

PACIFICA FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 1998

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 1998

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REPORT OF THE INDEPENDENT AUDITORS

Board of Directors
Pacifica Foundation
Los Angeles, California

We have audited the accompanying statement of financial position of the Pacifica Foundation (a nonprofit organization) at September 30, 1998, and the related statements of activities, functional expenses and cash flows, for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pacifica Foundation at September 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.



Getz, Krycler & Jakubovits
An Accountancy Corporation

Sherman Oaks, California
February 28, 1999

PACIFICA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 1998

	ASSETS								National Office	
	Totals	Eliminations	KPFA	KPFK	WBAL	KPFT	WPFW			
CURRENT ASSETS										
Cash in bank	\$ 367,262	\$ -	\$ 54,041	\$ 59,696	\$ 54,980	\$ 8,337	\$ 44,876	\$ 145,332		
Investments	925,204	-	171,860	248,344	44,212	-	-	460,788		
Accounts receivable	328,319	-	61,375	43,352	20,941	18,486	14,724	169,441		
Inter-division receivable	-	(1,055,167)	7,191	2,031	-	-	-	1,045,945		
Prepaid expenses	45,921	-	45,921	-	-	-	-	-		
TOTAL CURRENT ASSETS	<u>1,666,706</u>	<u>(1,055,167)</u>	<u>340,388</u>	<u>353,423</u>	<u>120,133</u>	<u>26,823</u>	<u>59,600</u>	<u>1,821,506</u>		
PROPERTY AND EQUIPMENT										
Land	632,428	-	481,069	88,475	-	62,884	-	-		
Building and improvements	2,629,088	-	1,973,872	303,246	-	101,381	-	250,589		
Equipment	5,384,464	-	1,629,345	885,188	1,068,494	440,718	676,957	683,762		
Leasehold improvements	716,752	-	-	-	495,725	16,430	88,096	116,501		
Furniture and fixtures	322,885	-	103,293	33,339	62,468	20,664	83,359	19,762		
	9,685,617	-	4,187,579	1,310,248	1,626,687	642,077	848,412	1,070,614		
Less: Accumulated depreciation	4,626,151	-	1,742,182	827,678	835,866	305,713	507,715	406,997		
PROPERTY AND EQUIPMENT, NET	<u>5,059,466</u>	<u>-</u>	<u>2,445,397</u>	<u>482,570</u>	<u>790,821</u>	<u>336,364</u>	<u>340,697</u>	<u>663,617</u>		
OTHER ASSETS										
Other, including deposits	124,215	-	1,750	4,642	83,747	-	16,490	17,586		
Program endowment	510,941	-	247,462	30,034	-	-	-	233,445		
TOTAL OTHER ASSETS	<u>635,156</u>	<u>-</u>	<u>249,212</u>	<u>34,676</u>	<u>83,747</u>	<u>-</u>	<u>16,490</u>	<u>251,031</u>		
TOTAL ASSETS	<u>\$7,361,328</u>	<u>\$ (1,055,167)</u>	<u>\$ 3,034,997</u>	<u>\$ 870,669</u>	<u>\$ 994,701</u>	<u>\$ 363,187</u>	<u>\$ 416,787</u>	<u>\$ 2,736,154</u>		

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

PACIFICA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 1998

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable and accrued expenses	\$ 854,591	\$ -	\$ 122,775	\$ 69,029	\$ 327,078	\$ 101,151	\$ 50,040	\$ 184,518
Loans & contracts payable - other	47,090	-	-	-	-	-	6,853	40,237
Deferred grant income	26,029	-	-	-	26,029	-	-	-
Inter-division payable	-	(1,055,167)	-	-	42,734	284,816	727,617	-
Loans payable - Bank - current portion	54,167	-	54,167	-	-	-	-	-
Deferred income - other	45,565	-	23,860	-	-	-	-	21,705
Deposits	27,807	-	1,200	-	-	26,607	-	-
TOTAL CURRENT LIABILITIES	1,055,249	(1,055,167)	202,002	69,029	395,841	412,574	784,510	246,460
LONG-TERM DEBT, NET OF CURRENT MATURITIES	485,452	-	429,583	-	-	-	1,853	54,016
TOTAL LIABILITIES	1,540,701	(1,055,167)	631,585	69,029	395,841	412,574	786,363	300,476
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-	-
NET ASSETS								
Unrestricted	5,454,562	-	2,253,412	781,640	598,860	(49,387)	(369,576)	2,239,613
Permanently restricted	366,065	-	150,000	20,000	-	-	-	196,065
TOTAL NET ASSETS	5,820,627	-	2,403,412	801,640	598,860	(49,387)	(369,576)	2,435,678
TOTAL LIABILITIES AND NET ASSETS	\$7,361,328	\$(1,055,167)	\$ 3,034,997	\$ 870,669	\$ 994,701	\$ 363,187	\$ 416,787	\$ 2,736,154

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

PACIFICA FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
UNRESTRICTED NET ASSETS								
SUPPORT								
Listener support / Donations	\$6,931,839	\$ -	\$ 1,769,248	\$ 1,291,073	\$ 2,478,175	\$ 518,239	\$ 833,168	\$ 41,936
Grants	1,325,077	-	288,006	295,430	389,256	77,441	151,194	123,750
Community events	348,457	-	160,451	14,269	155,149	8,764	9,824	-
SCA income	846,000	-	2,000	2,000	202,142	27,090	25,500	587,268
Miscellaneous	473,178	(12,000)	111,830	13,657	5,677	3,719	3,709	346,586
Unrealized investment gains & losses	(46,473)	-	(15,001)	(5,103)	(260)	-	-	(26,109)
Central services	-	(1,545,248)	-	-	-	-	-	1,545,248
DONATED SERVICES & EQUIPMENT								
	9,878,078	(1,557,248)	2,316,534	1,611,326	3,230,139	635,253	1,023,395	2,618,679
	256,757	-	19,300	67,748	128,918	2,291	27,000	11,500
TOTAL UNRESTRICTED REVENUE	<u>10,134,835</u>	<u>(1,557,248)</u>	<u>2,335,834</u>	<u>1,679,074</u>	<u>3,359,057</u>	<u>637,544</u>	<u>1,050,395</u>	<u>2,630,179</u>
EXPENDITURES								
Program services	5,123,583	-	1,078,579	667,419	1,246,197	300,781	399,361	1,431,246
Management & general	2,016,385	(12,000)	272,079	161,824	480,296	105,558	99,656	908,972
Fundraising	2,608,767	-	603,307	424,122	848,016	182,341	325,510	225,471
Community events	183,211	-	108,115	2,967	71,946	183	-	-
Central services	-	(1,545,248)	402,637	318,824	529,171	112,939	181,677	-
TOTAL EXPENDITURES	<u>9,931,946</u>	<u>(1,557,248)</u>	<u>2,464,717</u>	<u>1,575,156</u>	<u>3,175,626</u>	<u>701,802</u>	<u>1,006,204</u>	<u>2,565,689</u>
DONATED SERVICES & EQUIPMENT								
	256,757	-	19,300	67,748	128,918	2,291	27,000	11,500
TOTAL EXPENSES	<u>10,188,703</u>	<u>(1,557,248)</u>	<u>2,484,017</u>	<u>1,642,904</u>	<u>3,304,544</u>	<u>704,093</u>	<u>1,033,204</u>	<u>2,577,189</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(53,868)</u>	<u>-</u>	<u>(148,183)</u>	<u>36,170</u>	<u>54,513</u>	<u>(66,549)</u>	<u>17,191</u>	<u>52,990</u>
NET ASSETS - Beginning of year	<u>5,874,495</u>	<u>-</u>	<u>2,551,595</u>	<u>765,470</u>	<u>544,347</u>	<u>17,162</u>	<u>(386,767)</u>	<u>2,382,688</u>
NET ASSETS - End of year	<u>\$5,820,627</u>	<u>\$ -</u>	<u>\$ 2,403,412</u>	<u>\$ 801,640</u>	<u>\$ 598,860</u>	<u>\$ (49,387)</u>	<u>\$ (369,576)</u>	<u>\$ 2,435,678</u>

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

PACIFICA FOUNDATION
 SCHEDULE OF DONATED SERVICES, MATERIALS AND FACILITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Totals	KPFA	KPFK	WBAL	KPFT	WPFW	National Office
DONATED SERVICES, MATERIALS AND FACILITIES							
Accounting & legal	\$ 28,000	\$ -	\$ -	\$ 16,500	\$ -	\$ -	\$ 11,500
Technical	2,591	300	-	-	2,291	-	-
Fund raising and development	-	-	-	-	-	-	-
Programming service	159,166	19,000	67,148	73,018	-	-	-
Operating expenses	-	-	-	-	-	-	-
Other professional services	67,000	-	600	39,400	-	27,000	-
TOTAL DONATED SERVICES AND MATERIALS	<u>\$ 256,757</u>	<u>\$ 19,300</u>	<u>\$ 67,748</u>	<u>\$ 128,918</u>	<u>\$ 2,291</u>	<u>\$ 27,000</u>	<u>\$ 11,500</u>

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

PACIFICA FOUNDATION
 SCHEDULE OF FUNCTIONAL EXPENSES-PROGRAM SERVICES
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
SALARIES AND RELATED EXPENSES								
Salaries	\$2,185,391	-	\$ 497,766	\$ 283,655	\$ 466,782	\$ 116,747	\$ 123,787	\$ 696,654
Payroll taxes	189,692	-	44,508	25,868	37,838	9,324	12,309	59,845
Employee benefits	222,220	-	56,138	23,710	54,294	11,105	12,439	64,534
Consultants	89,331	-	-	6,219	17,831	-	750	64,531
TOTAL SALARIES AND RELATED EXPENSES	2,686,634	-	598,412	339,452	576,745	137,176	149,285	885,564
OTHER EXPENSES								
Legal fees	45,687	-	8,497	-	30,794	-	-	6,396
Supplies	76,202	-	9,212	14,307	23,810	4,598	8,361	15,914
Telephone	317,998	-	56,292	57,001	77,645	12,890	22,396	91,774
Postage & shipping	49,107	-	7,301	3,342	6,402	710	2,378	28,974
Rent	189,512	-	-	98	114,903	-	43,477	31,034
Equipment rental	295,115	-	5,695	20,142	197,028	39,115	28,799	4,336
Printing & publications	10,960	-	10,960	-	-	-	-	-
Travel	31,138	-	2,112	65	4,618	551	561	23,231
Conferences & meetings	78,374	-	8,562	17,556	6,536	14,240	13,417	18,063
Interest	36,751	-	36,751	-	-	-	-	-
Depreciation & amortization	366,115	-	170,658	65,930	66,068	18,554	44,905	-
Advertising & promotion	10,918	-	-	-	-	-	-	10,918
Associations & periodicals	15,681	-	3,415	1,442	678	635	1,473	8,038
Bank charges	2,404	-	-	-	-	-	-	2,404
Insurance	88,816	-	-	-	-	-	-	88,816
News service	136,449	-	24,004	35,616	28,868	12,393	-	35,568
Other administrative	28,131	-	1,814	1,578	18,968	1,184	2,434	2,153
Other programming	47,795	-	4,247	3,838	8,685	20,395	2,471	8,159
Pre-recorded material	415	-	415	-	-	-	-	-
Property taxes	24,264	-	4,308	882	6,611	11,961	385	117
Repairs & maintenance - general	110,510	-	40,593	30,474	14,947	2,963	10,363	11,170
Repairs & maintenance - technical	103,817	-	6,534	20,618	19,150	16,864	27,505	13,146
Satellite interconnect	108,438	-	4,116	5,800	5,800	-	5,800	86,922
Special projects	23,347	-	23,347	-	-	-	-	-
Tapes & supplies	68,656	-	3,278	11,298	12,452	221	911	40,496
Utilities	170,349	-	48,056	37,980	25,489	6,331	34,440	18,053
TOTAL OTHER EXPENSES	2,436,949	-	480,167	327,967	669,452	163,605	250,076	545,682
TOTAL PROGRAM SERVICE EXPENSES	\$5,123,583	\$ -	\$ 1,078,579	\$ 667,419	\$ 1,246,197	\$ 300,781	\$ 399,361	\$ 1,431,246

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

PACIFICA FOUNDATION
 SCHEDULE OF FUNCTIONAL EXPENSES-MANAGEMENT & GENERAL
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
SALARIES AND RELATED EXPENSES								
Salaries	\$1,091,046	\$ -	\$ 153,826	\$ 108,305	\$ 273,024	\$ 72,643	\$ 64,472	\$ 418,776
Payroll taxes	93,672	-	13,755	9,877	22,132	5,801	6,410	35,697
Employee benefits	90,519	-	17,348	9,053	31,758	6,910	6,478	18,972
Consultants	123,449	-	28,012	2,680	44,674	-	3,500	44,583
TOTAL SALARIES AND RELATED EXPENSES	1,398,686	-	212,941	129,915	371,588	85,354	80,860	518,028
OTHER EXPENSES								
Audit & accounting fees	32,934	-	-	-	-	-	-	32,934
Legal fees	34,454	-	-	13,806	-	-	-	20,648
Supplies	34,232	-	1,842	1,533	7,192	1,071	826	21,768
Telephone	53,654	-	6,580	5,063	18,282	1,512	1,380	20,837
Postage & shipping	8,146	-	1,460	358	1,949	165	235	3,979
Rent	39,276	(12,000)	-	11	34,971	-	4,294	12,000
Equipment rental	7,197	-	1,139	395	1,031	2,003	881	1,748
Printing & publications	2,302	-	2,129	-	-	173	-	-
Travel	14,119	-	423	7	1,406	128	55	12,100
Conferences & meetings	79,485	-	3,388	3,626	3,058	5,458	3,762	60,193
Interest	7,350	-	7,350	-	-	-	-	-
Depreciation & amortization	119,450	-	21,445	2,274	20,108	4,321	4,435	66,867
Associations & periodicals	2,043	-	683	154	206	148	146	706
Bank charges	17,874	-	-	-	-	-	-	17,874
Insurance	15,313	-	-	-	-	-	-	15,313
Lease buyout	30,000	-	-	-	-	-	-	30,000
List rental expenses	5,162	-	-	-	-	-	-	5,162
Other administrative	56,470	-	363	169	5,773	276	240	49,649
Property taxes	12,535	-	862	95	2,012	2,785	38	6,743
Repairs & maintenance - general	24,492	-	8,119	3,265	4,962	690	1,023	6,433
Utilities	21,211	-	3,355	1,153	7,758	1,474	1,481	5,990
TOTAL OTHER EXPENSES	617,699	(12,000)	59,138	31,909	108,708	20,204	18,796	390,944
TOTAL MANAGEMENT & GENERAL EXPENSES	\$2,016,385	\$ (12,000)	\$ 272,079	\$ 161,824	\$ 480,296	\$ 105,558	\$ 99,656	\$ 908,972

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

PACIFICA FOUNDATION
 SCHEDULE OF FUNCTIONAL EXPENSES-FUNDRAISING
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Totals	Eliminations	KPFA	KPFK	WBAL	KPFT	WPFW	National Office
SALARIES AND RELATED EXPENSES								
Salaries	\$ 675,277	-	\$ 162,205	\$ 123,776	\$ 140,915	\$ 70,048	\$ 69,630	\$ 108,703
Payroll taxes	59,182	-	14,504	11,288	11,423	5,594	6,923	9,450
Employee benefits	63,432	-	18,293	10,346	16,391	6,663	6,997	4,742
Consultants	103,375	-	2,957	38,922	53,775	-	5,550	2,171
TOTAL SALARIES AND RELATED EXPENSES	901,266	-	197,959	184,332	222,504	82,305	89,100	125,066
OTHER EXPENSES								
Legal fees	5,162	-	-	-	-	-	-	5,162
Supplies	29,294	-	5,655	3,724	3,425	630	10,418	5,442
Telephone	25,027	-	4,387	3,938	8,706	890	1,897	5,209
Postage & shipping	80,032	-	16,458	20,225	17,079	10,922	14,353	995
Rent	22,565	-	-	8	16,653	-	5,904	-
Equipment rental	3,947	-	759	307	491	1,178	1,212	-
Printing & publications	52,138	-	-	7,861	33,147	5,319	3,636	2,175
Travel	4,133	-	282	5	669	76	76	3,025
Conferences & meetings	32,040	-	2,957	3,255	2,261	4,360	4,158	15,049
Interest	4,900	-	4,900	-	9,575	-	-	6,098
Depreciation & amortization	44,527	-	7,825	1,770	98	2,542	200	176
Associations & periodicals	1,136	-	455	120	61,935	87	15,044	4,468
Bank charges	181,063	-	50,154	27,597	7,153	21,865	674	-
Computer supplies	8,029	-	-	-	132,119	202	39,621	-
Direct mail & telemarketing	431,902	-	157,538	68,147	-	22,523	-	11,954
Insurance	9,301	-	-	-	-	-	-	9,301
Other administrative	19,677	-	242	132	2,749	162	330	16,062
Other development	18,646	-	1,436	35	16,513	662	-	-
Mailing services	35,650	-	23,585	5,822	4,678	-	-	1,565
Premiums & marathon	670,267	-	120,490	93,333	301,443	25,707	129,294	-
Property taxes	3,297	-	575	74	958	1,638	52	-
Repairs & maintenance - general	13,540	-	5,413	2,540	2,166	406	1,407	1,608
Utilities	11,228	-	2,237	897	3,694	867	2,036	1,497
TOTAL OTHER EXPENSES	1,707,501	-	405,348	239,790	625,512	100,036	236,410	100,405
TOTAL FUNDRAISING EXPENSES	\$2,608,767	\$ -	\$ 603,307	\$ 424,122	\$ 848,016	\$ 182,341	\$ 325,510	\$ 225,471

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

PACIFICA FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
CASH FLOWS FROM OPERATING ACTIVITIES:								
Increase (decrease) in net assets	\$ (53,868)	\$ -	\$ (148,183)	\$ 36,170	\$ 54,513	\$ (66,549)	\$ 17,191	\$ 52,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:								
Depreciation & amortization	530,092	-	199,928	69,974	95,751	25,417	55,438	83,584
Changes in assets & liabilities:								
Accounts receivable	(33,005)	-	32,390	10,962	26,803	(10,717)	565	(93,008)
Prepaid expenses	(12,096)	-	(12,096)	-	-	-	-	-
Other assets	(11,133)	-	-	3,272	(9,733)	-	(193)	(4,479)
Accounts payable accrued expenses	171,768	-	28,551	(11,542)	108,938	15,121	2,098	28,602
Deferred grant income	26,029	-	-	-	26,029	-	-	-
Deferred income - other	3,985	-	(2,970)	-	-	-	-	6,955
Deposits	26,607	-	-	-	-	26,607	-	-
NET CASH FROM OPERATING ACTIVITIES	648,379	-	97,620	108,836	302,301	(10,121)	75,099	74,644
CASH FLOWS FROM INVESTING ACTIVITIES:								
Acquisition of land, buildings & equipment	(698,011)	-	(38,983)	(33,086)	(336,242)	(28,833)	(26,072)	(234,795)
Investments & program endowment	83,806	-	(3,137)	(55,059)	(1,060)	-	226	142,836
NET CASH FROM INVESTING ACTIVITIES	(614,205)	-	(42,120)	(88,145)	(337,302)	(28,833)	(25,846)	(91,959)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Inter-division receivables	-	83,942	(5,536)	(157)	21,526	-	-	(99,775)
Loans payable - bank	(2,004)	-	(49,167)	-	-	-	(6,853)	54,016
Inter-division payables	-	(83,942)	-	-	42,734	43,974	(2,766)	-
Loan payable - other	41,053	-	-	-	-	-	816	40,237
NET CASH FROM FINANCING ACTIVITIES	39,049	-	(54,703)	(157)	64,260	43,974	(8,803)	(5,522)
NET CHANGE IN CASH	73,223		797	20,534	29,259	5,020	40,450	(22,837)
Cash at beginning of year	294,039		53,244	39,162	25,721	3,317	4,426	168,169
Cash at end of year	\$ 367,262	\$ -	\$ 54,041	\$ 59,696	\$ 54,980	\$ 8,337	\$ 44,876	\$ 145,332

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

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Operations

Pacifica Foundation was organized in 1949 and currently operates, on a not-for-profit basis, five FM radio stations maintaining a program tape library which is used to sell and rent taped programs.

The financial statements include the operations of the following units:

- 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 Units

All significant inter-division accounts have been eliminated.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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 stipulations.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Income Recognition from Grants and Earmarked Funds

Funds received under grants from various governmental agencies and private sources are shown as deferred income when received. These amounts are recorded as income when the funds are disbursed in accordance with grant provisions in order to more closely match revenue with the related expenditure.

Income Taxes

The Foundation has qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes.

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.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Intangible Assets

The cost of a broadcasting license is being amortized on a straight-line method over 20 years from the date of acquisition (1977). That license was fully amortized as of September 30, 1997 and, as such, no amortization was charged to operations in the year ended September 30, 1998. (Radio station - WPFW).

The foundation also owns the broadcasting licenses of its other four stations. These licenses were acquired at no cost to the Foundation.

Donated Services, Materials and Facilities

In-kind contributions of services, materials and facilities represent individually provided professional services valued at the donor's normal compensation to the general public. These services typically consist of legal and accounting service, advertising, professional contract services and programming function. These contributions have been valued at the fair market value of the services to the general public.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 2 - INVESTMENTS

Investments, stated at fair market value as of September 30, 1998 consist of the following:

	<u>COST</u>	<u>MV</u>	<u>UNREALIZED GAIN (LOSS)</u>
U.S. Treasury Notes	\$ 729,164	\$ 741,221	\$ 12,057
U.S. Government Securities	186,174	188,208	2,034
Corporate Bonds	239,982	230,109	(9,873)
Stocks	<u>226,962</u>	<u>276,607</u>	<u>49,645</u>
	<u>\$1,382,282</u>	<u>\$1,436,145</u>	<u>\$ 53,863</u>
Investments	\$ 938,404	\$ 925,204	\$(13,200)
Endowment	<u>443,878</u>	<u>510,941</u>	<u>67,063</u>
	<u>\$1,382,282</u>	<u>\$1,436,145</u>	<u>\$ 53,863</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 1998:

	<u>UNRESTRICTED</u>
Interest and dividend income	\$ 85,057
Realized gains and losses	(23,836)
Unrealized gains and losses	(<u>46,473</u>)
Total investment return	<u>\$ 14,748</u>

NOTE 3 - RESTRICTED CASH

In accordance with the provisions of each grant, the funds received are restricted in use and must be used for their intended purposes. In general, the restrictions are that the funds be used for the operation of the radio stations but also contain specific restrictions such as salaries, consulting fees for special events and other similar expenditures. All other revenues are considered to be available for unrestricted use except for various endowments specifically restricted by the donor, and various funds earmarked by Pacifica's Board of Directors for specific projects.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 4 - LOANS PAYABLE, CONTRACTS PAYABLE, LONG-TERM DEBT

Loans & contracts payable - Other, consisted of the following:

	<u>September 30, 1998</u>	
	<u>Current</u>	<u>Long-Term</u>
<u>WPFW-FM</u>		
Lease payable, secured by equipment, bearing interest at 12.7% per annum, principle and interest due in monthly installments of \$630. The final payment is due December 1999.	\$ 6,853	\$ 1,853
<u>National Office</u>		
Lease payable, secured by equipment, bearing interest at 13% per annum, principle and interest due in monthly installments of \$4,179. The final payment is due November, 2000.		
	<u>40,237</u>	<u>54,016</u>
Total Loans and Contracts payable - Other		
	<u>47,090</u>	<u>55,869</u>
Loan Payable - Bank, consisted of the following:		
<u>KPFA-FM</u>		
A 15-year real estate loan secured by land, building and equipment (except for equipment & fixtures funded by an NTIA Grant). The terms of the loan call for monthly repayments of principle on a fixed schedule and monthly payments of interest at the bank's prime rate plus 1% with a 10.5% cap and a 7% floor. The interest rate at September 30, 1998 was 9.50%.		
Total Loan Payable - Bank		
TOTAL LOANS PAYABLE, CONTRACTS PAYABLE, LONG-TERM DEBT	<u>54,167</u>	<u>429,583</u>
	<u>54,167</u>	<u>429,583</u>
	<u>\$101,257</u>	<u>\$485,452</u>

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 4 - LOANS PAYABLE, CONTRACTS PAYABLE, LONG-TERM DEBT (continued)

Maturities by year of the long-term debt, including the KPFA mortgage payable, the WPFW lease payable and the National Office lease payable are: 9/99 - \$101,257, 9/00 - \$106,812, 9/01 - \$72,391, 9/02 - \$69,167, 9/03 - \$74,167, and thereafter - \$162,915.

NOTE 5 - GRANT REVENUE

Grant Revenue was recognized from the following sources:

For the fiscal year ended September 30, 1998:

	<u>Total</u>	Corporation For Public <u>Broadcasting</u> (see below)	<u>Other Federal</u>	<u>Charitable Foundation and other</u>
KPFA	\$ 288,006	\$ 244,929	\$ 12,243	\$ 30,834
KPFK	295,430	279,585	-	15,845
WBAI	389,256	384,184	-	5,072
KPFT	77,441	77,441	-	-
WPFW	151,194	150,944	-	250
National Office	<u>123,750</u>	<u>-</u>	<u>-</u>	<u>123,750</u>
	<u>\$1,325,077</u>	<u>\$1,137,083</u>	<u>\$ 12,243</u>	<u>\$175,751</u>

Federal funding for the Corporation for Public Broadcasting has been budgeted through September 1999. Such funding is currently under review by the Federal government, and proposals have been made to cut back or eliminate entirely these funds. See Note 18, Subsequent Events.

Grant revenue recognized as income includes amounts deferred at September 30, 1997 and excludes amounts deferred at September 30, 1998 for the year ended September 30, 1998.

Grant revenue is received for program production, capital equipment acquisition and station operations.

NOTE 6- LEASE COMMITMENTS, OFFICES AND FACILITIES

Studio Rent

The Foundation leases offices and operating facilities under operating leases providing for minimum future rentals at WBAI-FM and WPFW-FM (including national unit, Pacifica National Programming (PNP)).

Generally, the leases provide that insurance, maintenance and taxes are to be paid by the lessee.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 6- LEASE COMMITMENTS, OFFICES AND FACILITIES (continued)

Studio Rent (continued)

Net rental expense for operating facilities charged to operations for the year ended September 30, 1998 amounted to \$251,353.

Equipment Rental (Towers)

WBAI-FM

WBAI is currently obligated under a radio tower rental agreement entered into in January, 1992 for 14 years at a monthly rental subject to annual cost of living adjustments. The monthly rental as of September 30, 1998 was \$15,178 (182,136 per annum).

WPFW-FM

WPFW is currently obligated under a radio tower rental agreement entered on January 1, 1988 for fourteen years at a monthly rental subject to annual cost of living adjustments. The monthly rental for the year ended September 30, 1998 was \$1,781 (\$21,372 per annum).

KPFT-FM

KPFT is currently obligated under a radio tower rental agreement entered into on February 1, 1997, for 2 years, at a monthly rental of \$2,530. The lease contains four individual 2-year options to renew under similar terms. The first option to extend automatically became effective on February 1, 1999 for the period February 1, 1999 to February 1, 2001.

The future minimum rental payments under leases with remaining non-cancelable terms in excess of one year are:

STUDIO RENT

<u>Fiscal Year</u> <u>Ended</u>	<u>Total</u>	<u>WPFW (PNP)</u>	<u>WBAI</u>
9/30/99	\$236,283	\$ 86,640	\$ 149,643
9/30/00	286,164	86,640	199,524
9/30/01	213,964	14,440	199,524
9/30/02	199,524	-	199,524
9/30/03	226,344	-	226,344
Subsequent	<u>2,355,177</u>	<u>-</u>	<u>2,355,177</u>
	<u>\$3,517,456</u>	<u>\$187,720</u>	<u>\$3,329,736</u>

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 6 - LEASE COMMITMENTS, OFFICES AND FACILITIES (continued)

TOWER RENT

<u>Fiscal Year</u> <u>Ended</u>	<u>Total</u>	<u>WPFW</u>	<u>WBAI</u>	<u>KPFT</u>
9/30/99	\$ 199,728	\$ 18,408	\$ 150,960	\$30,360
9/30/00	194,568	18,408	150,960	25,200
9/30/01	159,360	-	150,960	8,400
9/30/02	150,960	-	150,960	-
9/30/03	150,960	-	150,960	-
Subsequent	<u>213,860</u>	<u>-</u>	<u>213,860</u>	<u>-</u>
	<u>1,069,436</u>	<u>36,816</u>	<u>968,660</u>	<u>63,960</u>
TOTAL	<u>\$4,586,892</u>	<u>\$224,536</u>	<u>\$4,298,396</u>	<u>\$63,960</u>

NOTE 7 - MISCELLANEOUS INCOME

Miscellaneous income for the year ended September 30, 1998, consisted of the following:

	<u>Total</u>	<u>KPFA</u>	<u>KPFK</u>	<u>WBAI</u>	<u>KPFT</u>	<u>WPFW</u>	<u>National</u> <u>Office</u>
Tape sales (recorded programs)	\$ 84,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,490
Rental of mailing lists	41,768	-	-	-	-	-	41,768
Rental of premises (net)	91,561	90,761	500	-	-	300	-
Interest and investment income	78,149	13,654	12,710	5,480	297	893	45,115
News feeds	175,213	-	-	-	-	-	175,213
Miscellaneous	<u>13,997</u>	<u>7,415</u>	<u>447</u>	<u>197</u>	<u>3,422</u>	<u>2,516</u>	<u>-</u>
	485,178	111,830	13,657	5,677	3,719	3,709	346,586
Eliminations	(12,000)	(12,000)	-	-	-	-	-
	<u>\$473,178</u>	<u>\$99,830</u>	<u>\$13,657</u>	<u>\$ 5,677</u>	<u>\$3,719</u>	<u>\$3,709</u>	<u>\$346,586</u>

NOTE 8 - SCA INCOME

Pacifica Foundation entered into subcarrier agreements in March 1984, whereby outside companies would be allowed to use a portion of certain Pacifica stations' basebands 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 agreement, some of the leases have expired, some have renewed, and various additional agreements have been entered into.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 8 - SCA INCOME (continued)

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.

As of January, 1999, one of the SCA lessees exercised its option to terminate its lease. That lease represented 30% of total SCA income. As of the date of these financial statements, a replacement has not been found.

Pacifica Foundation 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 non-profit status will not be affected.

NOTE 9 - DONATED SERVICES - VOLUNTEERS

Donated services, materials and facilities, shown in these financial statements, consist of amounts of support received for the year ended September 30, 1998, by individuals and organizations supplying their regular professional services, materials and facilities.

No amount has been included for volunteer support, where the amounts donated and contributed are for services of volunteers, where the work being performed is other than their regular professional occupation.

NOTE 10 - PROPERTY AND EQUIPMENT

Included in the property and equipment as held at September 30, 1998 is certain technical equipment acquired with the assistance of government grants.

In accordance with the regulations of these grants, the Federal Government retains interest in these assets for a period of 10 years following the completion of the grant.

At September 30, 1998, the following assets were owned:

	Approximate <u>Cost</u>	End of <u>10 Year Period</u>
KPFA (a)	\$221,635	2001
(b)	35,077	2003
(c)	3,000	2004
WPFW (a)	24,504	2003
(b)	34,508	2004
National Office	<u>15,000</u>	2004
	<u>\$333,724</u>	

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 11 - CENTRAL SERVICES

Central services consist of operating expenses provided by the National Office for the various stations. Typically, they consist of such expenses as legal and accounting services, insurance, programming, program distribution, and subscription services paid for the National Office.

NOTE 12 - DEFERRED INCOME - OTHER

Deferred income at September 30, 1998 consisted of the following:

National Office

Prepayments on tape sales	\$21,705
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KPFA-FM

Deposits collected and held from vendors for December 1998 Christmas Crafts Fair.	<u>23,860</u>
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\$45,565

Amounts of \$30,251 of expenses of KPFA relating to the December 1998 Christmas Crafts Fair are included in prepaid expenses.

NOTE 13 - DEPOSITS

Deposits at September 30, 1998 include security deposits held by KPFA related to tenants leasing various property acquired during the year ended September 30, 1991.

NOTE 14 - PROGRAM ENDOWMENT, RESTRICTED

Pacifica has received donations which the grantors and Pacifica's Board intend to be held as endowments. It is management's intention to invest the endowment in various long-term investment instruments. A portion of the annual investment income is intended to be used for various program production activities while the remainder is intended to be retained and used to increase the endowment's "principal".

NOTE 15 - PENDING LEGAL MATTERS

Communications Attorneys

Pacifica's communications attorneys have advised management that there are no pending or threatened litigations, claims, or assessments or other contingencies as to which they are aware of.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

NOTE 16 - CHARITABLE REMAINDER TRUST

In December 1990 Pacifica was named principle beneficiary of a charitable remainder trust. The terms of the trust calls for monthly percentage of principle payments to named income beneficiaries. Required monthly payments are to be paid first out of trust income, then out of trust principle, with any excess trust income added to principle. Annual trust administrative costs are to be paid out of trust assets. Upon expiration of the trust term of twenty years, or, if earlier, upon the death of the last income beneficiary, trust assets revert to Pacifica Foundation. The market value of trust assets at September 30, 1998 was \$158,986.

NOTE 17 - EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution salary deferral plan covering substantially all eligible employees. Under the plan, the Foundation contributes two percent of each eligible employee's salary. Plan expenses incurred by the Foundation during the fiscal year ended September 30, 1998 was \$2,300.

NOTE 18 - CONCENTRATION OF CREDIT RISK

Pacifica Foundation maintains several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution exceeded Federally insured limits. The amount in excess of the FDIC limit totaled \$95,713 as of September 30, 1998.

NOTE 19 - SUBSEQUENT EVENTS

Corporation for Public Broadcasting (CPB) Grants - Stations

In October, 1998, Pacifica Foundation was notified that they were not in compliance with one of the CPB rules regarding the participation of local boards in the selection of the National Board Members. They were granted a grace period to change their process and bring themselves into compliance. If they had not brought themselves into compliance, Pacifica would have lost their grant allocations for the second half of the fiscal year ended September 30, 1999.

As of the date of the financial statements, Pacifica amended its by-laws and brought themselves into compliance.