

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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Years Ended
June 30, 2018 and 2017 (Restated)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15
Supplementary Information	
Schedules of Functional Expenses	17 - 18



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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, 2018 and 2017 (as restated; see Note 7), and the related 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KALW-FM Radio as of June 30, 2018 and 2017 (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.

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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Doran & Associates

February 11, 2019

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2018

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 448,257	\$ 22,020	\$ 470,277
Accounts receivable (Note 1)	87,943	-	87,943
Grants receivable (Note 2)	-	526,148	526,148
Interest receivable	<u>2,405</u>	<u>-</u>	<u>2,405</u>
Total current assets	538,605	548,168	1,086,773
Equipment and leasehold improvements, net of accumulated depreciation of \$341,953 (Notes 1 and 3)	<u>58,322</u>	<u>-</u>	<u>58,322</u>
Total assets	<u>\$ 596,927</u>	<u>\$ 548,168</u>	<u>\$ 1,145,095</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	<u>\$ 123,078</u>	<u>\$ -</u>	<u>\$ 123,078</u>
Total liabilities	123,078	-	123,078
Net assets	<u>473,849</u>	<u>548,168</u>	<u>1,022,017</u>
Total liabilities and net assets	<u>\$ 596,927</u>	<u>\$ 548,168</u>	<u>\$ 1,145,095</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, 2017 (Restated)

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 381,895	\$ 46,956	\$ 428,851
Accounts receivable (Note 1)	81,509	-	81,509
Grants receivable (Note 2)	-	224,807	224,807
Interest receivable	379	-	379
	<u>463,783</u>	<u>271,763</u>	<u>735,546</u>
Total current assets			
Equipment and leasehold improvements, net of accumulated depreciation of \$321,704 (Notes 1 and 3)	<u>78,571</u>	<u>-</u>	<u>78,571</u>
Total assets	<u>\$ 542,354</u>	<u>\$ 271,763</u>	<u>\$ 814,117</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	<u>\$ 149,348</u>	<u>\$ -</u>	<u>\$ 149,348</u>
Total liabilities	149,348	-	149,348
Net assets	<u>393,006</u>	<u>271,763</u>	<u>664,769</u>
Total liabilities and net assets	<u>\$ 542,354</u>	<u>\$ 271,763</u>	<u>\$ 814,117</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, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
Support:			
Corporation for Public Broadcasting grant	\$ 191,233	\$ -	\$ 191,233
Other PBE funds	46,183	-	46,183
Grants and contributions from state boards and departments of education	88,350	86,000	174,350
Grants and contributions from nonprofits	228,148	463,932	692,080
Program and production underwriting from nonprofits	16,117	-	16,117
Grants and contributions from business and industry	59,074	-	59,074
Program and production underwriting from business and industry	8,850	-	8,850
Memberships and subscriptions	1,320,842	-	1,320,842
Gifts and bequests from major individual donors	774,863	-	774,863
Donated facilities (Note 5)	162,779	-	162,779
Indirect administrative support (Note 5)	116,832	-	116,832
Total support	<u>3,013,271</u>	<u>549,932</u>	<u>3,563,203</u>
Revenue:			
Interest income	2,051	-	2,051
Fees for service, private colleges and universities	70,596	-	70,596
Fees for service, state boards and departments of education	46,694	-	46,694
Royalties	282	-	282
Other direct revenue, ticket sales	8,887	-	8,887
Total revenue	<u>128,510</u>	<u>-</u>	<u>128,510</u>
Temporarily restricted net assets released from restrictions (Note 6)	<u>273,527</u>	<u>(273,527)</u>	<u>-</u>
Total support, revenue, and transfers	<u>3,415,308</u>	<u>276,405</u>	<u>3,691,713</u>
EXPENSES			
Program services	2,521,496	-	2,521,496
General and administrative	496,505	-	496,505
Fundraising	316,464	-	316,464
Total expenses	<u>3,334,465</u>	<u>-</u>	<u>3,334,465</u>
Change in net assets	80,843	276,405	357,248
Net assets, beginning of year	<u>393,006</u>	<u>271,763</u>	<u>664,769</u>
Net assets, end of year	<u>\$ 473,849</u>	<u>\$ 548,168</u>	<u>\$ 1,022,017</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, 2017 (Restated)**

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
Support:			
Corporation for Public Broadcasting grant	\$ 191,255	\$ -	\$ 191,255
Other PBE funds	47,915	-	47,915
Grants and contributions from state boards and departments of education	34,180	15,465	49,645
Grants and contributions from nonprofits	93,165	12,876	106,041
Program and production underwriting from nonprofits	24,596	-	24,596
Grants and contributions from business and industry	42,698	-	42,698
Program and production underwriting from business and industry	10,280	-	10,280
Memberships and subscriptions	1,326,068	-	1,326,068
Gifts and bequests from major individual donors	451,792	-	451,792
Donated facilities (Note 5)	159,108	-	159,108
Indirect administrative support (Note 5)	114,804	-	114,804
	<u>2,495,861</u>	<u>28,341</u>	<u>2,524,202</u>
Total support			
Revenue:			
Interest income	3,119	-	3,119
Fees for service, private colleges and universities	47,064	-	47,064
Special fundraising activities	15,032	-	15,032
Royalties	2,084	-	2,084
Other direct revenue, ticket sales	30,336	-	30,336
	<u>97,635</u>	<u>-</u>	<u>97,635</u>
Total revenue			
Temporarily restricted net assets released from restrictions (Note 6)	<u>530,615</u>	<u>(530,615)</u>	<u>-</u>
Total support, revenue, and transfers	<u>3,124,111</u>	<u>(502,274)</u>	<u>2,621,837</u>
EXPENSES			
Program services	2,385,385	-	2,385,385
General and administrative	419,600	-	419,600
Fundraising	343,226	-	343,226
	<u>3,148,211</u>	<u>-</u>	<u>3,148,211</u>
Total expenses			
Change in net assets	(24,100)	(502,274)	(526,374)
Net assets, beginning of year	<u>417,106</u>	<u>774,037</u>	<u>1,191,143</u>
Net assets, end of year	<u>\$ 393,006</u>	<u>\$ 271,763</u>	<u>\$ 664,769</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, 2018 and 2017 (Restated)

	2018	2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 357,248</u>	<u>\$ (526,374)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,249	11,363
Changes in assets and liabilities:		
Accounts receivable	(6,434)	(33,741)
Grants receivable	(301,341)	331,209
Interest receivable	(2,026)	228
Accounts payable and accrued expenses	<u>(26,270)</u>	<u>25,463</u>
Total adjustments	<u>(315,822)</u>	<u>334,522</u>
Net cash provided (used) by operating activities	<u>41,426</u>	<u>(191,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment and leasehold improvements	<u>-</u>	<u>(81,372)</u>
Net cash used by investing activities	<u>-</u>	<u>(81,372)</u>
Net increase (decrease) in cash and cash equivalents	41,426	(273,224)
Cash and cash equivalents, beginning of year	<u>428,851</u>	<u>702,075</u>
Cash and cash equivalents, end of year	<u>\$ 470,277</u>	<u>\$ 428,851</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, 2018 and 2017

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 by 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.

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.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

Temporarily restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Station is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Station pursuant to those stipulations, (b) from other asset enhancements and diminishment that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Station pursuant to those stipulations.

Permanently restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Station is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Station, (b) from other asset enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of June 30, 2018 and 2017.

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, 2018 and 2017

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.

Contributions - Contributions are recognized when the donor makes a promise to give to the Station that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

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

Accounts Receivable - It is the practice of the Station to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and, based on subsequent collections, management believes all amounts will be collected in full.

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.

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, 2018 and 2017

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

Accounting Standards, ASU 2014-09, Revenue from Contracts with Customers (Topic 606)- In May 2014, the FASB issued new revenue recognition guidance, which applies to most contracts with customers. The core revenue recognition principle is that revenue should be recognized as the organization transfers goods or services to customers/clients in an amount reflecting the consideration it expects to receive. This new guidance is effective for the Station for annual reporting periods beginning after December 15, 2017. In the opinion of management, the implementation of this standard will not materially impact these financial statements.

Accounting Standards, ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)- In August 2016, the FASB issued new financial statement presentation guidance, which applies to most nonprofit financial statements. The new guidance will impact net asset classes, the presentation of investment return, and other changes, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The new standard is not expected to have a material effect on the Station's financial position, results of operations, or cash flows.

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 is effective for fiscal years beginning after December 31, 2018. The new standard is not expected to 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 is 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 is expected to 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, 2019, 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.

Subsequent Events - Subsequent events have been evaluated through February 11, 2019, 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, 2018 and 2017

NOTE 2 GRANTS RECEIVABLE

The Station has received grant commitments, which were receivable at June 30, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Current portion	<u>\$ 526,148</u>	<u>\$ 224,807</u>

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.

NOTE 3 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at June 30, 2018 and 2017:

<u>Equipment and leasehold improvements, at cost</u>	
Balance, June 30, 2016	\$ 397,049
Additions	81,372
Disposals	<u>(78,146)</u>
Balance, June 30, 2017	400,275
Additions	<u>-</u>
Balance, June 30, 2018	<u>400,275</u>
<u>Accumulated depreciation</u>	
Balance, June 30, 2016	388,487
Depreciation expense	11,363
Disposals	<u>(78,146)</u>
Balance, June 30, 2017	321,704
Depreciation expense	<u>20,249</u>
Balance, June 30, 2018	<u>341,953</u>
Equipment and leasehold improvements, net	<u>\$ 58,322</u>

As part of a broader renovation of Burton High School, where KALW is located, the Station's offices and studios were renovated in FY17. Improvements to the space and structure were funded by voter-approved school improvement bonds, but broadcast-specific upgrades were funded by the Station itself. These upgrades include new studio consoles and furniture, a system to digitally interconnect audio production station-wide, and overdue updates to the Station's broadcast automation system. Total costs for these KALW-supported improvements, including capitalized and non-capitalized costs, totaled just over \$100,000 in FY17.

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, 2018 and 2017**

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

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. Temporarily restricted net assets at June 30, 2018 and 2017, were restricted to the following uses:

	<u>2018</u>	<u>2017</u>
News Production:		
Rosenberg Foundation	\$ -	\$ 4,500
Association for Continuing Education	285,000	194,584
Hewlett Foundation	-	12,876
California Arts Council	74,081	15,465
Templeton Religion Trust	177,168	13,115
Development consultant, Gerbode Foundation	-	1,000
Time-restricted:		
California Arts Council	11,919	-
Association for Continuing Education	-	30,223
	<u>\$ 548,168</u>	<u>\$ 271,763</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, 2018 and 2017, 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 \$100,172 and the value of the office space was \$62,607, for a total value of donated facilities of \$162,779 for the year ended June 30, 2018. The value of the donated transmitter site was \$97,920 and the value of the office space was \$61,188, for a total value of donated facilities of \$159,108 for the year ended June 30, 2017.

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.

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, 2018 and 2017, the value of indirect administrative support was \$116,832 and \$114,804, respectively.

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, 2018 and 2017

NOTE 5 IN-KIND CONTRIBUTIONS (Continued)

These items have a fair market value using the market method for the years ended June 30, 2018 and 2017, respectively, as follows:

<u>Description</u>	Fair Value Measurements Using			<u>Total</u>
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2018	\$ -	\$ 279,611	\$ -	\$ 279,611
June 30, 2017	\$ -	\$ 273,912	\$ -	\$ 273,912

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTION

The Station fulfilled the use and/or time restrictions for the following temporarily restricted items and they were released to unrestricted net assets during the years ended June 30, 2018 and 2017, as follows:

	2018	2017
News Production	\$ 243,304	\$ 521,778
Time-restricted	30,223	8,837
	\$ 273,527	\$ 530,615

NOTE 7 PRIOR PERIOD ADJUSTMENT

During the year June 30, 2018, the Station discovered that billings for completed fees for services performed prior to June 30, 2017, but not deposited until November 2017 were not accrued. As a result, a prior period adjustment of \$28,600 was recorded to increase accounts receivable at June 30, 2017, and increase unrestricted Other PBE funds.

NOTE 8 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 \$129,785 and \$102,929 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017

NOTE 9 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 \$7,715 and \$5,704 for the years ended June 30, 2018 and 2017, respectively.

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

Year ending <u>June 30,</u>	
2019	\$ 6,216
2020	4,356
2021	3,984
2022	3,984
2023	<u>465</u>
	<u>\$ 19,005</u>

NOTE 10 JOINT COSTS

During the years ended June 30, 2018 and 2017, the costs of activities included \$23,427 and \$22,559, 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:			
2018:	<u>\$ 21,085</u>	<u>\$ 2,342</u>	<u>\$ 23,427</u>
2017:	<u>\$ 20,303</u>	<u>\$ 2,256</u>	<u>\$ 22,559</u>

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, 2018 and 2017

NOTE 11 RISKS AND UNCERTAINTIES

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.

NOTE 12 CONCENTRATIONS

The Station was the recipient of two grant commitments from two grantors that represents 87% of the grant receivable balance at June 30, 2018.

SUPPLEMENTARY INFORMATION

KALW-FM RADIO**(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)****SCHEDULES OF FUNCTIONAL EXPENSES****For the year ended June 30, 2018**

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 610,919	\$ 257,356	\$ -	\$ 868,275
Membership fees	273,145	4,000	4,870	282,015
Office and other supplies	194,030	13,515	46,019	253,564
Donated transmitter site	100,172	-	-	100,172
Administrative support	-	116,832	-	116,832
Annual rental value	-	62,607	-	62,607
Contracted services	1,280,969	35,351	243,948	1,560,268
Telephone	17,460	-	15,578	33,038
Equipment repairs and maintenance	20,344	4,282	5,224	29,850
Depreciation expense	20,249	-	-	20,249
Travel and conferences	2,613	2,562	825	6,000
Insurance	1,595	-	-	1,595
Total expenses	<u>\$ 2,521,496</u>	<u>\$ 496,505</u>	<u>\$ 316,464</u>	<u>\$ 3,334,465</u>

KALW-FM RADIO**(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)****SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)****For the year ended June 30, 2017**

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 496,899	\$ 252,496	\$ -	\$ 749,395
Membership fees	266,510	4,320	4,678	275,508
Office and other supplies	221,966	8,922	65,320	296,208
Donated transmitter site	97,920	-	-	97,920
Administrative support	-	114,804	-	114,804
Annual rental value	48,094	6,119	6,975	61,188
Contracted services	1,211,262	14,401	248,654	1,474,317
Telephone	18,894	14,583	-	33,477
Equipment repairs and maintenance	11,390	2,360	17,599	31,349
Depreciation expense	11,363	-	-	11,363
Travel and conferences	1,087	-	-	1,087
Insurance	-	1,595	-	1,595
Total expenses	<u>\$ 2,385,385</u>	<u>\$ 419,600</u>	<u>\$ 343,226</u>	<u>\$ 3,148,211</u>