



Financial Statements

June 30, 2021

KALW-FM Radio

A Public Telecommunications Entity

Operated by KALW Public Media, Inc.

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Independent Auditor's Report

To the Board of Directors
KALW Public Media, Inc. and KALW-FM Radio
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of KALW-FM Radio a public telecommunications entity operated by KALW Public Media, Inc. (the Station), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2021, 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.

A handwritten signature in black ink that reads "Erik Sallie LLP". The signature is written in a cursive, flowing style.

Salt Lake City, Utah
February 16, 2022

KALW-FM Radio
Statement of Financial Position
June 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 434,875
Grants and contributions receivable	747,654
Prepaid expenses and deposits	<u>2,934</u>

Total current assets	1,185,463
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Property and Equipment, Net	<u>27,954</u>
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	<u><u>\$ 1,213,417</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 343,863
Accrued expenses	<u>204,397</u>

Total current liabilities	<u>548,260</u>
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Net Assets

Net assets without donor restrictions	18,463
Net assets with donor restrictions	<u>646,694</u>

Total net assets	<u>665,157</u>
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	<u><u>\$ 1,213,417</u></u>
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KALW-FM Radio
Statement of Activities
Year Ended June 30, 2021

Net Assets without Donor Restrictions	
Public support and revenue	
Grants and contributions	\$ 3,020,375
Underwriting revenue	30,872
In-kind contributions	377,955
Events and other income	3,350
Net assets released from restrictions	<u>231,557</u>
Total public support and revenue	<u>3,664,109</u>
Expenses	
Program services	
Broadcasting	106,878
Programming	<u>2,842,846</u>
Total program services	2,949,724
Supporting services	
Management and general	316,734
Membership	356,567
Underwriting and grant solicitation	<u>84,129</u>
Total expenses	<u>3,707,154</u>
Change in Net Assets without Donor Restrictions	<u>(43,045)</u>
Net Assets with Donor Restrictions	
Grants and contributions	630,194
Net assets released from restrictions	<u>(231,557)</u>
Change in Net Assets with Donor Restrictions	<u>398,637</u>
Services Received From an Affiliate	60,980
Change in Net Assets	355,592
Net Assets, Beginning of Year	<u>248,585</u>
Net Assets, End of Year	<u><u>\$ 665,157</u></u>

KALW-FM Radio
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Support Services			
	Broadcasting	Programming	Total	Management and General	Membership	Underwriting and Grant Solicitation	Total
Salaries and employee benefits	\$ -	\$ 734,440	\$ 734,440	\$ 67,413	\$ 80,297	\$ 39,699	\$ 921,849
Program acquisition	-	464,804	464,804	-	-	-	464,804
Office and other supplies	-	134,485	134,485	11,225	15,969	1,283	162,962
Donated transmitter site	30,000	-	30,000	-	-	-	30,000
Annual rental expense	-	100,577	100,577	65,000	65,000	-	230,577
Administrative & other in-kind	-	38,288	38,288	119,423	22,219	-	179,930
Contracted services	67,405	1,305,137	1,372,542	39,292	102,443	24,747	1,539,024
Marketing and membership	-	-	-	-	28,517	18,400	46,917
Bank and credit card fees	-	-	-	385	41,852	-	42,237
Telecommunications	7,358	34,724	42,082	3,597	-	-	45,679
Repairs and maintenance	2,115	14,694	16,809	962	-	-	17,771
Depreciation expense	-	15,339	15,339	-	-	-	15,339
Travel and conferences	-	358	358	290	270	-	918
Insurance	-	-	-	9,147	-	-	9,147
Total functional expenses	<u>\$ 106,878</u>	<u>\$ 2,842,846</u>	<u>\$ 2,949,724</u>	<u>\$ 316,734</u>	<u>\$ 356,567</u>	<u>\$ 84,129</u>	<u>\$ 3,707,154</u>

KALW-FM Radio
Statement of Cash Flows
Year Ended June 30, 2021

Operating Activities	
Change in net assets	\$ 416,572
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	15,339
Changes in operating assets and liabilities	
Grants and contributions receivable	(532,635)
Prepaid expenses and deposits	(2,934)
Accounts payable	248,636
Accrued expenses	195,847
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Net Cash from Operating Activities	340,825
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Investing Activities	
Purchase of property and equipment	(13,806)
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Net Cash used for Investing Activities	(13,806)
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Net Change in Cash and Cash Equivalents	327,019
Cash and Cash Equivalents, Beginning of Year	107,856
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Cash and Cash Equivalents, End of Year	\$ 434,875
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Note 1 - Summary of Significant Accounting Policies

Organization

KALW-FM Radio (the Station) is a National Public Radio member station operated by KALW Public Media, Inc. (KPM), previously operated by the licensee, San Francisco Unified School District (SFUSD). KALW Public Media, Inc. (KPM) was organized as a California nonprofit corporation in 2019 and is subject to the laws and regulations of the State of California. SFUSD entered into a public service agreement with KPM, effective December 4, 2020. KPM began operating the Station on behalf of the licensee through December 3, 2028, with an automatic eight-year renewal period, unless notice of non-renewal is provided by either party. The financial statements represent the operations of the Station. While KPM operates the Station, SFUSD still holds the FCC license and certain broadcast equipment.

KPM has accounted for the transfer of the operations of the Station as a transaction between entities under common control. Accordingly, the assets and liabilities assumed by KPM in the transfer of operations to KPM from SFUSD are accounted for at their book values at the date of the transfer and the activities and results of operations are presented for the entire year of operation of the Station and do not represent the activities and results of operations of KPM.

Cash and Cash Equivalents

The Station considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable amounts based on historical experiences, an assessment of economic conditions, and a review of subsequent collections. Uncollectible amounts are written off when deemed uncollectible. At June 30, 2021, the Station did not consider an allowance for uncollectable accounts to be required and did not record an allowance.

Property and Equipment

The Station records property and equipment additions over \$1,000 at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Station reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

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) 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.

The Station reports contributions restricted by donors 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Grants and Contributions

The Station recognizes contribution revenue 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 a right of return – are not recognized until the conditions on which they depend have been met. The Station's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2021, conditional contributions approximating \$231,044, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Underwriting Revenue

For performance obligations related to underwriting revenue, revenue is recognized over time. The Station uses the output method to recognize revenue over time. The output method consists of the percentage of broadcasting spots aired to date to the total number of contractual ad spots. This method is used because management considers ad spots to be the best available measure of progress on the contracts.

Donated Space and Professional Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Station's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. The Station records donated space and professional services at the respective fair values of the space and services received.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include annual rent expense, which is allocated on a square footage basis, as well as salaries and employee benefits, office and other supplies, administrative support and other in-kind, contracted services, telecommunications, repairs and maintenance, and travel and conferences, which are allocated on the basis of estimates of time and effort.

Estimates

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

Income Taxes

KPM is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifying for the charitable contribution deduction, and has been determined not to be a private foundation. KPM is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, KPM is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. KPM has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Station believes that it has appropriate support for any tax positions taken affecting annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Station would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Subsequent Events

The Station has evaluated subsequent events through February 16, 2022, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2021:

Cash and cash equivalents	\$ 434,875
Grants and contributions receivable	<u>747,654</u>
	1,182,529
Less amounts restricted for specific purposes by donors	<u>(451,694)</u>
	<u><u>\$ 730,835</u></u>

From time to time, as part of a liquidity management plan, excess cash is invested in interest-bearing savings accounts. Occasionally, the Board of Directors designates a portion of any operating surplus to its operating reserve.

Note 3 - Grants and Contributions Receivable

Grants and contributions receivable are estimated to be collected as follows at June 30, 2021:

Within one year	\$ 617,654
In one to five years	130,000
Less estimated uncollectible amounts	<u>-</u>
	<u><u>\$ 747,654</u></u>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2021:

Equipment	\$ 414,081
Less accumulated depreciation	<u>(386,127)</u>
	<u><u>\$ 27,954</u></u>

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to Expenditure for Specified Purpose	
Audio content	\$ 15,000
Grants and contributions receivable, the proceeds from which have been restricted by donors for Audio content	<u>436,694</u>
	451,694
Subject to Passage of Time	
Grants and contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	<u>195,000</u>
	<u><u>\$ 646,694</u></u>

Note 6 - Donated Space and Professional Services

The Station received donated space and professional services as follows during the year ended June 30, 2021:

	Program Services	Management and General	Support Services	Total
Donated transmitter site	\$ 30,000	\$ -	\$ -	\$ 30,000
Annual rental expense	99,000	65,000	65,000	229,000
Administrative & other in-kind	<u>38,288</u>	<u>119,429</u>	<u>22,218</u>	<u>179,935</u>
	<u><u>\$ 167,288</u></u>	<u><u>\$ 184,429</u></u>	<u><u>\$ 87,218</u></u>	<u><u>\$ 438,935</u></u>

Other in-kind services include donated legal services rendered by a member of the Board of Directors. Related party revenue and expenses from donated legal services total \$31,500.

The Station's office and studio space, as well as the usage of the SFUSD radio transmitter, is being provided for an indefinite period of time by SFUSD. The estimated value of the space and transmitter usage for the year ended June 30, 2021, was \$225,000.

Note 7 - Employee Retirement Systems

Prior to the Public Service Operating Agreement, effective December 4, 2020, all permanent employees of the Station were eligible to participate in the employee retirement systems offered by SFUSD. Plan types vary based on employee's status and eligibility. Employer paid contributions to the plan totaled \$63,803.

Note 8 - Related Party Transactions

The Station received donated professional services from a board member as discussed in Note 6.

The Station receives significant assistance from SFUSD including \$60,980 of administrative and oversight services provided by SFUSD to the Station during the year ended June 30, 2021, which are accounted for as an other change in net assets in the accompanying statement of activities. The Station also receives donated space and the usage of the radio tower from SFUSD as further discussed in Note 6. At June 30, 2021, the Station owes SFUSD \$134,864 to reimburse SFUSD for costs incurred on behalf of the Station.

Note 9 - Leases

The Station leases equipment under a short-term operating lease through 2024. Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2022	\$ 2,070
2023	2,070
2024	<u>2,070</u>
Total minimum lease payments	<u><u>\$ 6,210</u></u>

Total lease expense for the year ended June 30, 2021, was approximately \$7,211.