

KCRW FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

KCRW FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KCRW Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of KCRW Foundation, Inc. (KCRW Foundation), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCRW Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 1 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.

To the Board of Directors
KCRW Foundation, Inc.

Report on Summarized Comparative Information

We have previously audited KCRW Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

January 15, 2019
Los Angeles, California

KCRW FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With Summarized Totals at June 30, 2017

ASSETS	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Cash and Cash Equivalents	\$ 10,819,632	\$ -	\$ 10,819,632	\$ 9,765,287
Investments	19,198,779	10,273,519	29,472,298	28,244,987
Contributions and Pledges Receivable	1,856,726	5,513,275	7,370,001	9,668,750
Prepaid Expenses and Other Assets	244,699	-	244,699	382,637
TOTAL ASSETS	\$ 32,119,836	\$ 15,786,794	\$ 47,906,630	\$ 48,061,661
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 3,828,352	\$ -	\$ 3,828,352	\$ 1,920,012
NET ASSETS:				
Unrestricted - Undesignated	18,291,484	-	18,291,484	15,888,274
Unrestricted - Board Designated	10,000,000	-	10,000,000	10,000,000
Temporarily Restricted	-	15,786,794	15,786,794	20,253,375
TOTAL NET ASSETS	28,291,484	15,786,794	44,078,278	46,141,649
TOTAL LIABILITIES AND NET ASSETS	\$ 32,119,836	\$ 15,786,794	\$ 47,906,630	\$ 48,061,661

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT:				
Contributions and Grants	\$ 9,636,205	\$ 2,642,630	\$ 12,278,835	\$ 15,252,653
Membership Donations	7,350,061	-	7,350,061	6,817,998
In-Kind Contributions	3,186,594	-	3,186,594	2,777,347
Donated Support from the Station	1,474,396	-	1,474,396	1,300,223
Channel Subcarriers	-	-	-	2,500
TOTAL PUBLIC SUPPORT	21,647,256	2,642,630	24,289,886	26,150,721
OTHER REVENUE:				
Investment Income	1,255,335	-	1,255,335	1,655,668
Other Income	20,211	-	20,211	30,501
Net Assets Released from:				
Purpose Restrictions	3,975,757	(3,975,757)	-	-
Time Restrictions	3,133,454	(3,133,454)	-	-
TOTAL OTHER REVENUE	8,384,757	(7,109,211)	1,275,546	1,686,169
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	30,032,013	(4,466,581)	25,565,432	27,836,890
OPERATING EXPENSES:				
Program Services:				
Programming and Production	9,939,375	-	9,939,375	8,771,236
Broadcasting and Engineering	4,490,062	-	4,490,062	2,416,317
Program Information and Promotion	5,968,570	-	5,968,570	4,746,578
TOTAL PROGRAM SERVICES	20,398,007	-	20,398,007	15,934,131
Support Services:				
Management and General	2,104,902	-	2,104,902	1,777,080
Fundraising	5,125,894	-	5,125,894	5,189,755
TOTAL SUPPORT SERVICES	7,230,796	-	7,230,796	6,966,835
TOTAL OPERATING EXPENSES	27,628,803	-	27,628,803	22,900,966
CHANGE IN NET ASSETS	2,403,210	(4,466,581)	(2,063,371)	4,935,924
Net Assets - Beginning of Year	25,888,274	20,253,375	46,141,649	41,205,725
NET ASSETS - END OF YEAR	\$ 28,291,484	\$ 15,786,794	\$ 44,078,278	\$ 46,141,649

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018								2017 Total Expenses
	Program Services				Support Services				
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total	Management and General	Fundraising	Total	Total Expenses	
Salaries	\$ 4,443,976	\$ 571,542	\$ 1,406,801	\$ 6,422,319	\$ 1,323,226	\$ 746,592	\$ 2,069,818	\$ 8,492,137	\$ 7,686,668
Payroll Taxes	314,826	12,051	111,762	438,639	87,086	62,208	149,294	587,933	527,638
Employee Benefits	428,451	211,675	90,487	730,613	169,065	44,299	213,364	943,977	823,670
TOTAL PERSONNEL COSTS	5,187,253	795,268	1,609,050	7,591,571	1,579,377	853,099	2,432,476	10,024,047	9,037,976
Professional Fees	699,192	65,765	1,022,922	1,787,879	136,503	2,661,183	2,797,686	4,585,565	4,037,584
Advertising and Promotion	7,391	-	2,638,094	2,645,485	10,000	695,732	705,732	3,351,217	2,378,338
Equipment Purchases, Rental and Maintenance	91,057	3,006,030	12,078	3,109,165	12,231	4,786	17,017	3,126,182	1,194,446
Donated Support from the Station	905,396	41,146	201,350	1,147,892	172,202	154,302	326,504	1,474,396	1,300,223
Consultants	1,349,635	-	51,830	1,401,465	-	1,000	1,000	1,402,465	1,357,315
Community Events	1,290,511	-	-	1,290,511	-	-	-	1,290,511	1,082,671
Telephone and Data Communications	221,128	188,387	111,772	521,287	9,914	6,978	16,892	538,179	658,695
Dues and Subscriptions	49,752	97,220	137,976	284,948	17,018	142,541	159,559	444,507	407,492
Investment Fees and Bank Charges	2,045	-	59	2,104	22,479	407,735	430,214	432,318	418,296
Occupancy	29,367	282,156	10,937	322,460	24,464	104	24,568	347,028	319,287
Postage	864	459	125,329	126,652	5,132	126,933	132,065	258,717	350,943
Conferences and Travel	76,994	3,150	21,022	101,166	28,988	58,335	87,323	188,489	147,954
Office	9,860	1,026	1,245	12,131	43,547	2,794	46,341	58,472	75,320
Printing	4,931	88	19,916	24,935	86	6,609	6,695	31,630	33,634
Insurance	-	6,860	-	6,860	23,284	-	23,284	30,144	29,757
Gifts and Awards	11,436	-	250	11,686	8,391	2,899	11,290	22,976	15,381
Staff Development	2,563	370	4,740	7,673	9,357	864	10,221	17,894	50,088
Taxes and Licenses	-	2,137	-	2,137	1,929	-	1,929	4,066	3,991
Bad Debt	-	-	-	-	-	-	-	-	1,575
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 9,939,375	\$ 4,490,062	\$ 5,968,570	\$ 20,398,007	\$ 2,104,902	\$ 5,125,894	\$ 7,230,796	\$ 27,628,803	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 8,771,236	\$ 2,416,317	\$ 4,746,578	\$ 15,934,131	\$ 1,777,080	\$ 5,189,755	\$ 6,966,835		\$ 22,900,966

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (2,063,371)	\$ 4,935,924
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gains on Investments	(417,751)	(921,061)
Bad Debt Expense	38	1,575
(Increase) Decrease in:		
Contributions and Pledges Receivable	2,298,711	(2,309,226)
Prepaid Expenses and Other Assets	137,938	(79,699)
Increase in Accounts Payable and Accrued Expenses	1,908,340	699,117
	<u>1,863,905</u>	<u>2,326,630</u>
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	1,863,905	2,326,630
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(9,160,160)	(16,277,117)
Interest and Dividends Reinvested	(810,859)	(705,683)
Proceeds from Sale of Investments	9,161,459	12,777,788
	<u>(809,560)</u>	<u>(4,205,012)</u>
<i>NET CASH USED IN INVESTING ACTIVITIES</i>	(809,560)	(4,205,012)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	1,054,345	(1,878,382)
Cash and Cash Equivalents - Beginning of Year	<u>9,765,287</u>	<u>11,643,669</u>
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	<u>\$ 10,819,632</u>	<u>\$ 9,765,287</u>

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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 2018

- Created new original podcasts, documentaries, and special reporting series, including (1) "Lost Notes," an eight part storytelling music series of the greatest music stories never truly told; (2) "Welcome to LA," a podcast series of hidden stories highlighting the mystery and the magic of the ever-aspirational Hollywood Dream; (3) "Don't @ Me," hosted by Justin Simien (writer and director of Dear White People), this new weekly podcast explores how race, gender, and sexuality impacts our lives and shapes our work; (4) "Bridges and Walls," launched by our Design and Architecture Show, this eight-part series explores the ambitious infrastructure projects undertaken, exploring the human and environmental impacts of connection and division in California; (5) "To the Point," veteran KCRW journalist Warren Olney launched the podcast version of his show to audiences, bringing insight and thoughtful analysis of the news and issues facing the nation; (6) "The 805," launched a weekly radio show in Santa Barbara facing the issues of the community hosted by KCRW's Jonathan Bastian.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - NATURE OF ORGANIZATION (continued)

- Partnered with community-based organizations such as the Hammer Museum, California African American Museum, and the Hollywood Bowl, to produce new seasons of “Summer Nights” and “World Festival” concerts. Events attended by over 200,000 people across Southern California, Santa Barbara, and the Central Coast.
- Continued educational opportunities, including a Summer Marketing Internship Program that engages 100 interns from colleges around the country.
- Expanded field-building and professional development opportunities for media producers, including Independent Producer Project workshops and the 5th Annual 24-Hour Radio Race, wherein more than 400 people from seven countries participated to make over 130 short radio stories in a single day.
- Hosted new live public forums in Los Angeles and Santa Barbara around homelessness, gentrification, aging senior populations, and immigration.

Capital Campaign Update

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

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

During the year ended June 30, 2018, the Station achieved the following outcomes:

1. Continued development of the 35,000-square-foot, state-of-the-art KCRW Media Center. Forty-two members of KCRW's non-broadcast staff moved into the new facility in April 2018. Implementation of the technical networks needed to transform the facility into a broadcast facility continues. Full staff transition is scheduled for first quarter 2019.
2. On December 5, 2017, KCRW Foundation partnered with Santa Monica College to host an official Grand Opening Event for the donors to the Campaign plus members of the community. Over 3,000 people attended the all-day event and open hours, featuring KCRW Talent, tours of the new Center for Media and Design Campus and KCRW's new headquarters.
3. Deepened investments in award-winning investigative, documentary, and enterprise journalism projects, transforming our sound and method of reporting on underrepresented communities to more accurately reflect and serve the public.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

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

(b) ACCOUNTING

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

- **Unrestricted - Undesignated.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated.** The Board has designated \$10,000,000 of unrestricted net assets as follows: \$5,000,000 for future programming initiatives, \$3,000,000 for infrastructure and \$2,000,000 for capital improvements.
- **Temporarily Restricted.** KCRW Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. KCRW Foundation has \$15,786,794 of temporarily restricted net assets at June 30, 2018.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit KCRW Foundation to expend all of the income (or other economic benefits) derived from the donated assets. KCRW Foundation has no permanently restricted net assets at June 30, 2018.

(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, 2018 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, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

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

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

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

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions are recognized as revenues at estimated fair value when the pledge is received. KCRW Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. At June 30, 2018, KCRW Foundation evaluated the collectability of contributions and pledges receivable and no allowance for uncollectible contributions and pledges receivable was deemed necessary.

(f) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2018, KCRW Foundation recognized in-kind contribution revenue, primarily of advertising and promotion services, of \$3,186,594.

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

(g) MEMBERSHIP DONATIONS

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

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) ADVERTISING AND PROMOTION

KCRW Foundation expenses advertising and promotion costs as incurred. Advertising and promotion expense for the year ended June 30, 2018 was \$3,351,217.

(i) INCOME TAXES

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

(j) FUNCTIONAL ALLOCATION OF EXPENSES

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

(k) USE OF ESTIMATES

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

(l) 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, 2017 from which the summarized information was derived.

(m) RECLASSIFICATION

For comparability, certain June 30, 2017 amounts have been reclassified, where appropriate, to conform with the presentation used at June 30, 2018.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For KCRW Foundation, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

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

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For KCRW Foundation, the ASU will be effective for the year ending June 30, 2020.

(o) SUBSEQUENT EVENTS

KCRW Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 15, 2019, 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, 2018

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, 2018

NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

During the year ended June 30, 2018, the District invoiced KCRW Foundation for the following operating expenses:

Equipment and Building Costs	\$ 2,710,027
Personnel Related	1,255,650
Rent and Utilities	487,296
Corporation for Public Broadcasting	
Grant Overages	197,551
Office, Parking and Event	39,134
Professional	32,045
<i>TOTAL</i>	<u>\$ 4,721,703</u>

KCRW Foundation has also recognized expense of \$62,775 related to benefits provided to District employees under the District's supplemental retirement plan, which is expected to be invoiced by the District to KCRW Foundation over the next four years. This amount is included in the accounts payable and accrued expense balance presented below.

At June 30, 2018, included in accounts payable and accrued expenses was a payable of \$2,393,322 to the District for KCRW Foundation's contribution to the District's costs related to the construction and equipping of the KCRW Media Center, as well as 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, 2018, the District provided KCRW Foundation with Operational and Facilities Support, which were 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 and also as indirect in-kind expense in the functional expense categories of program, management and general, and fundraising. Operational Expenses of the District, which consists of various management and administrative expenses totaled \$34,362,358. 3.75% of this expense is attributed to KCRW Foundation. In addition, KCRW Foundation occupied facilities located on the District's campus. Facilities expense consisting of maintenance, utilities, custodial and similar expenses totaled \$13,849,975. 2.10% of this expense is attributed to KCRW Foundation. For the year ended June 30, 2018 total indirect support of \$1,474,396 was received by KCRW Foundation, allocated on the basis of full-time equivalents. A schedule of the amount received as indirect support is as follows:

Operational Support	\$ 1,203,178
Facilities Support	271,218
<i>TOTAL INDIRECT SUPPORT</i>	<u>\$ 1,474,396</u>

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

The District constructed the KCRW Media Center which KCRW Foundation will occupy in the year ending June 30, 2019. The District also installed equipment and furniture for the facilities to be used by KCRW Foundation. As of June 30, 2018, KCRW Foundation has contributed \$4,598,263 to the costs related to the construction and equipping of the KCRW Media Center. Of that amount, \$3,748,443 represents a reimbursed amount paid or payable to the District and \$849,820 represents payments made directly by KCRW Foundation.

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, 2018.

The following table presents information about KCRW Foundation's assets that are measured at fair value on a recurring basis at June 30, 2018, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 5,212,667	\$ 5,212,667	\$ -	\$ -
Mutual Funds:				
Equity	11,800,460	11,800,460	-	-
Fixed Income	10,611,877	10,611,877	-	-
Corporate Bonds	1,847,294	-	1,847,294	-
TOTAL INVESTMENTS	\$ 29,472,298	\$ 27,625,004	\$ 1,847,294	\$ -

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - INVESTMENTS (continued)

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

The fair value of corporate bonds 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 income consists of the following for the year ended June 30, 2018:

Interest and Dividends	\$ 837,584
Net Realized and Unrealized Gains	417,751
<i>INVESTMENT INCOME</i>	<u>\$ 1,255,335</u>

NOTE 5 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At June 30, 2018, contributions and pledges receivable are due to be received as follows:

Within One Year	\$ 5,567,986
One to Five Years	1,802,015
<i>TOTAL CONTRIBUTIONS AND PLEDGES RECEIVABLE</i>	<u>\$ 7,370,001</u>

Contributions and pledges receivable at June 30, 2018 include in-kind contributions of advertising and promotion services to be received in future years of \$964,102.

NOTE 6 - RETIREMENT PLAN

KCRW Foundation sponsors a defined contribution retirement plan for all eligible employees. Eligibility begins after completion of three months of service. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. Additionally, KCRW Foundation will match employees' contributions up to 5% of eligible employees' compensation. Employer contributions for the year ended June 30, 2018 were \$160,557.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Capital Campaign	\$ 13,959,299
Time Restricted	1,751,083
Music Match Campaign	34,809
Berlin	25,609
Sound LA	14,400
Internship - The Station	1,562
Broadway Stories	32
<i>TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 15,786,794</u>