'Kim Ohmura'.

Portland, Oregon
April 24, 2017

THE KBOO FOUNDATION

STATEMENT OF FINANCIAL POSITION

September 30, 2016

(With Comparative Totals as of September 30, 2015)

ASSETS

	Audited 2016	Reviewed 2015
Cash and cash equivalents	\$ 210,608	\$ 357,393
Accounts receivable	25,138	2,841
Grants receivable	34,100	80,200
Prepaid expenses	12,185	11,691
	<u>282,031</u>	<u>452,125</u>
Property and equipment - net	255,229	202,659
Beneficial interest in assets held by others	204,186	199,998
	<u>204,186</u>	<u>199,998</u>
Total assets	<u>\$ 741,446</u>	<u>\$ 854,782</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 31,797	\$ 33,968
Accrued payroll and related liabilities	35,220	24,896
Total liabilities	<u>67,017</u>	<u>58,864</u>
Net assets		
Unrestricted		
Undesignated	224,128	258,824
Board designated for operating reserve	159,534	200,000
Board designated endowment funds	204,186	199,998
Total unrestricted	<u>587,848</u>	<u>658,822</u>
Temporarily restricted	86,581	137,096
	<u>86,581</u>	<u>137,096</u>
Total net assets	<u>674,429</u>	<u>795,918</u>
Total liabilities and net assets	<u>\$ 741,446</u>	<u>\$ 854,782</u>

See notes to financial statements.

THE KBOO FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

(With Comparative Totals for the Year Ended September 30, 2015)

	Unrestricted	Temporarily Restricted	Total	
			Audited 2016	Reviewed 2015
Revenues, gains and other support				
Membership subscriptions	\$ 577,034	\$ -	\$ 577,034	\$ 612,236
Contributions	23,715	58,000	81,715	196,772
In-kind contributions	62,218	-	62,218	61,923
Special events, net of expense of \$5,936 and \$2,884, respectively	18,353	-	18,353	7,965
Underwriting and advertising	69,392	-	69,392	66,729
Lease income	12,336	-	12,336	11,663
Investment return	16,506	-	16,506	(7,109)
Other income	13,724	-	13,724	1,076
	<u>793,278</u>	<u>58,000</u>	<u>851,278</u>	<u>951,255</u>
Net assets released from restrictions	<u>108,515</u>	<u>(108,515)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>901,793</u>	<u>(50,515)</u>	<u>851,278</u>	<u>951,255</u>
Expenses				
Total program services	721,976	-	721,976	656,956
Supporting services				
Administration	68,804	-	68,804	74,776
Fund-raising	181,987	-	181,987	132,573
Total expenses	<u>972,767</u>	<u>-</u>	<u>972,767</u>	<u>864,305</u>
Change in net assets	(70,974)	(50,515)	(121,489)	86,950
Net assets, beginning of year	<u>658,822</u>	<u>137,096</u>	<u>795,918</u>	<u>708,968</u>
Net assets, end of year	<u>\$ 587,848</u>	<u>\$ 86,581</u>	<u>\$ 674,429</u>	<u>\$ 795,918</u>

See notes to financial statements.

THE KBOO FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended September 30, 2016
(With Comparative Totals for the Year Ended September 30, 2015)

	<u>Audited 2016</u>	<u>Reviewed 2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (121,489)	\$ 86,950
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,530	21,763
Net (gain) loss on investments	(13,498)	9,956
Changes in assets and liabilities:		
Accounts receivable	(22,297)	25,491
Grants receivable	46,100	(71,618)
Prepaid expenses	(494)	(8,525)
Accounts payable	(2,170)	31,687
Accrued payroll and related liabilities	10,324	8,054
Net cash provided by (used in) operating activities	<u>(74,994)</u>	<u>103,758</u>
Cash flows from investing activities:		
Distributions from beneficial interest in assets held by others	9,310	9,084
Purchase of property and equipment	(81,101)	(37,131)
Net cash provided by (used in) investing activities	<u>(71,791)</u>	<u>(28,047)</u>
Net increase in cash and cash equivalents	(146,785)	75,711
Cash and cash equivalents, beginning of year	<u>357,393</u>	<u>281,682</u>
Cash and cash equivalents, end of year	<u>\$ 210,608</u>	<u>\$ 357,393</u>

See notes to financial statements.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A – DESCRIPTION OF ORGANIZATION

The KBOO Foundation (the Foundation) is an Oregon non-profit corporation which operates an independent, member-supported, non-commercial, volunteer-powered community radio station in Portland, Oregon. KBOO embodies equitable social change, shares knowledge, and fosters creativity by delivering locally rooted and diverse music, culture, news and opinions, with a commitment to the voices of oppressed and underserved communities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

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

Expenses are reported as a decrease in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

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

Contributions

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

THE KBOO FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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

Concentrations of Credit Risk

Receivables consist primarily of a three year grant receivable from one funder, and uncollected fees from program contracts and subleases, all of which are unsecured. Management has determined the effect of discounting the grant receivable to present value is immaterial. No allowance for doubtful accounts has been recorded, as management believes all accounts are collectible, based on historical experience and knowledge of current circumstances. Accounts receivable over 90 days old are considered delinquent and are immaterial at September 30, 2016.

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

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

Endowment Investment and Spending Policies

The goal of the Foundation's investment program for funds held as Board designated endowment is to achieve a total rate of return that will allow the Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Foundation follows a total return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Foundation endowment assets are invested in The Oregon Community Foundation (OCF) as an endowment partner.

The Foundation has adopted a spending policy based on the policies of its endowment partner, OCF, to determine the annual amount available for distributions from funds held as Board designated endowment. Each year OCF sets an annual payout rate for the coming year based on a 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout for grants will be 5% of market value; if the projected 10-year return is below 9%, the payout for grants will be 4-1/2% of market value. Market value is determined using a 13-quarter trailing average of fund market value.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies (Continued)

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

Contributed Services

The value of contributed services meeting the requirements for recognition has been recorded in the financial statements (see Note H). Additionally, numerous volunteers have donated a significant number of hours to the Foundation. Although these services do not meet the criteria for recognition under generally accepted accounting principles, they are integral to the Foundation's mission. The Foundation had approximately 500 volunteers for the year ended September 30, 2016.

Property and Equipment

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

Estimates

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

Income Tax Status

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

Allocation of Functional Expenses

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

THE KBOO FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current year's presentation. These reclassifications had no effect on net assets.

NOTE C – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair values are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments, exchange traded funds, and cash equivalents.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include beneficial interest in assets held by others.

Fair value of the beneficial interest in assets held by others is determined by the Foundation's endowment partner, OCF, and is based upon the Foundation's proportionate interest in OCF's endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF's endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners.

Realized and unrealized gains and losses from investments are reported in the Statement of Activities as investment income as they occur. There have been no changes in valuation techniques and related inputs.

Fair value of assets measured on a recurring basis at September 30, 2016 were:

	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>204,186</u>

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended September 30, 2016, the changes in investments (all unrestricted board designated net assets) classified as Level 3 are as follows:

Balance September 30, 2015	\$	199,998
Total gains and (losses)		13,498
Distributions		<u>(9,310)</u>
Balance September 30, 2016	\$	<u><u>204,186</u></u>

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In December 2000, \$100,000 was transferred to the Oregon Community Foundation (OCF) in conjunction with the Board designated endowment fund. Variance power was not granted to OCF unless the Foundation ceases to exist or loses its tax exempt status, and distributions in the amount of a reasonable rate of return determined by OCF will be distributed to the Foundation each year.

NOTE E – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2016 consist of:

Cash on hand and in checking	\$	51,070
Money market accounts (includes Board designated operating reserve)		159,534
Brokerage		<u>4</u>
	\$	<u><u>210,608</u></u>

NOTE F – PROPERTY AND EQUIPMENT

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

Land	\$	23,709
Building and improvements		192,720
Office furniture and equipment		134,189
Production and broadcast equipment		1,108,097
Website design		<u>29,390</u>
		1,488,105
Less accumulated depreciation		<u>(1,232,876)</u>
	\$	<u><u>255,229</u></u>

Depreciation expense for the year ended September 30, 2016 was \$28,530.

THE KBOO FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE F – PROPERTY AND EQUIPMENT (CONTINUED)

Several pieces of equipment were acquired with partial funding from the National Telecommunications and Information Administration, which retains a priority reversionary interest in the equipment. Equipment subject to the reversionary interest totals \$17,967 for the year ended September 30, 2016, and is included in property and equipment on page 2. The reversionary interest will be in effect through April 2021.

NOTE G – NET ASSETS

In addition to the Board designated endowment funds (see Note D), the Board has designated a portion of cash and unrestricted net assets as a three-month operating reserve for the future. These Board designated net assets totaled \$159,534 as of September 30, 2016.

Temporarily restricted net assets of \$86,581 consist of grants restricted for purpose as of September 30, 2016.

NOTE H – IN-KIND CONTRIBUTIONS

In-kind contributions of transmitter space rents included in the Statement of Activities for the year ended September 30, 2016 are \$62,218.

NOTE I – LEASE COMMITMENTS

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

<u>Year Ending September 30,</u>	
2017	\$ 59,280
2018	55,065
2019	55,382
2020	55,382
2021	<u>55,382</u>
	<u>\$ 280,491</u>

Total rent expense for the year ended September 30, 2016 was \$121,929, including in-kind transmitter space rents contributed.

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

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE J – EMPLOYEE BENEFIT PLAN

The Foundation maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. Retirement contributions by the Foundation are at the discretion of the Board of Directors. Contributions totaling \$9,440 were made by the Foundation for the year ended September 30, 2016.

NOTE K – CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

The Foundation's staff, with the exception of management, (representing approximately 75% of the Foundation's employees), are members of the Communications Workers of America Local 7901, Local #123, American. The Foundation's contract with the union has been renewed through September 30, 2017. The Foundation's management are not represented by a union.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 24, 2017, which is the date the financial statements were available to be issued.