

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

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2019 and 2018

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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, 2019 and 2018, 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 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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Station adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Doran & Associates

January 22, 2020

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 183,310	\$ 115,951	\$ 299,261
Accounts receivable (Note 1)	28,467	-	28,467
Grants receivable (Note 3)	-	261,912	261,912
Interest receivable	<u>1,786</u>	<u>-</u>	<u>1,786</u>
Total current assets	213,563	377,863	591,426
Equipment and leasehold improvements, net of accumulated depreciation of \$356,010 (Notes 1 and 4)	<u>44,265</u>	<u>-</u>	<u>44,265</u>
Total assets	<u>\$ 257,828</u>	<u>\$ 377,863</u>	<u>\$ 635,691</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>377,863</u>	<u>415,841</u>
Total liabilities and net assets	<u>\$ 257,828</u>	<u>\$ 377,863</u>	<u>\$ 635,691</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, 2018

	Without Donor Restrictions	With Donor Restrictions	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 3)	-	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 4)	<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 ACTIVITIES
For the year ended June 30, 2019

	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 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	-	47,198
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 6)	225,000	-	225,000
Indirect administrative support (Note 6)	133,177	-	133,177
Total support	<u>2,537,517</u>	<u>273,578</u>	<u>2,811,095</u>
Revenue:			
Interest income	6,591	-	6,591
Fees for service, private colleges and universities	87,899	-	87,899
Royalties	1,437	-	1,437
Total revenue	<u>95,927</u>	<u>-</u>	<u>95,927</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>(170,305)</u>	<u>2,907,022</u>
EXPENSES AND LOSSES			
Program services	2,473,156	-	2,473,156
General and administrative	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)	(170,305)	(606,176)
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>\$ 377,863</u>	<u>\$ 415,841</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, 2018**

	Without Donor Restrictions	With Donor Restrictions	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 6)	162,779	-	162,779
Indirect administrative support (Note 6)	116,832	-	116,832
	<u>3,013,271</u>	<u>549,932</u>	<u>3,563,203</u>
Total support			
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
	<u>128,510</u>	<u>-</u>	<u>128,510</u>
Total revenue			
Net assets released from restrictions, fulfillment of purpose and/or time restrictions	<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 AND LOSSES			
Program services	2,521,496	-	2,521,496
General and administrative	496,505	-	496,505
Fundraising	316,464	-	316,464
	<u>3,334,465</u>	<u>-</u>	<u>3,334,465</u>
Total expenses and losses			
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 FUNCTIONAL EXPENSES
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
	<hr/>	<hr/>	<hr/>	<hr/>
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 FUNCTIONAL EXPENSES (CONTINUED)****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 included on the expenses section on the Statement of Activities	<u>\$ 2,521,496</u>	<u>\$ 496,505</u>	<u>\$ 316,464</u>	<u>\$ 3,334,465</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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (606,176)</u>	<u>\$ 357,248</u>
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	14,057	20,249
Changes in assets and liabilities:		
Accounts receivable	59,476	(6,434)
Grants receivable	264,236	(301,341)
Interest receivable	619	(2,026)
Accounts payable and accrued expenses	<u>96,772</u>	<u>(26,270)</u>
Total adjustments	<u>435,160</u>	<u>(315,822)</u>
Net cash (used) provided by operating activities	<u>(171,016)</u>	<u>41,426</u>
Net (decrease) increase in cash and cash equivalents	(171,016)	41,426
Cash and cash equivalents, beginning of year	<u>470,277</u>	<u>428,851</u>
Cash and cash equivalents, end of year	<u><u>\$ 299,261</u></u>	<u><u>\$ 470,277</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, 2019 and 2018

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.

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.

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.

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, 2019 and 2018

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

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.

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.

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.

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 was effective for the Station for annual reporting periods beginning after December 15, 2017. In the opinion of management, the implementation of this standard did not materially impact 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, 2019 and 2018**

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

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 impacted net asset classes, the presentation of investment return, and other changes, and was effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The new standard did not 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 could 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 January 22, 2020, 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, 2019 and 2018

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	\$ 95,758
Accounts receivable	<u>28,468</u>
	<u>\$ 124,226</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 its revenue, and has created a 501(c)(3) entity to aid in raising unrestricted funds. This entity will also enable KALW to accept donations via new sources, including but not limited to, social media fundraising platforms that only allow fundraising for 501(c)(3) organizations.

Under the new 501(c)(3), the Organization also intends to have a line of credit available for use upon which it can draw to manage liquidity needs.

Currently, KALW's expenditures each month can vary based on particular projects that are supported through restricted funding. The Organization is careful to 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 GRANTS RECEIVABLE

The Station has received grant commitments, which were receivable at June 30, 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
Current portion	<u>\$ 261,912</u>	<u>\$ 526,148</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.

KALW-FM RADIO
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 4 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at June 30, 2019 and 2018:

<u>Equipment and leasehold improvements, at cost</u>	
Balance, June 30, 2017	\$ 400,275
Additions	<u>-</u>
Balance, June 30, 2018	400,275
Additions	<u>-</u>
Balance, June 30, 2019	<u>400,275</u>
<u>Accumulated depreciation</u>	
Balance, June 30, 2017	321,704
Depreciation expense	<u>20,249</u>
Balance, June 30, 2018	341,953
Depreciation expense	<u>14,057</u>
Balance, June 30, 2019	<u>356,010</u>
Equipment and leasehold improvements, net	<u>\$ 44,265</u>

NOTE 5 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, 2019 and 2018, were restricted to the following uses:

	<u>2019</u>	<u>2018</u>
Program-restricted, audio content:		
Association for Continuing Education	\$ 30,569	\$ 285,000
Hewlett Foundation	10,008	-
California Arts Council - Artists in School	14,400	74,081
California Arts Council - Artists in Corrections	1,720	-
California Arts Council - Youth Arts Action	18,000	-
Templeton Religious Trust	238,625	177,168
Maynard Institute	4,000	-
RSF Finance Grant	9,500	-
CalState Library - Civil Liberties	34,285	-
California Humanities Grant	9,745	-
Time-restricted:		
California Arts Council	<u>7,011</u>	<u>11,919</u>
	<u>\$ 377,863</u>	<u>\$ 548,168</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, 2019 and 2018

NOTE 6 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, 2019 and 2018, 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 the year ended June 30, 2019. 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.

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, 2019 and 2018, the value of indirect administrative support was \$133,177 and \$116,832, respectively.

These items have a fair market value using the market method for the years ended June 30, 2019 and 2018, 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, 2019	\$ -	\$ 358,177	\$ -	\$ 358,177
June 30, 2018	\$ -	\$ 279,611	\$ -	\$ 279,611

NOTE 7 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 \$128,293 and \$129,785 for the years ended June 30, 2019 and 2018, respectively.

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NOTE 8 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 \$6,824 and \$7,715 for the years ended June 30, 2019 and 2018, respectively.

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

Year ending		
<u>June 30,</u>		
2020	\$	4,356
2021		3,984
2022		3,984
2023		<u>465</u>
	<u>\$</u>	<u>12,789</u>

NOTE 9 JOINT COSTS

During the years ended June 30, 2019 and 2018, the costs of activities included \$29,992 and \$23,427, 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:			
2019:	<u>\$ 26,993</u>	<u>\$ 2,999</u>	<u>\$ 29,992</u>
2018:	<u>\$ 21,085</u>	<u>\$ 2,342</u>	<u>\$ 23,427</u>

NOTE 10 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.

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NOTE 11 CONCENTRATIONS

During the year ended June 30, 2019, the Station received grants from two sources that represented 12% of total income.

NOTE 12 SUBSEQUENT EVENTS

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 has been filed with the IRS seeking charitable nonprofit tax-exempt status. Upon issuance of a positive determination letter from IRS, KALW-PM will begin to migrate its operations under the new entity with the expectation that it will be fully completed by 2021, or sooner. Concurrently, a new operating agreement will be completed 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. From the date of incorporation, the Station has entered into a fiscal sponsorship arrangement with Independent Arts and Media for issuance of payment(s) until such time as the IRS determination letter is received and it can act in reliance on its own EIN.