



**BEETHOVEN, INC., AND SUBSIDIARIES**

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**Consolidated Financial Statements and  
Independent Auditor's Report  
December 31, 2022 and 2021**



**BEETHOVEN, INC., AND SUBSIDIARIES**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Beethoven, Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Beethoven, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beethoven, Inc. and Subsidiaries as of December 31, 2022 and 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Beethoven, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beethoven, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Beethoven, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beethoven, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Classical 98.1 statements of activities for the years ended December 31, 2022 and 2021 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Classical 98.1 statements of activities for the years ended December 31, 2022 and 2021 are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Francis & Company".

Francis & Company PLLC  
Seattle, Washington  
April 19, 2023

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,269,995	\$ 2,523,397
Investments	2,004,381	2,394,862
Receivables	226,856	390,445
Promises to give	122,000	359,886
Prepaid expenses	107,790	45,184
<b>Total current assets</b>	<b>6,731,022</b>	<b>5,713,774</b>
<b>NON-CURRENT ASSETS</b>		
Long-term promises to give net discount	67,340	-
Property and equipment net of depreciation	1,786,145	2,087,767
Operating lease right-of-use assets	5,128,250	-
Goodwill	133,518	133,518
Intangible assets	1,425,647	1,425,647
<b>Total non-current assets</b>	<b>8,540,900</b>	<b>3,646,932</b>
<b>TOTAL ASSETS</b>	<b>\$15,271,922</b>	<b>\$9,360,706</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	58,654	87,073
Accrued payroll and other liabilities	128,338	116,481
Deferred revenue	-	1,510
<b>Total current liabilities</b>	<b>186,992</b>	<b>205,064</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent	-	81,151
Operating lease liabilities	5,562,414	-
<b>Total non-current liabilities</b>	<b>5,562,414</b>	<b>81,151</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 5,749,406</b>	<b>\$ 286,215</b>
<b>NET ASSETS</b>		
Without donor restrictions	8,519,272	8,915,304
With donor restrictions	1,003,244	159,187
<b>Total net assets</b>	<b>9,522,516</b>	<b>9,074,491</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$15,271,922</b>	<b>\$9,360,706</b>

See accompanying notes to consolidated financial statements.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT AND REVENUE</b>						
Listener support	\$ 4,181,807	\$ 229,000	<b>\$ 4,410,807</b>	\$ 4,437,289	\$ -	<b>\$ 4,437,289</b>
Underwriting	311,501	-	<b>311,501</b>	134,945	-	<b>134,945</b>
Corporation for Public Broadcasting Community Service Grant	203,510	72,212	<b>275,722</b>	448,449	119,684	<b>568,133</b>
Grants	-	1,007,805	<b>1,007,805</b>	-	-	-
In-kind contributions	61,377	-	<b>61,377</b>	50,433	-	<b>50,433</b>
Investment gain (loss)	(387,361)	-	<b>(387,361)</b>	119,858	-	<b>119,858</b>
	4,370,834	1,309,017	<b>5,679,851</b>	5,190,974	119,684	<b>5,310,658</b>
Net Assets Released from Restrictions	464,960	(464,960)		227,326	(227,326)	
<b>Total Public Support and Revenue</b>	<b>4,835,794</b>	<b>844,057</b>	<b>5,679,851</b>	<b>5,418,300</b>	<b>(107,642)</b>	<b>5,310,658</b>
<b>EXPENSES</b>						
Programming and production	2,414,521	-	<b>2,414,521</b>	2,376,845	-	<b>2,376,845</b>
Broadcasting	667,359	-	<b>667,359</b>	561,655	-	561,655
Public information	33,750	-	<b>33,750</b>	20,490	-	20,490
<b>Total Program Services</b>	<b>3,115,630</b>	<b>-</b>	<b>3,115,630</b>	<b>2,958,990</b>	<b>-</b>	<b>2,958,990</b>
Administration	466,182	-	466,182	431,332	-	431,332
Underwriting	130,014	-	130,014	105,501	-	105,501
Listener support	1,224,219	-	1,224,219	1,132,145	-	1,132,145
<b>Total Support Services</b>	<b>1,820,415</b>	<b>-</b>	<b>1,820,415</b>	<b>1,668,978</b>	<b>-</b>	<b>1,668,978</b>
<b>Total Expenses</b>	<b>4,936,045</b>	<b>-</b>	<b>4,936,045</b>	<b>4,627,968</b>	<b>-</b>	<b>4,627,968</b>
CHANGE IN NET ASSETS	(100,251)	844,057	<b>743,806</b>	790,332	(107,642)	<b>682,690</b>
Cumulative Lease Adjustment	(295,781)	-	<b>(295,781)</b>	-	-	-
NET ASSETS, BEGINNING OF THE YEAR	8,915,304	159,187	<b>9,074,491</b>	8,124,972	266,829	<b>8,391,801</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 8,519,272</b>	<b>\$ 1,003,244</b>	<b>\$ 9,522,516</b>	<b>\$ 8,915,304</b>	<b>\$ 159,187</b>	<b>9,074,491</b>

See accompanying notes to consolidated financial statements.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services			Total Program Services	Support Services			Total Support Services	Total
	Programming & Production	Broadcasting	Public Information		Administration	Underwriting	Listener Support		
Salaries	\$ 1,223,491	\$ 73,399	\$ 12,020	<b>\$ 1,308,910</b>	\$ 196,225	\$ 53,662	\$ 499,209	<b>\$ 749,096</b>	<b>\$ 2,058,006</b>
Payroll taxes	95,860	6,399	1,082	<b>103,341</b>	25,459	5,761	48,738	<b>79,958</b>	<b>183,299</b>
Employee benefits	93,984	7,411	-	<b>101,395</b>	34,398	10,396	46,656	<b>91,450</b>	<b>192,845</b>
<b>Total Personnel Expenses</b>	<b>1,413,335</b>	<b>87,209</b>	<b>13,102</b>	<b>1,513,646</b>	<b>256,082</b>	<b>69,819</b>	<b>594,603</b>	<b>920,504</b>	<b>2,434,150</b>
Marketing	61,377	-	-	<b>61,377</b>	2,498	-	1,331	<b>3,829</b>	<b>65,206</b>
Tele-Communications	5,065	35,982	-	<b>41,047</b>	868	910	1,808	<b>3,586</b>	<b>44,633</b>
Insurance	28,341	30,636	-	<b>58,977</b>	12,220	-	520	<b>12,740</b>	<b>71,717</b>
Outside Services	27,124	2,586	-	<b>29,710</b>	22,542	-	34,839	<b>57,381</b>	<b>87,091</b>
Repairs and Maintenance	16,516	71,049	1,321	<b>88,886</b>	1,470	1,321	1,321	<b>4,112</b>	<b>92,998</b>
Office Expenses	263,924	318,728	19,327	<b>601,979</b>	64,344	44,951	68,432	<b>177,727</b>	<b>779,706</b>
Fundraising and Membership	2,000	-	-	<b>2,000</b>	3,215	-	507,535	<b>510,750</b>	<b>512,750</b>
Meeting Expense	-	-	-	-	1,553	-	5,573	<b>7,126</b>	<b>7,126</b>
Depreciation Expense	236,188	92,476	-	<b>328,664</b>	15,746	-	-	<b>15,746</b>	<b>344,410</b>
Travel & Entertainment	3,800	48	-	<b>3,848</b>	8,310	-	5,939	<b>14,249</b>	<b>18,097</b>
Professional Fees	356,851	25,612	-	<b>382,463</b>	76,117	-	2,318	<b>78,435</b>	<b>460,898</b>
Business Taxes	-	3,033	-	<b>3,033</b>	1,217	-	-	<b>1,217</b>	<b>4,250</b>
Bad Debt	-	-	-	-	-	13,013	-	<b>13,013</b>	<b>13,013</b>
<b>Total Expenses</b>	<b>\$ 2,414,521</b>	<b>\$ 667,359</b>	<b>\$ 33,750</b>	<b>\$ 3,115,630</b>	<b>\$ 466,182</b>	<b>\$ 130,014</b>	<b>\$ 1,224,219</b>	<b>\$ 1,820,415</b>	<b>\$ 4,936,045</b>

See accompanying notes to consolidated financial statements.



**BEETHOVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services			Total Program Services	Support Services			Total Support Services	Total
	Programming & Production	Broadcasting	Public Information		Administration	Underwriting	Listener Support		
Salaries	\$ 1,097,036	\$ 73,114	\$ 9,977	<b>\$ 1,180,127</b>	\$ 205,497	\$ 27,085	\$ 460,423	<b>\$ 693,005</b>	<b>\$ 1,873,132</b>
Payroll taxes	94,000	6,430	898	<b>101,328</b>	14,323	2,645	42,474	<b>59,442</b>	<b>160,770</b>
Employee benefits	111,978	8,498	-	<b>120,476</b>	25,131	2,957	50,906	<b>78,994</b>	<b>199,470</b>
<b>Total Personnel Expenses</b>	<b>1,303,014</b>	<b>88,042</b>	<b>10,875</b>	<b>1,401,931</b>	<b>244,951</b>	<b>32,687</b>	<b>553,803</b>	<b>831,441</b>	<b>2,233,372</b>
Marketing	22,616	9,975	203	<b>32,794</b>	3,925	1,534	12,181	<b>17,640</b>	<b>50,434</b>
Tele-Communications	8,677	3,827	78	<b>12,582</b>	1,506	588	4,673	<b>6,767</b>	<b>19,349</b>
Insurance	32,271	14,233	289	<b>46,793</b>	5,601	2,188	17,381	<b>25,170</b>	<b>71,963</b>
Outside Services	241,849	106,668	2,165	<b>350,682</b>	41,979	16,400	130,253	<b>188,632</b>	<b>539,314</b>
Repairs and Maintenance	19,315	8,519	173	<b>28,007</b>	3,352	1,310	10,402	<b>15,064</b>	<b>43,071</b>
Office Expenses	285,575	125,953	2,557	<b>414,085</b>	49,566	19,364	153,805	<b>222,735</b>	<b>636,820</b>
Fundraising and Membership	105,713	46,625	947	<b>153,285</b>	18,348	7,168	56,935	<b>82,451</b>	<b>235,736</b>
Meeting Expense	9,906	4,369	89	<b>14,364</b>	1,719	672	5,335	<b>7,726</b>	<b>22,090</b>
Depreciation Expense	210,555	92,865	1,885	<b>305,305</b>	36,545	14,277	113,401	<b>164,223</b>	<b>469,528</b>
Travel & Entertainment	917	404	8	<b>1,329</b>	159	62	494	<b>715</b>	<b>2,044</b>
Professional Fees	131,258	57,891	1,175	<b>190,324</b>	22,782	8,900	70,693	<b>102,375</b>	<b>292,699</b>
Business Taxes	1,367	603	12	<b>1,982</b>	237	93	736	<b>1,066</b>	<b>3,048</b>
Bad Debt	3,812	1,681	34	<b>5,527</b>	662	258	2,053	<b>2,973</b>	<b>8,500</b>
<b>Total Expenses</b>	<b>\$ 2,376,845</b>	<b>\$ 561,655</b>	<b>\$ 20,490</b>	<b>\$ 2,958,990</b>	<b>\$ 431,332</b>	<b>\$ 105,501</b>	<b>\$ 1,132,145</b>	<b>\$ 1,668,978</b>	<b>\$ 4,627,968</b>

See accompanying notes to consolidated financial statements.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 448,025	\$ 682,690
<i>Adjustments to reconcile change in net assets to net cash from operating activities:</i>		
Depreciation and amortization	344,410	469,529
Reinvested investment earnings	(49,498)	(42,615)
Unrealized loss (gain) on investments	440,592	(68,272)
(Increase) / decrease in assets:		
Receivables	163,589	(189,464)
Promises to give	170,546	291,250
Prepaid expenses	(62,606)	(25,281)
Right of use assets	(5,128,250)	-
Increase / (decrease) in liabilities:		
Accounts payable	(28,419)	28,071
Accrued payroll and other liabilities	11,857	6,853
Deferred revenue	(1,510)	-
Lease liability	5,562,414	-
Deferred rent	(81,151)	56,107
<b>Net cash provided by operating activities</b>	<b>\$ 1,789,999</b>	<b>\$ 1,208,868</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(614)	(1,997,520)
Acquisition of furniture, fixtures, and equipment	(42,787)	(181,284)
<b>Net cash used in investing activities</b>	<b>\$ (43,401)</b>	<b>\$ (2,178,804)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,746,598</b>	<b>(969,936)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,523,397</b>	<b>3,493,333</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$4,269,995</b>	<b>\$ 2,523,397</b>

See accompanying notes to consolidated financial statements.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

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**NOTE 1      SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The accompanying financial statements include Beethoven, Inc., and all its wholly owned subsidiaries. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as KING FM in the notes to the consolidated financial statements.

Beethoven, Inc.

Beethoven, Inc., is a nonprofit corporation whose purpose is to support ArtsFund, Seattle Symphony Orchestra, and Seattle Opera Association and thereby advance the appreciation and performance of opera, symphonic music, and chamber music in the Puget Sound area of Washington State.

Classic Radio, Inc

Beethoven, Inc. holds the stock of a wholly owned subsidiary, Classic Radio. Classic Radio is the licensee of KING FM, a radio station that broadcasts classical music throughout western Washington and digitally via the Internet and mobile devices.

Classical 98.1

Classic Radio has a Programming and Operating Agreement with Classical 98.1, a nonprofit corporation. The purpose of Classical 98.1 is to support the broadcasting of classical music in western Washington and thereby further the education and involvement of the public audience in classical music and advance the appreciation and performance of opera, symphonic music, and chamber music, using a wide spectrum of technologies to deliver the highest quality experience.

**Historical background**

Classic Radio, Inc. (CRI), a for-profit corporation, was formed in August 1991 and purchased KING FM in February 1992; at that time KING FM held a commercial FCC license. In May 1995, the stock of CRI was transferred from private owners to Beethoven, Inc. In March 2010, the Board of Directors (the Board) approved a change in CRI's business model to pursue the restructuring of KING FM from a commercial to noncommercial FCC licensee.

In March 2011, Classic Radio, a separate Washington State not-for-profit organization, was formed and Beethoven, Inc. contributed its investment in CRI to Classic Radio. In July 2010, Classical 98.1 was formed and applied for IRS (Internal Revenue Service) exemption. Both not-for-profit entities were formed to facilitate the change in structure from a commercial to noncommercial model. In April 2011, the IRS exemption letter was received for Classical 98.1, and the Board approved complete liquidation of CRI, with all assets being distributed to Classic Radio upon dissolution on July 11, 2011.

Beginning May 2, 2011, KING FM began operating as a noncommercial radio station supported by donations and Classical 98.1 began operating KING FM pursuant to a Programming and Operating Agreement with Classic Radio. In July 2011, Classic Radio received FCC approval to convert its operating license to a noncommercial license, completing the transition from a for-profit commercial radio station to a not-for-profit listener supported radio station.

**Principles of consolidation**

The accompanying financial statements include the accounts of Beethoven, Inc. and all of its wholly owned subsidiaries. Inter-entity transactions and balances have been eliminated in consolidation.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

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**NOTE 1      SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Basis of Presentation**

KING FM's financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies are described below:

**Net Assets**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of KING FM and changes therein are classified and reported in the following two classes:

**Net assets without donor restrictions** - Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of KING FM. These net assets may be used at the discretion of KING FM's management and board of directors.

**Net assets with donor restrictions** - Net assets subject to stipulations imposed by donors which are to be spent on specific activities. When the restriction has been satisfied by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported as net assets released from donor restrictions in the statement of activities and changes in net assets. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

**Use of estimates**

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

**Reclassifications**

Certain amounts presented in the prior year's financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the reported results of operations.

**Cash and cash equivalents**

Cash and cash equivalents include demand deposits as well as amounts in temporary overnight investments, in interest liquid investment accounts, and in money markets with maturities of 90 days or less at the date of acquisition. Cash and cash equivalents that are part of the KING FM investment portfolio (see Note 2) are included in cash because those amounts are considered available for operating needs. The demand deposits are, at times, may exceed federally insured limits. KING FM has not experienced any losses in such accounts and believes they are not exposed to any significant related credit risk.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

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**NOTE 1      SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Receivables**

Account receivables are stated at unpaid balances on underwriting contracts, less an allowance for doubtful accounts. KING FM adopted a policy of providing for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of the underwriters to meet their obligations. Receivables are written off as a charge to the allowance for doubtful accounts once all reasonable efforts to collect have been exhausted.

**Investments**

KING FM records its investments at fair value using Level 1 inputs, and the change in value is included in the change in net assets. The fair value measurement of investments was determined using Level 1 observable market inputs within the fair value hierarchy, consisting of quoted prices in active markets for identical assets. Investments consisted of Level 1 are investments primarily in exchange-traded funds.

In October 2020, the Board created a Board designated fund with the goal of achieving a total return of 4% after inflation over a full market cycle. The target long-term strategic asset allocation was defined as follows:

	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>
Mutual funds			
Equities	65%	None	70%
Fixed Income	30%	None	50%
Cash	5%	\$500,000	100%

**Fair value measurements**

Financial instruments include cash and cash equivalents, accounts receivable, mutual funds and accounts payable. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and deposits approximate fair market value because of the short maturity of those instruments. Mutual funds are measured at fair value on a reoccurring basis.

Topic 820 in the FASB's Accounting Standards Codification, Fair Value Measurements and Disclosures, establishes a three-tier valuation hierarchy for classification of fair value measurements as follows:

- Level 1 - Observable market inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 - Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

KING FM's statements of financial position include investments in mutual funds that are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

**Promises to give**

Promises to give that are expected to be collected within one year are recorded at a net realizable value. Promises to give due in more than one year are reflected at the present value of estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional contributions are not included as support until the conditions are met.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

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**NOTE 1      SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Property and Equipment, depreciation, and amortization**

Additions, improvements, and expenditures of \$1,000 or greater that significantly extend the life of an asset are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets ranging from five to seven years. Amortization is computed using the straight-line method over three years for software and the shorter of the useful life or the remaining lease term (including expected renewals) for leasehold improvements (20 years).

**Goodwill and other intangible assets**

Classic Radio acquired certain intangible assets from Classic Radio, Inc. in connection with the purchase of KING FM in 1992. The FCC license is considered to have an indefinite life; however, Classic Radio must renew the license with the FCC every seven years.

Finite-lived intangible assets are also tested annually for impairment. Goodwill and other intangible assets were not impaired as of December 31, 2022 or 2021 and, accordingly, no write down is included in the consolidated statements of activities for the years then ended.

**Leases**

Leases arise from contractual obligations that convey the right to control the use of identified property and equipment for a period in exchange for consideration. At the inception of the contract, KING FM determines if an arrangement contains a lease based on whether there is an identified asset and whether they control the use of the identified asset. KING FM also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use asset represents KING FM's right to use an underlying asset and a lease liability represents KING FM's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Leases liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The implicit rates for KING FM's leases are not readily determinable, therefore, KING FM elected to use a risk-free discount rate at the lease commencement date for all new leases and at 1 January, 2022 (adoption date).

KING FM's real estate operating leases typically include non-lease components such as common area maintenance costs. KING FM elected to combine non-lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that these are fixed. Non-lease components that are neither fixed nor variable based on an index or rate are expensed as incurred as variable lease payments.

Certain KING FM's leases contain options to extend the lease term at prevailing market rates at the time of the renewal. Management cannot predict the future economic landscape; therefore, it is not reasonably certain to exercise the extension options. KING FM uses the base non-cancellable, lease term when recognizing the lease assets and liabilities. KING FM lease agreements do not contain any material restrictive covenants.

For contracts existing as of the Adoption Date, KING FM elected the practical expedient and did not reassess whether there were any expired or existing leases, and initial direct costs for any existing leases.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

---

**NOTE 1      SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Support and revenue**

KING FM recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

Underwriting fees are considered exchange transactions and are recognized as revenue when credits are aired or delivered digitally. Underwriting fees paid in advance of credits aired or delivered digitally are reflected as deferred revenue until the credits are aired or delivered.

**In-kind goods and services**

Contributed materials have been recorded at their fair value at date of donation. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they:

- create or enhance non-financial assets, or
- require specialized skills and would need to be purchased if not provided by donation.

Corresponding expenses are recognized as the assets and services are utilized. Professional services were recorded in 2022 and 2021, respectively, none of which has donor-imposed restrictions.

KING FM receives other contributed services from volunteers in connection with its operations. These services do not meet the requirements to be recognized in the consolidated statement of activities.

**Advertising costs**

KING FM expenses advertising costs as incurred. The consolidated statements of activities include \$65,206 and \$50,434, respectively, in advertising costs for the years ended December 31, 2022, and 2021.

**Income taxes**

Tax status-The Internal Revenue Service has recognized Beethoven, Inc. and Classical 98.1 as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as entities described in Section 501(c)(3) and not as private foundations.

Deferred tax-Income taxes are provided for the tax effects of transactions related to Classic Radio's operations and consist of taxes currently due or refundable and deferred taxes. Deferred taxes represent the tax effect of temporary differences between the financial reporting basis and tax basis of assets and liabilities. These basis differences primarily relate to fixed assets, goodwill, FCC license, and certain accrued liabilities.

Uncertain tax positions-The effects of a tax position cannot be recognized in the consolidated financial statements unless it is a more-than-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that KING FM is entitled to the economic benefits of a tax position.

If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2022, there was no uncertain tax position for which a liability should be recorded.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

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**NOTE 1      SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, such as leases, utilities and computer costs, expenses are allocated based on employee counts or estimated percentage of effort.

**Accounting pronouncements adopted**

In 2022, management adopted the Financial Accounting Services Board’s Accounting Standards Update (ASU) No 2016-02, Leases (Topic 842), and additional ASUs issued to clarify and update the guidance in ASU 2016-02 (collectively, “ASC Topic 842”). ASU Topic 842 modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. Management adopted ASC Topic 842 using the modified retrospective transition method, under which amounts in prior periods presented herein were not restated. For contracts existing at the time of adoption, management elected the practical expedient and did not reassess (i) whether any are or contain leases, (ii) lease classification, and (iii) initial direct costs. For KING FM, the adoption of ASC Topic 842 resulted in the following as the of the Adoption Date:

	<b>2022</b>
Recognition of:	
Operating lease right-of-use assets	\$ 5,128,250
Operating lease liabilities	5,562,414
Derecognition of	
Deferred rent expense	81,151
Adjustment to opening net assets - modified retrospective transition	(295,781)

Management also adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result, contributed nonfinancial assets are now presented as a separate line item apart from the Listener support. in the Consolidated Statements of Activities. Additionally, the categories of recognized contributed nonfinancial assets, how the services were utilized, and the valuation techniques used to arrive at a fair value measurement are disclosed.



**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

**NOTE 2      INVESTMENTS**

Board designated investments are presented within cash and investments in the consolidated statement of financial position as of December 31, 2022 and 2021. The accounts are stated at fair value and consist of the following at December 31:

	<b>2022</b>	<b>2021</b>
Money market funds	\$ 8,406	\$ 2,263
Equities	1,296,012	1,587,354
Fixed income	699,963	805,245
<b>Total investments</b>	<b>\$ 2,004,381</b>	<b>\$ 2,394,862</b>

KING FM does not have any Level 2 or 3 assets. The fair value of Level 1 assets measured on a recurring basis is as follows:

	<b>2022</b>	<b>2021</b>
Money market funds	\$ 8,406	\$ 2,263
Mutual funds		
Vanguard High Yield Corp	85,427	93,847
Vanguard Intermediate Term Invest Grade	494,937	574,048
Vanguard Total Intl Bond Index	119,599	137,349
Vanguard Total World Stock Index	1,296,012	1,587,355
<b>Total level 1</b>	<b>\$ 2,004,381</b>	<b>\$ 2,394,862</b>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows which is a level 3 input. KING FM also uses fair value concepts to test various long-lived assets for impairment.

The gains and losses on investments are classified as net assets without donor restrictions in the statements of activities for the years ended December 31, 2022 and 2021. The following schedule summarizes the investment return for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Realized gains, interest, and dividends	\$ 53,518	\$ 51,586
Unrealized gains (losses)	(440,879)	68,272
<b>Total investment return</b>	<b>\$ (387,361)</b>	<b>\$ 119,858</b>

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

**NOTE 3      PROMISES TO GIVE**

Unconditional promises to give as of December 31 consist of the following:

	<b>2022</b>	<b>2021</b>
Receivable in less than one year	\$ 122,000	\$ 359,886
Receivable in one to five years	70,000	-
<b>Receivables before discount</b>	<b>192,000</b>	<b>359,886</b>
Discount	(2,660)	-
<b>Total promises to give</b>	<b>\$ 189,340</b>	<b>\$359,886</b>

Discounts on long-term promises to give are considered immaterial and uncollectible promises are expected to be insignificant.

**NOTE 4      RECEIVABLES**

	<b>2022</b>	<b>2021</b>
CPB Grants	\$ 82,717	\$ 259,666
Underwriting	55,503	27,816
Membership and other	88,636	105,363
Allowance for doubtful accounts	-	(2,400)
<b>Total receivables</b>	<b>\$ 226,856</b>	<b>\$ 390,445</b>

**NOTE 5      PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	<b>2022</b>	<b>2021</b>
Buildings and leasehold improvements	\$ 1,610,658	\$ 1,610,658
Towers, antennae, and transmitter equipment	661,725	1,067,521
Studio technical equipment	936,252	975,072
Furniture and office equipment	339,878	340,413
Projects in progress	42,787	-
<b>Total Property and equipment, at cost</b>	<b>3591,300</b>	<b>3,993,664</b>
Less: Accumulated depreciation	(1,805,155)	(1,905,897)
<b>Total Property and equipment, net</b>	<b>\$ 1,786,145</b>	<b>\$ 2,087,767</b>

Depreciation and amortization expense for land, buildings and equipment was \$344,409 and \$469,529 for the years ended December 31, 2022 and 2021, respectively.

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

**NOTE 6      NET ASSETS**

Net assets consist of the following at December 31:

	<b>2022</b>	<b>2021</b>
Without donor restriction		
Designated by the board for		
Investment	\$ 2,504,381	\$ 2,894,862
Digital transformation fund	1,821,153	1,956,857
Broadcast capital fund	789,580	-
Undesignated	3,404,158	4,063,585
<b>Total without donor restrictions</b>	<b>8,519,272</b>	<b>8,915,304</b>
With donor restriction		
Raynier Foundation - Northwest Focus Live	-	99,754
CPB - National Programing	21,664	59,433
Campaign	192,000	-
Building campaign - State of Washington Building for Arts	789,580	-
<b>Total with donor restrictions</b>	<b>1,003,244</b>	<b>159,187</b>
<b>Total Net Asset</b>	<b>\$ 9,522,516</b>	<b>\$ 9,074,491</b>

**NOTE 7      LEASES**

KING FM leases tower sites from a single entity under terms of operating leases expiring in various years through 2030. The main tower site is at West Tiger Mountain (WTM). The initial lease term expired on December 31, 2017, and was extended through the ten-year renewable period which expires on December 31, 2027. The backup tower site is at Cougar Mountain. (CM). CM's original term was ten years starting in 2000. The CM lease was extended from 2021 through June 30, 2030.

KING FM entered a fifteen-year sub-lease with the Seattle Opera, for its new facilities, commencing on March 1, 2020. KING FM did not have any leases that are classified as finance leases.

Rental payments under these leases include base rental amounts for the terms of each lease unless the lease contains variable costs (e.g., common area maintenance) based on an index or rate. If a lease does not include indexed or variable costs at a specific rate, KING FM includes those costs as part of operating expenses. Other variable costs for expenses which are not based on an index or rate, these variable lease payments are determined based on actual expenses incurred by the lessor and passed to KING FM 98.1. KING FM expense these non-lease components as incurred.

Operating and variable lease expense in the Consolidated Statements of Activities for the year ended December 31, 2022, which is included in "Lease agreements" in the Consolidated Statements of Functional Expenses, was:

	<b>2022</b>
Operating lease expense	\$ 502,213
Variable lease expense	21,054
<b>Total</b>	<b>\$ 523,267</b>

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

**NOTE 7      LEASES (continued)**

Aggregate remaining maturities of lease liabilities as of December 31, 2022 -

2023	\$ 482,176
2024	480,837
2025	479,913
2026	482,274
2027	485,042
Thereafter	5,856,462
Total operating lease payments	\$ 8,266,704
Minus: Imputed interest	(2,704,290)
<b>Total operating lease liabilities</b>	<b>\$ 5,562,414</b>

**NOTE 8      LIQUIDITY**

As a listener-supported classical music radio station, KING FM monitors liquidity required to meet its operational needs and other commitments monthly. KING FM receives significant contributions each year from donors, underwriters, and government and private grants, which are available to meet annual cash needs for general expenditures. KING FM considers all unrestricted revenue to be available to meet cash needs for general expenditure, which includes administrative, programming, fundraising and operations expenses. Contributions with donor restrictions are also considered for use in current programs which are ongoing and central to its annual operations be made available to meet cash needs for general expenditures.

KING FM manages its cash available to meet general expenditures following three guiding principles:

- operating within a prudent range of financial soundness and stability,
- maintaining adequate liquid assets to fund near-term operating needs, and
- building sufficient reserves to provide reasonable assurance that commitments with donor restrictions will be met.

Financial assets available to meet cash needs for general expenditures within one year as follows:

	<b>2022</b>	<b>2021</b>
Total financial assets	\$ 6,690,572	\$ 5,668,590
Donor imposed restrictions		
Promises to give due in more than one year	(213,664)	-
Restricted to non-operating purposes	(789,580)	(159,186)
<b>Net financial assets before board-imposed restrictions</b>	<b>\$ 5,687,328</b>	<b>\$ 5,509,404</b>
Board imposed restrictions	(3,825,534)	(4,351,719)
<b>Net financial assets after board-imposed restrictions</b>	<b>\$ 1,861,794</b>	<b>\$ 1,157,685</b>

**BEETHOVEN, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

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**NOTE 9      PROFIT SHARING AND 401(k) PLAN**

KING FM has a profit sharing and 401(k) plan to cover substantially all full-time employees employed for more than one year. KING FM matches 100% of participant contributions up to 3% of eligible compensation, plus 50% of participant contributions over 3%, but not more than 5% of eligible compensation.

This expense totaled \$27,775 and \$35,350, respectively, for the year ended December 31, 2022, and 2021.

**NOTE 10      RECLASSIFICATION OF PRIOR YEAR PRESENTATION**

During 2022, KING FM implemented a new accounting system which included re-designing the chart of accounts and expense classifications. The prior year Statement of Functional Expenses has been reclassified for consistency with the current year's presentation. These reclassifications had no effect on the reported change in net assets.

**NOTE 11      SUBSEQUENT EVENTS**

Management evaluated all activities of KING FM through April 19, 2023 (the issuance date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the related Notes to the consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**CLASSICAL 98.1**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Listener support	\$ 4,181,807	\$ 229,000	<b>\$ 4,410,807</b>	\$ 4,437,289	-	<b>\$ 4,437,289</b>
Underwriting	311,501	-	<b>311,501</b>	134,945	-	<b>134,945</b>
Corporation for Public Broadcasting Community Service Grant	203,510	72,212	<b>275,722</b>	448,449	119,684	<b>568,133</b>
Grants	-	1,007,805	<b>1,007,805</b>	-	-	-
In-kind contributions	61,377	-	<b>61,377</b>	50,433	-	<b>50,433</b>
Investment gain (loss)	(387,361)	-	<b>(387,361)</b>	119,858	-	<b>119,858</b>
	4,370,834	1,309,017	<b>5,679,851</b>	5,190,974	119,684	<b>5,310,658</b>
Net Assets Released from Restrictions	464,960	(464,960)		227,326	(227,326)	-
<b>Total Public Support and Revenue</b>	<b>4,835,794</b>	<b>844,057</b>	<b>5,679,851</b>	<b>5,418,300</b>	<b>(107,642)</b>	<b>5,310,658</b>
<b>EXPENSES</b>						
Programming and production	2,414,523	-	<b>2,414,523</b>	2,512,950	-	<b>2,512,950</b>
Broadcasting	606,761	-	<b>606,761</b>	-	-	-
Public information	33,750	-	<b>33,750</b>	20,490	-	<b>20,490</b>
<b>Total Program Services</b>	<b>3,055,034</b>	<b>-</b>	<b>3,055,034</b>	<b>2,533,440</b>	<b>-</b>	<b>2,533,440</b>
Administration	458,526	-	<b>458,526</b>	425,051	-	<b>425,051</b>
Underwriting	130,014	-	<b>130,014</b>	105,501	-	<b>105,501</b>
Listener support	1,224,219	-	<b>1,224,219</b>	1,132,145	-	<b>1,132,145</b>
<b>Total Support Service</b>	<b>1,812,759</b>	<b>-</b>	<b>1,812,759</b>	<b>1,662,697</b>	<b>-</b>	<b>1,662,697</b>
<b>Total Expenses</b>	<b>4,867,793</b>	<b>-</b>	<b>4,867,793</b>	<b>4,196,137</b>	<b>-</b>	<b>4,196,137</b>
<b>CHANGE IN NET ASSETS</b>	<b>(31,999)</b>	<b>844,057</b>	<b>812,058</b>	<b>1,222,163</b>	<b>(107,642)</b>	<b>1,114,521</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>7,251,012</b>	<b>159,187</b>	<b>7,410,199</b>	<b>6,028,849</b>	<b>266,829</b>	<b>6,295,678</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,219,013</b>	<b>\$ 1,003,244</b>	<b>\$ 8,222,257</b>	<b>\$ 7,251,012</b>	<b>\$ 159,187</b>	<b>\$ 7,410,199</b>

See accompanying notes to consolidated financial statements.