

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
Consolidated Statements of Net Position.....	14
Consolidated Statements of Revenues, Expenses, and Changes in Net Position .....	16
Consolidated Statements of Cash Flows.....	18
NOTES TO FINANCIAL STATEMENTS .....	20
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Station's Proportionate Share of the Net Pension Liability	
- CalPERS - Schools Pool Plan.....	36
Schedule of the Station's Contributions - CalPERS - Schools Pool Plan .....	37
Note to Required Supplementary Information.....	38
SUPPLEMENTARY INFORMATION	
Schedules of Functional Expenses - KCRW-FM .....	40
Schedules of Functional Expenses - KCRW Foundation, Inc. ....	42
Independent Auditor's Report on Internal Control Over Financial Reporting and	
on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance With <i>Government Auditing Standards</i> .....	44



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Management  
Santa Monica Community College District and  
KCRW-FM Radio  
Santa Monica, California

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of KCRW-FM Radio (the Station or KCRW), a public telecommunications operation of the Santa Monica Community College District (the District), which comprise the consolidated statements of net position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of KCRW Foundation, Inc. (the Foundation), an affiliate, which statements reflect total assets of \$48,061,661 and \$42,426,620 as of June 30, 2017 and 2016, respectively, and total revenues of \$27,836,890 and \$26,961,941, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free to material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Station's preparation and fair presentation of the consolidated 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 Station'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 consolidated financial statements.

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

## **Opinion**

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2017 and 2016, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only KCRW-PM Radio (KCRW), and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

*Vavinek, Tunc, Day & Co., LLP*

Rancho Cucamonga, California  
January 12, 2018

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**NATURE OF THE ORGANIZATION**

The following discussion and analysis provides an overview of the financial position and activities of KCRW-FM Radio (the Station or KCRW) for the twelve-month period ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Station is maintained on the campus of the Santa Monica Community College District (the District) in the city of Santa Monica, California. The Station is a community service of the District and provides 700,000 listeners each week with an eclectic schedule of news, locally and nationally produced music, public affairs, political analysis, and cultural programs. As a member-supported, non-commercial station, its 50,000 members/subscribers provide the Station with the largest single source of financial support. In turn, the Station and other member stations provide National Public Radio (NPR) with more than half of its operating budget.

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

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

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

**PROGRAM SUMMARY**

KCRW is one of the nation's leading National Public Radio affiliates, featuring an eclectic mix of music, news, information, and cultural programming. A leader in public service media for over 30 years, KCRW is a primary news and cultural resource for generations of listeners and has informed and enriched the lives of millions of people across Southern California and around the world. KCRW boasts one of the largest collections of locally-produced, nationally-distributed programming.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

KCRW's team of producers, DJs, and journalists have 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. Furthermore, 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.

## **SELECTED HIGHLIGHTS**

**In-Depth Reporting:** KCRW tells stories that define our society and inspire a greater understanding of the world around us. KCRW is incubating more award-winning, high-end documentary, feature journalism, and sound-rich storytelling projects about underrepresented communities. In FY2017, projects included:

- Partnerships with community-based organizations – such as the Annenberg Space for Photography, the LA Phil and the Hollywood Bowl – to produce new seasons of "Summer Nights" and "World Festival" concerts and events attended by over 200,000 people across Southern California, Santa Barbara region and the Central Coast.
- New live public forums in Los Angeles and Santa Barbara about homelessness, gentrification, aging senior populations, and immigration.
- New original podcasts, documentaries, and special reporting series, including:
  - "KCRW Investigates", a series of investigative reports that examine conditions affecting abused and unprotected workers in Los Angeles.
  - "There Goes the Neighborhood: Los Angeles", an eight-episode podcast produced in partnership with WNYC Studios about neighborhood gentrification and the forces driving it in Los Angeles.
  - "The Document", a new podcast about the stories behind documentary films.
  - "Curious Coast", a citizen-led journalism project to engage the public in new ways of reporting on local news and community interests.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**CAPITAL CAMPAIGN PROGRESS**

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

In 2013, the 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.

In 2017, KCRW secured over \$50 million for the Capital Campaign from over 5,800 individual donors and institution supporters. To date, the Station achieved the following outcomes:

- (1) Broke ground on the 35,000-square-foot, state-of-the-art KCRW Media Center, which is scheduled to open in Spring 2018.
- (2) Launched "*Press Play with Madeleine Brand*." The show's production team has received numerous honors, including Los Angeles Press Club Awards for hard news features, lifestyle features, and radio documentaries.
- (3) Expanded the terrestrial service with new stations in Santa Barbara (88.7 FM) and San Luis Obispo (101.3 FM). KCRW now have six full-power stations and eight translators across California. Redesigned KCRW.com to preserve our pioneering legacy and improve accessibility to original KCRW programming. KCRW.com features over 100 hours of original weekly programming, HD video, and 20 years of archives.
- (4) Produced "*Sangre Celestial / Celestial Blood*" – the first-ever radionovela podcast in both Spanish and English – featuring renowned Mexican actress Kate Del Castillo as the narrator.
- (5) Deepened investments in award-winning investigative, documentary and enterprise journalism projects, transforming KCRW sounds and method of reporting on underrepresented communities to more accurately reflect and serve the public.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

**KCRW-FM RADIO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

The statement of net position for the fiscal year ended June 30, 2017 and 2016 is summarized below:

	2017	2016	Difference
<b>Assets</b>			
Current assets	\$ 52,918,973	\$ 46,437,784	\$ 6,481,189
Noncurrent assets	1,435,398	2,592,462	(1,157,064)
<b>Total Assets</b>	<u>54,354,371</u>	<u>49,030,246</u>	<u>5,324,125</u>
<b>Deferred Outflows of Resources</b>	<u>394,547</u>	<u>341,042</u>	<u>53,505</u>
<b>Liabilities</b>			
Current liabilities	1,920,012	1,224,472	695,540
Noncurrent liabilities	1,797,091	1,463,049	334,042
<b>Total Liabilities</b>	<u>3,717,103</u>	<u>2,687,521</u>	<u>1,029,582</u>
<b>Deferred Inflows of Resources</b>	<u>77,772</u>	<u>330,489</u>	<u>(252,717)</u>
<b>Net Position</b>			
Invested in capital assets	145,383	181,767	(36,384)
Restricted	20,253,375	17,514,625	2,738,750
Unrestricted	30,555,285	28,656,886	1,898,399
<b>Total Net Position</b>	<u>\$ 50,954,043</u>	<u>\$ 46,353,278</u>	<u>\$ 4,600,765</u>

- Current assets are mainly cash, investments and pledges receivable. The increase from June 30, 2016 is primarily due to an increase in pledges receivable.
- Capital assets decreased due to depreciation and no additional investments in equipment for the 2016-2017 year.
- Deferred outflows of resources increased primarily due to increased District contributions and a positive difference between the projected and actual investment earnings of the State pension program.
- Current liabilities consist of accounts payable. The increase from June 30, 2016 is primarily due to the timing of accounts payable payments.
- Net pension liability increased mainly due to an increase in the net pension liability at the State level.

**KCRW-FM RADIO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

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

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

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

The statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2017 and 2016 is summarized below:

	<u>2017</u>	<u>2016</u>	<u>Difference</u>
<b>Operating Activity</b>			
<b>Operating Revenues</b>			
Subscription and membership income	\$ 6,817,998	\$ 6,426,481	\$ 391,517
Contributions and special events	12,772,152	11,330,623	1,441,529
Contributed goods and services	2,777,347	2,794,246	(16,899)
Contributed administrative support	1,413,286	1,379,373	33,913
Grants	1,525,131	1,612,633	(87,502)
Other operating income	33,001	47,691	(14,690)
<b>Total Operating Revenues</b>	<u>25,338,915</u>	<u>23,591,047</u>	<u>1,747,868</u>
<b>Total Operating Expenses</b>	<u>24,874,319</u>	<u>22,189,563</u>	<u>2,684,756</u>
<b>Net Operating Income</b>	<u>464,596</u>	<u>1,401,484</u>	<u>(936,888)</u>
<b>Non-Operating Revenues</b>			
Investment gain	1,655,668	296,449	1,359,219
Capital campaign contributions	2,480,501	4,747,090	(2,266,589)
<b>Total Non-Operating Revenues</b>	<u>4,136,169</u>	<u>5,043,539</u>	<u>(907,370)</u>
<b>Increase in Net Position</b>	<u>4,600,765</u>	<u>6,445,023</u>	<u>(1,844,258)</u>
<b>Net Position, Beginning of Year</b>	<u>46,353,278</u>	<u>39,908,255</u>	<u>6,445,023</u>
<b>Net Position, End of Year</b>	<u>\$ 50,954,043</u>	<u>\$ 46,353,278</u>	<u>\$ 4,600,765</u>

**KCRW-FM RADIO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

- Total Operating Revenue has increased in the current year primarily due to an increase in contributions.
- Underwriting contributions are solicited and generated by the Foundation for the support of the Station's operational activities.
- Grants primarily are from the Corporation for Public Broadcasting (CPB). Just as local stations serve their communities, the Corporation for Public Broadcasting supports stations. These funds are appropriated by the Federal government and CPB, following a statutory formula, allocating funds to public television and radio station community service grants.
- Contributed administrative support is from the District (the licensee). "Institutional stations" can claim indirect administrative support from their licensees. Institutional stations are departments, divisions, or units of the licensee that are not legally discrete and are often dependent upon the licensee for support. Included in this category are stations licensed to public universities and colleges. Therefore, the Station has been deemed to be an "institutional station" and has included indirect administrative support from the licensee.
- Total operating expenses are primarily for programming and broadcasting, fundraising and membership development expenses for both the Station and the Foundation. There was a slight increase in operating expenses in the current year due primarily to an increase in programming and production expenses as well as an increase in fundraising and membership development expenses.
- Nonoperating revenues (expenses) consist of capital campaign contributions and investment return on the Foundation investments. Capital campaign contributions more than doubled in the current year.

**CAPITAL ASSETS**

As of June 30, 2017 the Station had \$145,383 invested in net capital assets, primarily related to Station operations. Total capital assets consist of data processing equipment and broadcasting equipment.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**STATEMENT OF CASH FLOWS**

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

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

The statement of cash flows for the fiscal years ended June 30, 2017 and 2016 is summarized below:

	<u>2017</u>	<u>2016</u>	<u>Difference</u>
<b>Cash Provided By (Used In):</b>			
Operating activities	\$ 1,417,171	\$ 657,164	\$ 760,007
Investing activities	(4,205,012)	(1,047,174)	(3,157,838)
Capital and related financing activities	<u>905,882</u>	<u>2,337,455</u>	<u>(1,431,573)</u>
<b>Net Change in Cash</b>	(1,881,959)	1,947,445	(3,829,404)
<b>Cash Balance, Beginning of Year</b>	<u>16,759,173</u>	<u>14,811,728</u>	<u>1,947,445</u>
<b>Cash Balance, End of Year</b>	<u><u>\$ 14,877,214</u></u>	<u><u>\$ 16,759,173</u></u>	<u><u>\$ (1,881,959)</u></u>

- Cash receipts from operating activities are primarily from subscription and membership income and contributions. Cash paid for operating activities is for the purchase of goods and supplies, and employee wages and benefits.
- Cash from capital and related financing activities consists primarily of capital campaign contributions to be used for the purchase of capital assets.
- Cash from investing activities includes investment activity on amounts held by the Foundation.

**KCRW-FM RADIO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

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

The Station is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The Station's overall financial position is strong. The Station anticipates that the 2017-18 fiscal year will see continued slow growth in net position as the Station continues expanding services and focuses on normal operational activities.

KCRW largest challenge is the same for all media companies today - how to stay relevant in the digital age and find sources of revenue in an increasingly competitive landscape.

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**CONSOLIDATED STATEMENTS OF NET POSITION**  
**JUNE 30,**

	2017		
	KCRW-FM	KCRW Foundation, Inc.	Total (Memorandum Only)
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 5,111,927	\$ 9,765,287	\$ 14,877,214
Investments	-	28,244,987	28,244,987
Due from Santa Monica Community College District	1,035,400	-	1,035,400
Pledge receivable - current	-	8,378,735	8,378,735
Prepaid expense	-	382,637	382,637
Total Current Assets	<u>6,147,327</u>	<u>46,771,646</u>	<u>52,918,973</u>
Noncurrent Assets			
Pledge receivable - noncurrent	-	1,290,015	1,290,015
Equipment, net	145,383	-	145,383
Total Noncurrent Assets	<u>145,383</u>	<u>1,290,015</u>	<u>1,435,398</u>
<b>Total Assets</b>	<u>6,292,710</u>	<u>48,061,661</u>	<u>54,354,371</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	<u>394,547</u>	<u>-</u>	<u>394,547</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	<u>-</u>	<u>1,920,012</u>	<u>1,920,012</u>
Noncurrent Liabilities			
Accrued vacation	457,272	-	457,272
Net pension liability	1,339,819	-	1,339,819
Total Noncurrent Liabilities	<u>1,797,091</u>	<u>-</u>	<u>1,797,091</u>
<b>Total Liabilities</b>	<u>1,797,091</u>	<u>1,920,012</u>	<u>3,717,103</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>77,772</u>	<u>-</u>	<u>77,772</u>
<b>NET POSITION</b>			
Invested in capital assets	145,383	-	145,383
Restricted for:			
Capital campaign	-	17,064,464	17,064,464
Programs	-	55,457	55,457
Time restricted	-	3,133,454	3,133,454
Unrestricted	4,667,011	25,888,274	30,555,285
<b>Total Net Position</b>	<u>\$ 4,812,394</u>	<u>\$ 46,141,649</u>	<u>\$ 50,954,043</u>

See the accompanying notes to the financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**CONSOLIDATED STATEMENTS OF NET POSITION**  
**JUNE 30,**

	2016		
	KCRW-FM	KCRW Foundation, Inc.	Total (Memorandum Only)
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 5,115,504	\$ 11,643,669	\$ 16,759,173
Investments	-	23,118,914	23,118,914
Due from Santa Monica Community College District	1,306,355	-	1,306,355
Pledge receivable - current	-	4,950,404	4,950,404
Prepaid expense	-	302,938	302,938
Total Current Assets	<u>6,421,859</u>	<u>40,015,925</u>	<u>46,437,784</u>
Noncurrent Assets			
Pledge receivable - noncurrent	-	2,410,695	2,410,695
Equipment, net	181,767	-	181,767
Total Noncurrent Assets	<u>181,767</u>	<u>2,410,695</u>	<u>2,592,462</u>
<b>Total Assets</b>	<u>6,603,626</u>	<u>42,426,620</u>	<u>49,030,246</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	341,042	-	341,042
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	3,577	1,220,895	1,224,472
Noncurrent Liabilities			
Accrued vacation	422,007	-	422,007
Net pension liability	1,041,042	-	1,041,042
Total Noncurrent Liabilities	<u>1,463,049</u>	<u>-</u>	<u>1,463,049</u>
<b>Total Liabilities</b>	<u>1,466,626</u>	<u>1,220,895</u>	<u>2,687,521</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	330,489	-	330,489
<b>NET POSITION</b>			
Invested in capital assets	181,767	-	181,767
Restricted for:			
Capital campaign	-	16,273,574	16,273,574
Programs	-	188,498	188,498
Time restricted	-	1,052,553	1,052,553
Unrestricted	4,965,786	23,691,100	28,656,886
<b>Total Net Position</b>	<u>\$ 5,147,553</u>	<u>\$ 41,205,725</u>	<u>\$ 46,353,278</u>

See the accompanying notes to the financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30,**

	2017			
	KCRW-FM	KCRW Foundation, Inc.	Eliminations	Total (Memorandum Only)
<b>REVENUES</b>				
Operating revenues:				
Subscription and membership income	\$ -	\$ 6,817,998	\$ -	\$ 6,817,998
Contributions and special events	-	12,772,152	-	12,772,152
Contributed goods and services	-	2,777,347	-	2,777,347
Grants from Corporation for Public Broadcasting	1,436,136	-	-	1,436,136
Contributed administrative support from Santa Monica Community College District	113,063	1,300,223	-	1,413,286
Contributed support from KCRW Foundation, Inc.	1,650,205	-	(1,650,205)	-
Other grants	88,995	-	-	88,995
Other operating income	-	33,001	-	33,001
Total Operating Revenue	3,288,399	23,700,721	(1,650,205)	25,338,915
<b>EXPENSES</b>				
Operating expenses:				
Programming and production	3,623,558	8,771,236	(1,650,205)	10,744,589
Broadcasting	-	2,416,317	-	2,416,317
Program information	-	4,746,578	-	4,746,578
Management and general	-	1,777,080	-	1,777,080
Fundraising and membership development	-	5,189,755	-	5,189,755
Total Operating Expenses	3,623,558	22,900,966	(1,650,205)	24,874,319
Operating Income	(335,159)	799,755	-	464,596
<b>NONOPERATING REVENUES</b>				
Investment gain	-	1,655,668	-	1,655,668
Capital campaign contributions	-	2,480,501	-	2,480,501
Net nonoperating revenues	-	4,136,169	-	4,136,169
Change in net position	(335,159)	4,935,924	-	4,600,765
Net position - beginning of year	5,147,553	41,205,725	-	46,353,278
Net position - end of year	\$ 4,812,394	\$ 46,141,649	\$ -	\$ 50,954,043

See the accompanying notes to the financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30,**

	2016			
	KCRW-FM	KCRW Foundation, Inc.	Eliminations	Total (Memorandum Only)
<b>REVENUES</b>				
Operating revenues:				
Subscription and membership income	\$ -	\$ 6,426,481	\$ -	\$ 6,426,481
Contributions and special events	-	11,330,623	-	11,330,623
Contributed goods and services	-	2,794,246	-	2,794,246
Grants from Corporation for Public Broadcasting	1,393,241	-	-	1,393,241
Grants from Federal sources	-	135,000	-	135,000
Contributed administrative support from Santa Monica Community College District	195,012	1,184,361	-	1,379,373
Contributed support from KCRW Foundation, Inc.	1,970,788	-	(1,970,788)	-
Other grants	84,392	-	-	84,392
Other operating income	-	47,691	-	47,691
Total Operating Revenue	3,643,433	21,918,402	(1,970,788)	23,591,047
<b>EXPENSES</b>				
Operating expenses:				
Programming and production	3,271,663	7,477,053	(1,970,788)	8,777,928
Broadcasting	-	1,512,681	-	1,512,681
Program information	-	5,049,102	-	5,049,102
Management and general	-	1,685,259	-	1,685,259
Fundraising and membership development	-	4,967,996	-	4,967,996
Equipment expense	196,597	-	-	196,597
Total Operating Expenses	3,468,260	20,692,091	(1,970,788)	22,189,563
Operating Income	175,173	1,226,311	-	1,401,484
<b>NONOPERATING REVENUES</b>				
Investment gain	-	296,449	-	296,449
Capital campaign contributions	-	4,747,090	-	4,747,090
Net nonoperating revenues	-	5,043,539	-	5,043,539
Change in net position	175,173	6,269,850	-	6,445,023
Net position - beginning of year	4,972,380	34,935,875	-	39,908,255
Net position - end of year	\$ 5,147,553	\$ 41,205,725	\$ -	\$ 46,353,278

See the accompanying notes to the financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30,**

	2017		
	KCRW-FM	KCRW Foundation, Inc.	Total (Memorandum Only)
Cash flows from operating activities:			
Subscription and membership income	\$ -	\$ 6,817,998	\$ 6,817,998
Contributions	-	10,464,501	10,464,501
Grants from Corporation for Public Broadcasting	1,436,136	-	1,436,136
Grants from Federal sources	-	(39,758)	(39,758)
Other grants	88,995	-	88,995
Other operating income	-	33,001	33,001
Payments for operating expenses	(1,528,708)	(15,854,994)	(17,383,702)
Net cash provided (used) by operating activities	<u>(3,577)</u>	<u>1,420,748</u>	<u>1,417,171</u>
Cash flows from investing activities:			
Investment earnings	-	(705,683)	(705,683)
Proceeds from sale of investments	-	12,777,788	12,777,788
Purchases of investments	-	(16,277,117)	(16,277,117)
Net cash used by investing activities	<u>-</u>	<u>(4,205,012)</u>	<u>(4,205,012)</u>
Cash flows from capital and related financing activities:			
Capital campaign contributions	-	905,882	905,882
Net decrease in cash and cash equivalents	<u>(3,577)</u>	<u>(1,878,382)</u>	<u>(1,881,959)</u>
Cash - beginning of the year	5,115,504	11,643,669	16,759,173
Cash - end of the year	<u>\$ 5,111,927</u>	<u>\$ 9,765,287</u>	<u>\$ 14,877,214</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (335,159)	\$ 799,755	\$ 464,596
Bad debt expense	-	1,575	1,575
Depreciation expense	36,384	-	36,384
Adjustments to reconcile excess of support and revenue over expenses and interfund transfers to net cash provided (used) by operating activities:			
Changes in operating assets and liabilities:			
Prepaid expenses	-	(79,699)	(79,699)
Net pension liability	298,777	-	298,777
Deferred outflows related to pensions	(53,505)	-	(53,505)
Deferred inflows related to pensions	(252,717)	-	(252,717)
Due from Santa Monica Community College District	270,955	-	270,955
Accrued vacation	35,265	-	35,265
Accounts payable	(3,577)	699,117	695,540
Net cash provided (used) by operating activities	<u>\$ (3,577)</u>	<u>\$ 1,420,748</u>	<u>\$ 1,417,171</u>

See the accompanying notes to the financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30,**

	2016		
	KCRW-FM	KCRW Foundation, Inc.	Total (Memorandum Only)
Cash flows from operating activities:			
Subscription and membership income	\$ -	\$ 6,426,481	\$ 6,426,481
Contributions	-	13,912,392	13,912,392
Grants from Corporation for Public Broadcasting	1,393,241	-	1,393,241
Grants from Federal sources	-	135,000	135,000
Other grants	84,392	-	84,392
Other operating income	-	47,691	47,691
Payments for operating expenses	(1,336,334)	(20,005,699)	(21,342,033)
Net cash provided by operating activities	<u>141,299</u>	<u>515,865</u>	<u>657,164</u>
Cash flows from investing activities:			
Investment earnings	-	(547,213)	(547,213)
Proceeds from sale of investments	-	1,683,439	1,683,439
Purchases of investments	-	(2,183,400)	(2,183,400)
Net cash used by investing activities	<u>-</u>	<u>(1,047,174)</u>	<u>(1,047,174)</u>
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(160,676)	-	(160,676)
Capital campaign contributions	-	2,498,131	2,498,131
Net cash provided (used) by capital and related financing activities	<u>(160,676)</u>	<u>2,498,131</u>	<u>2,337,455</u>
Net increase (decrease) in cash and cash equivalents	(19,377)	1,966,822	1,947,445
Cash - beginning of the year	5,134,881	9,676,847	14,811,728
Cash - end of the year	<u>\$ 5,115,504</u>	<u>\$ 11,643,669</u>	<u>\$ 16,759,173</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 175,173	\$ 1,226,311	\$ 1,401,484
Bad debt expense	-	4,163	4,163
Depreciation expense	20,664	-	20,664
Adjustments to reconcile excess of support and revenue over expenses and interfund transfers to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Prepaid expenses	-	(212,477)	(212,477)
Net pension liability	285,560	-	285,560
Deferred outflows related to pensions	(244,867)	-	(244,867)
Deferred inflows related to pensions	69,222	-	69,222
Due from Santa Monica Community College District	(196,600)	-	(196,600)
Accrued vacation	28,570	-	28,570
Accounts payable	3,577	(502,132)	(498,555)
Net cash provided by operating activities	<u>\$ 141,299</u>	<u>\$ 515,865</u>	<u>\$ 657,164</u>

See the accompanying notes to the financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

KCRW-FM Radio (the Station or KCRW) is owned and operated by the Santa Monica Community College District (the District) located in Santa Monica, California. As such, the District exercises oversight responsibility over the Station. This includes the designation of its management, the District's ability to influence Station operations, financial interdependency and accountability for the Station's fiscal matters. Accordingly, the Station's KCRW-FM accounts are also included in the District's financial statements.

**Method of Accounting**

**Financial Reporting Entity**

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

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

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

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

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the Station, its component units, or its constituents.
2. The Station, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the Station, or its component units, is entitled to, or has the ability to otherwise access, are significant to the Station.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

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

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

**Financial Statement Presentation**

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

**Basis of Accounting**

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

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

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

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

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

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**Cash and Cash Equivalents**

The KCRW-FM's available cash is deposited with the District's Auxiliary Fund. This Fund pools the cash deposits from several District programs. The Foundation cash and cash equivalents consist of cash and highly liquid investments with original maturities of less than three months.

**Deferred Outflows/Inflows of Resources**

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

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

**Pensions**

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

**Equipment**

Purchased equipment and facility improvements are recorded at cost or, if donated, at estimated fair market value at date of donation. As of June 30, 2017 and 2016, the Station had \$145,383 and \$181,767, respectively, invested in net capital assets, primarily related to Station operations. Total capital assets consist of data processing equipment and broadcasting equipment.

**Subscription and Membership Income**

Subscription and membership income is recorded and recognized when received.

**Functional Allocation of Expenses**

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

**Advertising and Promotion**

The Station expenses advertising and promotion costs as incurred. For the year ending June 30, 2017 advertising and promotion expense totaled \$2,378,338. Advertising and promotion expense for the year ending June 30, 2016 totaled \$3,322,920.

**Contributed Goods and Services**

The Station receives contributed goods and services, including program services, professional services and equipment. Such contributions are recorded as revenue and expense in the period received at fair market value. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In the case of contributed equipment, an asset is recorded based on the fair market value at date of contribution. For the year ended June 30, 2017 and 2016, the Station recognized in-kind contribution revenue, primarily of advertising and promotion services, of \$2,777,347 and \$2,794,246, respectively, which have been recorded in the accompanying consolidated financial statements.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**Estimates**

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

**Net Position**

Invested in capital assets, net of related debt: This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet been expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position - expendable: Restricted expendable net position include resources for which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the Station, and may be used at the discretion of the governing board to meet current expenses for any purpose.

**Classification of Revenues**

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

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

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

**Total (Memorandum Only)**

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

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

***NOTE 2 - CONTRIBUTIONS AND PLEDGES RECEIVABLE***

As of June 30, 2017 the total contributions and pledges receivable were \$9,668,750. The amount is expected to be received within one year is \$8,378,735 with the remaining \$1,290,015 due between one to five years. As of June 30, 2016 the total contributions and pledges receivable were \$7,361,099 of which \$4,950,404 was expected to be received within one year with the remaining \$2,410,695 due between one to five years.

Contributions and pledges receivable at June 30, 2017 and 2016 include in-kind contributions of advertising and promotion services to be collected in future years of \$991,754 and \$320,875, respectively.

***NOTE 3 - INVESTMENTS (KCRW FOUNDATION)***

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

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

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2017 and 2016, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	2017		
	Year Ended June 30, 2017	Fair Value Measurements Using	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Mutual Funds:			
Equity	\$ 10,674,641	\$ 10,674,641	\$ -
Fixed income	10,627,383	10,627,383	-
Cash and Cash Equivalents	971,296	971,296	-
Corporate Bonds	5,971,667	-	5,971,667
Total Investments	<u>\$ 28,244,987</u>	<u>\$ 22,273,320</u>	<u>\$ 5,971,667</u>
	2016		
	Year Ended June 30, 2016	Fair Value Measurements Using	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Mutual Funds:			
Equity	\$ 7,825,892	\$ 7,825,892	\$ -
Fixed income	8,330,339	8,330,339	-
Cash and Cash Equivalents	2,293,568	2,293,568	-
Corporate Bonds	2,509,129	-	2,509,129
Certificates of Deposit	2,159,986	-	2,159,986
Total Investments	<u>\$ 23,118,914</u>	<u>\$ 18,449,799</u>	<u>\$ 4,669,115</u>

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

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

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

Investment gain consists of the following:

	2017	2016
Interest and Dividends	\$ 734,607	\$ 572,198
Net Realized and Unrealized Gains on Investments	921,061	(275,749)
Total	\$ 1,655,668	\$ 296,449

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. *Government Code* Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The Foundation has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Foundation places no limit on the amount that may be invested in any one issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, requirements, the Foundation is exposed to concentration of credit risk whenever investments in any one issuer exceeds five percent. Currently the District has 75 percent invested in mutual funds, 21 percent invested in corporate bonds, nine percent invested in certificates of deposit, and four percent in cash and cash equivalents.

**NOTE 4 - DEPOSITS**

**Custodial Credit Risk - Deposits**

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

**KCRW-FM**

This is the risk that in the event of a bank failure, the Station's deposits may not be returned to it. The Station does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017 and 2016, the Station had \$4,861,927 and \$4,865,504, respectively, exposed to custodial credit risk by being uninsured and collateral held by pledging bank's trust not in the District's name.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**KCRW Foundation**

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

**NOTE 5 - RESTRICTIONS AND LIMITATIONS ON NET POSITION BALANCES**

Temporarily restricted net position - expendable consist of the following:

	2017	2016
Capital Campaign	\$ 17,064,464	\$ 16,273,574
Time Restricted	3,133,454	1,052,553
Music Match Campaign	34,809	34,809
Sonic Trace	-	39,759
Broadway Stories	12,614	112,368
ATC Summer Internship	3,520	-
Curious Coast	2,952	-
Internship - The Station	1,562	1,562
Total Restricted Net Position	\$ 20,253,375	\$ 17,514,625

**NOTE 6 - EMPLOYEE RETIREMENT PLANS**

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

For the fiscal year ended June 30, 2017, the Station reported net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for the above plan as follows:

	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
KCRW-FM Radio: CalPERS (Schools Pool Plan)	\$ 1,339,819	\$ 394,547	\$ 77,772	\$ 158,170

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

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

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. The Station's employees are covered as part of the District.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>CalPERS - Schools Pool Plan</u>	
	On or Before	On or After
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Station is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total Station contributions were \$120,315.

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

As of June 30, 2017, the Station reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,339,819. The net pension liability was measured as of June 30, 2016. The Station's proportion of the net pension liability was based on a projection of the Station's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Stations, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.3087 percent and 0.3072 percent, respectively, resulting in a net increase in the proportionate share of 0.0015 percent. The Station is included in this proportionate share.

For the year ended June 30, 2017, the Station recognized pension expense of \$158,170. At June 30, 2017, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 120,315	\$ -
Net change in proportionate share of net pension liability	8,710	37,519
Differences between projected and actual earnings on the pension plan investments	207,897	-
Differences between expected and actual experience in the measurement of the total pension liability	57,625	-
Changes of assumptions	-	40,253
Total	\$ 394,547	\$ 77,772

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

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

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

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 29,160
2019	29,160
2020	95,317
2021	54,260
Total	\$ 207,897

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (7,921)
2019	(10,900)
2020	7,384
Total	\$ (11,437)

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**Actuarial Methods and Assumptions**

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real Estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 1,999,017
Current discount rate (7.65%)	1,339,819
1% increase (8.65%)	790,906

**Plan Fiduciary Net Position**

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

**NOTE 7 - OPERATING LEASE**

**KCRW-FM**

KCRW-FM has numerous lease arrangements for transmitter sites from which they broadcast signals, as well as various equipment leases. Rent expense for the years ended June 30, 2017 and 2016 was \$322,252 and \$287,909, respectively. Future minimum lease payments under the leases are as follows:

Year Ended June 30,	
2018	\$ 338,615
2019	245,229
2020	151,339
2021	87,913
2022	57,802
2023-2024	43,468
Total	<u>\$ 924,366</u>

**KCRW Foundation**

During the year ended June 30, 2017, the Foundation utilized facilities and equipment owned by the Station at no charge.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**SCHEDULE OF THE STATION'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY - CALPERS - SCHOOLS POOL PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016	2015
Santa Monica Community College District's portion of the net pension liability	0.3087%	0.3072%	0.3302%
KCRW-FM Radio's proportionate share of the net pension liability	\$ 1,339,819	\$ 1,041,042	\$ 755,482
KCRW-FM Radio's covered-employee payroll reported as of the period fiscal year to align with the measurement date at the net pension liability	\$ 838,170	\$ 680,000	\$ 700,000
KCRW-FM Radio's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.85%	153.09%	107.93%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying note to the required supplementary information.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**SCHEDULE OF THE STATION'S CONTRIBUTIONS**  
**- CALPERS - SCHOOLS POOL PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying note to the required supplementary information.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*With Comparative Information for the Year Ended June 30, 2016*

***NOTE 1 - PURPOSE OF SCHEDULE***

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

The schedule presents information on the Station's proportionate share of the net pension liability, the plan's fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the Station. In the future, as data becomes available, 10 years of information will be presented.

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

The schedule presents information on the Station's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

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*SUPPLEMENTARY INFORMATION*

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**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**SCHEDULES OF FUNCTIONAL EXPENSES - KCRW-FM**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u> <u>Programming and Production</u>
Compensation and related expenses:	
Salaries	\$ 913,528
Benefits	321,530
Total	<u>1,235,058</u>
Depreciation	36,384
Dues and memberships	118,334
Electricity and gas	22,152
Legal	21,463
Insurance	6,860
Other contract services	394,043
Program acquisition	1,317,802
Rent expense	322,252
Repairs and maintenance	5,160
Supplies	32,984
Telephone	111,066
<b>Total Expenses</b>	<u><u>\$ 3,623,558</u></u>

See the auditor's report.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**SCHEDULES OF FUNCTIONAL EXPENSES - KCRW-FM**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services		Total Expenses
	Programming and Production	Equipment	
Compensation and related expenses:			
Salaries	\$ 857,560	\$ -	\$ 857,560
Benefits	440,540	-	440,540
Total	1,298,100	-	1,298,100
Depreciation	20,664	-	20,664
Dues and memberships	131,157	-	131,157
Electricity and gas	25,577	-	25,577
Equipment	-	196,597	196,597
Insurance	6,140	-	6,140
Miscellaneous	22,954	-	22,954
Other contract services	48,563	-	48,563
Postage and printing	181	-	181
Program acquisition	1,231,312	-	1,231,312
Rent expense	289,143	-	289,143
Repairs and maintenance	7,635	-	7,635
Supplies	67,672	-	67,672
Telephone	122,565	-	122,565
<b>Total Expenses</b>	<b>\$ 3,271,663</b>	<b>\$ 196,597</b>	<b>\$ 3,468,260</b>

See the auditor's report.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**SCHEDULES OF FUNCTIONAL EXPENSES - KCRW FOUNDATION, INC.**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services				Support Services			Total Expenses
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total	Management and General	Fundraising	Total	
Compensation and related expenses:								
Salaries	\$ 3,973,229	\$ 473,933	\$ 1,386,025	\$ 5,833,187	\$ 943,779	\$ 909,702	\$ 1,853,481	\$ 7,686,668
Payroll taxes	284,341	16,693	95,149	396,183	59,672	71,783	131,455	527,638
Benefits and taxes	356,453	117,936	142,631	617,020	148,953	57,697	206,650	823,670
Total compensation and related expenses	4,614,023	608,562	1,623,805	6,846,390	1,152,404	1,039,182	2,191,586	9,037,976
Professional fees	1,451,550	59,319	553,668	2,064,537	273,471	2,476,465	2,749,936	4,814,473
Advertising and promotion	25,452	-	1,642,574	1,668,026	-	710,312	710,312	2,378,338
Consultants	1,305,042	600	40,673	1,346,315	-	11,000	11,000	1,357,315
Donated support from Santa Monica Community College District	776,601	31,287	199,194	1,007,082	140,794	152,347	293,141	1,300,223
Equipment rental and maintenance	123,725	1,088,770	11,062	1,223,557	20,362	12,998	33,360	1,256,917
Telephone	56,549	301,662	286,556	644,767	7,483	6,445	13,928	658,695
Investment fees and bank charges	431	-	-	431	13,389	404,476	417,865	418,296
Dues and subscriptions	46,778	27,317	173,592	247,687	22,129	137,741	159,870	407,557
Postage	62,462	265,661	300	328,423	30,349	2,556	32,905	361,328
Occupancy	1,968	2,111	158,782	162,861	4,429	184,924	189,353	352,214
Conference and travel	250,346	4,940	26,686	281,972	19,994	19,278	39,272	321,244
Printing	19,448	1,826	6,339	27,613	41,362	16,249	57,611	85,224
Office expense	24,148	-	18,396	42,544	1,000	6,830	7,830	50,374
Bad debt expense	5,371	15,965	4,329	25,665	20,068	4,355	24,423	50,088
Insurance	-	6,860	-	6,860	22,897	-	22,897	29,757
Staff development	7,342	-	622	7,964	2,820	4,597	7,417	15,381
Gifts and awards	-	1,437	-	1,437	2,554	-	2,554	3,991
Taxes and licenses	-	-	-	-	1,575	-	1,575	1,575
<b>Total Expenses</b>	<b>\$ 8,771,236</b>	<b>\$ 2,416,317</b>	<b>\$ 4,746,578</b>	<b>\$ 15,934,131</b>	<b>\$ 1,777,080</b>	<b>\$ 5,189,755</b>	<b>\$ 6,966,835</b>	<b>\$ 22,900,966</b>

See the auditor's report.

**KCRW-FM RADIO**  
**(A Public Telecommunications Operation**  
**of the Santa Monica Community College District)**

**SCHEDULES OF FUNCTIONAL EXPENSES - KCRW FOUNDATION, INC.**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services				Support Services			Total Expenses
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total	Management and General	Fundraising	Total	
Compensation and related expenses:								
Salaries	\$ 3,520,513	\$ 453,459	\$ 1,143,255	\$ 5,117,227	\$ 891,792	\$ 972,299	\$ 1,864,091	\$ 6,981,318
Payroll taxes	258,285	16,521	77,791	352,597	58,248	81,796	140,044	492,641
Benefits and taxes	278,946	102,983	115,516	497,445	128,727	46,986	175,713	673,158
Total compensation and related expenses	4,057,744	572,963	1,336,562	5,967,269	1,078,767	1,101,081	2,179,848	8,147,117
Professional fees	740,314	41,602	497,179	1,279,095	228,492	2,127,484	2,355,976	3,635,071
Advertising and promotion	9,431	-	2,575,503	2,584,934	27	737,959	737,986	3,322,920
Consultants	1,187,671	300	30,020	1,217,991	-	21,290	21,290	1,239,281
Donated support from Santa Monica Community College District	647,656	81,452	119,783	848,891	142,143	193,327	335,470	1,184,361
Equipment rental and maintenance	501,157	183,352	13,485	697,994	9,944	33,448	43,392	741,386
Telephone	89,167	332,982	82,759	504,908	5,509	6,601	12,110	517,018
Investment fees and bank charges	118	-	26	144	12,046	337,957	350,003	350,147
Dues and subscriptions	21,946	52,421	144,590	218,957	9,584	114,036	123,620	342,577
Postage	834	1,810	206,173	208,817	3,336	129,332	132,668	341,485
Occupancy	12,476	235,287	300	248,063	29,174	5,340	34,514	282,577
Conference and travel	162,429	3,110	10,452	175,991	42,263	44,814	87,077	263,068
Printing	15,143	-	20,684	35,827	2,974	82,479	85,453	121,280
Office expense	18,594	1,213	7,469	27,276	53,342	27,126	80,468	107,744
Bad debt expense	-	-	-	-	4,163	-	4,163	4,163
Insurance	-	6,140	-	6,140	22,553	-	22,553	28,693
Staff development	3,378	49	3,517	6,944	18,224	1,446	19,670	26,614
Gifts and awards	8,995	-	600	9,595	5,947	4,276	10,223	19,818
Taxes and licenses	-	-	-	-	16,771	-	16,771	16,771
<b>Total Expenses</b>	<b>\$ 7,477,053</b>	<b>\$ 1,512,681</b>	<b>\$ 5,049,102</b>	<b>\$ 14,038,836</b>	<b>\$ 1,685,259</b>	<b>\$ 4,967,996</b>	<b>\$ 6,653,255</b>	<b>\$ 20,692,091</b>

See the auditor's report.



VAVRINEK, TRINE, DAY & CO., LLP  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees and Management  
Santa Monica Community College District and  
KCRW-FM Radio  
Santa Monica, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KCRW-FM Radio (the Station or KCRW), a public telecommunications operation of the Santa Monica Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Station's financial statements, and have issued our report thereon dated January 12, 2018.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only KCRW-FM Radio (KCRW), and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Rancho Cucamonga, California  
January 12, 2018