

KCRW FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

KCRW FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KCRW Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of KCRW Foundation, Inc. (KCRW Foundation), which is comprised of the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCRW Foundation as of June 30, 2016, 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.

Emphasis of Matter

As more fully described in Note 1 to the financial statements, KCRW Foundation was established to promote and provide support to the Santa Monica Community College District's radio station, KCRW-FM (89.9 FM) (the Station). In order to achieve meaningful financial statements that fully and fairly disclose the financial position and results of operations of KCRW Foundation and the Station, the accounts of KCRW Foundation are presented in annual combined financial statements with the Station, and we refer the reader to those combined financial statements. Our opinion is not modified with respect to this matter.

To the Board of Directors
KCRW Foundation, Inc.

Report on Summarized Comparative Information

We have previously audited KCRW Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 28, 2016
Los Angeles, California

KCRW FOUNDATION, INC.**STATEMENT OF FINANCIAL POSITION**

June 30, 2016

With Summarized Totals at June 30, 2015

ASSETS	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Cash and Cash Equivalents	\$ 11,643,669	\$ -	\$ 11,643,669	\$ 9,676,847
Investments	11,508,237	11,610,677	23,118,914	22,347,489
Contributions and Pledges Receivable	1,457,151	5,903,948	7,361,099	4,544,105
Prepaid Expenses and Other Assets	302,938	-	302,938	90,461
TOTAL ASSETS	\$ 24,911,995	\$ 17,514,625	\$ 42,426,620	\$ 36,658,902
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 1,220,895	\$ -	\$ 1,220,895	\$ 1,723,027
NET ASSETS:				
Unrestricted - Undesignated	13,691,100	-	13,691,100	11,889,385
Unrestricted - Board Designated	10,000,000	-	10,000,000	10,000,000
Temporarily Restricted	-	17,514,625	17,514,625	13,046,490
TOTAL NET ASSETS	23,691,100	17,514,625	41,205,725	34,935,875
TOTAL LIABILITIES AND NET ASSETS	\$ 24,911,995	\$ 17,514,625	\$ 42,426,620	\$ 36,658,902

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT:				
Contributions and Grants	\$ 8,836,938	\$ 7,375,775	\$ 16,212,713	\$ 11,326,032
Membership Donations	6,426,481	-	6,426,481	6,190,421
In-Kind Contributions	2,794,246	-	2,794,246	3,687,974
Donated Support from the Station	1,184,361	-	1,184,361	1,142,107
Channel Subcarriers	12,000	-	12,000	9,000
TOTAL PUBLIC SUPPORT	19,254,026	7,375,775	26,629,801	22,355,534
OTHER REVENUE:				
Investment Income	296,449	-	296,449	205,075
Other Income	35,691	-	35,691	28,481
Net Assets Released from:				
Purpose Restrictions	1,424,005	(1,424,005)	-	-
Time Restrictions	1,483,635	(1,483,635)	-	-
TOTAL OTHER REVENUE	3,239,780	(2,907,640)	332,140	233,556
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	22,493,806	4,468,135	26,961,941	22,589,090
OPERATING EXPENSES:				
Program Services:				
Programming and Production	7,477,053	-	7,477,053	6,794,431
Broadcasting and Engineering	1,512,681	-	1,512,681	1,781,059
Program Information and Promotion	5,049,102	-	5,049,102	5,433,312
TOTAL PROGRAM SERVICES	14,038,836	-	14,038,836	14,008,802
Support Services:				
Management and General	1,685,259	-	1,685,259	1,787,069
Fundraising	4,967,996	-	4,967,996	4,514,041
TOTAL SUPPORT SERVICES	6,653,255	-	6,653,255	6,301,110
TOTAL OPERATING EXPENSES	20,692,091	-	20,692,091	20,309,912
CHANGE IN NET ASSETS	1,801,715	4,468,135	6,269,850	2,279,178
Net Assets - Beginning of Year	21,889,385	13,046,490	34,935,875	32,656,697
NET ASSETS - END OF YEAR	\$ 23,691,100	\$ 17,514,625	\$ 41,205,725	\$ 34,935,875

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016								2015 Total Expenses
	Program Services				Support Services			Total Expenses	
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total	Management and General	Fundraising	Total		
Salaries	\$ 3,520,513	\$ 453,459	\$ 1,143,255	\$ 5,117,227	\$ 891,792	\$ 972,299	\$ 1,864,091	\$ 6,981,318	\$ 6,704,881
Payroll Taxes	258,285	16,521	77,791	352,597	58,248	81,796	140,044	492,641	477,404
Employee Benefits	278,946	102,983	115,516	497,445	128,727	46,986	175,713	673,158	658,243
TOTAL PERSONNEL COSTS	4,057,744	572,963	1,336,562	5,967,269	1,078,767	1,101,081	2,179,848	8,147,117	7,840,528
Advertising and Promotion	9,431	-	2,575,503	2,584,934	27	737,959	737,986	3,322,920	4,227,287
Professional Fees	740,314	41,602	497,179	1,279,095	228,492	2,127,484	2,355,976	3,635,071	2,885,753
Consultants	1,187,671	300	30,020	1,217,991	-	21,290	21,290	1,239,281	1,198,202
Donated Support from the Station	647,656	81,452	119,783	848,891	142,143	193,327	335,470	1,184,361	1,142,107
Equipment Purchases, Rental and Maintenance	501,157	183,352	13,485	697,994	9,944	33,448	43,392	741,386	912,046
Telephone and Data Communications	89,167	332,982	82,759	504,908	5,509	6,601	12,110	517,018	397,400
Investment Fees and Bank Charges	118	-	26	144	12,046	337,957	350,003	350,147	297,451
Dues and Subscriptions	21,946	52,421	144,590	218,957	9,584	114,036	123,620	342,577	302,305
Postage	834	1,810	206,173	208,817	3,336	129,332	132,668	341,485	401,539
Occupancy	12,476	235,287	300	248,063	29,174	5,340	34,514	282,577	281,802
Conferences and Travel	162,429	3,110	10,452	175,991	42,263	44,814	87,077	263,068	176,369
Printing	15,143	-	20,684	35,827	2,974	82,479	85,453	121,280	74,962
Office Expense	18,594	1,213	7,469	27,276	53,342	27,126	80,468	107,744	82,274
Insurance	-	6,140	-	6,140	22,553	-	22,553	28,693	27,827
Staff Development	3,378	49	3,517	6,944	18,224	1,446	19,670	26,614	38,878
Gifts and Awards	8,995	-	600	9,595	5,947	4,276	10,223	19,818	15,735
Taxes and Licenses	-	-	-	-	16,771	-	16,771	16,771	3,420
Bad Debt Expense	-	-	-	-	4,163	-	4,163	4,163	4,027
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 7,477,053	\$ 1,512,681	\$ 5,049,102	\$ 14,038,836	\$ 1,685,259	\$ 4,967,996	\$ 6,653,255	\$ 20,692,091	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 6,794,431	\$ 1,781,059	\$ 5,433,312	\$ 14,008,802	\$ 1,787,069	\$ 4,514,041	\$ 6,301,110		\$ 20,309,912

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 6,269,850	\$ 2,279,178
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Losses on Investments	275,749	307,405
Bad Debt Expense	4,163	4,027
(Increase) Decrease in:		
Contributions and Pledges Receivable	(2,821,157)	179,103
Prepaid Expenses and Other Assets	(212,477)	(38,048)
Decrease in Accounts Payable and Accrued Expenses	(502,132)	(1,076,890)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,013,996	1,654,775
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(2,183,400)	(5,708,962)
Interest and Dividends Reinvested	(547,213)	(489,328)
Proceeds from Sale of Investments	1,683,439	5,949,458
NET CASH USED IN INVESTING ACTIVITIES	(1,047,174)	(248,832)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,966,822	1,405,943
Cash and Cash Equivalents - Beginning of Year	9,676,847	8,270,904
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,643,669	\$ 9,676,847

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - NATURE OF ORGANIZATION

KCRW Foundation, Inc. (KCRW Foundation) was established to promote and provide financial support to the Santa Monica Community College District's radio station, KCRW-FM (89.9FM) (the Station). The Station is owned and operated by the Santa Monica Community College District (the District) located in Santa Monica, California.

KCRW Foundation is a separate legal entity, a 501(c)(3) nonprofit public benefit corporation. KCRW Foundation maintains a separate Board of Directors and its activities are not governed or controlled by the Station. Support is derived from foundation grants, underwriting contributions, individual contributions and membership donations.

Separation of activities between KCRW Foundation and the Station is not always clearly distinguishable and has developed over the years based on the need to raise additional funds through KCRW Foundation to support the Station's operations. Revenue is generated by both KCRW Foundation and the Station. Generally, the Corporation for Public Broadcasting funds are recognized by the Station, whereas underwriting revenue, membership donations, income from fundraising events, and other contribution revenues are recognized by KCRW Foundation. Expenses are shared, with the majority of payroll paid through KCRW Foundation. See Note 5 for other shared expenses with the Station.

Therefore, because of the nature and significance of KCRW Foundation's relationship with the Station, KCRW Foundation's accounts are presented in annual combined financial statements of the Station, which can be obtained from the District. The combined financial statements include the accounts of KCRW Foundation and the Station in order to achieve meaningful financial statements that fully and fairly disclose the financial position and results of operations of the Station.

KCRW is one of the nation's leading National Public Radio affiliates, featuring an eclectic mix of music, news, information, and cultural programming. A leader in public service media for over 30 years, KCRW is a primary news and cultural resource for generations of listeners and has informed and enriched the lives of millions of people across Southern California and around the world. KCRW boasts one of the nation's largest collections of locally-produced, nationally-distributed programming. The non-commercial broadcast signal reaches nearly 700,000 listeners weekly and is supported by approximately 50,000 members/subscribers. KCRW.com extends the Station's profile globally.

KCRW's award-winning, nationally syndicated news, music, and culture programs provide an array of broadcasting and digital content, and reach millions of listeners around the world through syndicated distribution on 175 public media outlets. KCRW's weekly schedule offers over 100 hours of original content and features live performances and in-depth interviews with established and emerging talent from music, literary, culinary, film, entertainment, theater, and design industries. KCRW also invests in new broadcast and digital programs that explore storytelling, design, music commentary, and experimental radio programming. KCRW is celebrated for its live events and partners with local organizations to offer over 100 live music and cultural events attended by over 200,000 people from throughout Southern California.

KCRW is a global leader in creating innovative digital public media content and adapting to emerging media platforms. KCRW was the first radio station to make its content available online through podcasts and streaming, and among the first to launch mobile and on-demand apps to provide free access to its content from anywhere in the world. KCRW continues to stream live music sessions from its digital player and archive full sessions on KCRW.com. KCRW offers 28 podcasts; 7 dynamic blogs; three 24/7 live web-streams; and a vibrant social network of nearly 3 million people. KCRW's original video content has amassed nearly 100 million views and 700,000 people have downloaded its suite of mobile apps.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - NATURE OF ORGANIZATION (continued)

KCRW's team of producers, DJs, and journalists has received many prestigious honors, including The George Foster Peabody Award, Edward R. Murrow Award, Los Angeles Press Club Awards, and Radio & Television News Directors Association Awards. KCRW's music team is widely recognized for discovering new music around the world and has a long history introducing emerging artists to American audiences.

In 2008 the District secured funds from the voter-approved bond Measure AA to construct the KCRW Media Center as part of renovations to its Academy of Entertainment and Technology (AET) campus - now named the Center for Media and Design. With over three times the Station's current studio space and digitally integrated public program space, the KCRW Media Center will serve as both a multi-purpose venue and state-of-the-art broadcast studio.

In 2013, KCRW Foundation launched the first major Capital Campaign in its history to support three objectives: (1) Construct the KCRW Media Center, custom-designed to meet the Station's needs and connect the Station to audiences in new, profound ways; (2) Invest in programming that moves the Station to news levels of excellence; and (3) Create digital technologies that preserve the Station's mission amid an ever-changing media landscape.

KCRW Foundation has celebrated many exciting milestones as part of its work to meet the goals of its first major Capital Campaign. To date, the Station has achieved the following outcomes:

- (1) Broke ground on the 35,000-square-foot, state-of-the-art KCRW Media Center
- (2) Launched Press Play with Madeleine Brand. The show has received numerous honors, including Los Angeles Press Club Awards for hard news features, lifestyle features, and radio documentaries.
- (3) Redesigned KCRW.com to preserve our pioneering legacy and improve accessibility to original KCRW programming. KCRW.com features over 100 hours of original weekly programming, HD video, and 20 years of archives.
- (4) Launched VuHaus.com in partnership with four public radio stations across the U.S. (KUTX Austin, WXPB Philadelphia, KTBG Kansas City, and KEXP Seattle). This public media online destination provides one-of-a-kind music video experiences, produced by stations, for stations.
- (5) Built a free KCRW Virtual Reality App, making KCRW the first-ever public media entity and radio station to launch a dedicated Virtual Reality app and giving fans free virtual access to live sessions from KCRW's legendary basement studio.
- (6) Broadened its terrestrial service in Santa Barbara and San Luis Obispo. The Station now has six full-power stations and eight translators across California.
- (7) Deepened investments in award-winning storytelling and journalism projects, transforming our sound and method of reporting on underrepresented communities to more accurately reflect and serve the public.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The financial statements of KCRW Foundation have been prepared utilizing the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of KCRW Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted - Undesignated.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated.** The Board has designated \$10,000,000 of unrestricted net assets as follows: \$5,000,000 for future programming initiatives, \$3,000,000 for infrastructure and \$2,000,000 for capital improvements.
- **Temporarily Restricted.** KCRW Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. KCRW Foundation has \$17,514,625 of temporarily restricted net assets at June 30, 2016.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit KCRW Foundation to expend all of the income (or other economic benefits) derived from the donated assets. KCRW Foundation has no permanently restricted net assets at June 30, 2016.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2016 approximates its fair value.

KCRW Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. KCRW Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in equity and debt securities and certificates of deposit are reported at fair value. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies, guidelines, and objectives adopted by KCRW Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by KCRW Foundation.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions are recognized as revenues at estimated fair value when the pledge is received. KCRW Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. At June 30, 2016, KCRW Foundation evaluated the collectability of contributions and pledges receivable and no allowance for uncollectible contributions and pledges receivable was deemed necessary.

(f) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2016, KCRW Foundation recognized in-kind contribution revenue, primarily of advertising and promotion services, of \$2,794,246.

A substantial number of volunteers have donated significant amounts of their time to KCRW Foundation. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) MEMBERSHIP DONATIONS

New and renewing membership donations are recognized as revenue when received.

(h) ADVERTISING AND PROMOTION

KCRW Foundation expenses advertising and promotion costs as incurred. Advertising and promotion expense for the year ended June 30, 2016 was \$3,322,920.

(i) INCOME TAXES

KCRW Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue Code, and is exempt from federal and state taxes.

(j) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing KCRW Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. KCRW Foundation uses full-time equivalents to allocate indirect costs.

(k) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(l) RECLASSIFICATION

For comparability, certain June 30, 2015 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2016.

(m) COMPARATIVE TOTALS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KCRW Foundation's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

(n) NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For KCRW Foundation, the ASU will be effective June 30, 2019.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) SUBSEQUENT EVENTS

KCRW Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 28, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

KCRW Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

KCRW Foundation recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2016.

The following table presents information about KCRW Foundation's assets that are measured at fair value on a recurring basis at June 30, 2016, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Equity	\$ 7,825,892	\$ 7,825,892	\$ -	\$ -
Fixed Income	8,330,339	8,330,339	-	-
Corporate Bonds	2,509,129	-	2,509,129	-
Certificates of Deposit	2,159,986	-	2,159,986	-
Cash and Cash Equivalents	2,293,568	2,293,568	-	-
TOTAL INVESTMENTS	\$ 23,118,914	\$ 18,449,799	\$ 4,669,115	\$ -

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3 - INVESTMENTS (continued)

The fair value of mutual funds within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of corporate bonds and certificates of deposit is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and considering the credit-worthiness of the issuer.

Investment income consists of the following for the year ended June 30, 2016:

Interest and Dividends	\$ 572,198
Net Realized and Unrealized Losses	<u>(275,749)</u>
INVESTMENT INCOME	<u>\$ 296,449</u>

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At June 30, 2016, contributions and pledges receivable are due to be received as follows:

Within One Year	\$ 4,950,404
One to Five Years	<u>2,410,695</u>
TOTAL CONTRIBUTIONS AND PLEDGES RECEIVABLE	<u>\$ 7,361,099</u>

Contributions and pledges receivable at June 30, 2016 include in-kind contributions of advertising and promotion services to be collected in future years of \$320,875.

NOTE 5 - RELATED PARTY TRANSACTIONS

As described in Note 1, KCRW Foundation has an affiliation with Santa Monica Community College's radio station, KCRW-FM (89.9FM) (the Station). At June 30, 2016, included in accounts payable and accrued expenses was a payable of \$254,874 to the Station for reimbursement of expenses incurred by the Station on behalf of KCRW Foundation. The payable is unsecured, non-interest bearing and will be repaid in the ordinary course of operations.

During the year ended June 30, 2016, KCRW Foundation utilized facilities and equipment owned by the Station at no charge. In addition, certain costs incurred on behalf of KCRW Foundation by the Station were not and will not be reimbursed. The fair value of this support is recognized in the statement of activities as donated support and also as indirect in-kind expense in the functional expense categories of program, management and general, and fundraising. For the year ended June 30, 2016 indirect support of \$1,184,361 was received by KCRW Foundation, allocated on the basis of full-time equivalents.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 - RELATED PARTY TRANSACTIONS (continued)

KCRW Foundation and Santa Monica Community College District (the District) have an agreement, which specifies KCRW Foundation's responsibilities to provide operational support, personnel and fundraising for the benefit of the Station, and that the District shall provide support, necessary services and facility usage to KCRW Foundation. The District is currently constructing the KCRW Media Center, including the acquisition and installation of equipment and furniture to meet program needs as determined by the Station Manager in consultation with KCRW Foundation. KCRW Foundation has committed to contribute at least \$7 million for the design, construction, equipment and furnishing costs of the KCRW Media Center. Subject to the agreement, the District shall provide all other funds as needed to design, construct, equip, furnish, and relocate the Station to the KCRW Media Center.

NOTE 6 - RETIREMENT PLAN

KCRW Foundation sponsors a defined contribution retirement plan for all eligible employees. Eligibility begins after completion of three months of service. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. Additionally, KCRW Foundation will match employees' contributions up to 2.5% of eligible employees' compensation. Employer contributions for the year ended June 30, 2016 were \$59,996.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Capital Campaign	\$ 16,273,574
Time Restricted	1,052,553
Music Match Campaign	34,809
Internship - The Station	1,562
Sonic Trace	39,759
Broadway Stories	<u>112,368</u>
TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 17,514,625</u>