



BEETHOVEN, INC., AND SUBSIDIARIES

**Consolidated Financial Statements
With Independent Auditor's Report
June 30, 2024, and December 31, 2023**



BEETHOVEN, INC., AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and December 31, 2023

Table of Contents	PAGE
Independent Auditor's Report	1-3
Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9-19
Supplementary Information	
Classical 98.1 Statements of Activities	20

**Independent
Auditor's Report**

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 June 30, 2024 and December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the six-month and twelve-month periods 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 June 30, 2024 and December 31, 2023, and the changes in its net assets and its cash flows for the six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023 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.

Emphasis of Matter - Change in Financial Reporting Period

As discussed in Note 1 - Change in Financial Reporting Period, the current period presented is for the six months ended June 30, 2024, whereas the prior period presented is for the twelve months ended December 31, 2023. The financial statements are therefore not directly comparable. Our opinion is not modified with respect to this matter.

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 Responsibilities for the Audit of the Financial Statements

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 audits were 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 six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023 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 audits 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 six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023, 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". The signature is written in black ink and is positioned to the left of the typed name.

Francis & Company PLLC
Seattle, Washington
December 11, 2024

**Consolidated
Statements of
Financial Position**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND DECEMBER 31, 2023

	Note	2024	2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 3,789,368	\$ 3,818,106
Receivables	4	143,109	264,244
Promises to give	3	80,500	86,500
Prepaid expenses		119,705	97,358
Total current assets		4,132,682	4,266,208
NON-CURRENT ASSETS			
Investments	2	2,542,776	2,370,433
Property and equipment net of depreciation	5	1,418,628	1,570,352
Operating lease right-of-use assets	7	4,733,244	4,842,655
Goodwill		133,518	133,518
Intangible assets		2,160,424	2,021,154
Total non-current assets		10,988,590	10,938,112
TOTAL ASSETS		\$15,121,272	\$15,204,320
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 15,734	\$ 125,955
Accrued payroll and other liabilities		134,993	147,464
Operating lease liabilities - current	7	278,418	262,415
Total current liabilities		429,145	535,834
NON-CURRENT LIABILITIES			
Operating lease liabilities - non-current	7	4,949,936	5,058,445
Total non-current liabilities		4,949,936	5,058,445
TOTAL LIABILITIES		\$ 5,379,081	\$ 5,594,279
NET ASSETS			
Net assets with donor restrictions	6	896,102	902,102
Net assets without donor restrictions	6		
Board designated		2,660,385	2,869,959
Undesignated		6,185,704	5,837,980
Total net assets		\$ 9,742,191	\$ 9,610,041
TOTAL LIABILITIES AND NET ASSETS		\$15,121,272	\$15,204,320

See accompanying notes to consolidated financial statements.

**Consolidated
Statements of
Activities**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2024, AND THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Listener support	\$ 1,998,155	\$ 153,000	\$ 2,151,155	\$ 4,139,547	\$ 170,000	\$ 4,309,547
Underwriting	201,025	-	201,025	314,437	-	314,437
Corporation for Public Broadcasting Community Service Grant	-	-	-	242,821	86,741	329,562
Grants	15,250	-	15,250	12,590	-	12,590
In-kind contributions	2,524	-	2,524	40,750	-	40,750
Investment gain	238,821	-	238,821	466,593	-	466,593
	2,455,775	153,000	2,608,775	5,216,738	256,741	5,473,479
Net assets released from restrictions	159,000	(159,000)	-	357,883	(357,883)	-
Total Public Support and Revenue	2,614,775	(6,000)	2,608,775	5,574,621	(101,142)	5,473,479
EXPENSES						
Programming and production	1,097,230	-	1,097,230	2,453,360	-	2,453,360
Broadcasting	444,128	-	444,128	832,881	-	832,881
Public information	7,898	-	7,898	24,284	-	24,284
Total Program Services	1,549,256	-	1,549,256	3,310,525	-	3,310,525
Administration	281,793	-	281,793	476,652	-	476,652
Underwriting	87,664	-	87,664	135,626	-	135,626
Listener support	557,912	-	557,912	1,463,151	-	1,463,151
Total Support Services	927,369	-	927,369	2,075,429	-	2,075,429
Total Expenses	2,476,625	-	2,476,625	5,385,954	-	5,385,954
CHANGE IN NET ASSETS	138,150	(6,000)	132,150	188,667	(101,142)	87,525
Net assets, beginning of period	8,707,939	902,102	9,610,041	8,519,272	1,003,244	9,522,516
NET ASSETS, END OF PERIOD	\$ 8,846,089	\$ 896,102	\$ 9,742,191	\$ 8,707,939	\$ 902,102	\$ 9,610,041

See accompanying notes to consolidated financial statements.

**Consolidated
Statements of
Functional Expenses**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Program			Total Program Services	Support		Services		Total
	Programming & Production	Broadcasting	Public Information		Administration	Underwriting	Listener Support	Total Support Services	
Personnel Expenses	\$ 688,155	\$ 151,160	\$ -	\$ 839,315	\$ 126,041	\$ 41,423	\$ 308,101	\$ 475,565	\$ 1,314,880
Marketing	4,427	-	-	4,427	-	-	-	-	4,427
Tele-Communications	13,123	9,710	441	23,274	462	371	1,392	2,225	25,499
Insurance	15,445	18,039	-	33,484	5,172	-	680	5,852	39,336
Outside Services	39,468	1,799	-	41,267	6,146	-	5,252	11,398	52,665
Repairs and Maintenance	-	13,907	-	13,907	836	-	-	836	14,743
Office Expenses	113,034	176,756	7,457	297,247	32,019	29,654	27,429	89,102	386,349
Fundraising and Membership	-	-	-	-	-	-	187,587	187,587	187,587
Meeting Expense	-	-	-	-	1,743	-	859	2,602	2,602
Depreciation Expense	122,028	60,285	-	182,313	8,135	-	-	8,135	190,448
Travel & Entertainment	2,950	-	-	2,950	2,854	-	2,539	5,393	8,343
Professional Fees	97,293	10,906	-	108,199	97,328	-	23,073	120,401	228,600
Digital Expenses	-	-	-	-	3,923	-	-	3,923	3,923
Business Taxes	1,307	1,566	-	2,873	(2,866)	-	-	(2,866)	7
Bad Debt	-	-	-	-	-	16,216	1,000	17,216	17,216
Total Expenses	\$ 1,097,230	\$ 444,128	\$ 7,898	\$ 1,549,256	\$ 281,793	\$ 87,664	\$ 557,912	\$ 927,369	\$ 2,476,625

See accompanying notes to consolidated financial statements.

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	Program Services			Support Services					
	Programming & Production	Broadcasting	Public Information	Total Program Services	Administration	Underwriting	Listener Support	Total Support Services	Total
Personnel Expenses	\$ 1,654,184	\$ 241,388	\$ -	\$ 1,895,572	\$ 217,725	\$ 66,470	\$ 681,989	\$ 966,184	\$ 2,861,756
Marketing	40,750	-	-	40,750	-	-	-	-	40,750
Tele-Communications	15,608	21,030	894	37,532	894	1,734	3,354	5,982	43,514
Insurance	27,593	33,709	-	61,302	11,577	-	592	12,169	73,471
Outside Services	76,832	2,246	-	79,078	20,775	-	10,222	30,997	110,075
Repairs and Maintenance	372	31,002	-	31,374	1,685	-	-	1,685	33,059
Office Expenses	226,934	370,825	23,390	621,149	95,901	59,638	44,211	199,750	820,899
Fundraising and Membership	632	-	-	632	19,893	-	504,275	524,168	524,800
Meeting Expense	823	-	-	823	1,626	-	3,180	4,806	5,629
Depreciation Expense	215,134	103,506	-	318,640	14,342	-	-	14,342	332,982
Travel & Entertainment	12,572	-	-	12,572	3,513	-	13,564	17,077	29,649
Professional Fees	181,773	23,814	-	205,587	77,144	-	125,875	203,019	408,606
Digital Expenses	-	-	-	-	-	-	25,889	25,889	25,889
Business Taxes	153	5,361	-	5,514	11,577	-	-	11,577	17,091
Bad Debt	-	-	-	-	-	7,784	50,000	57,784	57,784
Total Expenses	\$ 2,453,360	\$ 832,881	\$ 24,284	\$ 3,310,525	\$ 476,652	\$ 135,626	\$ 1,463,151	\$ 2,075,429	\$ 5,385,954

See accompanying notes to consolidated financial statements.

**Consolidated
Statements of
Cash Flows**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024,
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 132,150	\$ 87,525
<i>Adjustments to reconcile change in net assets to net cash from operating activities:</i>		
Depreciation and amortization	190,448	332,982
Reinvested investment earnings	(47,187)	(83,272)
Unrealized loss (gain) on investments	(128,872)	(282,780)
(Increase) / decrease in assets:		
Receivables	121,135	(37,388)
Promises to give	6,000	102,840
Prepaid expenses	(22,347)	10,432
Right of use assets	109,411	285,595
Increase / (decrease) in liabilities:		
Accounts payable	(110,221)	67,301
Accrued payroll and other liabilities	(12,471)	19,126
Lease liability	(92,506)	(241,554)
Net cash provided by operating activities	\$ 145,540	\$ 260,807
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(114,336)	-
Sale of investments	118,052	-
Purchase of intangible assets	(139,270)	(595,507)
Acquisition of furniture, fixtures, and equipment	(38,724)	(117,189)
Net cash used in investing activities	\$ (174,278)	\$ (712,696)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(28,738)	(451,889)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,818,106	4,269,995
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$3,789,368	\$3,818,106

See accompanying notes to consolidated financial statements.

**Notes to
the Consolidated
Financial Statements**

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

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
JUNE 30, 2024 AND DECEMBER 31, 2023

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

Change in Financial Reporting Period

During 2024, KING FM changed its financial year-end from December 31 to June 30. As a result, the current financial statements cover a period of 6 months ending June 30, 2024, whereas the prior period presented is for 12 months ended December 31, 2023. Users of these financial statements should note that the amounts presented for the current period and prior period are not directly comparable.

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.

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 KING FM's 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
JUNE 30, 2024 AND DECEMBER 31, 2023

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.

Promises to give

Promises to give that are expected to be collected within one year are recorded at 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.

Property and equipment, depreciation, and amortization

Additions, improvements, and expenditures of \$5,000 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 estimated 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 June 30, 2024 and, accordingly, no write down is included in the consolidated statements of activities for the period then ended.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

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

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 consisting 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:

	Target	Minimum	Maximum
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.

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.

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.

KING FM's consolidated 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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

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

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 January 1, 2023 (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.

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 barriers, 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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

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

Advertising costs

KING FM expenses advertising costs as incurred. The consolidated statements of activities include \$4,427 and \$40,750, in advertising costs for the periods ended June 30, 2024, and December 31, 2023, respectively.

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 June 30, 2024, there was no uncertain tax position for which a liability should be recorded.

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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

NOTE 2 INVESTMENTS

Board-designated investments are stated at fair value and consist of the following on June 30, 2024 and December 31, 2023:

	2024	2023
Money market funds	\$ 475	\$ 18,975
Equities	1,703,500	1,526,073
Fixed income	838,801	825,385
Total investments	\$ 2,542,776	\$ 2,370,433

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 June 30, 2024, and December 31, 2023:

	2024	2023
Money market funds	\$ 475	\$ 19,449
Mutual funds		
Vanguard High Yield Corp	98,430	95,453
Vanguard Intermediate Term Invest Grade	598,025	588,690
Vanguard Total Intl Bond Index	142,346	141,243
Vanguard Total World Stock Index	1,703,500	1,525,598
Total level 1	\$ 2,542,776	\$ 2,370,433

The gains and losses on investments are classified as net assets without donor restrictions in the consolidated statements of activities for the periods ended June 30, 2024 and December 31, 2023. The following schedule summarizes the investment return:

	2024	2023
Realized gains, interest, and dividends	\$ 109,949	\$ 183,813
Unrealized gains	128,872	282,780
Total investment return	\$ 238,821	\$ 466,593

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

NOTE 3 PROMISES TO GIVE

Unconditional promises to give as of June 30, 2024, and December 31, 2023 consist of the following:

	2024	2023
Receivable in less than one year	\$ 80,500	\$ 86,500
Receivable in one to five years	-	-
Receivables before discount	80,500	86,500
Discount	-	-
Total promises to give	\$ 80,500	\$ 86,500

Discounts on long-term promises to give are considered immaterial and uncollectible promises are expected to be insignificant on June 30, 2024, and December 31, 2023.

NOTE 4 RECEIVABLES

	2024	2023
CPB Grants	\$ 98,868	\$ 98,868
Underwriting	44,241	65,321
Membership and other	-	100,055
Allowance for doubtful accounts	-	-
Total receivables	\$ 143,109	\$ 264,244

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2024, and December 31, 2023:

	2024	2023
Buildings and leasehold improvements	\$ 1,649,382	\$ 1,610,658
Towers, antennae, and transmitter equipment	801,141	821,701
Studio technical equipment	932,209	936,252
Furniture and office equipment	339,878	339,878
Projects in progress	-	-
Total Property and equipment, at cost	3,722,610	3,708,489
Less: Accumulated depreciation	(2,303,982)	(2,138,137)
Total Property and equipment, net	\$ 1,418,628	\$ 1,570,352

Depreciation and amortization expense for land, buildings and equipment was \$190,448 and \$332,982 for the periods ended June 30, 2024 and December 31, 2023, respectively.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

NOTE 6 NET ASSETS

Net assets consist of the following on June 30, 2024, and December 31, 2023:

	2024	2023
Without donor restriction		
Designated by the Board for Investment	\$ 2,660,385	\$ 2,369,959
Undesignated	6,185,704	5,837,980
Total without donor restrictions	8,846,089	8,707,939
With donor restriction		
CPB - National Programing	26,022	26,022
Campaign	80,500	86,500
Building campaign - State of Washington Building for Arts	789,580	789,580
Total with donor restrictions	896,102	902,102
Total Net Asset	\$ 9,742,191	\$ 9,610,041

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 June 30, 2017, and was extended through the ten-year renewable period which expires on June 30, 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 2023 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 expenses these non-lease components as incurred.

Operating and variable lease expenses in the Consolidated Statements of Activities for the periods ended June 30, 2024, and December 31, 2023, which are included in "Office Expenses" in the Consolidated Statements of Functional Expenses, on June 30, 2024, and December 31, 2023, were:

	2024	2023
Operating lease expense	\$ 253,318	\$ 502,213
Variable lease expense	14,843	18,474
Total	\$ 268,161	\$ 520,687

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

NOTE 7 LEASES (continued)

Aggregate remaining maturities of lease liabilities as of June 30, 2024 -

2024	\$ 482,094
2025	495,564
2026	509,452
2027	442,656
Thereafter	568,443
<hr/>	
Total operating lease payments	7,614,203
Minus: Imputed interest	(2,385,849)
<hr/>	
Total operating lease liabilities	\$ 5,228,354

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 of June 30, 2024 and December 31, 2023, are as follows:

	2024	2023
Total financial assets	\$ 6,555,753	\$ 6,539,283
Financial assets with donor restrictions	(106,522)	(112,522)
<hr/>		
Financial assets without donor restrictions	\$ 6,449,231	\$ 6,426,761
Less board-designated financial assets	(3,160,385)	(2,869,959)
<hr/>		
Net financial assets after board-designated amount	\$ 3,288,846	\$ 3,556,802

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND DECEMBER 31, 2023

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 \$14,242 and \$35,381 for the periods ended June 30, 2024, and December 31, 2023, respectively.

NOTE 10 SUBSEQUENT EVENTS

Management evaluated all activities of KING FM through December 11, 2024 (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
FOR THE SIX MONTHS ENDED JUNE 30, 2024, AND THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Listener support	\$ 1,998,155	\$ 153,000	\$ 2,151,155	\$ 4,139,547	\$ 170,000	\$ 4,309,547
Underwriting	201,025	-	201,025	314,437	-	314,437
Corporation for Public Broadcasting Community Service Grant	-	-	-	242,821	86,741	329,562
Grants	15,250	-	15,250	12,590	-	12,590
In-kind contributions	2,524	-	2,524	40,750	-	40,750
Investment gain (loss)	238,821	-	238,821	466,593	-	466,593
	2455775	153,000	2,608,775	5,216,738	256,741	5,473,479
Net Assets Released from Restrictions	159,000	(159,000)	-	357,883	(357,883)	-
Total Public Support and Revenue	2,614,775	(6,000)	2,608,775	5,574,621	(101,142)	5,473,479
EXPENSES						
Programming and production	1,097,230	-	1,097,230	2,453,361	-	2,453,361
Broadcasting	350,929	-	350,929	782,697	-	782,697
Public information	7,898	-	7,898	24,283	-	24,283
Total Program Services	1,456,057	-	1,456,057	3,260,341	-	3,260,341
Administration	278,756	-	278,756	471,143	-	471,143
Underwriting	87,664	-	87,664	135,626	-	135,626
Listener support	557,912	-	557,912	1,463,152	-	1,463,152
Total Support Service	924,332	-	924,332	2,069,921	-	2,069,921
Total Expenses	2,380,389	-	2,380,389	5,330,262	-	5,330,262
CHANGE IN NET ASSETS	234,386	(6,000)	228,386	244,359	(101,142)	143,217
NET ASSETS, BEGINNING OF YEAR	7,463,372	902,102	8,365,474	7,219,013	1,003,244	8,222,257
NET ASSETS, END OF YEAR	\$ 7,697,758	\$ 896,102	\$ 8,593,860	\$ 7,463,372	\$ 902,102	\$ 8,365,474

See accompanying notes to consolidated financial statements.