



BEETHOVEN, INC., AND SUBSIDIARIES

**Consolidated Financial Statements and
Independent Auditor's Report
December 31, 2023 and 2022**



BEETHOVEN, INC., AND SUBSIDIARIES
INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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**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 December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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 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 years ended December 31, 2023 and 2022 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 years ended December 31, 2023 and 2022 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 1, 2024

**Consolidated
Statements of
Financial Position**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

	Note	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 3,818,106	\$ 4,269,995
Receivables	4	264,244	226,856
Promises to give	3	86,500	122,000
Prepaid expenses		97,358	107,790
Total current assets		4,266,208	4,726,641
NON-CURRENT ASSETS			
Long-term promises to give - net discount		-	67,340
Investments	2	2,370,433	2,004,381
Property and equipment net of depreciation	5	1,570,352	1,786,145
Operating lease right-of-use assets	7	4,842,655	5,128,250
Goodwill		133,518	133,518
Intangible assets		2,021,154	1,425,647
Total non-current assets		10,938,112	10,545,281
TOTAL ASSETS		\$15,204,320	\$15,271,922
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		125,955	58,654
Accrued payroll and other liabilities		147,464	128,338
Operating lease liabilities - current	7	262,415	241,554
Total current liabilities		535,834	428,546
NON-CURRENT LIABILITIES			
Operating lease liabilities - non-current	7	5,058,445	5,320,860
Total non-current liabilities		5,058,445	5,320,860
TOTAL LIABILITIES		\$ 5,594,279	\$ 5,749,406
NET ASSETS			
Net assets with donor restrictions	6	902,102	1,003,244
Net assets without donor restrictions	6		
Board designated		4,677,438	5,114,498
Undesignated		4,030,501	3,404,774
Total net assets		9,610,041	9,522,516
TOTAL LIABILITIES AND NET ASSETS		\$15,204,320	\$15,271,922

See accompanying notes to consolidated financial statements.

**Consolidated
Statements of
Activities**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023 Without Donor Restrictions	2023 With Donor Restrictions	Total	2022 Without Donor Restrictions	2022 With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Listener support	\$ 4,139,547	\$ 170,000	\$ 4,309,547	\$ 4,181,807	\$ 229,000	\$ 4,410,807
Underwriting	314,437	-	314,437	311,501	-	311,501
Corporation for Public Broadcasting Community Service Grant	242,821	86,741	329,562	203,510	72,212	275,722
Grants	12,590	-	12,590	-	1,007,805	1,007,805
In-kind contributions	40,750	-	40,750	61,377	-	61,377
Investment gain (loss)	466,593	-	466,593	(387,361)	-	(387,361)
	5,216,738	256,741	5,473,479	4,370,834	1,309,017	5,679,851
Net Assets Released from Restrictions	357,883	(357,883)	-	464,960	(464,960)	-
Total Public Support and Revenue	5,574,621	(101,142)	5,473,479	4,835,794	844,057	5,679,851
EXPENSES						
Programming and production	2,453,360	-	2,453,360	2,414,521	-	2,414,521
Broadcasting	832,881	-	832,881	667,359	-	667,359
Public information	24,284	-	24,284	33,750	-	33,750
Total Program Services	3,310,525	-	3,310,525	3,115,630	-	3,115,630
Administration	476,652	-	476,652	466,182	-	466,182
Underwriting	135,626	-	135,626	130,014	-	130,014
Listener support	1,463,151	-	1,463,151	1,224,219	-	1,224,219
Total Support Services	2,075,429	-	2,075,429	1,820,415	-	1,820,415
Total Expenses	5,385,954	-	5,385,954	4,936,045	-	4,936,045
CHANGE IN NET ASSETS	188,667	(101,142)	87,525	(100,251)	844,057	743,806
Cumulative Lease Adjustment	-	-	-	(295,781)	-	(295,781)
NET ASSETS, BEGINNING OF THE YEAR	8,519,272	1,003,244	9,522,516	8,915,304	159,187	9,074,491
NET ASSETS, END OF YEAR	\$ 8,707,939	\$ 902,102	\$ 9,610,041	\$ 8,519,272	\$ 1,003,244	\$ 9,522,516

See accompanying notes to consolidated financial statements.

**Consolidated
Statements of
Functional Expenses**

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

	Program Services			Total Program Services	Support Services			Total Support Services	Total
	Programming & Production	Broadcasting	Public Information		Administration	Underwriting	Listener Support		
Salaries	\$ 1,427,653	\$ 190,353	\$ -	\$ 1,618,006	\$ 166,736	\$ 49,422	\$ 565,672	\$ 781,830	\$ 2,399,836
Payroll taxes	110,221	18,161	-	128,382	22,423	5,892	55,481	83,796	212,178
Employee benefits	116,310	32,874	-	149,184	28,566	11,156	60,836	100,558	249,742
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.

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	\$ 1,308,910	\$ 196,225	\$ 53,662	\$ 499,209	\$ 749,096	\$ 2,058,006
Payroll taxes	95,860	6,399	1,082	103,341	25,459	5,761	48,738	79,958	183,299
Employee benefits	93,984	7,411	-	101,395	34,398	10,396	46,656	91,450	192,845
Total Personnel Expenses	1,413,335	87,209	13,102	1,513,646	256,082	69,819	594,603	920,504	2,434,150
Marketing	61,377	-	-	61,377	2,498	-	1,331	3,829	65,206
Tele-Communications	5,065	35,982	-	41,047	868	910	1,808	3,586	44,633
Insurance	28,341	30,636	-	58,977	12,220	-	520	12,740	71,717
Outside Services	27,124	2,586	-	29,710	22,542	-	34,839	57,381	87,091
Repairs and Maintenance	16,516	71,049	1,321	88,886	1,470	1,321	1,321	4,112	92,998
Office Expenses	263,924	318,728	19,327	601,979	64,344	44,951	68,432	177,727	779,706
Fundraising and Membership	2,000	-	-	2,000	3,215	-	507,535	510,750	512,750
Meeting Expense	-	-	-	-	1,553	-	5,573	7,126	7,126
Depreciation Expense	236,188	92,476	-	328,664	15,746	-	-	15,746	344,410
Travel & Entertainment	3,800	48	-	3,848	8,310	-	5,939	14,249	18,097
Professional Fees	194,466	25,612	-	220,078	76,117	-	2,318	78,435	298,513
Digital Expenses	162,385	-	-	162,385	-	-	-	-	162,385
Business Taxes	-	3,033	-	3,033	1,217	-	-	1,217	4,250
Bad Debt	-	-	-	-	-	13,013	-	13,013	13,013
Total Expenses	\$ 2,414,521	\$ 667,359	\$ 33,750	\$ 3,115,630	\$ 466,182	\$ 130,014	\$ 1,224,219	\$ 1,820,415	\$ 4,936,045

See accompanying notes to consolidated financial statements.

**Consolidated
Statements of
Cash Flows**

BEETHOVEN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 87,525	\$ 448,025
<i>Adjustments to reconcile change in net assets to net cash from operating activities:</i>		
Depreciation and amortization	332,982	344,410
Reinvested investment earnings	(83,272)	(49,498)
Unrealized loss (gain) on investments	(282,780)	440,592
(Increase) / decrease in assets:		
Receivables	(37,388)	163,589
Promises to give	102,840	170,546
Prepaid expenses	10,432	(62,606)
Right of use assets	285,595	(5,128,250)
Increase / (decrease) in liabilities:		
Accounts payable	67,301	(28,419)
Accrued payroll and other liabilities	19,126	11,857
Deferred revenue	-	(1,510)
Lease liability	(241,554)	5,562,414
Deferred rent	-	(81,151)
Net cash provided by operating activities	\$ 260,807	\$ 1,789,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(614)
Purchase of intangible assets	(595,507)	-
Acquisition of furniture, fixtures, and equipment	(117,189)	(42,787)
Net cash used in investing activities	\$ (712,696)	\$ (43,401)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(451,889)	1,746,598
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,269,995	2,523,397
CASH AND CASH EQUIVALENTS, END OF YEAR	\$3,818,106	\$4,269,995

See accompanying notes to consolidated financial statements.

**Notes to
the Consolidated
Financial Statements**

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

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, 2023, AND 2022

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 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.

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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

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.

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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

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

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 December 31, 2023 or 2022 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 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.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

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 2023 and 2022, 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 \$40,750 and \$65,206, in advertising costs for the years ended December 31, 2023, and 2022 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 December 31, 2023, 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, 2023, AND 2022

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.

NOTE 2 INVESTMENTS

Board-designated investments are stated at fair value and consist of the following at December 31:

	2023	2022
Money market funds	\$ 18,975	\$ 8,406
Equities	1,526,073	1,296,012
Fixed income	825,385	699,963
Total investments	\$ 2,370,433	\$ 2,004,381

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:

	2023	2022
Money market funds	\$ 19,449	\$ 8,406
Mutual funds		
Vanguard High Yield Corp	95,453	85,427
Vanguard Intermediate Term Invest Grade	588,690	494,937
Vanguard Total Intl Bond Index	141,243	119,599
Vanguard Total World Stock Index	1,525,598	1,296,012
Total level 1	\$ 2,370,433	\$ 2,004,381

The gains and losses on investments are classified as net assets without donor restrictions in the consolidated statements of activities for the years ended December 31, 2023 and 2022. The following schedule summarizes the investment return for the years ended December 31, 2023 and 2022:

	2023	2022
Realized gains, interest, and dividends	\$ 183,813	\$ 53,518
Unrealized gains (losses)	282,780	(440,879)
Total investment return	\$ 466,593	\$ (387,361)

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

NOTE 3 PROMISES TO GIVE

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

	2023	2022
Receivable in less than one year	\$ 86,500	\$ 122,000
Receivable in one to five years	-	70,000
Receivables before discount	86,500	192,000
Discount	-	(2,660)
Total promises to give	\$ 86,500	\$ 189,340

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

NOTE 4 RECEIVABLES

	2023	2022
CPB Grants	\$ 98,868	\$ 82,717
Underwriting	65,321	55,503
Membership and other	100,055	88,636
Allowance for doubtful accounts	-	-
Total receivables	\$ 264,244	\$ 226,856

NOTE 5 PROPERTY AND EQUIPMENT

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

	2023	2022
Buildings and leasehold improvements	\$ 1,610,658	\$ 1,610,658
Towers, antennae, and transmitter equipment	821,701	661,725
Studio technical equipment	936,252	936,252
Furniture and office equipment	339,878	339,878
Projects in progress	-	42,787
Total Property and equipment, at cost	3,708,489	3591,300
Less: Accumulated depreciation	(2,138,137)	(1,805,155)
Total Property and equipment, net	\$ 1,570,352	\$ 1,786,145

Depreciation and amortization expense for land, buildings and equipment was \$332,982 and \$344,410 for the years ended December 31, 2023 and 2022, respectively.

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

NOTE 6 NET ASSETS

Net assets consist of the following at December 31:

	2023	2022
Without donor restriction		
Designated by the board for		
Investment fund	\$ 2,369,959	\$ 2,004,381
Operating reserve fund	500,000	500,000
Digital transformation fund	1,177,876	1,821,153
Broadcast capital fund	629,603	789,580
Undesignated	4,030,501	3,404,158
Total without donor restrictions	8,707,939	8,519,272
With donor restriction		
CPB - National Programing	26,022	21,664
Campaign	86,500	192,000
Building campaign - State of Washington Building for Arts	789,580	789,580
Total with donor restrictions	902,102	1,003,244
Total Net Asset	\$ 9,610,041	\$ 9,522,516

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 2022 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 expense in the Consolidated Statements of Activities for the year ended December 31, 2023 and 2022, which is included in "Office Expenses" in the Consolidated Statements of Functional Expenses, was:

	2023	2022
Operating lease expense	\$ 502,213	\$ 502,213
Variable lease expense	18,474	21,054
Total	\$ 520,687	\$ 523,267

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

NOTE 7 LEASES (continued)

Aggregate remaining maturities of lease liabilities as of December 31, 2023 -

2024	469,521
2025	479,913
2026	493,589
2027	507,690
Thereafter	5,856,461
<hr/>	
Total operating lease payments	7,807,174
Minus: Imputed interest	(2,486,314)
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Total operating lease liabilities	\$ 5,320,860

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:

	2023	2022
Total financial assets	\$ 6,539,283	\$ 6,690,572
Financial assets with donor restrictions	(112,522)	(213,664)
<hr/>		
Financial assets without donor restrictions	\$ 6,426,761	\$ 6,476,908
Less board-designated financial assets	(4,677,438)	(5,115,114)
<hr/>		
Net financial assets after board-designated amount	\$ 1,749,323	\$ 1,361,794

BEETHOVEN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

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 \$35,381 and \$27,775, respectively, for the years ended December 31, 2023, and 2022.

NOTE 10 RECLASSIFICATION OF PRIOR YEAR PRESENTATION

During 2023, KING FM implemented a new accounting system which included re-designing the chart of accounts and expense classifications. The prior year Consolidated 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 June 1, 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
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Listener support	\$ 4,139,547	\$ 170,000	\$ 4,309,547	\$ 4,181,807	\$ 229,000	\$ 4,410,807
Underwriting	314,437	-	314,437	311,501	-	311,501
Corporation for Public Broadcasting Community Service Grant	242,821	86,741	329,562	203,510	72,212	275,722
Grants	12,590	-	12,590	-	1,007,805	1,007,805
In-kind contributions	40,750	-	40,750	61,377	-	61,377
Investment gain (loss)	466,593	-	466,593	(387,361)	-	(387,361)
	5,216,738	256,741	5,473,479	4,370,834	1,309,017	5,679,851
Net Assets Released from Restrictions	357,883	(357,883)	-	464,960	(464,960)	-
Total Public Support and Revenue	5,574,621	(101,142)	5,473,479	4,835,794	844,057	5,679,851
EXPENSES						
Programming and production	2,453,361	-	2,453,361	2,414,523	-	2,414,523
Broadcasting	782,697	-	782,697	606,761	-	606,761
Public information	24,283	-	24,283	33,750	-	33,750
Total Program Services	3,260,341	-	3,260,341	3,055,034	-	3,055,034
Administration	471,143	-	471,143	458,526	-	458,526
Underwriting	135,626	-	135,626	130,014	-	130,014
Listener support	1,463,152	-	1,463,152	1,224,219	-	1,224,219
Total Support Service	2,069,921	-	2,069,921	1,812,759	-	1,812,759
Total Expenses	5,330,262	-	5,330,262	4,867,793	-	4,867,793
CHANGE IN NET ASSETS	244,359	(101,142)	143,217	(31,999)	844,057	812,058
NET ASSETS, BEGINNING OF YEAR	7,219,013	1,003,244	8,222,257	7,251,012	159,187	7,410,199
NET ASSETS, END OF YEAR	\$ 7,463,372	\$ 902,102	\$ 8,365,474	\$ 7,219,013	\$ 1,003,244	\$ 8,222,257

See accompanying notes to consolidated financial statements.