

**KCRW FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

**KCRW FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2022**

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**AUDIT  
AND  
ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
KCRW Foundation, Inc.

### **Opinion**

We have audited the financial statements of KCRW Foundation, Inc. (KCRW Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KCRW Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 KCRW Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KCRW Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

### **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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KCRW Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KCRW Foundation'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.

#### **Report on Summarized Comparative Information**

We have previously audited KCRW Foundation's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Emphasis of Matter**

As more fully described in Note 1 and Note 3 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.

*Green Hasson & Janks LLP*

November 14, 2022  
Los Angeles, California

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

June 30, 2022

With Summarized Totals at June 30, 2021

| <b>ASSETS</b>                              | 2022                          |                            |                      | 2021<br>Total        |
|--|-------------------------------|----------------------------|----------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |                      |
| Cash and Cash Equivalents                  | \$ 7,676,018                  | \$ 325,841                 | \$ 8,001,859         | \$ 7,262,922         |
| Investments                                | 34,202,508                    | 5,604,708                  | 39,807,216           | 45,238,617           |
| Contributions and Pledges Receivable (Net) | 2,893,345                     | 1,418,556                  | 4,311,901            | 3,740,557            |
| Prepaid Expenses and Other Assets          | 409,777                       | -                          | 409,777              | 401,756              |
| <b>TOTAL ASSETS</b>                        | <b>\$ 45,181,648</b>          | <b>\$ 7,349,105</b>        | <b>\$ 52,530,753</b> | <b>\$ 56,643,852</b> |
| <b>LIABILITIES AND NET ASSETS</b>          |                               |                            |                      |                      |
| <b>LIABILITIES:</b>                        |                               |                            |                      |                      |
| Accounts Payable and Accrued Expenses      | \$ 2,428,112                  | \$ -                       | \$ 2,428,112         | \$ 2,764,418         |
| <b>NET ASSETS:</b>                         |                               |                            |                      |                      |
| Without Donor Restrictions                 | 42,753,536                    | -                          | 42,753,536           | 45,487,098           |
| With Donor Restrictions                    | -                             | 7,349,105                  | 7,349,105            | 8,392,336            |
| <b>TOTAL NET ASSETS</b>                    | <b>42,753,536</b>             | <b>7,349,105</b>           | <b>50,102,641</b>    | <b>53,879,434</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    | <b>\$ 45,181,648</b>          | <b>\$ 7,349,105</b>        | <b>\$ 52,530,753</b> | <b>\$ 56,643,852</b> |

The Accompanying Notes are an Integral Part of These Financial Statements

**KCRW FOUNDATION, INC.****STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

|   | 2022                          |                            |                      | 2021                 |
|---|-------------------------------|----------------------------|----------------------|----------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Total                |
| <b>PUBLIC SUPPORT:</b>                                  |                               |                            |                      |                      |
| Contributions and Grants                                | \$ 10,318,646                 | \$ 2,070,635               | \$ 12,389,281        | \$ 10,948,685        |
| Membership Donations                                    | 9,564,796                     | -                          | 9,564,796            | 9,648,706            |
| In-Kind Contributions                                   | 2,063,014                     | -                          | 2,063,014            | 1,054,546            |
| Donated Support from the District                       | 2,417,514                     | -                          | 2,417,514            | 2,356,521            |
| <b>TOTAL PUBLIC SUPPORT</b>                             | 24,363,970                    | 2,070,635                  | 26,434,605           | 24,008,458           |
| <b>OTHER INCOME (LOSS):</b>                             |                               |                            |                      |                      |
| Investment Return (Net)                                 | (5,425,114)                   | -                          | (5,425,114)          | 6,534,487            |
| Paycheck Protection Program Loan Forgiveness            | -                             | -                          | -                    | 1,724,854            |
| Other Income  | 52,829                        | -                          | 52,829               | 95,107               |
| Net Assets Released from Donor Restrictions             | 3,113,866                     | (3,113,866)                | -                    | -                    |
| <b>TOTAL OTHER INCOME (LOSS)</b>                        | (2,258,419)                   | (3,113,866)                | (5,372,285)          | 8,354,448            |
| <b>TOTAL PUBLIC SUPPORT AND<br/>OTHER INCOME (LOSS)</b> | 22,105,551                    | (1,043,231)                | 21,062,320           | 32,362,906           |
| <b>EXPENSES:</b>  |                               |                            |                      |                      |
| <b>Program Services:</b>                                |                               |                            |                      |                      |
| Programming and Production                              | 10,431,950                    | -                          | 10,431,950           | 9,665,155            |
| Broadcasting and Engineering                            | 1,957,083                     | -                          | 1,957,083            | 1,761,040            |
| Program Information and Promotion                       | 4,026,491                     | -                          | 4,026,491            | 4,118,331            |
| <b>TOTAL PROGRAM SERVICES</b>                           | 16,415,524                    | -                          | 16,415,524           | 15,544,526           |
| <b>Support Services:</b>                                |                               |                            |                      |                      |
| Management and General                                  | 3,207,975                     | -                          | 3,207,975            | 3,330,122            |
| Fundraising   | 5,215,614                     | -                          | 5,215,614            | 4,198,481            |
| <b>TOTAL SUPPORT SERVICES</b>                           | 8,423,589                     | -                          | 8,423,589            | 7,528,603            |
| <b>TOTAL EXPENSES</b>                                   | 24,839,113                    | -                          | 24,839,113           | 23,073,129           |
| <b>CHANGE IN NET ASSETS</b>                             | (2,733,562)                   | (1,043,231)                | (3,776,793)          | 9,289,777            |
| Net Assets - Beginning of Year                          | 45,487,098                    | 8,392,336                  | 53,879,434           | 44,589,657           |
| <b>NET ASSETS - END OF YEAR</b>                         | <u>\$ 42,753,536</u>          | <u>\$ 7,349,105</u>        | <u>\$ 50,102,641</u> | <u>\$ 53,879,434</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

**KCRW FOUNDATION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2022  
With Summarized Totals for the Year Ended June 30, 2021

|  | 2022                             |                                    |   |                      |                           |                     |                     |                      | 2021<br>Total<br>Expenses |
|--|----------------------------------|------------------------------------|---|----------------------|---------------------------|---------------------|---------------------|----------------------|---------------------------|
|  | Program Services                 |                                    |   |                      | Support Services          |                     |                     | Total<br>Expenses    |                           |
|  | Programming<br>and<br>Production | Broadcasting<br>and<br>Engineering | Program<br>Information<br>and Promotion | Total                | Management<br>and General | Fundraising         | Total               |                      |                           |
| Salaries                                       | \$ 5,827,985                     | \$ 546,953                         | \$ 1,218,039                            | \$ 7,592,977         | \$ 1,673,893              | \$ 445,386          | \$ 2,119,279        | \$ 9,712,256         | \$ 10,906,055             |
| Payroll Taxes                                  | 456,946                          | 41,183                             | 97,230                                  | 595,359              | 112,295                   | 36,366              | 148,661             | 744,020              | 802,403                   |
| Employee Benefits                              | 713,671                          | 132,018                            | 143,995                                 | 989,684              | 218,251                   | 39,947              | 258,198             | 1,247,882            | 1,329,469                 |
| <b>TOTAL PERSONNEL COSTS</b>                   | 6,998,602                        | 720,154                            | 1,459,264                               | 9,178,020            | 2,004,439                 | 521,699             | 2,526,138           | 11,704,158           | 13,037,927                |
| Professional Fees                              | 1,305,721                        | 199,912                            | 301,814                                 | 1,807,447            | 541,773                   | 3,039,358           | 3,581,131           | 5,388,578            | 4,065,611                 |
| Donated Support from the District              | 1,449,402                        | 157,901                            | 458,713                                 | 2,066,016            | 221,035                   | 130,463             | 351,498             | 2,417,514            | 2,356,521                 |
| Advertising and Promotion                      | -                                | -                                  | 1,307,038                               | 1,307,038            | 2,600                     | 641,132             | 643,732             | 1,950,770            | 920,481                   |
| Telephone and Data Communications              | 29,758                           | 154,894                            | 308,952                                 | 493,604              | 5,277                     | 10,944              | 16,221              | 509,825              | 492,663                   |
| Dues and Subscriptions                         | 82,794                           | 53,305                             | 122,950                                 | 259,049              | 71,693                    | 173,639             | 245,332             | 504,381              | 429,468                   |
| Occupancy                                      | 12,960                           | 461,107                            | 400                                     | 474,467              | -                         | -                   | -                   | 474,467              | 584,887                   |
| Credit Card and Bank Fees                      | 21                               | -                                  | -                                       | 21                   | 200                       | 400,678             | 400,878             | 400,899              | 367,845                   |
| Consultants                                    | 308,775                          | -                                  | 24,800                                  | 333,575              | -                         | 500                 | 500                 | 334,075              | 342,673                   |
| Postage  | 230                              | 1,182                              | 31,999                                  | 33,411               | 781                       | 238,752             | 239,533             | 272,944              | 259,595                   |
| Equipment Purchases, Rental<br>and Maintenance | 17,070                           | 186,434                            | -                                       | 203,504              | 4,138                     | 4,027               | 8,165               | 211,669              | 138,361                   |
| Community Events                               | 182,158                          | -                                  | -                                       | 182,158              | -                         | -                   | -                   | 182,158              | 17,549                    |
| Grants and Awards                              | 9,125                            | -                                  | -                                       | 9,125                | 157,240                   | 1,630               | 158,870             | 167,995              | 15,940                    |
| Insurance                                      | -                                | 7,268                              | 340                                     | 7,608                | 113,424                   | -                   | 113,424             | 121,032              | 62,125                    |
| Conferences and Travel                         | 20,150                           | 13,839                             | 1,521                                   | 35,510               | 13,403                    | 35,785              | 49,188              | 84,698               | 22,461                    |
| Office   | 9,788                            | 297                                | 3,583                                   | 13,668               | 32,659                    | 1,605               | 34,264              | 47,932               | 41,105                    |
| Bad Debt (Recovery)                            | -                                | -                                  | -                                       | -                    | 31,114                    | -                   | 31,114              | 31,114               | (100,314)                 |
| Printing                                       | 153                              | -                                  | 4,802                                   | 4,955                | 1,187                     | 13,592              | 14,779              | 19,734               | 7,413                     |
| Staff Development                              | 3,775                            | 790                                | 315                                     | 4,880                | 4,960                     | 1,810               | 6,770               | 11,650               | 5,426                     |
| Taxes and Licenses                             | 1,468                            | -                                  | -                                       | 1,468                | 2,052                     | -                   | 2,052               | 3,520                | 5,392                     |
| <b>TOTAL 2022<br/>FUNCTIONAL EXPENSES</b>      | <u>\$ 10,431,950</u>             | <u>\$ 1,957,083</u>                | <u>\$ 4,026,491</u>                     | <u>\$ 16,415,524</u> | <u>\$ 3,207,975</u>       | <u>\$ 5,215,614</u> | <u>\$ 8,423,589</u> | <u>\$ 24,839,113</u> |                           |
| <b>TOTAL 2021<br/>FUNCTIONAL EXPENSES</b>      | <u>\$ 9,665,155</u>              | <u>\$ 1,761,040</u>                | <u>\$ 4,118,331</u>                     | <u>\$ 15,544,526</u> | <u>\$ 3,330,122</u>       | <u>\$ 4,198,481</u> | <u>\$ 7,528,603</u> |                      | <u>\$ 23,073,129</u>      |

The Accompanying Notes are an Integral Part of These Financial Statements

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

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Change in Net Assets   | \$ (3,776,793)      | \$ 9,289,777        |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Provided by Operating Activities: |                     |                     |
| Realized and Unrealized (Gains) Losses on Investments  | 6,427,796           | (5,709,127)         |
| Bad Debt Expense (Recovery)  | 31,114              | (100,314)           |
| Paycheck Protection Program Loan Forgiveness   | -                   | (1,724,854)         |
| Increase in:   |                     |                     |
| Contributions and Pledges Receivable (Net)   | (602,458)           | (1,779,800)         |
| Prepaid Expenses and Other Assets  | (8,021)             | (97,316)            |
| Increase (Decrease) in:  |                     |                     |
| Accounts Payable and Accrued Expenses  | (336,306)           | 844,953             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>1,735,332</b>    | <b>723,319</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Purchase of Investments  | (3,830,032)         | (4,042,662)         |
| Interest and Dividends Reinvested  | (1,044,589)         | (863,165)           |
| Proceeds from Sale of Investments  | 3,878,226           | 4,045,685           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(996,395)</b>    | <b>(860,142)</b>    |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>                                | <b>738,937</b>      | <b>(136,823)</b>    |
| Cash and Cash Equivalents - Beginning of Year  | 7,262,922           | 7,399,745           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <b>\$ 8,001,859</b> | <b>\$ 7,262,922</b> |

The Accompanying Notes are an Integral Part of These Financial Statements



# **KCRW FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

### **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 (89.9 FM) (the Station). The Station's license is held by the Santa Monica Community College District (the District) located in Santa Monica, California. The Station is operated by the District and KCRW Foundation pursuant to an agreement dated June 3, 2014 (Operating Agreement).

KCRW Foundation is a separate legal entity, a 501(c)(3) nonprofit public benefit corporation. KCRW Foundation maintains a separate Board of Directors. Support for KCRW Foundation is derived from foundation grants, underwriting contributions, individual contributions, and membership donations.

Revenue is received by both KCRW Foundation and the District as set forth in more detail in the Operating Agreement. Because the nature and significance of KCRW Foundation's relationship with the District, KCRW Foundation's accounts are also presented in an annual combined financial statement. The combined financial statement includes the accounts of KCRW Foundation and the District in order to achieve a meaningful financial statement that fully and fairly discloses the financial position and operations of the Station.

The Station is one of the nation's leading National Public Radio affiliates, featuring an eclectic mix of music, news, information, and cultural programming. Each week the Station 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. The Station also invests in original podcast, broadcast, and digital programs that explore storytelling, design, music commentary, and experimental radio programming. The Station 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.

The Station'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. The Station'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.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 1 - NATURE OF ORGANIZATION (continued)

#### **Program Highlights in 2022 (Unaudited)**

##### Diversity, Equity, Inclusion and Access

KCRW Foundation 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 Foundation 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 Foundation 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 Foundation relies on its reporters who are experts in their respective fields. During the year ended June 30, 2022, KCRW Foundation 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.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2022

### 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) NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, \$15,174,363 for the following: \$5,000,000 for future programming initiatives, \$3,000,000 for infrastructure, \$2,000,000 for capital improvements and \$5,174,363 for an operating reserve. The operating reserve is calculated at an amount not less than the greater of (i) three months of the operating expenses projected in the budget for the current fiscal year and (ii) 10% of the total net assets as of the latest available monthly financial statements.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

#### (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, 2022 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, 2022

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(d) INVESTMENTS**

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return (net) in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

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.

#### **(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE**

KCRW Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At June 30, 2022, KCRW Foundation evaluated the collectability of contributions and pledges receivable and recorded an allowance for doubtful contributions and pledges receivable of \$30,558. There were no conditional contributions at June 30, 2022.

#### **(f) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated noncash assets are recorded at fair value in the period received and expensed when utilized. 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.

Volunteers donate 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, 2022

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(g) MEMBERSHIP DONATIONS**

New and renewing membership donations are recognized as contribution revenue when received, as the exchange element is considered to be de minimis.

#### **(h) ADVERTISING AND PROMOTION**

KCRW Foundation expenses advertising and promotion costs as incurred. Advertising and promotion expense for the year ended June 30, 2022 was \$1,950,770.

#### **(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.

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, KCRW Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, KCRW Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

#### **(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.

# **KCRW FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(l) 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, 2021 from which the summarized information was derived.

#### **(m) NEW ACCOUNTING PRONOUNCEMENT**

In September 2020, FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets (as known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. KCRW Foundation implemented this ASU during the year ended June 30, 2022. There was no significant impact to KCRW Foundation's financial statements as a result of the implementation of this ASU. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

#### **(n) SUBSEQUENT EVENTS**

KCRW Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 14, 2022, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

## **KCRW FOUNDATION, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

#### **NOTE 3 - RELATED PARTY TRANSACTIONS**

As described in Note 1, KCRW Foundation has an affiliation with the District's radio station, KCRW-FM (89.9 FM) (the Station). The Station is maintained on the campus of the District in the City of Santa Monica, California. The Station is a public telecommunications operation of the District. The District is the Federal Communications Commission (FCC) licensee of the Station. The Operating Agreement, which governs the relationship between the District and KCRW Foundation, provides in part the following:

The District provides support services and facilities to KCRW Foundation. The District does not delegate its FCC-mandated obligations as licensee of the Station to KCRW Foundation. KCRW Foundation coordinates and directs all fundraising efforts of the Station.

The District retains and exercises oversight and control of the activities and operations of the Station. KCRW Foundation provides financial and operational support to the Station. Day-to-day management of the Station, including programming, technical support, fundraising, and administration, is the responsibility of the Station Manager appointed by the District after consultation with KCRW Foundation's Board of Directors (the Foundation Board). The Station Manager is a District employee under the direct supervision of the District. The current Station Manager has been elected President of KCRW Foundation by the Foundation's Board and answers to both the District and the Foundation Board. The President is also an ex officio member of the Foundation Board.

Station employees, whether employed by the District or KCRW Foundation, report to the Station Manager. All personnel matters concerning District employees are the responsibility of the District. KCRW Foundation reimburses the District an amount equal to the salaries and benefits of the Station's District employees.

KCRW Foundation (i) hires or otherwise retains personnel necessary to carry out its functions under the Operating Agreement and (ii) otherwise operates KCRW Foundation in accordance with KCRW Foundation's Articles of Incorporation and Bylaws. KCRW Foundation contracts directly for further assistance with such persons or entities it deems necessary. All matters concerning KCRW Foundation employees, vendors, consultants, service providers, and other persons or entities engaged by KCRW Foundation are the responsibility of KCRW Foundation.

KCRW Foundation conducts all fundraising so as to comply with the rules and policies of the FCC applicable to noncommercial educational broadcast stations, including Section 73.503(d) of the FCC rules, and with IRS requirements for documenting charitable contributions.

The District cooperates with KCRW Foundation in applying for grants, awards, contributions, bequests, legacies or other property or monies for the use or benefit of the Station. To the extent any such funds are restricted by the entity providing the funds, the District complies with said restrictions. To the extent funds received by the District are inadequate to pay for expenses incurred by the District related to the Station, KCRW Foundation, in the manner consistent with FCC policies, reimburses the District for Station operating expenses reasonably incurred by the District.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

During the year ended June 30, 2022, the District invoiced KCRW Foundation for the following operating expenses:

|                            |                            |
|----------------------------|----------------------------|
| Personnel Related Costs    | \$ 961,423                 |
| Rent and Utilities         | 468,365                    |
| Office, Parking and Events | 9,597                      |
| Professional Services      | <u>14,740</u>              |
| <b>TOTAL</b>               | <b><u>\$ 1,454,125</u></b> |

At June 30, 2022, included in accounts payable and accrued expenses was a payable of \$303,589 to the District for KCRW Foundation's reimbursement of expenses incurred by the District on behalf of the Station. The payable is unsecured, non-interest bearing and will be repaid in the ordinary course of operations.

During the year ended June 30, 2022, the District provided KCRW Foundation with operational and facilities support, which was not and will not be reimbursed to the District. The fair value of this support is recognized in the statement of activities as donated support from the District with a corresponding indirect in-kind expense in the functional expense categories of program, management and general, and fundraising.

Effective June 30, 2020, the Corporation for Public Broadcasting issued new guidance on how to calculate Donated Support from the District, or indirect administrative support. The new method requires that the Station determine an indirect cost rate, which is the ratio between the District's total indirect expenses consisting of Instructional Support Services and Plant Operations and Maintenance, and the District's direct cost base. For the year ended June 30, 2022, this indirect cost rate was calculated at 20%. The rate is then applied against the Station's net direct expense of \$3,112,743, totaling to \$613,854. As KCRW Foundation is headquartered on the CMD campus of Santa Monica Community College a pro-rata share of the building's depreciation, \$1,906,135, is also recognized within the calculation of indirect administrative support, bringing the total calculated indirect administrative support to \$2,519,989. The total is allocated between the Station and KCRW Foundation based on full-time equivalents, with KCRW Foundation representing approximately 95.93%. A schedule of the amount KCRW Foundation recognized as indirect support is as follows:

|  |                            |
|--|----------------------------|
| Occupancy Value                                    | \$ 1,828,622               |
| Operational Support                                | <u>588,892</u>             |
| <b>TOTAL DONATED SUPPORT<br/>FROM THE DISTRICT</b> | <b><u>\$ 2,417,514</u></b> |



# **KCRW FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

### **NOTE 3 - RELATED PARTY TRANSACTIONS (continued)**

KCRW Foundation operates from the KCRW Media Center, which was constructed by the District. The District also installed equipment and furniture for the facilities to be used by KCRW Foundation. As of June 30, 2022, KCRW Foundation has contributed \$8,750,447 to the costs related to the construction and equipping of the KCRW Media Center, and \$1,241,621 toward technology initiatives. Of that amount, \$6,600,355 represents a reimbursed amount paid or payable to the District and \$3,391,713 represents payments made directly by KCRW Foundation.

During the year ended June 30, 2022, a related party of KCRW Foundation donated advertising management consulting services which included planning, placement, and purchasing for marketing campaigns. The donated services were valued at \$38,460 and are reflected on the statement of activities within in-kind contributions revenue and on the statement of functional expenses under advertising and promotion expense.

### **NOTE 4 - 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, 2022.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2022

### NOTE 4 - INVESTMENTS (continued)

The following table presents information about KCRW 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:

|                              | Year Ended<br>June 30, 2022 | Fair Value Measurements Using   |   |  |
|------------------------------|-----------------------------|---|---|--|
|                              |                             | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Cash and Cash Equivalents    | \$ 425,363                  | \$ 425,363  | \$ -  | \$ -   |
| 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   | -  |
| <b>TOTAL<br/>INVESTMENTS</b> | <b>\$ 39,807,216</b>        | <b>\$ 34,077,866</b>  | <b>\$ 5,729,350</b>                                       | <b>\$ -</b>  |

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.

### NOTE 5 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At June 30, 2022, contributions and pledges receivable are due to be received as follows:

|   |                     |
|---|---------------------|
| Within One Year                                       | \$ 4,338,259        |
| One to Five Years                                     | 4,200               |
| <b>GROSS CONTRIBUTIONS AND<br/>PLEDGES RECEIVABLE</b> | <b>4,342,459</b>    |
| Less: Allowance for Doubtful Accounts                 | (30,558)            |
| <b>CONTRIBUTIONS AND<br/>PLEDGES RECEIVABLE (NET)</b> | <b>\$ 4,311,901</b> |

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

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2022

### NOTE 6 - CONTRIBUTED GOODS AND SERVICES

During the year ended June 30, 2022, KCRW Foundation recognized in-kind contribution revenue of \$2,063,014 primarily in the form of advertising and promotion services. The valuation methodology and functional activity are detailed in the table below.

| Category  | Valuation               | Activity                          |                            |
|---|-------------------------|-----------------------------------|----------------------------|
| Advertising   | Vendor quote            | Program Information and Promotion | \$ 967,182                 |
| Premiums  | Standard industry price | Fundraising                       | 537,144                    |
|   | Standard industry price | Program Information and Promotion | 15,046                     |
| Professional Services   | Vendor quote            | Program Information and Promotion | <u>38,760</u>              |
| <b>Total In-Kind Expenses</b>   |                         |                                   | 1,558,132                  |
| Advertising   | Vendor quote            | Program Information and Promotion | 659,631                    |
| Premiums  | Standard industry price | Fundraising                       | <u>399,646</u>             |
| <b>Total In-Kind Contributions Recognized as Pledges<br/>Receivable at June 30, 2022 and Expected to be<br/>Utilized During the Year Ending June 30, 2023</b> |                         |                                   | 1,059,277                  |
| Premiums  | Standard industry price | Fundraising                       | (341,170)                  |
| Advertising   | Vendor quote            | Program Information and Promotion | <u>(213,225)</u>           |
| <b>Total In-Kind Contributions Recognized as Pledges<br/>Receivable at June 30, 2021 and Utilized During<br/>the Year Ended June 30, 2022</b>                 |                         |                                   | <u>(554,395)</u>           |
| <b>Total In-Kind Contributions</b>  |                         |                                   | <u><u>\$ 2,063,014</u></u> |

### NOTE 7 - RETIREMENT PLAN

KCRW Foundation sponsors a defined contribution retirement plan for all eligible employees. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. Additionally, KCRW Foundation will match employees' contributions up to 5% of eligible employees' compensation. Employer contributions for the year ended June 30, 2022 were \$209,326.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2022

### NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

|   |                     |
|---|---------------------|
| Subject to Expenditure for Specified Purpose:                 |                     |
| Capital Campaign  | \$ 5,524,131        |
| Website Discovery Experience                                  | 300,000             |
| Diversity Fellowship  | 75,841              |
| Business of Food  | 15,773              |
| Podcast Bootcamp  | 13,886              |
| Small Business Coverage                                       | <u>11,749</u>       |
| <b>TOTAL SUBJECT TO EXPENDITURE<br/>FOR SPECIFIED PURPOSE</b> | 5,941,380           |
| Subject to the Passage of Time:                               |                     |
| Contributions and Pledges Receivable                          | <u>1,407,725</u>    |
| <b>TOTAL NET ASSETS WITH<br/>DONOR RESTRICTIONS</b>           | <u>\$ 7,349,105</u> |

With the building completed, and consistent with the capital campaign solicitation, remaining capital campaign funds are planned for building related expenses, programming and technology initiatives, and events.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

|  |                     |
|--|---------------------|
| Satisfaction of Purpose Restrictions:                        |                     |
| Capital Campaign   | \$ 1,241,621        |
| Other Programs   | 554,076             |
| Release of Time Restrictions                                 | <u>1,318,169</u>    |
| <b>TOTAL NET ASSETS RELEASED<br/>FROM DONOR RESTRICTIONS</b> | <u>\$ 3,113,866</u> |

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by KCRW Foundation at June 30, 2022 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

|  |                      |
|--|----------------------|
| Financial Assets at June 30, 2022:         |                      |
| Cash and Cash Equivalents                  | \$ 8,001,859         |
| Investments                                | 39,807,216           |
| Contributions and Pledges Receivable (Net) | <u>4,311,901</u>     |
| <b>TOTAL FINANCIAL ASSETS</b>              |                      |
| <b>AT JUNE 30, 2022</b>                    | 52,120,976           |
| Less Amounts Not Available to Be Used      |                      |
| Within One Year, Due to:                   |                      |
| Board Designated Reserves                  | (15,174,363)         |
| Donor-Imposed Restrictions:                |                      |
| Funds Held with Purpose Restrictions       | <u>(5,941,380)</u>   |
| <b>FINANCIAL ASSETS AVAILABLE TO</b>       |                      |
| <b>MEET GENERAL EXPENDITURES</b>           |                      |
| <b>WITHIN ONE YEAR</b>                     | <u>\$ 31,005,233</u> |

KCRW Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of KCRW Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, KCRW Foundation considers pledges with time restrictions that are expected to be collected in the next fiscal year as available for general expenditures.

To help manage unanticipated liquidity needs, KCRW Foundation has certain long-term investments that are not subject to donor restrictions that could be made available for current operations, if necessary. Furthermore, KCRW Foundation has a board designated operating reserve of \$15,174,363 that may be used, upon an affirmative vote of the Board of Directors, to fund operations during a period of adverse financial performance.