Financial Statements
June 30, 2022

# KCRW-FM Radio
# Santa Monica Community College District

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## Independent Auditor's Report

The Board of Trustees
Santa Monica Community College District and
KCRW-FM Radio
Santa Monica, California

### Report on the Audit of the Financial Statements

***Opinion***

We have audited the consolidated financial statements of the business-type activities of KCRW-FM Radio (the Station or KCRW), a public telecommunications operation of the Santa Monica Community College District (the District) and its affiliate, as of and for the year ended June 30, 2022, and the related notes to the consolidated financial statements, which collectively comprise the Station's basic consolidated financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the respective consolidated financial position of the business-type activities of the Station and its affiliate as of June 30, 2022, and the respective changes in financial position, and, referred to above, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of KCRW Foundation, Inc. (the Foundation), an affiliate, which statements reflect total assets of $52,530,753 as of June 30, 2022 and total revenues of $21,062,320 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Station, 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 opinions.

***Adoption of New Accounting Standard***

As discussed in Note 1 and Note 9 to the consolidated financial statements, the Station has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Station are intended to present the financial position and the changes in financial position attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the Santa Monica Community College District as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 the Station's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS and *Government 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 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 financial statements.

- In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Station's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's 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.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, and other required supplementary schedules on pages 34 through 37, be presented to supplement the basic consolidated financial statements. Such information, is the responsibility of management and although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Station's basic consolidated financial statements. The accompanying supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic 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 accompanying supplementary information listed in the table of content are fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2023, on our consideration of Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Station's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 13, 2023

## NATURE OF THE ORGANIZATION

The following discussion and analysis provides an overview of the financial position and activities of KCRW-FM Radio (the Station or KCRW) for the twelve-month period ended June 30, 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Station is maintained on the campus of the Santa Monica Community College District (the District) in the city of Santa Monica, California. The Station is a community service of the District and provides 500,000 listeners each week with an eclectic schedule of music, news, information, and cultural programming. As a member-supported, non-commercial station, its 42,000 members/subscribers provide the Station with the largest single source of financial support. In turn, the Station and other member stations provide National Public Radio (NPR) with more than half of its operating budget.

KCRW Foundation, Inc. (the Foundation) was established to promote and provide financial support to the Station. The Foundation is a separate legal entity, a 501(c)(3) nonprofit public benefit corporation, 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 the Foundation and the Station is not always clearly distinguishable and has developed over the years based on the need to raise additional funds through the Foundation to support the Station's operations. Revenue is generated by both the 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 the Foundation. Expenses are shared, with the majority of payroll paid through the Foundation.

Therefore, because of the nature and significance of the Foundation's relationship with the Station, the Foundation's accounts are presented in annual combined financial statements in order to achieve meaningful financial statements that fully and fairly disclose the financial position and results of the Station's operations.

## PROGRAM SUMMARY

KCRW is one of the nation's leading National Public Radio affiliates, featuring an eclectic mix of music, news, information, and cultural programming.

Each week KCRW produces over 100 hours of original news, music, and culture content - including award winning, impactful, public service journalism - delivered on-air, online, and in person to diverse, curious communities. KCRW also invests in original podcast, 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 each year.

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 of introducing emerging artists to American audiences.

**PROGRAM HIGHLIGHTS IN 2022**

Diversity, Equity, Inclusion and Access
KCRW is deeply committed to its ongoing diversity, equity, inclusion, and access work, ensuring its staff and listenership are representative of the community it serves. During the year ended June 30, 2022, this has included workshops about unconscious bias, inclusivity in reporting, and audience engagement as well as investments in the human resources department. Additionally, KCRW has developed programs to invest in the next generation of KCRW employees. The inaugural Young Creators Project amplified diverse youth voices in three artistic areas, providing professional-mentoring workshops and culminating with a family and community live performance event. The Podcast Bootcamp debuted last November as a three-day intensive that taught the elements of storytelling, editing, sound collection, sound design and story delivery. KCRW also continued our Report LA Fellowship focused on early career individuals from underrepresented communities. The program has now entered its second cohort and third year.

Reporting Beats
To bring the most important news of the day to its audience, KCRW relies on its reporters who are experts in their respective fields. During the year ended June 30, 2022, KCRW had two dedicated beat reporters; Anna Scott focusing on housing and homelessness and Megan Jamerson focusing on small business and entrepreneurship. This year's housing and homelessness coverage focused on one of the most important issues facing the city and brought tough questions to elected leaders through forums such as the May 2022 Mayoral Debate. The Small Business and Entrepreneurship Beat, supported by FOUND/LA, explored how businesses are recovering in the wake of the COVID-19 pandemic and how small businesses are cornerstones of our neighborhoods.

Global Beat Australia
KCRW invested in music discovery during the year ended June 30, 2022 with the launch of Global Beat, a series that encourages listeners to expand their musical tastes in international directions. The first iteration, hosted by KCRW DJ Raul Campos and expert curators, offered a sonic tour of Australia. The show's success in attracting new audiences encouraged the continuation of the series early into the year ending June 30, 2023 with Global Beat: México.

Mayoral Debate
Los Angeles voters have identified homelessness as the top issue in the election for LA's next mayor. This spring, KCRW and The LA Times hosted a debate among some of the primary election candidates - Karen Bass, Kevin DeLeon and Gina Viola - to find out how they would solve that problem. KCRW's Anna Scott and LA Times columnist Gustavo Arellano hosted the event, which was live streamed and recorded for broadcast on KCRW's Press Play. This event was part of a broader effort to support community members in making informed election decisions.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Station as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The statement of net position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the Station.

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Station. Readers are also able to determine how much the Station owes vendors and employees. Finally, the statement of net position provides a picture of the net position and their availability for expenditure by the Station.

The difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the Station; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost.

The net position is divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the Station. The second category, expendable restricted net position, are net position available to be spent by the Station for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position that is available to the Station for any lawful purpose of the Station.

The statement of net position for the fiscal year ended June 30, 2022 and 2021 is summarized below:

| | 2022 | 2021, as restated |
|---|---|---|
| Assets | | |
| Current assets | $ 57,412,610 | $ 62,193,429 |
| Noncurrent assets | 1,404,798 | 1,612,232 |
| Total assets | 58,817,408 | 63,805,661 |
| Deferred Outflows of Resources | 166,271 | 251,466 |
| Liabilities | | |
| Current liabilities | 2,768,984 | 3,422,321 |
| Noncurrent liabilities | 2,060,026 | 2,855,184 |
| Total liabilities | 4,829,010 | 6,277,505 |
| Deferred Inflows of Resources | 389,613 | 6,681 |
| Net Position | | |
| Invested in capital assets | 576,998 | 420,709 |
| Restricted | 7,349,105 | 8,392,336 |
| Unrestricted | 45,838,953 | 48,959,896 |
| Total net position | $ 53,765,056 | $ 57,772,941 |

- Current assets are mainly cash, investments and pledges receivable. Non-current assets are mainly long-term pledges receivable and capital & right-to-use leased assets. The decrease in total assets from June 30, 2021 is primarily due to loss on investments.

- Deferred outflows of resources decreased primarily due to a negative difference between the projected and actual investment earnings and the difference between expected and actual experience in the measurement of the total pension liability the State pension program.

- Current liabilities consist of accounts payable and unearned revenue, both of which decreased from June 30, 2021. In FY21, the American Rescue Plan Act was signed into law on March 11, 2021 and included $175 million of emergency stabilization funds for public media organizations. The Corporation for Public Broadcasting distributed an allocation of $581,544 to KCRW-FM. As qualifying expenditures were not incurred as of June 30, 2021, the grant was reflected as unearned revenue. The liability for unearned revenue will be removed and revenue will be recognized once eligible expenditures have occurred. During the year ended June 30, 2022, $260,557 of qualifying expenditures were incurred, leaving a $320,987 unearned revenue balance as of June 30, 2022.

- Non-current liabilities consist of accrued vacation, lease liability, and net pension liability. The decrease is primarily attributable to the decreases in lease liability and net pension liability.
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- As of July 1, 2021, the District adopted GASB Statement No 87, Leases. As a result of the new standard, the opening balances of right-to-use leased assets and lease liabilities were each restated to $1,167,323 retroactively to adopt the provisions of the GASB No. 87. During the year ended June 30, 2022, lease liability decreased by $343,723 the amount of payments made against the lease principal. The non-current right-to-use leased asset decreased by the amount the District recorded as amortization, $361,595.

- Net pension liability decreased mainly due to better than anticipated investment returns during the 2020-2021 measurement period, resulting a lower net liability and increase in deferred inflows of resources for differences between projected and actual earnings on the pension plan investments.

Changes in total net position as presented on the statement of net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not, by the Station, the operating and nonoperating expenses incurred, whether paid or not, by the Station, and any other revenues, expenses, gains and/or losses earned or incurred by the Station. Thus, this statement presents the Station's results of operations.

Generally, operating revenues are earned for providing services to the various members or customers of the Station. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the Station. Nonoperating revenues are those received or pledged for which goods and services are not provided.

The statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2022 and 2021 is summarized below:

| | 2022 | 2021 |
|---|---|---|
| Operating Activity | | |
| Operating Revenues | | |
| Subscription and membership income | $ 6,325,844 | $ 6,466,672 |
| Contributions | 15,583,233 | 14,130,719 |
| Contributed goods and services | 2,063,014 | 1,054,546 |
| Contributed administrative support | 2,519,989 | 2,493,250 |
| Paycheck Protection Program loan forgiveness | - | 1,724,854 |
| Other Grants | 1,577,099 | 1,139,188 |
| Other operating income | 52,829 | 95,107 |
| Total operating revenues | 28,122,008 | 27,104,336 |
| Total operating expenses | 26,704,779 | 24,278,017 |
| Operating Income | 1,417,229 | 2,826,319 |
| Nonoperating Income (Loss) | | |
| Investment income (loss), net | (5,425,114) | 6,534,487 |
| Change in Net Position | (4,007,885) | 9,360,806 |
| Net Position, Beginning of Year | 57,772,941 | 48,412,135 |
| Net Position, End of Year | $ 53,765,056 | $ 57,772,941 |

- Total operating revenue increased due to an increase in underwriting contributions and an increase in contributed goods and services as the economy recovered from the effects of Covid-19.

- Contributed administrative support is from the District (the licensee). "Institutional stations" can claim contributed administrative support from their licensees. Institutional stations are departments, divisions, or units of the licensee that are not legally discrete and are often dependent upon the licensee for support. Included in this category are stations licensed to public universities and colleges. Therefore, the Station has been deemed to be an "institutional station" and has included contributed administrative support from the licensee.

- Total operating expenses are primarily for programming and broadcasting, fundraising and membership development expenses for both the Station and the Foundation. Total operating expense increased in the current year. Fiscal year 2022 included an investment in digital infrastructure initiatives.

- Nonoperating expenses consist of investment losses on the Foundation investments.

## CAPITAL AND RIGHT-TO-USE ASSETS

As of June 30, 2022 and 2021, the Station had $1,400,598 and $1,588,032, respectively, invested in net capital and right-to-use leased assets, primarily related to Station operations. Total capital assets consist of data processing equipment and broadcasting equipment and right-to-use assets consisted of site rentals for broadcasting antennas.

## STATEMENT OF CASH FLOWS

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the Station's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The statement of cash flows is divided into three parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the Station. The second part provides information from investing activities and the amount of investment earnings received. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items and lease principal paydown.

The statement of cash flows for the fiscal years ended June 30, 2022 and 2021 is summarized below:

| | 2022 | 2021 |
|---|---|---|
| Cash Provided By (Used By) | | |
| Operating activities | $ 1,786,902 | $ 1,348,594 |
| Investing activities | (996,395) | (860,142) |
| Capital and related financing activities | (739,290) | (92,731) |
| Net Change in Cash and Cash Equivalents | 51,217 | 395,721 |
| Cash and Cash Equivalents, Beginning of Year | 12,836,699 | 12,440,978 |
| Cash and Cash Equivalents, End of Year | $ 12,887,916 | $ 12,836,699 |

- Cash flows provided by operating activities in 2022 relates to an increase in underwriting contributions.

- Cash flows from investing activities includes investment activity on amounts held by the Foundation. Use of cash in 2022 relates to the reinvestment of dividends.

- Cash flows from capital and related financing activities in 2022 consists of the purchase of capital assets and payments on the lease liabilities.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The economic position of the Station is closely tied to that of the District, and, therefore, the State of California. As the Station serves its various constituents, income, and fluctuations thereto, depend on the ability of the District to support the Station while continuing to serve its current student body. Under the current economic conditions existing in the state, the exact nature of the District's financial status is difficult to forecast.

**CONTACTING KCRW-FM RADIO MANAGEMENT**

This financial report is designed to provide our donors, taxpayers, investors, and creditors with a general overview of the Station's finances and to show the Station's accountability for funding received. If you have any questions about this report or need any additional information, contact Natalie Kyriakoudis, Chief Financial Officer by email at natalie.kyriakoudis@kcrw.org.

| | KCRW-FM | KCRW Foundation, Inc. | Total (Memorandum Only) |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 4,886,057 | $ 8,001,859 | $ 12,887,916 |
| Investments | - | 39,807,216 | 39,807,216 |
| Pledge receivable, net | - | 4,307,701 | 4,307,701 |
| Prepaid expense | - | 409,777 | 409,777 |
| Total current assets | 4,886,057 | 52,526,553 | 57,412,610 |
| Noncurrent assets | | | |
| Pledge receivable, net | - | 4,200 | 4,200 |
| Capital and right-to-use leased assets, net | 1,400,598 | - | 1,400,598 |
| Total noncurrent assets | 1,400,598 | 4,200 | 1,404,798 |
| Total assets | 6,286,655 | 52,530,753 | 58,817,408 |
| Deferred Outflows of Resources | | | |
| Deferred outflows of resources related to pensions | 166,271 | - | 166,271 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 19,885 | 2,428,112 | 2,447,997 |
| Unearned revenue | 320,987 | - | 320,987 |
| Total current liabilities | 340,872 | 2,428,112 | 2,768,984 |
| Long-term liabilities | | | |
| Long-term liabilities other than pensions, due within one year | 359,052 | - | 359,052 |
| Long-term liabilities other than pensions, due in more than one year | 905,077 | - | 905,077 |
| Net pension liability | 795,897 | - | 795,897 |
| Total long-term liabilities | 2,060,026 | - | 2,060,026 |
| Total liabilities | 2,400,898 | 2,428,112 | 4,829,010 |
| Deferred Inflows of Resources | | | |
| Deferred inflows of resources related to pensions | 389,613 | - | 389,613 |
| Net Position | | | |
| Net investment in capital assets | 576,998 | - | 576,998 |
| Restricted for | | | |
| Capital campaign | - | 5,524,131 | 5,524,131 |
| Programs | - | 417,249 | 417,249 |
| Time restricted | - | 1,407,725 | 1,407,725 |
| Unrestricted | 3,085,417 | 42,753,536 | 45,838,953 |
| Total net position | $ 3,662,415 | $ 50,102,641 | $ 53,765,056 |

| | KCRW-FM | KCRW Foundation, Inc. | Eliminations | Total (Memorandum Only) |
|---|---|---|---|---|
| Revenues | | | | |
| Operating revenues | | | | |
| Subscription and membership income | $ - | $ 6,325,844 | $ - | $ 6,325,844 |
| Contributions | - | 15,583,233 | - | 15,583,233 |
| Contributed goods and services | - | 2,063,014 | - | 2,063,014 |
| Grants from Corporation for Public Broadcasting | 1,271,542 | - | - | 1,271,542 |
| Grants from federal sources | 260,557 | 45,000 | - | 305,557 |
| Contributed administrative support from Santa Monica Community College District | 102,475 | 2,417,514 | - | 2,519,989 |
| Contributed support from KCRW foundation, Inc. | 1,575,938 | - | (1,575,938) | - |
| Other operating income | - | 52,829 | - | 52,829 |
| Total operating revenues | 3,210,512 | 26,487,434 | (1,575,938) | 28,122,008 |
| Expenses | | | | |
| Operating expenses | | | | |
| Programming and production | 3,441,604 | 10,431,950 | (1,575,938) | 12,297,616 |
| Broadcasting and engineering | - | 1,957,083 | - | 1,957,083 |
| Program information and promotion | - | 4,026,491 | - | 4,026,491 |
| Management and general | - | 3,207,975 | - | 3,207,975 |
| Fundraising and membership development | - | 5,215,614 | - | 5,215,614 |
| Total operating expenses | 3,441,604 | 24,839,113 | (1,575,938) | 26,704,779 |
| Operating income (loss) | (231,092) | 1,648,321 | - | 1,417,229 |
| Nonoperating Income (Loss) | | | | |
| Investment loss, net | - | (5,425,114) | - | (5,425,114) |
| Change in Net Position | (231,092) | (3,776,793) | - | (4,007,885) |
| Net Position - Beginning of Year | 3,893,507 | 53,879,434 | - | 57,772,941 |
| Net Position - End of Year | $ 3,662,415 | $ 50,102,641 | $ - | $ 53,765,056 |

| | KCRW-FM | KCRW Foundation, Inc. | Total (Memorandum Only) |
|---|---|---|---|
| Cash Flows from Operating Activities | | | |
| Subscription and membership income | $ - | $ 6,325,844 | $ 6,325,844 |
| Contributions | - | 15,011,889 | 15,011,889 |
| Grants from Corporation for Public Broadcasting | 1,271,542 | - | 1,271,542 |
| Grants from Federal sources | - | 45,000 | 45,000 |
| Other grants | - | 343,164 | 343,164 |
| Other operating income | - | 52,829 | 52,829 |
| Payments for operating expenses | (1,219,972) | (20,043,394) | (21,263,366) |
| Net cash flows from operating activities | 51,570 | 1,735,332 | 1,786,902 |
| Cash Flows from Investing Activities | | | |
| Interest and dividends reinvested | - | (1,044,589) | (1,044,589) |
| Proceeds from sale of investments | - | 3,878,226 | 3,878,226 |
| Purchases of investments | - | (3,830,032) | (3,830,032) |
| Net cash flows from investing activities | - | (996,395) | (996,395) |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition of capital assets | (395,567) | - | (395,567) |
| Principal paid on leases | (343,723) | - | (343,723) |
| Net cash flows from capital and related financing activities | (739,290) | - | (739,290) |
| Net increase (decrease) in cash and cash equivalents | (687,720) | 738,937 | 51,217 |
| Cash and cash equivalents - beginning of the year | 5,573,777 | 7,262,922 | 12,836,699 |
| Cash and cash equivalents - end of the year | $ 4,886,057 | $ 8,001,859 | $ 12,887,916 |
| Reconciliation of operating gain (loss) to net cash flows from operating activities | | | |
| Operating gain (loss) | $ (231,092) | $ 1,648,321 | $ 1,417,229 |
| Bad debt expense | - | 31,114 | 31,114 |
| Depreciation and amortization expense | 583,001 | - | 583,001 |
| Adjustments to reconcile gain (loss) to net cash flows from operating activities | | | |
| Changes in operating assets and liabilities | | | |
| Investments | - | 1,002,682 | 1,002,682 |
| Prepaid expenses | - | (8,021) | (8,021) |
| Pledges receivable | - | (602,458) | (602,458) |
| Deferred outflows related to pensions | 85,195 | - | 85,195 |
| Accounts payable | (56,474) | (336,306) | (392,780) |
| Unearned revenue | (260,557) | - | (260,557) |
| Accrued vacation | 36,603 | - | 36,603 |
| Net pension liability | (488,038) | - | (488,038) |
| Deferred inflows related to pensions | 382,932 | - | 382,932 |
| Net cash from operating activities | $ 51,570 | $ 1,735,332 | $ 1,786,902 |

## Note 1 - Summary of Significant Accounting Policies

### Organization

KCRW-FM Radio (the Station or KCRW) is owned and operated by the Santa Monica Community College District (the District) located in Santa Monica, California. As such, the District exercises oversight responsibility over the Station. This includes the designation of its management, the District's ability to influence Station operations, financial interdependency, and accountability for the Station's fiscal matters. Accordingly, the Station's KCRW-FM accounts are also included in the District's financial statements. These financial statements are not intended to present fairly the financial position and changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

### Method of Accounting

### Financial Reporting Entity

The Station considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39*, Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61*, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

The basic, but not the only, criterion for including another organization in the Station's reporting entity for financial reports is the ability of the Station's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present, and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the Station's power and includes but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the Station, including ongoing financial support of the Station or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax exempt organization should be reported as a component unit of the District if all of the following criteria are met.

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the Station, its component units, or its constituents.

2. The Station, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

3. The economic resources received or held by an individual organization that the Station, or its component units, is entitled to, or has the ability to otherwise access, are significant to the Station.

The accompanying consolidated financial statements include the accounts of the Station and the KCRW Foundation, Inc. (the Foundation). The Foundation is a nonprofit organization exempt from Federal and State income taxes as described in Section 501(c)(3) of the Internal Revenue Code and was organized to promote and provide financial support for the District's radio station, KCRW-FM (89.9 FM). Its support comes primarily from corporate underwriting and donor contributions. The Foundation is a legally separate entity, maintains a separate Board of Directors and its activities are not governed or controlled by the Station. The Foundation issues separate financial statements which may be obtained from the Station. These financial statements are not intended to present fairly the financial position and changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Based solely on the application of the criteria listed above, the Foundation would not be considered a reporting entity, however, the Foundation's accounts are discretely presented in the accompanying consolidated financial statements in order to present meaningful financial statements that fully and fairly disclose the financial position and changes in financial position of the Station. Exclusion of the Foundation from the reporting entity would render the financial statements incomplete, primarily due to its close affiliation to the Station. The Foundation's accounts are discretely presented to allow the financial statement users to distinguish between the Station and the Foundation.

**Financial Statement Presentation**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB, including Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis of Public College and Universities*, issued in June and November 1999. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, consolidated perspective of the Station's financial activities.

**Basis of Accounting**

For financial reporting purposes, KCRW-FM is considered a special-purpose government engaged in business-type activities. Accordingly, the Station's consolidated financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated including expenses incurred by KCRW-FM but paid by the Foundation.

For internal accounting purposes, KCRW-FM maintains its records on the accrual basis of accounting in accordance with generally accepted accounting principles. The accounting policies of the Station also conform to the requirements of "Principles of Accounting, and Financial Reporting for Public Telecommunications Entities" issued by the Corporation for Public Broadcasting.

Internally, the accounts of KCRW-FM are reported in two self-balancing funds as follows:

Operating Fund - includes all activity with respect to KCRW-FM's general operations.

Property Fund - includes all resources invested in KCRW-FM's facilities, studios and equipment.

**Cash and Cash Equivalents**

KCRW-FM's available cash is deposited with the District's Auxiliary Fund. This Fund pools the cash deposits from several District programs. Cash equivalents also include cash with county treasury balances for purposes of the Consolidated Statement of Cash Flows. The Foundation cash and cash equivalents consist of cash and highly liquid investments with original maturities of less than three months.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the consolidated financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plan for schools (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the Station will be paid by employee contributions and by the Station.

**Unearned Revenue**

Unearned revenues arise when resources are received by the Station before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the Station has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of amounts received from Federal grants received before the eligibility requirements are met.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the consolidated financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. The liability for this benefit is reported on the consolidated financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the Station's consolidated financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

**Capital Assets and Depreciation**

Purchased equipment and facility improvements are recorded at cost or, if donated, at acquisition value at date of donation. As of June 30, 2022, the Station had $594,870 invested in net capital assets, primarily related to Station operations. Total capital assets consist of data processing equipment and broadcasting equipment with useful lives ranging from 5-20 years.

The Station records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

**Leases**

The Station recognizes a lease liability and an intangible right-to-use leased asset in the consolidated financial statements. The Station measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**Subscription and Membership Income**

Subscription and membership income is recorded and recognized when received.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net position and detailed in the schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates

**Advertising and Promotion**

The Station expenses advertising and promotion costs as incurred. For the year ending June 30, 2022, advertising and promotion expense totaled $1,950,770.

**Contributed Goods and Services**

The Station receives contributed goods and services, including program services, professional services and equipment. Such contributions are recorded as revenue and expense in the period received at fair market value. Contributed 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. In the case of contributed equipment, an asset is recorded based on acquisition value at date of contribution. For the year ended June 30, 2022, the Station recognized in-kind contribution revenue, primarily of advertising and promotion services, of $2,063,014, which have been recorded in the accompanying consolidated financial statements.

**Estimates**

The preparation of  the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates, and those differences could be material.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Station or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Station first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The consolidated financial statements report $7,349,105 of restricted net position.

Classification of Revenues

The Station has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as subscription and most local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income, that are defined as nonoperating revenues.

**Change in Accounting Principles**

**Implementation of GASB Statement No. 87**

As of July 1, 2021, the Station adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 9 and the additional disclosures required by this standard are includedin Notes 5 and 7.

**Implementation of GASB Statement No. 92**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

**Implementation of GASB Statement No. 93**

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

**Total (Memorandum Only)**

The total columns on the accompanying consolidated financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation as intercompany eliminations have not been made. Therefore, amounts in these columns do not present financial position or change in financial position in accordance with generally accepted accounting principles.

## Note 2 - Contributions and Pledges Receivable

As of June 30, 2022, the total contributions and pledges receivable were $4,311,901, net of allowance. The amount is expected to be received within one year is $4,307,701 with the remaining $4,200 due between one to five years. The allowance for doubtful accounts was $30,558.

Contributions and pledges receivable at June 30, 2022 include in-kind contributions of advertising and promotion services to be collected in future years of $1,059,277.

## Note 3 - Investments (KCRW Foundation)

The 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 are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

| | Fair Value Measurements Using | | |
|---|---|---|---|
| | Year Ended June 30, 2022 | Level 1 | Level 2 |
| Mutual Funds | | | |
| Equity | $ 18,469,301 | $ 18,469,301 | $ - |
| Fixed income | 15,183,202 | 15,183,202 | - |
| US Treasury Notes | 5,729,350 | - | 5,729,350 |
| Total investments | $ 39,381,853 | $ 33,652,503 | $ 5,729,350 |

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 US treasury notes within Level 2 was obtained based on market prices for identical or similar instruments traded in over-the counter markets at the closing of the last business day of the fiscal year.

Investment gain (loss) consists of the following:

| | |
|---|---|
| Interest and dividends | $ 1,044,806 |
| Net realized and unrealized gains on investments | (6,469,920) |
| Total | $ (5,425,114) |

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. *Government Code* Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Foundation places no limit on the amount that may be invested in any one issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures,* requirements, the Foundation is exposed to concentration of credit risk whenever investments in any one issuer exceeds five percent. Currently, the Foundation has 85% invested in mutual funds, 14% invested in U.S. Treasury notes, and less than 1% in cash and cash equivalents.

## Note 4 - Deposits

### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Station's deposits may not be returned to it. The Station does not have a deposit policy for custodial risk.

### KCRW-FM

This is the risk that in the event of a bank failure, the Station's deposits may not be returned to it. The Station does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the Station had approximately $4.1 million exposed to custodial credit risk by being uninsured and collateral held by pledging bank's trust not in the Station's name.

### KCRW Foundation

The Foundation maintains their cash deposits in various financial institutions. Since the Foundation needs to maintain certain amounts of cash available in bank accounts to meet cash flow needs, portions of these deposits are beyond the Federal Deposit Insurance Corporation insurance level, $250,000, at certain times of the year.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the Station will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2022, the Station's investment balance of approximately $39.8 million was exposed to custodial credit risk due to balances in excess of insured amounts, unregistered and held by the brokerage firm which is also the counterparty for these securities. The Station does not have a policy limiting the amount of securities that can be held by counterparties.

## Note 5 - Capital and Right-to-Use Leased Assets

Capital and right-to-use leased asset activity for the Station for the year ended June 30, 2022, was as follows:

| | Balance, July 1, 2021, as restated | Additions | Deductions | Balance, June 30, 2022 |
|---|---|---|---|---|
| Capital Assets Being Depreciated | | | | |
| Equipment | $ 1,114,757 | $ 395,567 | $ - | $ 1,510,324 |
| Less Accumulated Depreciation | | | | |
| Equipment | (694,048) | (221,406) | - | (915,454) |
| Net capital assets | 420,709 | 174,161 | - | 594,870 |
| Right-to-Use Leased Assets Being Amortized | | | | |
| Sites | 1,167,323 | - | - | 1,167,323 |
| Less Accumulated Amortization | | | | |
| Sites | - | (361,595) | - | (361,595) |
| Net right-to-use leased assets | 1,167,323 | (361,595) | - | 805,728 |
| Total capital and right-to-use leased assets, net | $ 1,588,032 | $ (187,434) | $ - | $ 1,400,598 |

## Note 6 - Restrictions and Limitations on Net Position Balances

Net position with donor restrictions - expendable consist of the following:

| | |
|---|---|
| Capital Campaign | $ 5,524,131 |
| Time Restricted | 1,407,725 |
| Website Discovery Experience | 300,000 |
| Diversity Fellowship | 75,841 |
| Business of Food | 15,773 |
| Podcast Bootcamp | 13,886 |
| Small Business Coverage | 11,749 |
| Total net position with donor restrictions | $ 7,349,105 |

## Note 7 - Long-Term Liabilities Other than Pensions

**Summary**

The changes in the Station's long-term liabilities other than pensions during the year ended June 30, 2022 consisted of the following:

| | Balance, July 1, 2021, as restated | Additions | Deductions | Balance, June 30, 2022 |
|---|---|---|---|---|
| Site leases | $ 1,167,323 | $ - | $ (343,723) | $ 823,600 |
| Accrued vacation | 403,926 | 36,603 | | 440,529 |
| Total | $ 1,571,249 | $ 36,603 | $ (343,723) | $ 1,264,129 |

Description of Long-Term Liabilities

Payments for the accrued vacation and site leases are made by the KCRW-FM fund.

Site Leases

The Station has entered into several agreements to lease sites for its broadcasting operation. The leases run through the 2027-2028 fiscal year, with annual increases up to 5.00%. The Station paid total principal and interest costs of $358,966. At June 30, 2022, the Station recognized right to use leased assets, net of accumulated amortization, of $805,728 and a lease liability of $823,600 related to these agreements. During the fiscal year, the Station recorded $361,595 in amortization expense and $15,243 in interest expense for the right to use of the sites. The Station used discount rates between 0.31%-2.96% based on the estimated incremental borrowing rate for financing over a similar time period.

The Station's liability on lease agreements with option to purchase is summarized below:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 359,052 | $ 9,171 | $ 368,223 |
| 2024 | 243,639 | 3,221 | 246,860 |
| 2025 | 97,737 | 1,468 | 99,205 |
| 2026 | 81,262 | 724 | 81,986 |
| 2027 | 36,738 | 204 | 36,942 |
| 2028 | 5,172 | 6 | 5,178 |
| Total | $ 823,600 | $ 14,794 | $ 838,394 |

## Note 8 - Employee Retirement Plans

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2022, the Station reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for the above plan as follows:

| | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| KCRW-FM Radio | | | | |
| CalPERS (Schools Pool Plan) | $ 795,897 | $ 166,271 | $ 389,613 | $ 43,961 |

**California Public Employees' Retirement System (CalPERS) - Schools Pool Plan**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. The Station's employees are covered as part of the District.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation reports, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: http://www.calpers.ca.gov/page/forms-publications.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | CalPERS - Schools Pool Plan | |
|---|---|---|
| Hire date | On or Before December 31, 2012 | On or After January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.1% - 2.5% |
| Required employee contribution rate | 7.00% | 7.00% |
| Required employer contribution rate | 22.91% | 22.91% |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Station is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total Station contributions were $138,589.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2022, the Station reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $795,897. The net pension liability was measured as of June 30, 2021. The Station's proportion of the net pension liability was based on a projection of the Station's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The Station's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.0039% and 0.0042%, respectively, resulting in a net decrease in the proportionate share of 0.0003%.

For the year ended June 30, 2022, the Station recognized pension expense of $43,961. At June 30, 2022, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 138,589 | $ - |
| Change in proportion and differences between contributions made and the Station's proportionate share of contributions | 3,922 | 82,296 |
| Differences between projected and actual earnings on the pension plan investments | - | 305,441 |
| Differences between expected and actual experience in the measurement of the total pension liability | 23,760 | 1,876 |
| Total | $ 166,271 | $ 389,613 |

The deferred outflow of resources related to pensions resulting from Station contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (76,604) |
| 2024 | (70,445) |
| 2025 | (73,443) |
| 2026 | (84,949) |
| Total | $ (305,441) |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and Station's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (15,987) |
| 2024 | (16,322) |
| 2025 | (21,927) |
| 2026 | (2,254) |
| Total | $ (56,490) |

**Actuarial Methods and Assumptions**

Total pension liability for the School Employer Pool was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and services |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global equity | 50% | 5.98% |
| Fixed income | 28% | 2.62% |
| Inflation assets | 0% | 1.81% |
| Private equity | 8% | 7.23% |
| Real estate | 13% | 4.93% |
| Liquidity | 1% | -0.92% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the Station's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 1,341,993 |
| Current discount rate (7.15%) | 795,897 |
| 1% increase (8.15%) | 342,519 |

## Note 9 - Adoption of New Accounting Standard

As of July 1, 2021, the Station adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of the new standard, the opening balances of certain assets and liabilities were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

| | |
|---|---|
| Net Position - Beginning | $ 57,772,941 |
| Right-to-use leased assets | 1,167,323 |
| Lease liabilities | (1,167,323) |
| Net Position - Beginning | $ 57,772,941 |

Required Supplementary Information
June 30, 2022

# KCRW-FM Radio
# Santa Monica Community College District

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| KCRW-FM Radio's portion of the net pension liability | 0.0039% | 0.0042% | 0.0051% | 0.0056% | 0.0058% |
| KCRW-FM Radio's proportionate share of the net pension liability | $ 795,897 | $ 1,283,935 | $ 1,495,502 | $ 1,493,606 | $ 1,475,434 |
| KCRW-FM Radio's covered payroll reported as of the period fiscal year to align with the measurement date at the net pension liability | $ 596,087 | $ 766,381 | $ 732,483 | $ 802,176 | $ 866,323 |
| KCRW-FM Radio's proportionate share of the net pension liability as a percentage of its covered payroll | 133.52% | 167.53% | 204.17% | 186.19% | 170.31% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 70% | 70% | 71% | 72% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

Note: In the future, as data becomes available, ten years of information will be presented.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| KCRW-FM Radio's portion of the net pension liability | 0.0068% | 0.0071% | 0.0067% |
| KCRW-FM Radio's proportionate share of the net pension liability | $ 1,339,819 | $ 1,041,042 | $ 755,482 |
| KCRW-FM Radio's covered payroll reported as of the period fiscal year to align with the measurement date at the net pension liability | $ 838,170 | $ 817,050 | $ 700,000 |
| KCRW-FM Radio's proportionate share of the net pension liability as a percentage of its covered payroll | 159.85% | 127.41% | 107.93% |
| Plan fiduciary net position as a percentage of the total pension liability | 74% | 79% | 83% |
| Measurement Date | June 30, 2016 | June 30, 2015 | June 30, 2014 |

Note: In the future, as data becomes available, ten years of information will be presented.

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 138,589 | $ 123,390 | $ 151,138 | $ 132,301 | $ 124,586 |
| Contributions in relation to the contractually required contribution | 138,589 | 123,390 | 151,138 | 132,301 | 124,586 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| KCRW FM's covered payroll | $ 604,928 | $ 596,087 | $ 766,381 | $ 732,483 | $ 802,176 |
| Contributions as a percentage of covered payroll | 22.910% | 20.700% | 19.721% | 18.062% | 15.531% |

Note: In the future, as data becomes available, ten years of information will be presented.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Contractually required contribution | $ 120,315 | $ 99,298 | $ 96,175 |
| Contributions in relation to the contractually required contribution | 120,315 | 99,298 | 96,175 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| KCRW FM's covered payroll | $ 866,323 | $ 838,170 | $ 817,050 |
| Contributions as a percentage of covered payroll | 13.888% | 11.847% | 11.771% |

Note: In the future, as data becomes available, ten years of information will be presented.

## Note 1 - Purpose of Schedules

**Schedule of the Station's Proportionate Share of the Net Pension Liability - CalPERS - Schools Pool Plan**

The schedule presents information on the Station's proportionate share of the net pension liability, the plan's fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the Station. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* - There were no changes of assumptions since the previous valuation.

**Schedule of the Station's Contributions - CalPERS - Schools Pool Plan**

The schedule presents information on the Station's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2022

# KCRW-FM Radio
# Santa Monica Community College District

| | Program Services<br>Programming and Production |
|---|---|
| Compensation and Related Expenses | |
| Salaries | $ 658,495 |
| Benefits | 319,620 |
| Total compensation and related expenses | 978,115 |
| Depreciation and amortization | 583,001 |
| Electricity and gas | 28,917 |
| Equipment | 96,934 |
| Indirect administrative support | 102,475 |
| Insurance | 7,270 |
| Interest | 15,243 |
| Legal | 7,470 |
| Other contract services | 7,369 |
| Program acquisition | 1,532,100 |
| Rent expense | 50,674 |
| Supplies | 9,597 |
| Utilities | 22,439 |
| Total expenses | $ 3,441,604 |

Schedule of Functional Expenses – KCRW Foundation, Inc.
Year Ended June 30, 2022

| | Program Services | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Programming and Production | Broadcasting and Engineering | Program Information and Promotion | Total | Management and General | Fundraising | Total | Total Expenses |
| Compensation and Related Expenses | | | | | | | | |
| Salaries | $ 5,827,985 | $ 546,953 | $ 1,218,039 | $ 7,592,977 | $ 1,673,893 | $ 445,386 | $ 2,119,279 | $ 9,712,256 |
| Payroll taxes | 456,946 | 41,183 | 97,230 | 595,359 | 112,295 | 36,366 | 148,661 | 744,020 |
| Benefits and taxes | 713,671 | 132,018 | 143,995 | 989,684 | 218,251 | 39,947 | 258,198 | 1,247,882 |
| Total compensation and related expenses | 6,998,602 | 720,154 | 1,459,264 | 9,178,020 | 2,004,439 | 521,699 | 2,526,138 | 11,704,158 |
| Professional fees | 1,305,721 | 199,912 | 301,814 | 1,807,447 | 541,773 | 3,039,358 | 3,581,131 | 5,388,578 |
| Donated support from Santa Monica Community College District | 1,449,402 | 157,901 | 458,713 | 2,066,016 | 221,035 | 130,463 | 351,498 | 2,417,514 |
| Advertising and promotion | - | - | 1,307,038 | 1,307,038 | 2,600 | 641,132 | 643,732 | 1,950,770 |
| Occupancy | 12,960 | 461,107 | 400 | 474,467 | - | - | - | 474,467 |
| Telephone and data communications | 29,758 | 154,894 | 308,952 | 493,604 | 5,277 | 10,944 | 16,221 | 509,825 |
| Dues and subscriptions | 82,794 | 53,305 | 122,950 | 259,049 | 71,693 | 173,639 | 245,332 | 504,381 |
| Credit card and bank fees | 21 | - | - | 21 | 200 | 400,678 | 400,878 | 400,899 |
| Consultants | 308,775 | - | 24,800 | 333,575 | - | 500 | 500 | 334,075 |
| Postage | 230 | 1,182 | 31,999 | 33,411 | 781 | 238,752 | 239,533 | 272,944 |
| Equipment purchases, rental and maintenance | 17,070 | 186,434 | - | 203,504 | 4,138 | 4,027 | 8,165 | 211,669 |
| Insurance | - | 7,268 | 340 | 7,608 | 113,424 | - | 113,424 | 121,032 |
| Office expense | 9,788 | 297 | 3,583 | 13,668 | 32,659 | 1,605 | 34,264 | 47,932 |
| Conference and travel | 20,150 | 13,839 | 1,521 | 35,510 | 13,403 | 35,785 | 49,188 | 84,698 |
| Community events | 182,158 | - | - | 182,158 | - | - | - | 182,158 |
| Gifts and awards | 9,125 | - | - | 9,125 | 157,240 | 1,630 | 158,870 | 167,995 |
| Printing | 153 | - | 4,802 | 4,955 | 1,187 | 13,592 | 14,779 | 19,734 |
| Staff development | 3,775 | 790 | 315 | 4,880 | 4,960 | 1,810 | 6,770 | 11,650 |
| Taxes and licenses | 1,468 | - | - | 1,468 | 2,052 | - | 2,052 | 3,520 |
| Bad debt expense | - | - | - | - | 31,114 | - | 31,114 | 31,114 |
| Total expenses | $ 10,431,950 | $ 1,957,083 | $ 4,026,491 | $ 16,415,524 | $ 3,207,975 | $ 5,215,614 | $ 8,423,589 | $ 24,839,113 |

## Note 1 - Purpose of Supplementary Schedules

**Schedule of Functional Expenses – KCRW-FM and KCRW Foundation Inc.**

These schedules present information on the Station's costs of providing various programs and supporting activities have been summarized on a functional basis in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Independent Auditor's Reports
June 30, 2022

# KCRW-FM Radio
# Santa Monica Community College District

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees
Santa Monica Community College District and
KCRW-FM Radio
Santa Monica, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities of KCRW-FM Radio (the Station or KCRW), a public telecommunications operation of the Santa Monica Community College District (the District), as of and for the year ended June 30, 2022, and the related notes to the consolidated financial statements, which collectively comprise the Station's basic consolidated financial statements and have issued our report thereon dated February 13, 2023.

**Adoption of New Accounting Standard**

As discussed in Notes 1 and 9 to the consolidated financial statements, the Station has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Station are intended to present the financial position and the changes in financial position attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the Santa Monica Community College District as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Station's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 13, 2023

Schedule of Findings and Questioned Costs
June 30, 2022

# KCRW-FM Radio
# Santa Monica Community College District

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.