

KALW-FM RADIO
(A California Public Telecommunications Entity
Operated by the San Francisco Unified School District)

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2020 and 2019 (as Restated)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
San Francisco Unified School District
San Francisco, California

We have audited the accompanying financial statements of KALW-FM Radio (a California Public Telecommunications Entity Operated by the San Francisco Unified School District), which comprise the statements of financial position as of June 30, 2020 and 2019 (as restated; see Note 10), and the related statements of activities, functional expenses, 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 financial statements in accordance with accounting principles generally accepted in the United States of America and the standards required by the Corporation for Public Broadcasting, *Financial Reporting Guidelines*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards required by the Corporation for Public Broadcasting, *Financial Reporting Guidelines*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of KALW-FM Radio as of June 30, 2020 and 2019 (as restated), and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 1, the management of KALW-FM Radio formed a new nonprofit organization called KALW Public Media, Inc. on October 9, 2019. Accounting principles generally accepted in the United States of America require financially-interrelated entities to be combined for financial statement reporting purposes, but the financial position of KALW Public Media, Inc. as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended is not presented in these financial statements. The effects on the accompanying financial statements of the failure to present combined financial statements including KALW Public Media, Inc., have not been determined.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Station will continue as a going concern. As discussed in Note 11 to the financial statements, the Station has suffered recurring significant net losses, has limited liquid assets, has a net deficiency in net assets without donor restrictions, and has formed and begun migrating its operations to a new nonprofit (KALW Public Media, Inc.), and is aware that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

As described in Note 1, the Station is not a legally distinct entity but merely a division of the San Francisco Unified School District and is adopting a FASB nonprofit model for reporting purposes.

Emphasis of Matter

As discussed in Note 9, Coronavirus Pandemic, the World Health Organization had declared COVID-19 as a public health emergency of international concern. Because of this, and local operational restrictions, the Station has not been able to conduct normal program activities. Given the uncertainty of the situation, the duration of any business disruption and the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Station has adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.



April 5, 2021

KALW-FM RADIO
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STATEMENTS OF FINANCIAL POSITION
June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 15,565	\$ 35,837	\$ 51,402
Accounts and grants receivable (Note 1)	<u>-</u>	<u>212,220</u>	<u>212,220</u>
Total current assets	15,565	248,057	263,622
Equipment and leasehold improvements, net of accumulated depreciation of \$370,788 (Notes 1 and 3)	<u>29,487</u>	<u>-</u>	<u>29,487</u>
Total assets	<u>\$ 45,052</u>	<u>\$ 248,057</u>	<u>\$ 293,109</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	<u>\$ 72,837</u>	<u>\$ -</u>	<u>\$ 72,837</u>
Total liabilities	72,837	-	72,837
Net assets	<u>(27,785)</u>	<u>248,057</u>	<u>220,272</u>
Total liabilities and net assets	<u>\$ 45,052</u>	<u>\$ 248,057</u>	<u>\$ 293,109</u>

The accompanying notes are an integral part of these financial statements.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2019 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 183,310	\$ 115,951	\$ 299,261
Accounts and grants receivable (Note 1)	28,467	315,612	344,079
Interest receivable	<u>1,786</u>	<u>-</u>	<u>1,786</u>
Total current assets	213,563	431,563	645,126
Equipment and leasehold improvements, net of accumulated depreciation of \$356,010 (Notes 1 and 3)	<u>44,265</u>	<u>-</u>	<u>44,265</u>
Total assets	<u><u>\$ 257,828</u></u>	<u><u>\$ 431,563</u></u>	<u><u>\$ 689,391</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	<u>\$ 219,850</u>	<u>\$ -</u>	<u>\$ 219,850</u>
Total liabilities	219,850	-	219,850
Net assets	<u>37,978</u>	<u>431,563</u>	<u>469,541</u>
Total liabilities and net assets	<u><u>\$ 257,828</u></u>	<u><u>\$ 431,563</u></u>	<u><u>\$ 689,391</u></u>

The accompanying notes are an integral part of these financial statements.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

STATEMENTS OF ACTIVITIES
For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Support:			
Corporation for Public Broadcasting, community service grant	\$ 205,578	\$ 17,879	\$ 223,457
Corporation for Public Broadcasting, CARES	75,000	-	75,000
Grants and contributions from state boards and departments of education	185,640	19,133	204,773
Grants, private colleges and universities	140,563	-	140,563
Grants and contributions from nonprofits	300,000	137,442	437,442
Grants and contributions from business and industry	75,035	-	75,035
Program and production underwriting from business and industry	27,570	-	27,570
Memberships and subscriptions	1,277,863	-	1,277,863
Gifts and bequests from major individual donors	485,978	28,198	514,176
Other in-kind services (Note 5)	42,550	-	42,550
Donated facilities (Note 5)	225,000	-	225,000
Indirect administrative support (Note 5)	131,946	-	131,946
Total support	<u>3,172,723</u>	<u>202,652</u>	<u>3,375,375</u>
Net assets released from restrictions, fulfillment of purpose and/or time restrictions	<u>386,158</u>	<u>(386,158)</u>	<u>-</u>
Total support, revenue, and transfers	<u>3,558,881</u>	<u>(183,506)</u>	<u>3,375,375</u>
EXPENSES AND LOSSES			
Program services	2,610,701	-	2,610,701
Management and general	775,038	-	775,038
Fundraising	<u>238,905</u>	<u>-</u>	<u>238,905</u>
Total expenses and losses	<u>3,624,644</u>	<u>-</u>	<u>3,624,644</u>
Change in net assets	(65,763)	(183,506)	(249,269)
Net assets, beginning of year	<u>37,978</u>	<u>431,563</u>	<u>469,541</u>
Net assets, end of year	<u><u>\$ (27,785)</u></u>	<u><u>\$ 248,057</u></u>	<u><u>\$ 220,272</u></u>

The accompanying notes are an integral part of these financial statements.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended June 30, 2019 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Support:			
Corporation for Public Broadcasting grant	\$ 192,400	\$ -	\$ 192,400
Grants and contributions from state boards and departments of education	109,927	75,416	185,343
Grants, private colleges and universities	87,899	-	87,899
Grants and contributions from nonprofits	65,992	198,162	264,154
Program and production underwriting from nonprofits	7,500	-	7,500
Grants and contributions from business and industry	47,198	53,700	100,898
Program and production underwriting from business and industry	12,380	-	12,380
Memberships and subscriptions	1,279,440	-	1,279,440
Gifts and bequests from major individual donors	464,503	-	464,503
Donated facilities (Note 5)	225,000	-	225,000
Indirect administrative support (Note 5)	133,177	-	133,177
Total support	<u>2,625,416</u>	<u>327,278</u>	<u>2,952,694</u>
Revenue:			
Interest income	6,591	-	6,591
Royalties	1,437	-	1,437
Total revenue	<u>8,028</u>	<u>-</u>	<u>8,028</u>
Net assets released from restrictions, fulfillment of purpose and/or time restrictions	<u>443,883</u>	<u>(443,883)</u>	<u>-</u>
Total support, revenue, and transfers	<u>3,077,327</u>	<u>(116,605)</u>	<u>2,960,722</u>
EXPENSES AND LOSSES			
Program services	2,473,156	-	2,473,156
Management and general	639,167	-	639,167
Fundraising	400,875	-	400,875
Total expenses and losses	<u>3,513,198</u>	<u>-</u>	<u>3,513,198</u>
Change in net assets	(435,871)	(116,605)	(552,476)
Net assets, beginning of year	<u>473,849</u>	<u>548,168</u>	<u>1,022,017</u>
Net assets, end of year	<u>\$ 37,978</u>	<u>\$ 431,563</u>	<u>\$ 469,541</u>

The accompanying notes are an integral part of these financial statements.

KALW-FM RADIO
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STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 560,335	\$ 297,512	\$ -	\$ 857,847
Membership fees	298,760	-	-	298,760
Office and other supplies	141,365	87,940	1,260	230,565
Donated transmitter site	30,000	-	-	30,000
Annual rental expense	65,000	65,000	65,000	195,000
Administrative support	-	131,946	-	131,946
Contracted services	1,477,541	167,543	170,783	1,815,867
Telephone	20,628	13,970	-	34,598
Equipment repairs and maintenance	2,294	8,521	1,862	12,677
Depreciation expense	14,778	-	-	14,778
Travel and conferences	-	913	-	913
Insurance	-	1,693	-	1,693
Total expenses included on the expenses section on the Statement of Activities	<u>\$ 2,610,701</u>	<u>\$ 775,038</u>	<u>\$ 238,905</u>	<u>\$ 3,624,644</u>

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KALW-FM RADIO
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STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 542,424	\$ 352,257	\$ -	\$ 894,681
Membership fees	294,858	2,360	5,016	302,234
Office and other supplies	144,813	39,800	71,012	255,625
Donated transmitter site	30,000	-	-	30,000
Administrative support	-	133,177	-	133,177
Annual rental value	65,000	65,000	65,000	195,000
Contracted services	1,350,140	23,154	248,444	1,621,738
Telephone	24,145	17,949	-	42,094
Equipment repairs and maintenance	7,719	2,926	11,403	22,048
Depreciation expense	14,057	-	-	14,057
Travel and conferences	-	949	-	949
Insurance	-	1,595	-	1,595
Total expenses included on the expenses section on the Statement of Activities	<u>\$ 2,473,156</u>	<u>\$ 639,167</u>	<u>\$ 400,875</u>	<u>\$ 3,513,198</u>

The accompanying notes are an integral part of these financial statements.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2020 and 2019 (Restated)

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (249,269)	\$ (552,476)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	14,778	14,057
Changes in assets and liabilities:		
Accounts and grants receivable	131,859	270,012
Interest receivable	1,786	619
Accounts payable and accrued expenses	(147,013)	96,772
Total adjustments	<u>1,410</u>	<u>381,460</u>
Net cash used by operating activities	<u>(247,859)</u>	<u>(171,016)</u>
Net decrease in cash and cash equivalents	(247,859)	(171,016)
Cash and cash equivalents, beginning of year	<u>299,261</u>	<u>470,277</u>
Cash and cash equivalents, end of year	<u><u>\$ 51,402</u></u>	<u><u>\$ 299,261</u></u>

The accompanying notes are an integral part of these financial statements.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - KALW-FM Radio (the Station) is a noncommercial public broadcasting radio station owned and operated as a separate business entity of the San Francisco Unified School District. As a result, it is subject to the laws and regulations of the State of California and the policies of the San Francisco Board of Education.

The Station has recently undertaken steps to create its own non-member 501(c)(3) for ease of operation, efficiency of expense, and eligibility for potential funding from sources previously unavailable to the Station as a business entity of SFUSD. The new entity, KALW Public Media, Inc. ("KALW-PM"), was incorporated on October 9, 2019 in California. It has formed a board of directors and paperwork and the IRS has granted charitable nonprofit tax-exempt status. KALW-PM began to migrate its operations under the new entity at the close of this fiscal year with the expectation that the full transition to the new entity will be fully completed by the end of 2021, or sooner.

Concurrently, a new operating agreement was signed in December 2020 between the Station and SFUSD, who will continue to maintain ownership of the FCC broadcast license. Aside from the benefits stated above, there is no expectation of any material change to the Station's operation as a Public Radio station.

Reporting Entity and Financial Statement Model - The Station is not an entity legally distinct from the San Francisco Unified School District. KALW is governed by the School District, which holds the FCC broadcast license and provides the in-kind use of School District facilities as well as other administrative assistance. Substantially all supportive revenue is raised by the Station and is provided by the general public, the Corporation for Public Broadcasting, and various foundations via their charitable giving programs.

Because the majority of funding comes from the general public and the Corporation for Public Broadcasting and not the School District, the Station has adopted the Financial Accounting Standards Board nonprofit model as described in ASC 958-205.

Method of Accounting - The financial statements of the Station are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

KALW-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

A portion of the cash balances of the Station are included in a commingled account held by the Treasurer of the City and County of San Francisco to the credit of the San Francisco Unified School District

Equipment and Leasehold Improvements - The Station records equipment and leasehold improvements at cost of acquisition, or, if donated, the fair market value at the date of donation. Depreciation is recognized using the straight-line method over the estimated useful life of each asset, which is five or ten years. The Station capitalizes all equipment and leasehold improvements with a cost in excess of the capitalization threshold of \$1,000.

Revenue and Revenue Recognition - The Station recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met.

Consequently, at June 30, 2020, contributions/grants approximating \$201,000 have not been recognized in the accompanying financial statements, because the conditions have not yet been met. Of the conditional contributions, the funds are conditional upon performance of measurable deliverables and/or funder acceptance of interim progress on programs.

A portion of the Station's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Station has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Revenue, other than unconditional contributions, bequests, and grants, is recognized in the period in which service is provided.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Station determines the fair values of its assets and liabilities based on the fair value hierarchy, which includes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Station has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are significant other observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 3 inputs are unobservable inputs for the assets or liabilities. Unobservable inputs reflect the Station's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, and may include the Station's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Station's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Functional Expenses - The following information summarizes the procedures that will be used by KALW ("Station") to determine the allocation of key significant expenditures to grants and contracts: (i) all allowable direct costs are charged directly to programs, grants, activity, etc.; (ii) for joint costs, the Station first determines if such joint costs meet the criteria for allocation and can be identified to more than one program, then such costs are prorated individually as direct costs using the most appropriate basis for proration (e.g. % of expense vs. total expense); and, (iii) all other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc., using a basis that results in an equitable distribution.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Taxes - The Station is exempt from federal and state taxes under the exemption granted to the San Francisco Unified School District.

Accounts and Grants Receivable - It is the practice of the Station to expense uncollectibles only after exhausting all efforts to collect the amounts due. In the opinion of management, all amounts are highly likely to be collected or were collected subsequent to year-end; therefore, no allowance for doubtful accounts has been recorded.

KALW-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Multi-Employer Retirement Plans- In September 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2011-09, *Compensation - Retirement Benefits - Multi-employer Plans (Subtopic 715-80) - Disclosures about an Employer's Participation in a Multi-employer Plan*, which was effective for fiscal years ending after December 15, 2012. However, because the Station does not participate in the multi-employer plans through the SFUSD, no disclosures are required in these financial statements.

Accounting Standards Update, ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* - In response to divergence in the way restricted cash is classified and presented in financial statements, FASB issued an amendment requiring that a statement of cash flows explain the change during a reporting period of the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. The amendment was effective for fiscal years beginning after December 31, 2018. The new standard did not have an impact on the Station's statement of cash flows.

Accounting Standards Update, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* - In June 2018, the FASB issued clarified guidance regarding the way nonprofit organizations record contracts and grants being received and issued. For each arrangement, the organization will have to determine key elements of the agreement including (a) whether or not there is an exchange transaction (i.e., direct commensurate value to funder), (b) whether there are donor-imposed conditions for non-exchange transactions (e.g., measurable performance barriers, etc.) before commitment may be recognized as income, and (c) whether there are donor-imposed restrictions on non-exchange, unconditional funds (i.e., limited purpose or timing restrictions). The new standard was effective for resource recipients for fiscal years beginning after December 15, 2018, and for resource providers for fiscal years beginning after December 15, 2019, and did not have a material impact on the Station's statement of financial position, results of operations, and cash flows.

Accounting Standards, ASU 2016-02, *Leases* - In February 2016, the FASB issued amendments to the way lessees record lease transactions. Upon implementation, lessees will be required to recognize at commencement the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. This Standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2021, and early adoption is permitted. Management is currently evaluating the impact the amendments to this ASU will have on the financial statements of the Station.

Reclassification - Certain balances at, and for the year ended June 30, 2019, were reclassified to conform with June 30, 2020, balances.

Subsequent Events - Subsequent events have been evaluated through April 5, 2021, which is the date the financial statements were available to be issued.

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets that are available for general operating purposes, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and cash equivalents	\$ 15,565
Accounts receivable	<u>-</u>
	<u>\$ 15,565</u>

KALW has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. KALW has a goal to maintain financial assets (cash and short-term investments) sufficient to meet 30 days of operating expenses, which is approximately \$110,000. The Organization expects its liquidity to grow over the next few years as it diversifies revenue streams, and the expectation is the newly created a 501(c)(3) entity will aid in raising unrestricted funds previously unavailable as part of SFUSD, such as donations from social media fundraising platforms that only allow fundraising for 501(c)(3) organizations. Under the new structure, the Organization is also working to establish a line of credit available for use to manage liquidity needs. Efforts are also underway to expand the membership base, increase sponsorship and underwriting opportunities, and expand the overall fundraising efforts beyond the historical two campaigns per year.

Currently, KALW's expenditures each month can vary based on particular projects that are supported through restricted funding. The Organization is careful to consider future obligations and pay out all associated costs (i.e. supplies, contracts, etc) after funds have been committed and received. A customary 10% is often held by the granting foundation until project completion.

NOTE 3 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at June 30, 2020 and 2019:

<u>Equipment and leasehold improvements, at cost</u>	
Balance, June 30, 2018	\$ 400,275
Additions	<u>-</u>
Balance, June 30, 2019	400,275
Additions	<u>-</u>
Balance, June 30, 2020	<u>400,275</u>
<u>Accumulated depreciation</u>	
Balance, June 30, 2018	341,953
Depreciation expense	<u>14,057</u>
Balance, June 30, 2019	356,010
Depreciation expense	<u>14,778</u>
Balance, June 30, 2020	<u>370,788</u>
Equipment and leasehold improvements, net	<u>\$ 29,487</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE 4 NET ASSET WITH DONOR RESTRICTIONS

The Station is awarded grants which are received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Net assets with donor restrictions at June 30, 2020 and 2019, were restricted to the following uses:

	<u>2020</u>	<u>2019</u>
Program-restricted, audio content:		
Association for Continuing Education	\$ -	\$ 30,569
Hewlett Foundation	-	10,008
California Arts Council - Artists in School	14,400	14,400
California Arts Council - Artists in Corrections	2,350	1,720
California Arts Council - Youth Arts Action	1,800	18,000
Templeton Religious Trust	107,442	238,625
Maynard Institute	-	4,000
RSF Finance Grant	15,000	9,500
CalState Library - Civil Liberties	19,000	34,285
California Humanities Grant	16,475	9,745
Corporation for Public Broadcasting	17,879	-
Spiritual Edge	15,000	-
Time-restricted:		
California Arts Council	10,513	7,011
The Capital Group	-	53,700
Bequest	<u>28,198</u>	<u>-</u>
	<u><u>\$ 248,057</u></u>	<u><u>\$ 431,563</u></u>

NOTE 5 IN-KIND CONTRIBUTIONS

Donated facilities include a transmitter and antenna site contributed by the City and County of San Francisco. This donation was recorded in both revenue and expense at estimated fair rental value. Donated facilities also include office, production and broadcasting space contributed by the San Francisco Unified School District. For the years ended June 30, 2020 and 2019, KALW-FM Radio recorded the value of the donated studio and office space as revenues and expense based upon the appraised value of the building and improvements to the San Francisco Unified School District. The value of the donated transmitter site was \$30,000 and the value of the office space was \$195,000, for a total value of donated facilities of \$225,000 for each of the years ended June 30, 2020 and 2019.

In accordance with the Corporation for Public Broadcasting *Financial Reporting Guidelines*, KALW-FM Radio records as revenues and expenditures the value of donated volunteer services only when they create or enhance a nonfinancial asset and: 1) would typically need to be purchased by the Station if they had not been donated, and 2) require specialized skills and are provided by individuals with those skills who ordinarily charge fees for the same type of service donated.

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NOTE 5 IN-KIND CONTRIBUTIONS (Continued)

Indirect administrative support from the San Francisco Unified School District consisted of an allocation of financial, accounting and certain other costs that benefitted the Station. During the years ended June 30, 2020 and 2019, the value of indirect administrative support was \$131,946 and \$133,177, respectively. Other donated services totaling \$42,550 were received and recorded during the year ended June 30, 2020.

These items have a fair market value using the market method for the years ended June 30, 2020 and 2019, respectively, as follows:

Description	Fair Value Measurements Using			Total
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2020:				
Transmitter	\$ -	\$ 30,000	\$ -	\$ 30,000
Office space	-	195,000	-	195,000
Indirect administration	-	131,946	-	131,946
Other in-kind services	-	42,550	-	42,550
	<u>\$ -</u>	<u>\$ 399,496</u>	<u>\$ -</u>	<u>\$ 399,496</u>
June 30, 2019:				
Transmitter	\$ -	\$ 30,000	\$ -	\$ 30,000
Office space	-	195,000	-	195,000
Indirect administration	-	133,177	-	133,177
	<u>\$ -</u>	<u>\$ 358,177</u>	<u>\$ -</u>	<u>\$ 358,177</u>

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS

All permanent employees of the Station are eligible to participate in the employee retirement systems offered by the San Francisco Unified School District. The types of plans offered vary based on the employee's status and the eligibility of each plan. The employer-funded portion of contributions made to the employee retirement systems on behalf of KALW employees was \$135,326 and \$128,293 for the years ended June 30, 2020 and 2019, respectively.

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NOTE 7 OPERATING LEASES

In August 2014, the Station entered into an operating lease for a photocopier. The lease calls for 60 monthly payments of \$186. The Station also entered into an operating lease for a postage machine in April 2017 and a folding machine in May 2017. The leases are for a term of 63 months and call for minimum monthly payments of \$199 and \$133, respectively. The lease expense, including other month-to-month expenses, was \$4,364 and \$6,824 for the years ended June 30, 2020 and 2019, respectively.

Future estimated minimum non-cancellable lease payments for the current and subsequent years are as follows:

Year ending	
<u>June 30,</u>	
2021	\$ 3,984
2022	3,984
2023	<u>465</u>
	<u><u>\$ 8,433</u></u>

NOTE 8 JOINT COSTS

During the years ended June 30, 2020 and 2019, the costs of activities included \$2,524 and \$29,992, respectively, of joint costs that are not directly attributable to the program, fundraising, or management and general component of the activities. These joint costs were allocated as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Quarterly Program Guide Publication:			
2020:	<u>\$ 2,272</u>	<u>\$ 252</u>	<u>\$ 2,524</u>
2019:	<u>\$ 26,993</u>	<u>\$ 2,999</u>	<u>\$ 29,992</u>

NOTE 9 RISKS, UNCERTAINTIES, AND CONCENTRATIONS

- The Station relies on a significant amount of funding received in the form of donations and grants from individuals and foundations to support its operations. The current global financial markets may have an impact on the level of funding provided by these funding sources. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Station's exposure to impact from these events.

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NOTE 9 RISKS, UNCERTAINTIES, AND CONCENTRATIONS (Continued)

- Coronavirus Pandemic -In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and shortly thereafter San Francisco authorities issued a shelter in place order in response to the outbreak.

Internally, the immediate impact to KALW's operations included restrictions on employees' and volunteers' ability to work in-person on site and resulted in reductions or cancellation of program activities and events. Protocols were put into place to ensure continued operation of the station consistent with its broadcast license, and limited staff access required the organization to adapt to new remote methods of work. Additionally, there were unbudgeted expenses required to put these systems and methods into place and delays in normal business operations as these were developed and brought online.

Externally, the economic pressures during the shelter-in-place reduced the ability to conduct program activities and forced the cancellation of events that would assist in fundraising efforts. Some individual donors and supporting businesses were forced to cancel or reduce financial support, although others stepped in to assist by increasing their support creating a delicate balance. The resulting increase in operating expenses and reductions in the organization's ability to fundraise has created anomalies in its 5 year business plan and it is anticipated that the impact from this pandemic will continue for some time into the future. KALW continues to monitor its operations and adapt to these challenges. Indeed, the transition to the new entity KALW -PM has facilitated its ability to quickly adapt and respond to market pressures. As of this report date, the financial impact of the coronavirus outbreak cannot be fully measured.

- During the year ended June 30, 2020, the Station received grants from two sources that represented 16% (12% for FY2019) of total income.

NOTE 10 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2020, a contribution received but not recorded prior to June 30, 2019, was identified as being mistakenly recorded to the Station's accounting records in the subsequent year. As a result, a restatement of the financial statements as of and for the year ended June 30, 2019 was made to increase grants receivable and grants and contributions from business and industry income by \$53,700, and net assets with donor restrictions was increased to reflect this restatement.

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NOTE 11 GOING CONCERN

In FY20, KALW hired Public Media Consultants to assist in developing a 5yr business plan to help guide the organization in building a stronger and more efficient operational structure and strategize for additional sources of revenue to support the station. In addition, KALW worked to create a comprehensive development plan to assess areas for growth and create new opportunities for individual contributions, grant funding and corporate support. The organization did operate without a full-time development officer for most of 2019.

Since the hire of a new development staff member, KALW has increased efforts to expand its membership, and additional days have been added to on-air campaigns for donations. Where previously there were two eight-day campaigns in a fiscal year, KALW now runs four campaigns for a total of 24 fundraising days in a fiscal year. Annual EOY campaign efforts have also been expanded and donations at the end of calendar year 2019 from individuals were nearly double the previous year; at the close of calendar year 2020 annual EOY donations from individuals were up by 20%. KALW is also undertaking an acquisition campaign for new donors in order to expand the base of support. It also exploring new opportunities for sponsorship and underwriting to support programming, podcasts, and staff positions.

Management expects revenue to remain steady in the next 1-2 years as current efforts begin to manifest in revenue growth as it builds greater support over the next 5 years.