

# **Pacifica Foundation**

Financial Statements

September 30, 2014

(With Summarized Comparative Totals for 2013)



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pacifica Foundation  
Berkeley, California

We have audited the accompanying financial statements of Pacifica Foundation (the "Organization"), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, 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 Pacifica Foundation as of September 30, 2014, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement of functional expenses and the statements of financial position by division, activities by division, and expenses by division on pages 17 through 20 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 audit 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.

## **Report on Summarized Comparative Information**

We have previously audited Pacifica Foundation's 2013 financial statements, and our report dated March 18, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Emphasis of Matter**

As discussed in Note 3 to the financial statements, the Organization has experienced significant losses from operating activities in the current and prior years. The ability of the Organization to sustain its operations in the long term depends on its ability to reduce operating costs and increase sources of cash flows. Our opinion is not modified with respect to this matter.

*Armanino LLP*

Armanino<sup>LLP</sup>  
San Francisco, California

December 13, 2016

PACIFICA FOUNDATION  
Statement of Financial Position  
September 30, 2014  
(With Comparative Totals for 2013)

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<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 177,106	\$ 216,067
Other receivables	50,028	31,513
Premiums inventory	81,571	82,149
Prepaid expenses	193,001	24,503
Total current assets	<u>501,706</u>	<u>354,232</u>
Non-current assets		
Investments	-	37,413
Property and equipment, net	2,275,557	2,482,620
Other assets	72,260	65,260
Restricted cash	688,491	720,081
Total non-current assets	<u>3,036,308</u>	<u>3,305,374</u>
 Total assets	 <u>\$ 3,538,014</u>	 <u>\$ 3,659,606</u>
 <u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
Current liabilities		
Accounts payable	\$ 4,668,385	\$ 4,017,324
Deferred income	18,571	48,571
Deferred rent liability, short-term	48,742	20,259
Accrued expenses and benefits	1,085,593	1,184,320
Total current liabilities	<u>5,821,291</u>	<u>5,270,474</u>
Non-current liabilities		
Deferred rent liability, long-term	660,253	717,254
Note payable, long-term	156,000	-
Total non-current liabilities	<u>816,253</u>	<u>717,254</u>
 Total liabilities	 <u>6,637,544</u>	 <u>5,987,728</u>
Net assets (deficit)		
Unrestricted	(4,620,018)	(3,828,124)
Temporarily restricted	404,433	383,947
Permanently restricted	1,116,055	1,116,055
Total net assets (deficit)	<u>(3,099,530)</u>	<u>(2,328,122)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 3,538,014</u>	 <u>\$ 3,659,606</u>

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

PACIFICA FOUNDATION  
Statement of Activities  
For the Year Ended September 30, 2014  
(With Comparative Totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and support				
Listener support/donations, net	\$ 10,341,441	\$ -	\$ -	\$ 10,341,441
Grants	215,538	-	-	215,538
Community events	261,030	-	-	261,030
Sub-channel income	251,500	-	-	251,500
Other revenue	396,164	-	-	396,164
Investment income	2,439	20,486	-	22,925
Total revenue and support	<u>11,468,112</u>	<u>20,486</u>	<u>-</u>	<u>11,488,598</u>
Expenses				
Program services	5,867,476	-	-	5,867,476
Management and general	4,310,082	-	-	4,310,082
Fundraising and development	2,082,448	-	-	2,082,448
Total expenses	<u>12,260,006</u>	<u>-</u>	<u>-</u>	<u>12,260,006</u>
Change in net assets	(791,894)	20,486	-	(771,408)
Net assets (deficit), beginning of year	<u>(3,828,124)</u>	<u>383,947</u>	<u>1,116,055</u>	<u>(2,328,122)</u>
Net assets (deficit), end of year	<u>\$ (4,620,018)</u>	<u>\$ 404,433</u>	<u>\$ 1,116,055</u>	<u>\$ (3,099,530)</u>

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

PACIFICA FOUNDATION  
Statement of Cash Flows  
For the Year Ended September 30, 2014  
(With Comparative Totals for 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (771,408)	\$ (2,824,046)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	237,673	228,177
Realized and unrealized gain on investments	(20,486)	(39,530)
Change in operating assets and liabilities		
Other receivables	(18,515)	55,627
Premiums inventory	578	(13,486)
Prepaid expenses	(168,498)	77,180
Other assets	(7,000)	(710)
Accounts payable	651,061	1,302,247
Deferred income	(30,000)	(31,713)
Accrued expenses and benefits	(98,727)	541,865
Deferred rent liability	(28,518)	(21,710)
Net cash used in operating activities	(253,840)	(726,099)
Cash flows from investing activities		
Change in restricted cash	52,076	63,767
Purchase of property and equipment	(30,610)	(170,698)
Purchase of investments	-	(6,562)
Proceeds from sales of investments	37,413	264,851
Net cash provided by investing activities	58,879	151,358
Cash flows from financing activities		
Proceeds from note payable	156,000	-
Net decrease in cash and cash equivalents	(38,961)	(574,741)
Cash and cash equivalents, beginning of year	216,067	790,808
Cash and cash equivalents, end of year	\$ 177,106	\$ 216,067
<u>Supplemental information</u>		
Cash paid for interest	\$ 13	\$ 44

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

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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1. Organization

Pacifica Foundation (the "Organization", or "Foundation") was incorporated under the Nonprofit Corporation Law of the State of California on August 24, 1946 and was recognized as a tax exempt organization in April 1958 under section 101(c) of the 1939 Internal Revenue Code which now corresponds with IRC 501(c)(3) as a public charity. Pacifica currently operates, on a not-for-profit basis, five FM radio stations and maintains a program tape library which is used to sell and rent taped programs to other non-commercial radio stations, news services, schools, colleges, universities and the general public. Contributions are used to support non-commercial radio stations and to create public affairs programming which is available to approximately 165 affiliated non-commercial radio stations.

The financial statements include the operations of the following divisions:

- Radio Station - KPFA-Berkeley, California
- Radio Station - KPFK-Los Angeles, California
- Radio Station - KPFT-Houston, Texas
- Radio Station - WBAI-New York, New York
- Radio Station - WPFW-Washington, D.C.
- Pacifica Foundation - National Office
- Pacifica Foundation - Pacifica Radio Archives

All inter-division accounts have been eliminated.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Financial statement presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed restrictions, but may be designed for specific purposes by the action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.



PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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2. Summary of Significant Accounting Policies (continued)

Financial statement presentation (continued)

*Temporarily restricted net assets* - Net assets subject to donor-imposed restrictions that may be fulfilled either by actions of the Foundation pursuant to those stipulations and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed restrictions that the foundation maintains. Generally, donors permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Summarized information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2013 from which the summarized information was derived.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with original maturities of less than ninety days.

Inventory

Each station maintains an inventory of items used for premium incentives in fundraising activities that are carried at the lower of cost or fair value. The Organization determined cost using the first-in first-out method. Obsolete or unsalable inventory is reflected at its estimated net realizable value.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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2. Summary of Significant Accounting Policies (continued)

Revenue recognition

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned expenses are incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires 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 restriction. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value.

Communications to give from listeners that are not supported by verifiable evidence that a promise to give has been made are treated as intentions to give and the related revenues are recognized upon receipt of the cash proceeds.

Donated assets and services

The Foundation receives contributions of donated non-cash assets and records revenue and a corresponding expense for these contributed goods based on the fair value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Income recognition from community events

Funds received in advance from community events are shown as deferred income when received. These amounts are recorded as income when the funds are disbursed upon the completion of the community event in order to more closely match revenue with the related expenditure.

Allocation of costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fund-raising, management and general expense or the appropriate program based on evaluations of the related benefits and actual hours. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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2. Summary of Significant Accounting Policies (continued)

Property and equipment

Purchases of property and equipment are recorded at cost. Assets acquired by contribution or bequest are stated at fair value at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Maintenance and repairs are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related depreciation are removed from the accounts and any gain or loss is included in operations. Pacifica capitalizes all property and equipment acquisitions in excess of \$2,000.

The useful estimated lives of computer software, property and equipment are principally as follows:

Office and computer equipment	5 years
Leasehold improvements	10 years
Furniture and fixtures	10 years
Transmitter, technical and antenna equipment	10 - 20 years
Buildings	30 years

Income taxes

The Organization is a nonprofit organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and state franchise tax under section 23701(d) of the Revenue and Taxation Code.

The Organization has evaluated its current tax positions and has concluded that as of September 30, 2014, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include depreciation and amortization, accrued liabilities, and the allocation of costs. Actual results could differ from those estimates.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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3. Liquidity

The Organization has experienced significant losses from operating activities in the current and prior years. These factors resulted in the Organization developing a total net deficit of \$3,099,530 at September 30, 2014. The Organization is currently taking measures to reduce its operating costs, streamline its operations, and increase revenues and support. Based on management's best estimate of future cash flows, these actions are expected to allow the Organization to operate through the foreseeable future. The Organization's management is also prepared to employ additional cost-cutting measures if the actual cash flows do not meet the current projections. The ability of the Organization to sustain its operations in the long term depends on its ability to reduce operating costs and increase sources of cash flows.

4. Restricted Cash

Restricted cash primarily represents funds restricted for the purchase of a building and funds required to be held in a separate bank account because of donor restrictions. As of September 30, 2014 the restricted cash consisted of:

Wells Fargo Bank ACH - KPFA	\$ 5,000
Solar Project - KPFK	110
NTIA-KPFT	13,671
Heath Fund - KPFA	502,639
Building Fund - WPFW	<u>167,071</u>
Total	<u>\$688,491</u>

5. Property and Equipment

The following is a summary of property and equipment at cost less accumulated depreciation, on September 30, 2014:

Land	\$ 632,428
Building and improvements	2,931,193
Leasehold improvements	609,465
Fixtures and furniture	256,814
Equipment	<u>6,260,404</u>
Total	10,690,304
Less: accumulated depreciation	<u>(8,414,747)</u>
Total	<u>\$2,275,557</u>

Depreciation and amortization of property and equipment amounted to \$237,673 during 2014.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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5. Property and Equipment (continued)

Included in the property and equipment held at September 30, 2014 is certain technical equipment acquired with the assistance of government grants. In accordance with the regulations of these grants, the National Telecommunications and Information Administration retains interest in these assets for a period of 10 years following the completion of the grant. At September 30, 2014, equipment held by KPFT with a historical cost of \$19,100 was subject to the federal ten-year period. The federal ten-year period is set to expire in 2016.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at September 30, 2014:

Capital acquisitions	\$222,945
Unappropriated earnings on endowment investments	<u>181,488</u>
	<u>\$404,433</u>

The Foundation did not release any temporarily restricted net assets during 2014.

7. Permanently Restricted Net Assets

These funds are investments in perpetuity, the income from which is expendable for operations. Such endowments at September 30, 2014, are as follows:

KPFA - Heath Trust endowment fund	\$ 375,000
KPFA - Other endowment fund	150,000
KPFA - Other endowment fund	20,000
National Office - Other endowment fund	196,055
National Office - Heath Trust endowment fund	<u>375,000</u>
	<u>\$1,116,055</u>

The Foundation's endowment consists of five funds established for a variety of purposes and includes donor-restricted funds. Net assets associated with this endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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7. Permanently Restricted Net Assets (continued)

The remaining portion of the donor-restricted net assets that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflations
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation has not adopted a policy of appropriating an amount for distribution each year.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Board of Directors requires the Foundation to retain as a fund of perpetual duration. The Foundation has a deficit of \$794,903 as of September 30, 2014.

Endowment net asset composition by type of fund as of September 30, 2014 is as follows:

	<u>Deficit</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$(794,903)	\$181,488	\$1,116,055	\$502,640

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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7. Permanently Restricted Net Assets (continued)

The following represents the changes in endowment net assets for the year ended September 30, 2014:

	<u>Deficit</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$(794,903)	\$161,002	\$1,116,055	\$482,154
Investment return				
Net appreciation (realized and unrealized)	<u>-</u>	<u>20,486</u>	<u>-</u>	<u>20,486</u>
Total investment return	<u>-</u>	<u>20,486</u>	<u>-</u>	<u>20,486</u>
Endowment net assets, end of year	<u>\$(794,903)</u>	<u>\$181,488</u>	<u>\$1,116,055</u>	<u>\$502,640</u>

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the purchasing power of the Endowment Fund and at the same time provide a regular distribution of funds for use of the Foundation, consistent with the terms of the Endowment Fund Distribution Policy and the terms governing each of the individual endowment funds. A balanced approach is to be taken between risk, preservation of capital, income and growth.

8. Note Payable

In September 2014, the Organization obtained an interest-free note from a lender for \$156,000 to finance the payment of WBAI payroll tax liabilities. The outstanding note payable balance was \$156,000 at September 30, 2014. Subsequent to year end, the lender converted the note into a donation.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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9. Lease Commitments

The Foundation is obligated under certain operating leases for office space, studio and radio tower equipment. The leases expire through September 30, 2020. The Foundation also has month-to-month agreements to rent office and studio space. Future minimum lease payments under the long term lease agreements as of September 30, 2014 is as follows:

2015	\$ 435,370
2016	465,846
2017	498,455
2018	533,347
2019	570,681
Thereafter	<u>351,970</u>
Total	<u>\$2,855,669</u>

Rent expense under all lease agreements during 2014 was \$1,051,021.

10. Pension Plan

The Foundation has a 403 (b) defined contribution retirement plan for all eligible regular full time and part time employees employed for a minimum of six months and electing to make salary deferrals which are invested along with employer matching funds in individual, self-directed accounts. The Foundation contributed \$73,630 during 2014 to this plan. The Foundation also has an annual "Profit Sharing Plan" based on 2% or more of total annual compensation earned per eligible employee during the plan year. Profit sharing amounts are invested in a portfolio of investments as directed by the Foundation. All contributions are subject to limitations imposed by applicable provisions of the Internal Revenue Code. The Foundation incurred \$82,418 of pension costs related to the Profit Sharing Plan during 2014, but had not funded the plan as of September 30, 2014. The amount is included as part of accrued expenses and benefits at September 30, 2014.

11. Commitments and Contingencies

Certain grants and contracts require compliance with various requirements. Failure to comply with these requirements could result in disallowance of costs and potential repayment to the donors. However, management considers the likelihood of a requirement to return funds to donors to be remote.



PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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11. Commitments and Contingencies (continued)

The Foundation is a defendant in certain lawsuits. Management believes certain of these suits are without merit and intends to vigorously defend its position. Although it is possible, management believes it is unlikely that the resolutions, claims and pending litigation from these suits will have a material effect, individually or in the aggregate, to the financial position, results of operations and cash flows. The Foundation is also involved in certain suits and claims in which a settlement has been reached or is being negotiated.

12. Premium Incentives

The corresponding expense from premiums goods that are used for incentives in fundraising activities are reported net of the related revenues in the Statement of Activities. The premium incentives incurred by each station during the year ended September 30, 2014, are as follows:

PRA	\$ 17,805
KPFA	215,834
KPFK	427,649
WBAI	274,448
WPFW	85,743
NO	2,894
KPFT	<u>46,942</u>
Total	<u>\$1,071,315</u>

13. SCA Income

The Foundation entered into sub-carrier agreements (SCA) in March 1984, whereby outside companies would be allowed to use a portion of certain Pacifica stations' base bands in order to broadcast signals to the outside companies' subscribers. The initial terms of the agreements were five years from start of operations at each respective station. Subsequent to the initial agreements, some of the leases have expired and some have renewed.

Income from the leases is recorded in total at the National Office and allocated to the various stations for special projects as needed and approved by the Board.

In 1984, the Foundation had retained legal counsel to investigate the possibility that the above income is unrelated and thereby taxable, and a determination request was submitted to the IRS. The response from the IRS indicated that the income is not taxable and that Pacifica's not-for-profit status will not be affected.

PACIFICA FOUNDATION  
Notes to Financial Statements  
September 30, 2014

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14. Subsequent Events

Subsequent events were evaluated through December 13, 2016, the date the financial statements were available to be issued.

In December 2014, the Foundation received notification from the Office of the Attorney General of the State of California that the Foundation was selected for a correspondence audit. The results of the audit are pending.

In December 2014, the Foundation entered into an operating lease in Washington, D.C. for office space related to the WPFW radio station. The lease calls for an initial monthly rent of \$13,690 and increases in subsequent years up to \$14,958 in 2018, the final year of the lease.

In July 2016, the Foundation entered into a stipulated award agreement related to unpaid wages during a reduction in force that occurred in fiscal 2015. The terms of the agreement require the Foundation to pay a total of \$150,000 for the unpaid wages during the workforce reduction. The agreement also requires the Foundation to make severance and back pay payments to certain stated employees that total approximately \$135,000.

SUPPLEMENTAL INFORMATION

PACIFICA FOUNDATION  
Statement of Functional Expenses  
For the Year Ended September 30, 2014

	Program Services	Management and General	Fundraising and Development	Total Functional Expenses
Expenses				
Personnel costs	\$ 3,869,388	\$ 2,026,636	\$ 1,076,161	\$ 6,972,185
Advertising and promotion	-	17,369	33,028	50,397
Associations and periodicals	3,769	10,879	-	14,648
Audit fees	-	100,764	-	100,764
Bank charges and finance charges	2,629	109,450	257,122	369,201
Board meetings and elections	50	28,601	-	28,651
Communications expense	168,176	310,649	11,810	490,635
Community events	-	2,808	147,576	150,384
Computer maintenance	8,341	62,040	7,092	77,473
Consultants	108,286	146,638	31,328	286,252
Depreciation and amortization	83,874	152,333	1,466	237,673
Direct mail and telemarketing	15,196	335	454,727	470,258
Equipment rental	720	78,814	24,916	104,450
Insurance	-	224,350	-	224,350
Interest	-	13	-	13
Legal settlement	600	-	-	600
Miscellaneous	240,074	45,932	-	286,006
Rent-office/studio	50,300	227,595	-	277,895
Rent-tower	721,115	-	-	721,115
Office expenses	12,912	104,197	1,322	118,431
Outside services	-	32,256	-	32,256
Permits, fines and filing fees	-	4,716	-	4,716
Professional fees	-	318,297	-	318,297
Programming costs	128,544	5,060	5,322	138,926
Repairs and maintenance	138,699	55,294	7,632	201,625
Storage	1,846	50,165	-	52,011
Tapes and supplies	59,563	31,509	17,288	108,360
Taxes - property tax	-	(16,654)	-	(16,654)
Training conferences	1,451	748	3,647	5,846
Travel	19,867	52,334	2,011	74,212
Utilities	222,052	99,064	-	321,116
Website and audio port expenses	10,024	27,890	-	37,914
Total expenses	<u>\$ 5,867,476</u>	<u>\$ 4,310,082</u>	<u>\$ 2,082,448</u>	<u>\$ 12,260,006</u>

PACIFICA FOUNDATION  
Statement of Financial Position by Division  
September 30, 2014

<u>ASSETS</u>	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Totals
<b>Current assets</b>									
Cash and cash equivalents	\$ 106,964	\$ 17,745	\$ 6,282	\$ (10,026)	\$ 2,381	\$ 3,662	\$ 50,098	\$ -	\$ 177,106
Other receivables	14,917	9,434	16,141	9,536	-	-	-	-	50,028
Premiums inventory	-	-	1,084	44,860	-	29,212	6,415	-	81,571
Prepaid expenses	164,833	-	-	13,209	14,959	-	-	-	193,001
<b>Total current assets</b>	<u>286,714</u>	<u>27,179</u>	<u>23,507</u>	<u>57,579</u>	<u>17,340</u>	<u>32,874</u>	<u>56,513</u>	<u>-</u>	<u>501,706</u>
<b>Non-current assets</b>									
Investments	-	-	-	-	-	-	-	-	-
Property and equipment, net	2,380	23,324	1,329,642	587,001	4,773	10,743	317,694	-	2,275,557
Inter-division receivable	6,714,321	449,260	1,476,873	-	246,768	-	57,330	(8,944,552)	-
Other assets	7,500	-	710	7,000	42,701	14,349	-	-	72,260
Restricted cash	-	-	507,639	100	10	167,071	13,671	-	688,491
<b>Total non-current assets</b>	<u>6,724,201</u>	<u>472,584</u>	<u>3,314,864</u>	<u>594,101</u>	<u>294,252</u>	<u>192,163</u>	<u>388,695</u>	<u>(8,944,552)</u>	<u>3,036,308</u>
<b>Total assets</b>	<u>\$ 7,010,915</u>	<u>\$ 499,763</u>	<u>\$ 3,338,371</u>	<u>\$ 651,680</u>	<u>\$ 311,592</u>	<u>\$ 225,037</u>	<u>\$ 445,208</u>	<u>\$ (8,944,552)</u>	<u>\$ 3,538,014</u>
<b><u>LIABILITIES AND NET ASSETS (DEFICIT)</u></b>									
<b>Current liabilities</b>									
Accounts payable	\$ 3,543,794	\$ 26,567	\$ 327,471	\$ 195,482	\$ 289,071	\$ 281,524	\$ 4,476	\$ -	\$ 4,668,385
Deferred income	-	-	-	-	-	-	18,571	-	18,571
Deferred rent liability, short-term	-	-	-	-	48,742	-	-	-	48,742
Accrued expenses and benefits	158,603	44,021	223,686	241,144	263,635	110,659	43,845	-	1,085,593
<b>Total current liabilities</b>	<u>3,702,397</u>	<u>70,588</u>	<u>551,157</u>	<u>436,626</u>	<u>601,448</u>	<u>392,183</u>	<u>66,892</u>	<u>-</u>	<u>5,821,291</u>
<b>Non-current liabilities</b>									
Inter-division payables	1,486,349	1,290,788	48,027	281,994	3,751,294	1,474,922	611,178	(8,944,552)	-
Deferred rent liability, long-term	-	-	-	-	648,253	12,000	-	-	660,253
Note payable, long-term	156,000	-	-	-	-	-	-	-	156,000
<b>Total non-current liabilities</b>	<u>1,642,349</u>	<u>1,290,788</u>	<u>48,027</u>	<u>281,994</u>	<u>4,399,547</u>	<u>1,486,922</u>	<u>611,178</u>	<u>(8,944,552)</u>	<u>816,253</u>
<b>Total liabilities</b>	<u>5,344,746</u>	<u>1,361,376</u>	<u>599,184</u>	<u>718,620</u>	<u>5,000,995</u>	<u>1,879,105</u>	<u>678,070</u>	<u>(8,944,552)</u>	<u>6,637,544</u>
<b>Net assets (deficit)</b>									
Unrestricted	1,095,114	(861,613)	2,032,699	(86,940)	(4,755,203)	(1,811,213)	(232,862)	-	(4,620,018)
Temporarily restricted	-	-	181,488	-	65,800	157,145	-	-	404,433
Permanently restricted	571,055	-	525,000	20,000	-	-	-	-	1,116,055
<b>Total net assets (deficit)</b>	<u>1,666,169</u>	<u>(861,613)</u>	<u>2,739,187</u>	<u>(66,940)</u>	<u>(4,689,403)</u>	<u>(1,654,068)</u>	<u>(232,862)</u>	<u>-</u>	<u>(3,099,530)</u>
<b>Total liabilities and net assets (deficit)</b>	<u>\$ 7,010,915</u>	<u>\$ 499,763</u>	<u>\$ 3,338,371</u>	<u>\$ 651,680</u>	<u>\$ 311,592</u>	<u>\$ 225,037</u>	<u>\$ 445,208</u>	<u>\$ (8,944,552)</u>	<u>\$ 3,538,014</u>

PACIFICA FOUNDATION  
Statement of Activities by Division  
For the Year Ended September 30, 2014

	National Division	PRA	KPFA	KPKF	WBAI	WPFW	KPFT	Eliminations	Totals
Unrestricted revenue and support									
Listener support/donations, net	\$ 104,157	\$ 282,556	\$ 2,821,096	\$ 2,929,457	\$ 1,996,823	\$ 1,206,677	\$ 1,000,675	\$ -	\$ 10,341,441
Grants	150,968	38,920	-	5,500	-	6,500	13,650	-	215,538
Community events	-	300	211,297	6,202	1,457	12,946	28,828	-	261,030
Sub-channel income	251,500	-	-	-	-	-	-	-	251,500
Other revenue	230,952	79,764	33,173	-	-	9,800	42,475	-	396,164
Investment income	790	5	-	887	-	750	7	-	2,439
Central services	1,416,708	254,719	-	-	-	-	-	(1,671,427)	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Total unrestricted revenue and support	<u>2,155,075</u>	<u>656,264</u>	<u>3,065,566</u>	<u>2,942,046</u>	<u>1,998,280</u>	<u>1,236,673</u>	<u>1,085,635</u>	<u>(1,671,427)</u>	<u>11,468,112</u>
Expenses									
Program services	551,731	222,327	1,629,078	1,590,008	1,187,393	342,062	344,877	-	5,867,476
Management and general	1,328,435	233,502	604,721	690,564	471,832	640,353	340,675	-	4,310,082
Fundraising and development	6,883	175,456	501,943	495,479	389,392	272,862	240,433	-	2,082,448
Central services	-	-	487,312	524,874	219,960	245,995	193,286	(1,671,427)	-
Total expenses	<u>1,887,049</u>	<u>631,285</u>	<u>3,223,054</u>	<u>3,300,925</u>	<u>2,268,577</u>	<u>1,501,272</u>	<u>1,119,271</u>	<u>(1,671,427)</u>	<u>12,260,006</u>
Increase (decrease) in unrestricted net assets	<u>268,026</u>	<u>24,979</u>	<u>(157,488)</u>	<u>(358,879)</u>	<u>(270,297)</u>	<u>(264,599)</u>	<u>(33,636)</u>	<u>-</u>	<u>(791,894)</u>
Temporarily restricted net assets									
Investment income	-	-	20,486	-	-	-	-	-	20,486
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Increase (decrease) in temporary restricted net assets	<u>-</u>	<u>-</u>	<u>20,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,486</u>
Net assets (deficit), beginning of year	<u>1,398,143</u>	<u>(886,592)</u>	<u>2,876,189</u>	<u>291,939</u>	<u>(4,419,106)</u>	<u>(1,389,469)</u>	<u>(199,226)</u>	<u>-</u>	<u>(2,328,122)</u>
Net assets (deficit), end of year	<u>\$ 1,666,169</u>	<u>\$ (861,613)</u>	<u>\$ 2,739,187</u>	<u>\$ (66,940)</u>	<u>\$ (4,689,403)</u>	<u>\$ (1,654,068)</u>	<u>\$ (232,862)</u>	<u>\$ -</u>	<u>\$ (3,099,530)</u>

PACIFICA FOUNDATION  
Statement of Expenses by Division  
For the Year Ended September 30, 2014

Expenses	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Totals
Personnel costs	\$ 744,258	\$ 435,266	\$ 1,931,208	\$ 1,885,144	\$ 708,952	\$ 710,804	\$ 556,553	\$ -	\$ 6,972,185
Advertising and promotion	-	3,038	27,875	16,824	62	-	2,598	-	50,397
Associations and periodicals	662	990	3,972	1,692	275	2,670	4,387	-	14,648
Audit fees	92,032	-	-	8,732	-	-	-	-	100,764
Bank charges and finance charges	43,615	16,100	54,964	77,249	68,453	49,648	59,172	-	369,201
Board meetings and elections	50,752	489	1,910	160	(25,066)	-	406	-	28,651
Central services	-	-	487,312	524,874	219,960	245,995	193,286	(1,671,427)	-
Communications expense	125,564	9,023	138,948	74,457	54,411	43,093	45,139	-	490,635
Community events	-	1,830	78,905	14,282	23,429	15,995	15,943	-	150,384
Computer maintenance	30,369	4,161	13,288	25,577	86	-	3,992	-	77,473
Consultants	88,225	9,435	33,828	-	60,199	86,084	8,481	-	286,252
Depreciation and amortization	3,458	7,573	102,883	92,605	5,178	3,721	22,255	-	237,673
Direct mail and telemarketing	6,351	6,877	79,798	119,016	180,771	17,347	60,098	-	470,258
Equipment rental	9,618	2,428	11,213	34,272	35,575	1,668	9,676	-	104,450
Insurance	203,528	-	17,214	3,608	-	-	-	-	224,350
Interest	13	-	-	-	-	-	-	-	13
Legal fees	167,049	-	-	50,000	48,625	53,223	-	-	318,897
Miscellaneous	239,856	43	469	41,379	3,827	-	432	-	286,006
Rent-office/studio	-	-	-	-	113,600	164,295	-	-	277,895
Rent-tower	-	-	1,440	18,486	589,177	40,448	71,564	-	721,115
Office expenses	8,660	2,086	5,795	22,080	38,799	33,545	7,466	-	118,431
Outside services	32,256	-	-	-	-	-	-	-	32,256
Permits, fines and filing fees	2,408	-	650	1,455	916	-	(713)	-	4,716
Programming costs	(885)	1,546	30,386	41,661	9,460	420	56,338	-	138,926
Repairs and maintenance	3,678	892	64,424	85,026	24,660	9,686	13,259	-	201,625
Storage	2,230	22,540	-	3,303	17,573	6,365	-	-	52,011
Tapes and supplies	-	99,662	2,113	2,738	-	-	3,847	-	108,360
Taxes - property tax	2,103	-	9,929	-	-	-	(28,686)	-	(16,654)
Training expense	-	3,647	1,473	-	-	-	726	-	5,846
Travel	26,561	822	12,074	24,271	5,404	4,134	946	-	74,212
Utilities	4,688	-	83,492	125,364	83,497	12,131	11,944	-	321,116
Website and audio port expenses	-	2,837	27,491	6,670	754	-	162	-	37,914
<b>Total expenses</b>	<b>\$ 1,887,049</b>	<b>\$ 631,285</b>	<b>\$ 3,223,054</b>	<b>\$ 3,300,925</b>	<b>\$ 2,268,577</b>	<b>\$ 1,501,272</b>	<b>\$ 1,119,271</b>	<b>\$ (1,671,427)</b>	<b>\$ 12,260,006</b>