

5/29/2013

THE KBOO FOUNDATION
STATEMENT OF FINANCIAL POSITION

September 30, 2012
(With Comparative Totals as of September 30, 2011)

	ASSETS	
	2012	2011
Cash and cash equivalents	\$ 314,611	\$ 296,523
Accounts receivable	9,035	12,039
Prepaid expenses	24,458	10,759
	<u>348,104</u>	<u>319,321</u>
Property and equipment - net	222,865	254,141
Beneficial interest in assets held by others	198,511	186,268
Total assets	\$ <u>769,480</u>	\$ <u>759,730</u>

LIABILITIES AND NET ASSETS		
Accounts payable	\$ 23,656	\$ 11,336
Accrued payroll and related liabilities	18,705	17,185
Total liabilities	<u>42,361</u>	<u>28,521</u>
Net assets		
Unrestricted		
Undesignated	311,608	344,941
Board designated for operating reserve	200,000	200,000
Board designated endowment funds	198,511	186,268
Total unrestricted	<u>710,119</u>	<u>731,209</u>
Temporarily restricted	17,000	-
Total net assets	<u>727,119</u>	<u>731,209</u>
Total liabilities and net assets	\$ <u>769,480</u>	\$ <u>759,730</u>

See accountants' report and notes to financial statements.

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THE KBOO FOUNDATION
STATEMENT OF ACTIVITIES

Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)

	2012			2011
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenues, gains and other support				
Membership subscriptions	\$ 552,462	\$ -	\$ 552,462	\$ 551,978
Contributions	10,482	25,000	35,482	20,834
In-kind contributions	62,458	-	62,458	63,860
Special events, net of expense of \$4,408	5,482	-	5,482	12,000
Underwriting and advertising	51,553	-	51,553	44,005
Lease income	9,400	-	9,400	19,700
Investment income	24,103	-	24,103	3,655
	<u>715,940</u>	<u>25,000</u>	<u>740,940</u>	<u>716,032</u>
Net assets released from restrictions	8,000	(8,000)	-	-
Total revenue, gains and other support	<u>723,940</u>	<u>17,000</u>	<u>740,940</u>	<u>716,032</u>
Expenses				
Programming and production	499,692	-	499,692	556,720
Broadcast and technical	77,808	-	77,808	102,613
Program information	15,270	-	15,270	17,934
Total program services	<u>592,770</u>	-	<u>592,770</u>	<u>677,267</u>
Supporting services				
Administration	58,852	-	58,852	45,639
Fund-raising	93,408	-	93,408	101,265
Total expenses	<u>745,030</u>	<u>-</u>	<u>745,030</u>	<u>824,171</u>
Change in net assets	(21,090)	17,000	(4,090)	(108,139)
Net assets, beginning of year	731,209	-	731,209	839,348
Net assets, end of year	<u>\$ 710,119</u>	<u>\$ 17,000</u>	<u>\$ 727,119</u>	<u>\$ 731,209</u>

See accountants' report and notes to financial statements.

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THE KBOO FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,090)	\$ (108,139)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,276	36,083
Net (gain) loss on investments	(16,500)	383
Loss on disposal of assets	-	2,846
Changes in assets and liabilities:		
Accounts receivable	3,004	3,112
Prepaid expenses	(13,699)	762
Accounts payable	12,320	(1,699)
Accrued payroll and related liabilities	1,520	2,481
Net cash provided by (used in) operating activities	<u>13,831</u>	<u>(64,171)</u>
Cash flows from investing activities:		
Distributions from beneficial interest in assets held by others	4,257	9,214
Purchase of property and equipment	-	(23,619)
Net cash provided by (used in) investing activities	<u>4,257</u>	<u>(14,405)</u>
Net increase in cash and cash equivalents	18,088	(78,576)
Cash and cash equivalents, beginning of year	296,523	375,099
Cash and cash equivalents, end of year	<u>\$ 314,611</u>	<u>\$ 296,523</u>

See accountants' report and notes to financial statements.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A – DESCRIPTION OF ORGANIZATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

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

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

Cash and Cash Equivalents

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

Contributions

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

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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

Concentrations of Credit Risk

Receivables consist primarily of uncollected fees from program contracts and subleases, which are unsecured. No allowance for doubtful accounts has been recorded, as management believes all accounts are collectible, based on historical experience and knowledge of current circumstances. Accounts receivable over 90 days old are considered delinquent and are immaterial at September 30, 2012.

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. Unrealized gains and losses are included in the change in net assets. 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, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies (Continued)

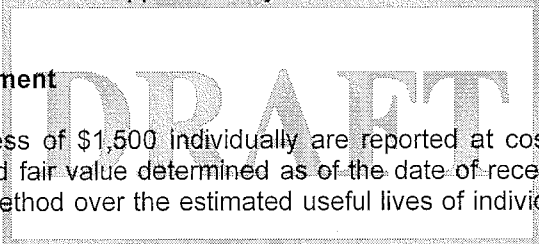
The Foundation's investment objective for funds held as Board designated endowment funds is to preserve capital and, if possible, purchasing power over the life of the fund. To meet this objective, assets of individual funds are invested in a mixture of cash, bonds, stocks and other investments that 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 480 volunteers for the year ended September 30, 2012.

Property and Equipment

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



Estimates

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

Income Tax Status

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

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

Allocation of Functional Expenses

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

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

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, 2011, from which the summarized information was derived.

NOTE C – FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Fair value of assets measured on a recurring basis at September 30, 2012 were:

	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>198,511</u>

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THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended September 30, 2012, the changes in investments (all unrestricted board designated net assets) classified as Level 3 are as follows:

Balance September 30, 2011	\$ 186,268
Total gains and (losses)	16,500
Distributions	<u>(4,257)</u>
Balance September 30, 2012	<u>\$ 198,511</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, 2012 consist of:

Cash on hand and in checking	\$ 102,363
Money market accounts (includes Board designated operating reserve of \$200,000)	211,285
Securities	<u>963</u>
	<u>\$ 314,611</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2012:

Land	\$ 23,709
Building and improvements	192,720
Office furniture and equipment	108,524
Production and broadcast equipment	<u>1,032,694</u>
	<u>1,357,647</u>
Less accumulated depreciation	<u>(1,134,782)</u>
	<u>\$ 222,865</u>

Depreciation expense for the year ended September 30, 2012 was \$31,276.

THE KBOO FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE F – PROPERTY AND EQUIPMENT (CONTINUED)

Several pieces of equipment were acquired with partial funding from the National Telecommunications and Information Administration, which retains a priority reversionary interest in the equipment. Equipment subject to the reversionary interest totals \$77,466 for the year ended September 30, 2012. The reversionary interest will be in effect through April 2021.

NOTE G – NET ASSETS

In addition to the Board designated endowment funds (see Note C), the Board has designated a portion of cash and unrestricted net assets as a three-month operating reserve for the future. These Board designated net assets totaled \$200,000 as of September 30, 2012.

NOTE H – IN-KIND CONTRIBUTIONS

In-kind contributions of transmitter space rents included in the Statement of Activities for the year ended September 30, 2012 are \$62,458.

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:

Year Ending September 30,	
2013	\$ 53,095
2014	50,148
2015	50,236
2016	34,586
2017	782
	<u>\$ 188,847</u>

Total rent expense for the year ended September 30, 2012 was \$54,082.

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.

NOTE J – EMPLOYEE BENEFIT PLAN

The Foundation maintains a defined contribution plan under Section 401(k) of the Code covering eligible employees. Retirement contributions by the Foundation are at the discretion of the Board of Directors. No contributions were made by the Foundation for the year ended September 30, 2012.

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THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through _____, 2012, which is the date the financial statements were available to be issued.

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