



BEETHOVEN, INC., AND SUBSIDIARIES

**Consolidated Financial Statements and
Independent Auditor's Report
December 31, 2021
(With Comparative Totals for 2020)**



BEETHOVEN, INC., AND SUBSIDIARIES
INDEPENDENT AUDITORS REPORT AND FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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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. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 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.

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, 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 audit 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 audit. 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.

Report on Summarized Comparative Information

The consolidated financial statements of Beethoven Inc, and Subsidiaries as of December 31, 2020, were audited by other auditors whose report dated April 13, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 2021 and 2020 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, 2021 and 2020 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
June 13, 2022

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,523,397	\$ 3,493,333
Investments	2,394,862	286,455
Receivables, net allowance for doubtful accounts of \$2,400	390,445	200,981
Promises to give	359,886	362,386
Prepaid expenses	45,184	19,903
	5,713,774	4,363,058
NON-CURRENT ASSETS		
Long-term promises to give	-	288,750
Property and equipment net of depreciation	2,087,767	2,376,012
Goodwill	133,518	133,518
Intangible Assets	1,425,647	1,425,647
	3,646,932	4,223,927
TOTAL ASSETS	\$ 9,360,706	\$ 8,586,985
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	87,073	59,002
Accrued payroll and other liabilities	116,481	109,628
Deferred revenue	1,510	1,510
	205,064	170,140
NON-CURRENT LIABILITIES		
Deferred Rent Expense	81,151	25,044
Total Liabilities	286,215	195,184
NET ASSETS		
Without donor restrictions	8,915,304	8,124,972
With donor restrictions	159,187	266,829
Total Net Assets	9,074,491	8,391,801
TOTAL LIABILITIES AND NET ASSETS	\$ 9,360,706	\$ 8,586,985

See accompanying notes to consolidated financial statements.

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Listener support	\$ 4,487,722	\$ -	\$ 4,487,722	\$ 4,412,355	\$ -	\$ 4,412,355
Underwriting	134,945	-	134,945	145,395	-	145,395
Corporation for Public Broadcasting						
Community Service Grants	448,449	119,684	568,133	416,346	-	416,346
PPP loan forgiveness	-	-	-	316,810	-	316,810
Investment and other income	119,858	-	119,858	17,137	-	17,137
	5,190,974	119,684	5,310,658	5,308,043	-	5,308,043
Net Assets Released from Restrictions	227,326	(227,326)	-	2,857,342	(2,857,342)	-
Total Public Support and Revenue	5,418,300	(107,642)	5,310,658	8,165,385	(2,857,342)	5,308,043
EXPENSES						
Program services						
Programming and production	2,376,845	-	2,376,845	2,030,436	-	2,030,436
Broadcasting	561,655	-	561,655	498,765	-	498,765
Public information	20,490	-	20,490	29,837	-	29,837
Total Program Services	2,958,990	-	2,958,990	2,559,038	-	2,559,038
Administration	431,332	-	431,332	416,374	-	416,374
Underwriting	105,501	-	105,501	234,121	-	234,121
Listener support	1,132,145	-	1,132,145	1,018,564	-	1,018,564
Total Program Support	1,668,978	-	1,668,978	1,669,059	-	1,669,059
Total Expenses	4,627,968	-	4,627,968	4,228,097	-	4,228,097
CHANGE IN NET ASSETS	790,332	(107,642)	682,690	3,937,288	(2,857,342)	1,079,946
NET ASSETS, BEGINNING OF THE YEAR	8,124,972	266,829	8,391,801	4,187,684	3,124,171	7,311,855
NET ASSETS, END OF YEAR	\$ 8,915,304	\$ 159,187	\$ 9,074,491	\$ 8,124,972	\$ 266,829	\$ 8,391,801

See accompanying notes to consolidated financial statements.

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

	Programming & Production	Broadcasting	Public Information	Total Program Services	Administration	Underwriting	Listener Support	Total
Salaries	\$ 1,097,036	\$ 73,114	\$ 9,977	\$ 1,180,127	\$ 205,497	\$ 27,085	\$ 460,423	\$ 1,873,132
Payroll taxes	94,000	6,430	898	101,328	14,323	2,645	42,474	160,770
Employee benefits	111,978	8,498	-	120,476	25,131	2,957	50,906	199,470
Total Personnel Expenses	1,303,014	88,042	10,875	1,401,931	244,951	32,687	553,803	2,233,372
Depreciation	352,147	93,906	-	446,053	23,476	-	-	469,529
Lease agreements	108,172	281,701	8,321	398,194	16,642	16,642	16,642	448,120
Other fees for services	324,962	16,194	-	341,156	39,317	-	56,659	437,132
Advertising and promotion	50,433	-	-	50,433	11,562	-	149,842	211,837
Professional fundraising	-	-	-	-	-	-	198,114	198,114
Information technology	42,129	-	-	42,129	3,695	45,084	29,430	120,338
Other expenses	5,130	-	-	5,130	-	-	104,596	109,726
Office Supplies	90,806	-	-	90,806	5,342	-	10,683	106,831
Professional fees	657	15,588	-	16,245	57,276	-	-	73,521
Insurance	31,810	24,468	-	56,278	15,686	-	-	71,964
Utilities	16,820	31,723	1,294	49,837	2,588	2,588	2,588	57,601
Repair and maintenance	31,988	1,391	-	33,379	9,692	-	-	43,071
Conference & conventions	18,777	-	-	18,777	1,105	-	2,209	22,091
Underwriting services	-	-	-	-	-	8,500	7,579	16,079
Business taxes & licenses	-	8,642	-	8,642	-	-	-	8,642
Total Expenses	\$ 2,376,845	\$ 561,655	\$ 20,490	\$ 2,958,990	\$ 431,332	\$ 105,501	\$ 1,132,145	\$ 4,627,968

See accompanying notes to consolidated financial statements.

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Programming & Production	Broadcasting	Public Information	Total Program Services	Administration	Underwriting	Listener Support	Total
Salaries	\$ 974,115	\$ 84,046	\$ 15,087	\$ 1,073,248	\$ 219,597	\$ 116,450	\$ 356,104	\$ 1,765,399
Payroll taxes	82,021	11,577	1,259	94,857	15,237	9,369	31,063	150,526
Employee benefits	92,861	7,897	-	100,758	19,199	13,761	42,291	176,009
Total Personnel Expenses	1,148,997	103,520	16,346	1,268,863	254,033	139,580	429,458	2,091,934
Depreciation	246,053	65,613	-	311,666	16,403	-	-	328,069
Other fees for services	226,500	14,865	-	241,365	43,463	-	7,000	291,828
Lease agreements	150,829	216,585	11,775	379,189	23,147	23,147	23,147	448,630
Advertising and promotion	76,871	-	-	76,871	2,567	-	117,696	197,134
Professional fundraising	-	-	-	-	-	-	171,055	171,055
Information technology	28,619	-	-	28,619	-	41,076	36,408	106,103
Other expenses	15,733	-	-	15,733	6,081	252	80,852	102,918
Campaign expense	-	-	-	-	-	-	92,597	92,597
Office supplies	28,244	-	-	28,244	1,832	682	54,979	85,737
Utilities	22,311	44,904	1,716	68,931	3,433	3,433	3,433	79,230
Insurance	24,620	25,539	-	50,159	13,063	-	-	63,222
Accounting	-	8,056	-	8,056	49,077	-	-	57,133
Repair and maintenance	38,595	16,155	-	54,750	-	-	-	54,750
Underwriting services	-	-	-	-	-	25,951	-	25,951
Conference & conventions	11,803	-	-	11,803	694	-	1,389	13,886
Business taxes & licenses	10,830	-	-	10,830	-	-	-	10,830
Legal fee	-	3,528	-	3,528	1,811	-	-	5,339
Travel and meetings	431	-	-	431	770	-	550	1,751
Total Expenses	\$ 2,030,436	\$ 498,765	\$ 29,837	\$ 2,559,038	\$ 416,374	\$ 234,121	\$1,018,564	\$ 4,228,097

See accompanying notes to consolidated financial statements.

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 682,690	\$ 1,079,946
<i>Adjustments to reconcile change in net assets to net cash from operating activities:</i>		
Depreciation and amortization	469,529	328,069
Reinvested investment earnings	(42,615)	(13,374)
Unrealized gain on investments	(68,272)	(10,145)
Loss on disposal of equipment	-	21,694
Changes in operating assets and liabilities:		
(Decrease) increase in receivables	(189,464)	53,008
Decrease in promises to give	291,250	556,497
(Decrease) increase in prepaid expenses	(25,281)	17,958
Increase in accounts payable	28,071	16,580
Increase in accrued payroll liabilities and other	6,853	27,146
Decrease in deferred revenue	-	(7,180)
Increase in deferred rent expense	56,107	25,044
Net cash provided by operating activities	1,208,868	2,095,243
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,997,520)	-
Acquisition of furniture, fixtures, and equipment	(181,284)	(730,158)
Net cash used in investing activities	(2,178,804)	(730,158)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(969,936)	1,365,085
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,493,333	2,128,248
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,523,397	\$ 3,493,333

See accompanying notes to consolidated financial statements.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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 Classical KING FM 98.1 in the notes to the 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 98.1, 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 98.1 in February 1992; at that time KING FM 98.1 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 98.1 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 98.1 began operating as a noncommercial radio station supported by donations and Classical 98.1 began operating KING FM 98.1 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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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

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. The consolidated entity is referred to as Classical KING FM 98.1 in the notes to the financial statements.

Basis of Presentation

Classical KING FM 98.1'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 that follow 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 Classical KING FM 98.1 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 Classical KING FM 98.1. These net assets may be used at the discretion of Classical KING FM 98.1'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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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

Fair value measurements

Financial instruments include cash and cash equivalents, accounts receivable, investments in marketable securities 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. Investments in marketable securities are measured at fair value on a recurring 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.

Classical KING FM 98.1'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.

Cash and cash equivalents

Cash and cash equivalents in the bank accounts are interest bearing and, at times, may exceed federally insured limits. Classical KING FM 98.1 has not experienced any losses in such accounts and believes they are not exposed to any significant related credit risk.

Investments

Classical KING FM 98.1 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 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
Equities	65%	None	70%
Fixed Income	30%	None	50%
Cash	5%	\$500,000	100%

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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. Classical KING FM 98.1 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 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.

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 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 98.1 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.

Goodwill and intangible assets are tested annually for impairment and, if impaired, are written down to fair value.

Finite-lived intangible assets are amortized over the estimated useful lives ranging from one to 25 years and are not expected to have any residual value. Finite-lived intangible assets are also tested annually for impairment. Goodwill and other intangible assets were not impaired as of December 31, 2021 or 2020 and, accordingly, no write down is included in the consolidated statements of activities for the years then ended.

Deferred Rent

Rent expense for operating leases, which have fixed escalating rentals over the life of the lease and/or free rent periods, are recorded on a straight-line basis over the initial lease term. The difference between rent expense and rent paid is recorded as deferred rent and is classified as long-term at December 31, 2021, as the liability is not expected to settle in the coming year.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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

Support and revenue

Classical KING FM 98.1 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.

Advertising costs

Classical KING FM 98.1 expenses advertising costs as incurred. The consolidated statements of activities include \$51,098 and \$78,272, respectively, in advertising costs for the years ended December 31, 2021, and 2020.

Federal income taxes

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.

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.

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
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

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

Recent Authoritative Guidance, Not yet adopted

In September 2020, the FASB issued ASU 2020-07, Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets, and disclose the disaggregation of the various types of contributed nonfinancial assets by category. Each disaggregated category requires further qualitative disclosures, including whether the assets were monetized or utilized by certain programs, Classical KING FM 98.1's policy for monetizing versus utilizing assets, any donor-imposed restrictions associated with the assets, descriptions of the valuation techniques for fair value measures, and the principal market used to arrive at fair value. ASU 2020-07 must be applied on a retrospective basis, will take effect in fiscal years beginning after June 15, 2021, and early adoption is permitted. Classical KING FM 98.1 is evaluating ASU 2020-07 and its effect on the presentation of its financial statements.

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, Leases ("Topic 842"). This new guidance was initiated as a joint project with the IASB to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for "operating leases" for lessees for the vast majority of lease contracts. Under Topic 842, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined "right-of-use" asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under U.S. GAAP. On April 8, 2020, in response to the coronavirus pandemic, the FASB voted to defer the effective date for Topic 842 for private companies and private nonprofit companies to fiscal years beginning after December 15, 2021. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. Classical KING FM 98.1 is evaluating ASU No. 2016-02 and its effect on the presentation of its financial statements.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

NOTE 2 INVESTMENTS

Board designated investments are presented within cash and investments in the statement of financial position as of December 31, 2021 and 2020. The accounts are stated at fair value and consist of the following at December 31:

	2021	2020
Equities	\$ 1,587,354	\$ -
Fixed income	807,508	286,455
Investments	2,394,862	286,455
Cash and deposits	1,956,857	3,055,082
Total board designated investments	\$ 4,351,719	\$ 3,441,537

Fair value of assets measured on a recurring basis is as follows as of December 31, 2021.

	Level 1	Level 2	Level 3
Money market funds	\$ 2,263	\$ -	\$ -
Vanguard High Yield Corp	93,847	-	-
Vanguard Intermediate Term Invest Grade	574,048	-	-
Vanguard Total Intl Bond Index	137,349	-	-
Vanguard Total World Stock Index	1,587,355	-	-
	\$ 2,394,862	\$ -	\$ -

Fair value of assets measured on a recurring basis is as follows as of December 31, 2020.

	Level 1	Level 2	Level 3
Money market funds	\$ 13,374	\$ -	\$ -
Vanguard Long Term Treasury	1,039	-	-
Vanguard Wellington	17,764	-	-
Vanguard Wellesley Income	228,820	-	-
Vanguard Windsor II	25,458	-	-
	\$ 286,455	\$ -	\$ -

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. Classical KING FM 98.1 also uses fair value concepts to test various long-lived assets for impairment.

The following schedule summarizes the investment return for the years ended December 31, 2021 and 2020. The gains on capital project funds are classified as net assets without donor restrictions in the statements of activities for the years ended December 31, 2021 and 2020:

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

NOTE 2 INVESTMENTS (continued)

	2021	2020
Realized gains, interest and dividends	\$ 51,586	\$ 17,137
Unrealized gains	68,272	-
	\$ 119,858	\$ 17,137

NOTE 3 PROMISES TO GIVE

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

	2021	2020
Receivable in less than one year	\$ 359,886	\$ 362,386
Receivable in one to five years	-	288,750
	\$ 359,886	\$ 651,136

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

NOTE 4 RECEIVABLES

	2021	2020
CPB Grants	\$ 259,666	\$ 66,993
Underwriting	27,816	20,214
Membership and other	105,363	116,174
Allowance for doubtful accounts	(2,400)	(2,400)
	\$ 390,445	\$ 200,981

NOTE 5 PROPERTY AND EQUIPMENT

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

	2021	2020
Buildings and leasehold improvements	\$ 1,610,658	\$ 1,594,371
Towers, antennae, and transmitter equipment	1,067,521	1,053,253
Studio technical equipment	975,072	894,526
Furniture and office equipment	340,413	334,040
	3,993,664	3,876,190
Less: Accumulated depreciation	(1,905,897)	(1,500,178)
	\$ 2,087,767	\$ 2,376,012

Depreciation and amortization expense for land, buildings and equipment was \$469,529 and \$328,069 for the years ended December 31, 2021 and 2020, respectively.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

NOTE 6 NET ASSETS

Net assets consist of the following at December 31:

	2021	2020
Without donor restriction		
Designated by the board for investment	4,351,719	3,341,537
Undesignated	4,563,585	4,783,435
	8,915,304	8,124,972
With donor restriction		
Raynier Foundation - Northwest Focus Live	\$ 99,754	\$ 195,778
CPB - National Programing	59,433	-
Northwest Focus Live	-	71,051
	159,187	266,829
Total Net Asset	\$ 9,074,491	\$ 8,391,801

NOTE 7 LIQUIDITY

As a listener-supported classical music radio station, Classical KING FM 98.1 monitors liquidity required to meet its operational needs and other commitments monthly. Classical KING FM 98.1 receives significant contributions each year from donors, underwriters, and government and private grants, which are available to meet annual cash needs for general expenditures. Classical KING FM 98.1 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.

Classical KING FM 98.1 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:

	2021	2020
Total financial assets	\$ 5,713,774	\$ 4,631,905
Donor imposed restrictions		
Promises to give due in more than one year	-	(288,750)
Restricted to non-operating purposes	(99,754)	(195,778)
Net financial assets after donor-imposed restrictions	\$ 5,614,020	\$ 4,147,377

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

NOTE 8 LEASE COMMITMENTS

Classic Radio 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 Mt. (CM). CM's original term was ten years starting in 2000. The CM lease was extended during 2020 through June 30, 2030.

Future minimum lease payments under this lease for the years ended December 31 are as follows:

	Minimum Lease Payment
2022	\$ 245,065
2023	253,780
2024	262,812
2025	272,171
2026	281,870
Thereafter	623,270
Total	\$ 1,938,968

Classical KING FM 98.1 entered a fifteen-year sub-lease with the Seattle Opera, a related party, for its new facilities, commencing on March 1, 2020. In accordance with financial accounting standards, rent expense for this lease is recognized on a straight-line basis and a related deferred rent liability is recorded.

Future minimum lease payments, deferred rent, and rent expense for the years ended December 31 are as follows:

	Rent Expense	Change in Deferred Rent Liability	Minimum Lease Payment
2022	\$ 224,383	\$ 20,552	\$ 203,831
2023	224,383	16,476	207,907
2024	224,383	12,318	212,065
2025	224,383	8,076	216,307
2026	224,383	3,750	220,633
Thereafter	1,832,461	(142,323)	1,974,784
Total	\$ 2,954,376	\$ (81,151)	\$ 3,035,527

Lease expenses for the tower sites totaled \$225,594 and \$216,586, respectively, for the years ended December 31, 2021 and 2020, and lease expense for the facilities totaled \$222,526 and \$227,444, respectively, for the years ended December 31, 2021 and 2020.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

NOTE 9 PROFIT SHARING AND 401(k) PLAN

Classical KING FM 98.1 has a profit sharing and 401(k) plan covering substantially all full-time employees employed more than one year. Classical KING FM 98.1 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 \$35,350 and \$33,972, respectively, for the year ended December 31, 2021 and 2020.

NOTE 10 SUBSEQUENT EVENTS

Management evaluated all activities of the Association through June 13, 2022 (the issuance date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

SUPPLEMENTARY INFORMATION

CLASSICAL 98.1
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Listener support	\$ 4,487,722	\$ -	\$ 4,487,722	\$ 4,412,355	\$ -	\$ 4,412,355
Underwriting	134,945	-	134,945	145,395	-	145,395
Corporation for Public Broadcasting						
Community Service Grants	448,449	119,684	568,133	416,346	-	416,346
PPP loan forgiveness	-	-	-	316,810	-	316,810
Investment and other income	119,858	-	119,858	38,831	-	38,831
	5,190,974	119,684	5,310,658	5,329,737	-	5,329,737
Net Assets Released from Restrictions	227,326	(227,326)	-	2,857,342	(2,857,342)	-
Total Public Support and Revenue	5,418,300	(107,642)	5,310,658	8,187,079	(2,857,342)	5,329,737
EXPENSES						
Program services						
Programming, production, and broadcasting	2,512,950	-	2,512,950	2,545,516	-	2,545,516
Public information	20,490	-	20,490	29,837	-	29,837
Total Program Services	2,533,440	-	2,533,440	2,575,353	-	2,575,353
Administration	425,051	-	425,051	411,591	-	411,591
Underwriting	105,501	-	105,501	234,121	-	234,121
Listener support	1,132,145	-	1,132,145	1,018,564	-	1,018,564
Total Program Support	1,662,697	-	1,662,697	1,664,276	-	1,664,276
Total Expenses	4,196,137	-	4,196,137	4,239,629	-	4,239,629
CHANGE IN NET ASSETS	\$ 1,222,163	\$ (107,642)	\$ 1,114,521	\$ 3,947,450	\$ (2,857,342)	\$ 1,090,108

See accompanying notes to consolidated financial statements.