

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2021

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Independent Auditor's Report

**To the Board of Directors
Cascade Public Media and Subsidiaries
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Cascade Public Media and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls 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 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements and expressed an unmodified opinion on those audited financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
November 17, 2021

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Consolidated Statement of Financial Position
 June 30, 2021
 (With Comparative Totals for 2020)

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 12,964,694	\$ 7,796,280
Restricted cash	950,000	750,000
Investments held for short-term purposes	6,430,403	5,534,908
Accounts, grants and contributions receivable, net	448,410	1,088,856
Prepaid expenses and other current assets	425,330	446,027
Total Current Assets	21,218,837	15,616,071
Investments held for long-term purposes	37,583,759	30,819,393
Beneficial interest in trusts	620,357	661,497
Land, property and equipment, net	3,638,579	3,543,280
Other assets	257,292	86,334
Total Assets	\$ 63,318,824	\$ 50,726,575
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,104,271	\$ 2,061,409
Deferred revenue	853,141	1,036,891
Total Current Liabilities	2,957,412	3,098,300
Gift annuities payable	467,293	505,743
Long-term portion of accrued expenses	190,132	193,475
Long-term portion of deferred revenue	1,834,089	1,595,486
Long-term debt		1,843,700
Total Liabilities	5,448,926	7,236,704
Net Assets:		
Without donor restrictions	38,041,337	27,533,137
With donor restrictions	19,828,561	15,956,734
Total Net Assets	57,869,898	43,489,871
Total Liabilities and Net Assets	\$ 63,318,824	\$ 50,726,575

See accompanying notes.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cascade Public Media				
Revenues:				
Memberships	\$ 17,105,878	\$ -	\$ 17,105,878	\$ 14,892,803
Community service and other grants from the Corporation for Public Broadcasting	2,666,804	701,137	3,367,941	2,202,788
Other grants and contributions	3,421,387	177,421	3,598,808	1,944,963
Underwriting	848,796		848,796	537,036
In-kind contributions	202,529		202,529	160,587
Excess transmission capacity contract and lease revenue	3,309,175		3,309,175	3,080,281
Investment return, net	4,105,368	3,540,048	7,645,416	1,188,875
Other revenue	626,021		626,021	368,141
Net assets released from restrictions	546,779	(546,779)		
Total Revenues	32,832,737	3,871,827	36,704,564	24,375,474
Expenses:				
Program services	14,125,568		14,125,568	13,715,178
Supporting services-				
Development and fundraising	5,116,711		5,116,711	5,506,572
General and administrative	2,923,957		2,923,957	2,723,945
Total supporting services	8,040,668		8,040,668	8,230,517
Total Expenses	22,166,236		22,166,236	21,945,695
Total Change in Cascade Public Media Net Assets	10,666,501	3,871,827	14,538,328	2,429,779
Piranha Partners Inc				
Revenues:				
Production revenue	295,242		295,242	372,456
Other income	29		29	58
Total Revenues	295,271		295,271	372,514
General and administrative expenses	453,572		453,572	390,454
Total Change in Piranha Partners Inc Net Assets	(158,301)		(158,301)	(17,940)
Total Change in Net Assets	10,508,200	3,871,827	14,380,027	2,411,839
Net assets, beginning of year	27,533,137	15,956,734	43,489,871	41,078,032
Net Assets, End of Year	\$ 38,041,337	\$ 19,828,561	\$ 57,869,898	\$ 43,489,871

See accompanying notes.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services				Supporting Services			Total Expenses	
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Development and Fundraising	General and Administrative	Total Supporting Services	2021	2020
Personnel	\$ 4,126,660	\$ 859,404	\$ 1,920,376	\$ 6,906,440	\$ 2,349,579	\$ 2,103,505	\$ 4,453,084	\$ 11,359,524	\$ 11,336,662
Program acquisition	3,437,266			3,437,266		12	12	3,437,278	2,806,732
Professional services	509,440	354,351	261,914	1,125,705	833,294	383,053	1,216,347	2,342,052	2,476,872
Printing and postage	4,185	2,140	507,259	513,584	528,325	15,559	543,884	1,057,468	1,069,316
Supplies and maintenance	264,403	224,823	181,658	670,884	215,059	98,659	313,718	984,602	763,653
Advertising and promotion	20,436	83,609	221,916	325,961	567,816	15,511	583,327	909,288	1,129,305
Depreciation and amortization	390,403	316,977	27,501	734,881	87,452	86,087	173,539	908,420	851,685
Licenses, permits and fees	33,515	437	11,524	45,476	417,830	99,337	517,167	562,643	473,586
Insurance						275,473	275,473	275,473	232,904
Miscellaneous	3,355	3,326	20,682	27,363	72,670	157,326	229,996	257,359	344,188
Occupancy	59,447	80,843	9,690	149,980	36,372	26,027	62,399	212,379	492,898
Donated services and supplies	146,396		21,900	168,296	1,040	2,500	3,540	171,836	160,587
Membership and dues	2,952		440	3,392	4,633	85,488	90,121	93,513	96,738
Travel and training	13,423	1,576	1,341	16,340	2,641	28,992	31,633	47,973	101,023
Total Expenses 2021	\$ 9,011,881	\$ 1,927,486	\$ 3,186,201	\$ 14,125,568	\$ 5,116,711	\$ 3,377,529	\$ 8,494,240	\$ 22,619,808	
Total Expenses 2020	\$ 8,625,521	\$ 2,028,308	\$ 3,061,349	\$ 13,715,178	\$ 5,506,572	\$ 3,114,399	\$ 8,620,971		\$ 22,336,149

See accompanying notes.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 14,380,027	\$ 2,411,839
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	908,420	851,685
Contributions restricted for investment in long-term assets and endowment	(100,000)	(275,119)
Equipment received in exchange for rent, net of deferred rent discount	(30,150)	
Realized and unrealized gain on investments, net	(6,952,292)	(1,378,060)
Change in value of beneficial interest in trusts	(23,860)	(28,476)
Changes in operating assets and liabilities:		
Accounts, grants and contributions receivable, net	640,446	195,328
Prepaid expenses and other current assets	(150,261)	68,562
Accounts payable and accrued expenses	(157,585)	140,127
Deferred revenue	54,853	71,891
Gift annuities payable	(38,450)	18,843
Net Cash Provided by Operating Activities	8,531,148	2,076,620
Cash Flows From Investing Activities:		
Purchases of property and equipment	(776,465)	(549,253)
Purchases of investments	(8,247,915)	(7,367,283)
Proceeds from sale of investments	7,540,346	7,957,553
Net Cash (Used in) Provided by Investing Activities	(1,484,034)	41,017
Cash Flows From Financing Activities:		
Proceeds from contributions restricted for investment in long-term assets and endowments	100,000	275,119
Proceeds from long-term debt		1,843,700
Payments on long-term debt	(1,843,700)	
Payments from beneficial interest in trusts	65,000	97,751
Net Cash (Used in) Provided by Financing Activities	(1,678,700)	2,216,570
Net Change in Cash, Cash Equivalents and Restricted Cash	5,368,414	4,334,207
Cash, cash equivalents and restricted cash, beginning of year	8,546,280	4,212,073
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 13,914,694	\$ 8,546,280
Reconciliation to Consolidated Statement of Financial Position:		
Cash and cash equivalents	\$ 12,964,694	\$ 7,796,280
Restricted cash	950,000	750,000
Cash, Cash Equivalents and Restricted Cash	\$ 13,914,694	\$ 8,546,280
Supplementary Information:		
Property and equipment purchases in accounts payable	\$ 17,042	\$ 147,937
Equipment received in exchange for rent	\$ 358,150	\$ -
Noncash deferred rent liability	\$ (328,000)	\$ -
See accompanying notes.		

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Nature of Operations and Significant Accounting Policies

Organization - KCTS Television (KCTS), a nonprofit corporation incorporated in the State of Washington on September 16, 1983, provides service to the community through quality television programs. KCTS has operated continuously as a public television station since 1954.

On September 15, 1987, the Federal Communications Commission's (FCC) broadcast license was transferred from the University of Washington to KCTS, making it the owner and operator of KCTS. The license has been recorded at the nominal value of \$1 to represent ownership.

In order to expand on the strategy and commitment to present content across multiple platforms and serve constituents across generations, KCTS merged with Crosscut Public Media, a nonprofit daily news website (Crosscut.com), on December 2, 2015. To better reflect the expanded activities of the organization, KCTS Television changed its legal name to Cascade Public Media in December 2015.

The Channel 9 Corporation (the Corporation), a for-profit corporation, was incorporated in the State of Washington by KCTS on September 9, 1991. In November 2018, the Corporation acquired Piranha Partners LLC and changed the name of the Corporation to Piranha Partners Inc (Piranha). Piranha provides video production services to other non-profit and for-profit businesses.

On May 29, 2017, the Organization incorporated Friends of KCTS 9 Society in British Columbia to promote and build funding support for public media, engage communities on social and civic issues, and to build audiences and fundraising for public media in the region.

KCTS is an award-winning PBS television station serving western and central Washington and British Columbia. KCTS educates and enriches the community by providing informative, entertaining programs on-air and online at KCTS9.org. This programming, combined with meaningful outreach, creates public dialogue on important local and national issues. KCTS also provides PBS KIDS 24/7, a television channel featuring curriculum-based educational content for families throughout the state; WORLD Channel, a television channel highlighting documentary, science and news programs from around the globe; and Create, a food, travel and lifestyle channel. Each week, KCTS broadcasts 81 hours (unaudited) of educational, noncommercial, nonviolent programs for children in addition to its PBS KIDS 24/7 channel, which airs children's programming exclusively. KCTS is a member of the Public Broadcasting Service (PBS) and American Public Television (APT). KCTS is in the 12th largest television market in the United States, and with its Canada audiences included, KCTS serves over 1.7 million viewers per week (unaudited). KCTS produces programs for local, regional, national, and international distribution.

Crosscut is the Pacific Northwest's reader-supported, independent, nonprofit digital news site with teams focused on news and politics, arts and culture, and science and environment. Crosscut strives to provide readers with the facts and analysis they need to intelligently participate in civic discourse.

During the fiscal year 2021, more than 125,000 (unaudited) donors made a contribution to Cascade Public Media.

Principles of Consolidation - The consolidated financial statements include the accounts of Cascade Public Media, Friends of KCTS 9 Society, and the Corporation (collectively, the Organization). All significant inter-organization accounts and transactions have been eliminated.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Basis of Presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions for use. Changes in this category of net assets include restricted contributions whose donor-imposed restrictions were met during the fiscal year.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The donors of these assets permit the Organization to use the income earned on related investments for general or specific purposes.

Revenue Recognition -

Contributions - Contribution revenue is recognized when cash is received, goods and services are donated, or when an unconditional promise is made. The Organization's contributions are derived from various sources: memberships (individual donations); other grants and contracts, community service and other grants from the Corporation for Public Broadcasting; donated professional services, materials, and facilities; fundraising events; and capital campaign contributions (funds restricted by donors to fund facilities and equipment). Conditional promises to give are not recorded as revenue until donor conditions are met. There were \$215,844 and \$359,736 of in-kind conditional promises to give at June 30, 2021 and 2020, respectively. Conditional contributions are expected to be recognized over the next two years.

Memberships - The Organization also earns revenue from memberships. This revenue is bifurcated such that the portion of the revenue that is an unconditional contribution is recognized when cash is received and the portion that is classified as an exchange transaction is deferred and recognized ratably over the membership term using the output method.

Excess Transmission Capacity Contract - The Organization provides use of excess broadcast capacity under a contract with a third party. Excess capacity transmission revenue is recognized ratably on a monthly basis over the contract term as the excess capacity is provided, using the output method.

Underwriting - Underwriting revenue is considered a conditional grant. Revenue from these transactions is recognized as donor-imposed conditions of the underwriting agreements are met, typically when spots air or events are held. There was \$49,060 and \$263,492 of conditional underwriting agreements at June 30, 2021 and 2020, respectively. Revenue from conditional underwriting grants is expected to be recognized over the next year.

Production - Production revenue represents amounts earned by the Organization for production-related services performed. These revenues are recognized as performance obligations are met using the output method.

Cash and Cash Equivalents - Investments with original maturities of less than 90 days are considered to be cash equivalents, except for cash or cash equivalents associated with investment accounts.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 1 - Continued

Restricted Cash - Restricted cash at June 30, 2021 consists of a deposit made in connection to an agreement entered into during the year ended June 30, 2021 (Note 16). Restricted cash at June 30, 2020 consisted of a deposit made in connection with an agreement that was entered into during the year ended June 30, 2020. That agreement was terminated, and the deposit was fully refunded during the year ended June 30, 2021.

Investments - Investments in debt and equity securities with readily determinable market values are recorded at fair value. Investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price. Brokered certificates of deposit are reported at fair value based on active markets. Unrealized and realized gains and losses on investments are reported net of related investment expense on the consolidated statement of activities and changes in net assets.

Accounts, Grants and Contributions Receivable - Accounts, grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to change in net assets and a credit to a valuation allowance. The valuation allowance is calculated using estimated collection rates by the days outstanding. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts, grants, or contributions receivable. The allowance for doubtful accounts totaled approximately \$14,000 and \$8,400 at June 30, 2021 and 2020, respectively. Current accounts, grants, and contribution receivables are due within one year.

Inventories - Inventories consist of products for sale related to public television programs. Inventories are stated based on the lower of cost (average cost method) or net realizable value.

Costs Incurred for Programs Not Yet Available for Viewing - Costs incurred for programs not yet available for viewing represent acquisition costs of programs that will be available for viewing subsequent to year end and, excluding overhead, costs to produce programs for which future funding can be reasonably assured. These costs are accumulated in prepaid expenses and other current assets on the consolidated statement of financial position. Such costs are expensed and included in expenses when the program is first available for viewing either on television or on the Organization’s website.

Land, Property and Equipment - Land, property and equipment are recorded at cost or, in the case of donated property, estimated fair value at the date of receipt. Depreciation, where applicable, is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	Lesser of 40 years or remaining lease term
Transmitter, antenna, microwave/TVRO	5 - 20 years
Studio and other broadcast and production equipment	3 - 7 years
Furniture and fixtures	5 - 10 years

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

In-Kind Contributions - The Organization receives in-kind contributions from various sources that meet the criteria for recognition under current accounting standards and are reflected in the accompanying consolidated financial statements at their fair values at the time of donation. Fair value is determined based on observable market prices for similar assets or the fee that would normally be paid had the services not been donated. In-kind contributions included the following as of June 30:

	<u>2021</u>	<u>2020</u>
Services	\$ 143,896	\$ 143,896
Goods	38,690	16,691
Advertising	<u>19,943</u>	<u> </u>
Total In-Kind Contributions	<u>\$ 202,529</u>	<u>\$ 160,587</u>

Advertising Costs - The Organization expenses advertising costs as they are incurred. Advertising costs totaled approximately \$217,000 and \$388,000 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses - The costs of providing the various program services and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received. Allocation methods utilized include a square footage basis to allocate occupancy and other shared costs. A full-time equivalency (FTE) basis is used to allocate salary and fringe benefits for employees who benefit multiple functional areas of the Organization.

Income Taxes - Cascade Public Media has received a determination letter from the Internal Revenue Service approving its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Corporation is a wholly owned subsidiary of Cascade Public Media and is a for-profit taxable company that files its own federal income tax returns.

The Corporation accounts for federal income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Corporation had deferred tax assets aggregating approximately \$218,000 and \$231,000 at June 30, 2021 and 2020, respectively, which have been fully offset by a valuation allowance. For federal income tax purposes, the Corporation had net operating loss carryforwards of approximately \$808,000 at June 30, 2021, which expire between 2022 and 2036 and \$201,000 not subject to expiration.

Concentrations of Credit Risk - Financial instruments which potentially subject the Organization to concentrations of credit risk consist of accounts receivable, investments and cash. At various times during the fiscal year, the Organization's bank and investment balances were in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance amounts.

Revenue from one individual comprised 10% of the Organization's total revenue for the year ended June 30, 2020. There were no such concentrations in during the year ended June 30, 2021. Receivables from two individuals comprised 33% of total accounts, grants, and contributions receivable at June 30, 2021. Receivables from two individuals comprised 42% of total accounts, grants, and contributions receivable at June 30, 2020.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Employees - As of June 30, 2021, the Organization employed 123 employees of whom approximately 11% are represented by a union under a collective bargaining agreement. An existing collective bargaining agreement was entered into on September 5, 2018 and was effective until June 30, 2021. During the year ended June 30, 2021, the collective bargaining agreement was extended through June 30, 2023.

On July 31, 2019, employees of the editorial staff voted to be represented by Pacific Northwest Newspaper Guild. Representatives from the union and management have begun negotiating a collective bargaining agreement which covers 20 positions as of June 30, 2021. No agreement has been reached as of the date of the audit report.

Foreign Currency Translation - The functional currency of Friends of KCTS 9 Society in British Columbia is the Canadian dollar. Assets and liabilities of Friends of KCTS 9 Society of British Columbia have been translated into U.S. dollars at year end exchange rates. Any translation adjustments are included in the consolidated statement of activities and changes in net assets.

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

Prior Year Comparative Information - The consolidated 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 complete presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through November 17, 2021, the date on which the consolidated financial statements were available to be issued.

Note 2 - Investments

Investments consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,006,252	\$ 1,856,252
Certificates of deposit		586,222
Exchange traded funds	20,502,265	16,502,970
Mutual funds	21,501,316	17,404,953
Guaranteed investment accounts	<u>4,329</u>	<u>3,904</u>
Total Investments	<u>\$ 44,014,162</u>	<u>\$ 36,354,301</u>

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

Investment return consisted of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Unrealized gain	\$ 6,314,724	\$ 740,492
Interest and dividends	826,291	811,821
Realized gain (loss)	637,568	(249,405)
Investment fees and expenses	<u>(133,167)</u>	<u>(114,033)</u>
Total Investment Return, Net	<u>\$ 7,645,416</u>	<u>\$ 1,188,875</u>

Note 3 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Cash and Cash Equivalents - Cash includes money market funds valued at cost plus accrued interest, which approximates fair value.

Certificates of Deposit - Brokered certificates of deposit are valued using quoted market prices in active markets for similar instruments.

Mutual Funds and Exchange Traded Funds - Valued at quoted market prices in active markets, which represent the net asset value of shares held by the Organization at year end.

Guaranteed Investment Accounts - Valued using bid evaluations from similar instruments in actively quoted markets.

Beneficial Interest in Trusts - Valued at the Organization's percentage interest in total trust assets.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 3 - Continued

The valuation methodologies used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets recorded at fair value on a recurring basis were as follows at June 30:

	Fair Value Measurements as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,006,252	\$ -	\$ -	\$ 2,006,252
Exchange traded funds	20,502,265			20,502,265
Guaranteed investment accounts		4,329		4,329
Mutual funds-				
Fixed income	12,636,868			12,636,868
Money market	1,917,862			1,917,862
Blend	3,369,578			3,369,578
Growth	3,577,008			3,577,008
Total mutual funds	21,501,316			21,501,316
Total Investments	44,009,833	4,329		44,014,162
Beneficial interest in trusts			620,357	620,357
Total Assets at Fair Value	\$ 44,009,833	\$ 4,329	\$ 620,357	\$ 44,634,519

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,856,252	\$ -	\$ -	\$ 1,856,252
Certificates of deposit		586,222		586,222
Exchange traded funds	16,502,970			16,502,970
Guaranteed investment accounts		3,904		3,904
Mutual funds-				
Fixed income	12,069,466			12,069,466
Money market	236,015			236,015
Blend	2,339,595			2,339,595
Growth	2,759,877			2,759,877
Total mutual funds	17,404,953			17,404,953
Total Investments	35,764,175	590,126		36,354,301
Beneficial interest in trusts			661,497	661,497
Total Assets at Fair Value	\$ 35,764,175	\$ 590,126	\$ 661,497	\$ 37,015,798

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 3 - Continued

A reconciliation of the beginning and ending balances of beneficial interests in trusts, for which fair value measurements are made using significant unobservable inputs (Level 3) were as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 661,497	\$ 730,772
Proceeds received	(65,000)	(97,751)
Total realized and unrealized gain	<u>23,860</u>	<u>28,476</u>
Balance, End of Year	<u>\$ 620,357</u>	<u>\$ 661,497</u>

Total realized and unrealized gain related to Level 3 assets are included in the change in net assets reported within other revenue on the consolidated statement of activities and changes in net assets.

Note 4 - Liquidity and Availability of Financial Assets

Liquidity - The Organization has a goal of structuring its financial assets to be available as its operating and capital expenditures, liabilities and other obligations come due. In addition, the Organization has a policy to target operating reserves to cover between three to six months of average cash operating expenses to meet any unforeseen operating cash shortfalls. Operating reserves of at least three months of operating expenses are maintained in cash and liquid investments. Operating reserves greater than three months of operating expenses may be invested at the direction of the Board of Directors. At June 30, 2021, the Organization maintained three months of operating expenses in cash and liquid investments and other fixed-income investments as directed by the Board of Directors. The total operating reserve is included in the cash and cash equivalents and the investments held for short-term purposes lines on the consolidated statement of financial position. In the event of an unanticipated liquidity need, the Organization could also draw upon an available line of credit of \$2,000,000 (Note 8).

The Organization has a quasi-endowment of approximately \$19.4 million. The Organization does not intend to spend from its quasi-endowment except for strategic expenditures approved by the Board of Directors. However, funds in the quasi-endowment could be made available to meet cash requirements if necessary. The quasi-endowment is included in the investments held for long-term purposes line on the consolidated statement of financial position. In addition, the Organization holds a board-designated capital campaign fund for purchase of future building and equipment.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 4 - Continued

Availability of Financial Assets - Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,964,694	\$ 7,796,280
Accounts, grants and contributions receivable, net, to be collected in less than one year	448,410	1,088,856
Investments	<u>44,014,162</u>	<u>36,354,301</u>
Total financial assets, excluding split-interest agreements, restricted cash and beneficial interest in assets held by others	57,427,266	45,239,437
Board-designated quasi endowment fund add back: annual transfer	(19,406,839) 65,000	(15,376,644) 113,000
Board-designated capital campaign fund	(2,874,155)	(196,358)
Donor-restricted endowment fund investments add back: annual appropriation for operations	(17,558,994) 70,388	(13,997,119) 43,173
Donor-restricted for specific programs or time	<u>(1,649,210)</u>	<u>(1,298,118)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 16,073,456</u>	<u>\$ 14,527,371</u>

Cash and cash equivalents consist of checking and savings accounts, money market accounts, and highly liquid investments purchased with an original maturity of three months or less. Investments consist of certificates of deposit and publicly traded equity securities that are convertible to cash in the normal market trading cycle.

Note 5 - Land, Property and Equipment

Land, property and equipment are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 128,371	\$ 128,371
Building and improvements	9,224,761	9,224,761
Transmitter, antenna, microwave/TVRO	3,548,407	3,190,257
Studio and other broadcast and production equipment	21,102,227	20,936,457
Furniture and fixtures	<u>671,389</u>	<u>671,720</u>
	34,675,155	34,151,566
Less accumulated depreciation	<u>(31,151,576)</u>	<u>(30,608,286)</u>
	3,523,579	3,543,280
Construction-in-progress	<u>115,000</u>	<u></u>
Total Land, Property and Equipment, Net	<u>\$ 3,638,579</u>	<u>\$ 3,543,280</u>

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 6 - Deferred Revenue

Deferred revenue consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Deferred production income	\$ 104,930	\$ 169,930
Deferred underwriting income	49,060	103,587
Deferred membership income	388,222	327,341
Deferred rental income	357,586	56,759
Deferred excess transmission capacity income	<u>1,787,432</u>	<u>1,974,760</u>
Total Deferred Revenue	<u>\$ 2,687,230</u>	<u>\$ 2,632,377</u>

There are no related contract assets for payments to which the Organization is entitled under the terms of active contracts.

Note 7 - Split-Interest Agreements

Gift Annuities - The Organization administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. The Organization uses the actuarial method of recording these funds using discount rates ranging from 1.75% to 6.75%. Under this method, when a donation is received, the present value of the guaranteed distributions, based on life expectancy tables, is recorded as a liability, and the remaining interest is recorded as revenue. Periodic adjustments are made between the liability, revenues and expenses to record actuarial gains and losses. Net related gains and (losses) on gift annuities totaled \$38,795 and (\$29,717) for the years ended June 30, 2021 and 2020, respectively, and are included in other revenue on the consolidated statement of activities and changes in net assets.

Beneficial Interest in Trust - The Organization was named as the beneficiary of an irrevocable charitable remainder unitrust. Under the trust agreement, the trust donor received annual distributions from the trust during their lifetime, after which the remaining trust assets were distributed to the Organization. The Organization recorded its beneficial interest in the trust as an asset equal to the present value of the expected funds to be received using a discount rate in effect when the gift was made of 2.8%. The change in value of beneficial interest in trust totaled (\$3,033) for the year ended June 30, 2020, and is included in other revenue on the consolidated statement of activities and changes in net assets. During the year ended June 30, 2020, the trust matured, and the remaining trust assets were distributed to the Organization.

Beneficial Interest in Charitable Lead Annuity Trust - During the year ended June 30, 2015, the Organization received a beneficial interest in a charitable lead annuity trust. The Organization's endowment receives annual distributions from the trust of approximately \$65,000. A final payment of approximately \$43,300 is due on December 31, 2032. The Organization's beneficial interest in this charitable lead annuity trust is recorded at the net present value (discounted at 4.0%) of the future distributions on the consolidated statement of financial position and is included as a component of net assets with donor restrictions.

Note 8 - Line of Credit

On December 19, 2015, the Organization entered into an agreement with Morgan Stanley (MS) to open a line of credit using investments held with MS as collateral. During 2021, the line of credit was modified to reduce the maximum borrowing from \$3,990,000 to \$2,000,000 and to include collateral requirements. Interest is to be charged at a variable rate of LIBOR plus 2.75%. Payments on any outstanding draws on the line are made upon demand of MS. There was no outstanding balance at June 30, 2021 or 2020.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 9 - Long-Term Debt

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 14, 2020, the Organization obtained a loan under the PPP with a principal balance of \$1,843,700 and an annual interest rate of 1%. Management elected to repay the entire principal and interest accrued on the loan on January 25, 2021.

Note 10 - Leases and Excess Transmission Capacity Agreements

The Organization has entered into a number of lease and sublease agreements as both lessee and lessor for real property and facilities. The Organization also has an agreement in place for excess transmission capacity.

Lessee Agreements:

Building and Studio Facility Land - On December 12, 1984, the Organization entered into a long-term lease agreement with the City of Seattle (the City) for a site to locate the KCTS building and studio facility. The lease agreement is for a term of 40 years and called for an initial annual base lease payment of \$130,000. At the end of the lease, the City may negotiate with the Organization amongst the following options: to renew the lease; to sell the land to the Organization at the land’s appraised value; to repurpose the building and purchase it from the Organization at the building’s appraised value; or to take the building out of service in which case the building will be deemed to have no value. The terms of the lease require the Organization to operate a television facility. An escalation clause calls for the annual base payment to be adjusted once every five years, beginning in 1992, to reflect the total percentage change in the Consumer Price Index (CPI). Each five-year adjustment may not exceed 27.63%.

Other Leases - The Organization subleases space for the operation of television receiver and transmitting equipment, with a term expiring in 2021 and annual rent of \$3,000. The Organization also leases office equipment under leases with terms expiring through 2024 and total monthly lease payments ranging from \$135 to \$1,048.

Future minimum lease payments under noncancelable operating leases are as follows:

For the Year Ending June 30,

2022	\$	267,811
2023		315,913
2024		315,913
2025		<u>156,999</u>
Total Future Lease Payments	\$	<u>1,056,636</u>

Rent expense for operating leases totaled \$71,301 and \$381,543 for the years ended June 30, 2021 and 2020, respectively. Due to the COVID-19 pandemic, the City provided the Organization with rent relief of \$313,616 and \$78,404 for the years ended June 30, 2021 and 2020, respectively.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 10 - Continued

Lessor Agreements:

Transmission Site and Tower Lease - On September 29, 2016, the Organization entered into a lease agreement to lease to Friends of KEXP the Organization's additional space on its transmission tower for KEXP to operate communication facilities in the Seattle area. The lease was retroactive to April 1, 2016 to include the free rent period and expires on March 31, 2021 and automatically renews for five year terms unless notification of termination was given six months prior to the renewal date. Monthly payments are \$4,265 with a 3% annual increase. The lease was restated January 1, 2020 to allow \$1,200 of monthly payments to be paid through in-kind advertising or cash. During the year ended June 30, 2021 an amendment was created to include use of the generator. This amendment has monthly payments of \$700 for three years.

On June 13, 2021, the Organization entered into a lease agreement to lease SeaSound the Organization's additional space on its transmission tower for SeaSound to operate antennas for an FM translator. This lease begins July 1, 2021 and requires monthly payments of \$1,436 increasing 3% each year thereafter through 2026.

Building and Tower Lease - On August 22, 2019, the Organization entered into a lease agreement with the City, a municipal corporation and political subdivision of the State of Washington, leasing building and tower space for the Seattle radio communications system and wireless network. The lease runs from September 4, 2019 through September 3, 2034, with three five-year extensions, at a rate of \$12,050 per month. Monthly rent will increase by 3% on January 1 of each year thereafter of the agreement. Rent is due beginning October 1, 2018, but payable after execution of the lease and is \$6,025 per month for the first 15 months of the lease.

Office Space - On September 10, 2018, the Organization entered into a lease agreement renting office space within the Organization's 401 Mercer Street building to the City. The lease runs from September 17, 2018 through December 31, 2024 with initial base rent of \$3,125 per month, adjusted January 1, 2020 and each January 1 thereafter by the lesser of 3% or the positive percentage change in the CPI.

On October 26, 2020, the Organization entered into a lease agreement renting office space within the Organization's 401 Mercer Street building to The Associated Press. The lease runs from December 1, 2020 through December 31, 2024, with initial base rent of \$2,667 per month, adjusted each December 1 thereafter by 2%.

Excess Transmission Capacity Agreement - The Organization had an original excess transmission capacity agreement dated June 18, 2001 between the Organization and Clearwire Spectrum Holdings III, (Clearwire) for use of excess capacity. Pursuant to the terms in the updated agreement, signed May 25, 2010, the agreement has an initial term that begins upon the commencement date of June 25, 2010 with renewable terms of up to 30 years from the commencement date. Under the terms of the agreement, Clearwire made certain incentive payments. The total of all incentive payments has been deferred as income and will be recognized as revenue on the consolidated statement of activities and changes in net assets over the full term of the agreement, which is the estimated period over which Clearwire is expected to benefit from the advance payments. In addition, Clearwire agreed to pay monthly fees ranging from \$160,000 to \$377,050 throughout the agreement term, subject to amendment based on actual capacity usage and changes in geographic service areas.

Cancelable Tower Leases - Under the terms of the following tower leases with King County (the County), a municipal corporation and political subdivision of the State of Washington, has the ability to cancel the leases with 12-months' notice if funding is not available to the County for the following year.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 10 - Continued

The Organization entered into a tower lease agreement with the County, on December 1, 2005. Under the terms of the lease, the Organization rents space on its transmission tower to the County for installation of communications equipment for the King County Metro Transit system. The lease runs from September 1, 2007 through September 1, 2012, with three automatic five-year extensions, at a rate of \$1,600 per month, with annual rate adjustments at the lesser of 4% or the increase in the CPI. The first renewal period of the lease was entered into beginning September 1, 2012. The second renewal period began September 1, 2017, with initial installment payments of \$3,104, and annual rate adjustments.

On February 25, 2010, the Organization entered into a second tower lease agreement with the County to rent additional space on its transmission tower to operate communication facilities in the Seattle area. The lease runs from January 1, 2010, through December 31, 2014, with three automatic five-year extensions, at a rate of \$885 per month, with annual rate adjustments at the lesser of 4% or the increase in the CPI. The first renewal period of the lease was entered into beginning January 1, 2015. The second renewal period of the lease was entered into beginning January 1, 2020.

On May 2, 2018, the Organization entered into a lease agreement with the County, leasing tower space for the establishment of the Puget Sound Emergency Radio Network. The lease runs from August 1, 2018 through July 31, 2043, with three automatic five-year extensions, at a rate of \$16,600 per month. Monthly rent will increase by 1.5% on each anniversary of the commencement date. Rent will be reduced by \$2,000 per month for the first sixteen years of the lease as consideration for the cost of improvements the lessee intends to perform.

Estimated future operating lease and excess transmission capacity agreement payments to be received under noncancelable and cancelable agreements are as follows:

For the Year Ending June 30,	Noncancelable Operating Leases	Excess Transmission Capacity Agreement	Cancelable Operating Leases	Total
2022	\$ 306,874	\$ 2,664,369	\$ 254,556	\$ 3,225,799
2023	311,305	2,744,307	260,497	3,316,109
2024	315,991	2,826,629	266,598	3,409,218
2025	285,426	2,911,429	272,863	3,469,718
2026	254,054	2,998,778	279,299	3,532,131
Thereafter	5,520,251	52,386,827	9,241,874	67,148,952
Total Future Lease and Excess Transmission Capacity Agreement Revenue	<u>\$ 6,993,901</u>	<u>\$ 66,532,339</u>	<u>\$ 10,575,687</u>	<u>\$ 84,101,927</u>

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 11 - Benefit Plans

The Organization has a defined contribution 401(k) plan covering substantially all permanent employees of Cascade Public Media and Piranha Partners Inc. Under the 401(k) plan, the Organization makes matching contributions in an amount equal to 25% of deferrals up to the first 6% of employees' eligible compensation contributed to the Plan. Participants are 100% vested in elective contributions and matching contributions. In addition, the Organization may make discretionary nonelective contributions. Discretionary nonelective contributions for the years ended June 30, 2021 and 2020, were 5% of the participant's gross annual wages, plus 5% of the participant's gross annual wages in excess of the year's Social Security wage base. Participants become fully vested in the nonelective contributions to the plan after six years of service with the Organization. The Organization made employer contributions to the 401(k) plan totaling approximately \$506,000 and \$471,000 for the years ended June 30, 2021 and 2020, respectively.

Note 12 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 17,809,816	\$ 13,851,307
Board-Designated Quasi Endowment Fund	19,406,839	15,376,644
Board-Designated Capital Campaign Fund	2,874,155	196,358
Piranha Partners Inc	<u>(2,049,473)</u>	<u>(1,891,172)</u>
Total Net Assets Without Donor Restrictions	<u>\$ 38,041,337</u>	<u>\$ 27,533,137</u>

Board-Designated Quasi Endowment Fund - The Board-Designated Quasi Endowment Fund was established during the year ended June 30, 2010. The fund consists of bequests without donor restrictions, other funds designated by the Board, and their respective earnings designated for the benefit of the Organization.

Board-Designated Capital Campaign Fund - The Board-Designated Capital Campaign Fund was established during the year ended June 30, 2020. The fund consists of funds without donor restrictions designated by the Board for purchase of approved future building and equipment.

Piranha Productions - The Piranha Partners Inc amount relates to accumulated net losses from operations of the Corporation.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 13 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time or expenditure for specified purpose-		
Program services	\$ 1,549,210	\$ 1,098,118
Capital campaign	100,000	200,000
Accumulated endowment earnings	<u>5,771,656</u>	<u>2,274,781</u>
 Total subject to the passage of time or expenditure for specified purpose	 7,420,866	 3,572,899
 Beneficial interest in trust	 620,357	 661,497
 Perpetual endowment funds-		
General	573,993	508,993
Harold Brindle	194,438	194,438
Russell Meyers Rowe	50,000	50,000
Dorothy Stevens	33,014	33,014
NW Endowment Fund	610,000	610,000
Robertson Fund	325,893	325,893
Floyd Jones Fund	<u>10,000,000</u>	<u>10,000,000</u>
 Total perpetual endowment funds	 <u>11,787,338</u>	 <u>11,722,338</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 19,828,561</u>	 <u>\$ 15,956,734</u>

Program Services - These funds represent amounts received by the Organization with specific programming restrictions.

Capital Campaign - These funds are restricted by donors to be used for the purchase of building and equipment.

Accumulated Endowment Earnings - The accumulated endowment earnings represent accumulated unspent earnings on perpetual endowments net assets.

Note 14 - Endowments

The Organization's endowments consist of funds established through gifts, legacies, and bequests that were accepted with donor restrictions to have funds permanently invested, and funds designated by the Board to operate as an endowment for the benefit of the Organization (quasi-endowment). Earnings from endowment net assets are to be used for funding educational programming and general operations of the Organization. Earnings on the quasi-endowment are to be used to support the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 14 - Continued

Interpretation of Relevant Law - The Board has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Organization to track 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 endowment 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.

The remaining portion of the donor-restricted endowment is also classified within net assets with donor restrictions, subject to the passage of time or expenditure for specified purpose, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Endowment net assets consisted of the following at June 30:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
Quasi-endowment	\$ 19,406,839	\$ -	\$ -	\$ 19,406,839
Donor restricted endowment		5,771,656	11,787,338	17,558,994
Endowment Net Assets, June 30, 2021	\$ 19,406,839	\$ 5,771,656	\$ 11,787,338	\$ 36,965,833
Endowment Net Assets, June 30, 2020	\$ 15,376,644	\$ 2,274,781	\$ 11,722,338	\$ 29,373,763

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 14 - Continued

Changes to endowment net assets were as follows for the years ended June 30:

	Net Assets	Net Assets With Donor Restrictions		2021 Total	2020 Total
	Without Donor Restrictions	Accumulated Earnings	Endowment Corpus		
Endowment net assets, beginning of year	\$ 15,376,644	\$ 2,274,781	\$ 11,722,338	\$ 29,373,763	\$ 27,523,740
Investment return	3,728,733	3,540,048		7,268,781	1,014,414
Donor endowment contributions and collections on beneficial interest in trust			65,000	65,000	140,119
Funds designated for quasi-endowment	414,462			414,462	779,283
Quasi-endowment transfer	(113,000)			(113,000)	(12,000)
Appropriation of endowment for expenditure		(43,173)		(43,173)	(71,793)
Endowment Net Assets, End of Year	\$ 19,406,839	\$ 5,771,656	\$ 11,787,338	\$ 36,965,833	\$ 29,373,763

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with restrictions. At June 30, 2021 and 2020, there were no deficiencies.

Return Objectives and Risk Parameters - 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.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in approximately 60% stocks and 40% fixed income investments, including cash.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 14 - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy - The spending policy, expressed as a percentage of market value of the endowment, is determined on a year to year basis by the Board upon recommendation of the Finance and Audit Committee. In recommending a spending policy for a given fiscal year, the Finance and Audit Committee shall take into consideration total return which allows both realized and unrealized income to be withdrawn. The Finance and Audit Committee will review the spending policy periodically in light of actual returns to make spending adjustments necessary to preserve the purchasing power of the endowment. Distributions will be made on an annual basis as a percentage of the average market value of the portfolio over the immediately preceding twelve quarters. The percentage used will be determined by the Finance and Audit Committee based on a "prudent person" standard, which will be approved by the Board. There will be no distribution made from endowments in place less than one year and in no event will an endowment be reduced below 80% of the corpus.

Note 15 - Joint Venture

In 1998, KCTS became a noncontrolling member in a limited liability company, Public Television Major Market Group, LLC (the LLC). The limited liability company was formed to take a leadership position within and outside public television in developing positions and taking actions to affect the outcome of major public television issues. The LLC was also formed to provide a forum for evaluating proposals for collaborative and other ventures with third parties for revenue generating and other opportunities for the use of digital technology. There were no contributions to or distributions from the LLC for the years ended June 30, 2021 and 2020. Investment in the LLC is combined with other long-term assets on the consolidated statement of financial position and is reported at cost basis, adjusted for impairment or other equity transactions that occur during each year.

Note 16 - Commitments and Contingencies

As of June 3, 2021, the Organization entered into a purchase and sales agreement to purchase a building for \$23 million. As of the year ended June 30, 2021, \$1 million in earnest money was deposited into an escrow account and \$950,000 is refundable contingent on the Organization obtaining financing and satisfying other performance requirements. The anticipated closing for purchasing this building is between December 1, 2021 and June 30, 2022.

The Organization is involved, from time to time, in various claims, regulatory audits and other legal issues arising in the normal course of business. Management believes that any uninsured costs that may be incurred in the settlement of such claims would not be material to the Organization's consolidated financial position.

SUPPLEMENTARY INFORMATION

CASCADE PUBLIC MEDIA AND SUBSIDIARIES

Consolidating Statement of Financial Position
For the Year Ended June 30, 2021

	CPM Organization Holding Certificate of Exemption	Piranha Partners Inc	Consolidated Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 12,849,105	\$ 115,589	\$ 12,964,694
Restricted cash	950,000		950,000
Investments held for short-term purposes	6,430,403		6,430,403
Accounts, grants and contributions receivable, net	403,510	44,900	448,410
Prepaid expenses and other current assets	425,330		425,330
Due from (due to)	2,180,019	(2,180,019)	
Total Current Assets	23,238,367	(2,019,530)	21,218,837
Investments held for long-term purposes	37,583,759		37,583,759
Beneficial interest in trusts	620,357		620,357
Land, property and equipment, net	3,615,813	22,766	3,638,579
Other assets	257,292		257,292
Total Assets	\$ 65,315,588	\$ (1,996,764)	\$ 63,318,824
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 2,051,562	\$ 52,709	\$ 2,104,271
Deferred revenue	853,141		853,141
Total Current Liabilities	2,904,703	52,709	2,957,412
Gift annuities payable	467,293		467,293
Long-term portion of accrued expenses	190,132		190,132
Long-term portion of deferred revenue	1,834,089		1,834,089
Total Liabilities	5,396,217	52,709	5,448,926
Net Assets:			
Without donor restrictions	40,090,810	(2,049,473)	38,041,337
With donor restrictions	19,828,561		19,828,561
Total Net Assets	59,919,371	(2,049,473)	57,869,898
Total Liabilities and Net Assets	\$ 65,315,588	\$ (1,996,764)	\$ 63,318,824

See independent auditor's report.