

Pacifica Foundation Radio

Financial Statements

September 30, 2013
(With Summarized Comparative Totals for 2012)



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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 Radio (the "Organization"), which comprise the statement of financial position as of September 30, 2013, 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 Radio as of September 30, 2013, 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 Radio's 2012 financial statements, and our report dated September 6, 2013 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, 2012 is consistent, in all material respects, with the audited consolidated 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 that matter.

Armanino LLP
Armanino^{LLP}
San Francisco, California

March 18, 2015

PACIFICA FOUNDATION RADIO
Statement of Financial Position
September 30, 2013
(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 216,067	\$ 790,808
Other receivables	31,513	87,140
Premiums inventory	82,149	68,663
Prepaid expenses	24,503	101,683
Total current assets	<u>354,232</u>	<u>1,048,294</u>
Non-current assets		
Investments	37,413	256,172
Property and equipment, net	2,482,620	2,540,099
Other assets	65,260	64,550
Restricted cash	720,081	783,848
Total non-current assets	<u>3,305,374</u>	<u>3,644,669</u>
 Total assets	 <u>\$ 3,659,606</u>	 <u>\$ 4,692,963</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 4,017,324	\$ 2,715,077
Deferred income	48,571	80,284
Deferred rent liability, short-term	20,259	-
Accrued expenses and benefits	1,184,320	642,455
Total current liabilities	<u>5,270,474</u>	<u>3,437,816</u>
Non-current liabilities		
Deferred rent liability, long-term	717,254	759,223
Total non-current liabilities	<u>717,254</u>	<u>759,223</u>
Total liabilities	<u>5,987,728</u>	<u>4,197,039</u>
Net assets (deficit)		
Unrestricted	(3,828,124)	(979,387)
Temporarily restricted	383,947	359,256
Permanently restricted	1,116,055	1,116,055
Total net assets (deficit)	<u>(2,328,122)</u>	<u>495,924</u>
 Total liabilities and net assets (deficit)	 <u>\$ 3,659,606</u>	 <u>\$ 4,692,963</u>

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

PACIFICA FOUNDATION RADIO
Statement of Activities
For the Year Ended September 30, 2013
(With Comparative Totals for 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support					
Listener support/donations, net	\$ 10,084,609	\$ -	\$ -	\$ 10,084,609	\$ 10,800,583
Grants	794,090	-	-	794,090	1,310,194
Community events	281,373	-	-	281,373	424,820
Sub-channel income	300,480	-	-	300,480	269,400
Other revenue	292,638	-	-	292,638	356,396
Investment income	47,778	67,546	-	115,324	123,855
Net assets released from restrictions	42,855	(42,855)	-	-	-
Total revenue and support	<u>11,843,823</u>	<u>24,691</u>	<u>-</u>	<u>11,868,514</u>	<u>13,285,248</u>
Expenses					
Program services	7,098,070	-	-	7,098,070	7,081,898
Management and general	5,508,697	-	-	5,508,697	5,072,564
Fundraising and development	2,085,793	-	-	2,085,793	2,104,465
Total expenses	<u>14,692,560</u>	<u>-</u>	<u>-</u>	<u>14,692,560</u>	<u>14,258,927</u>
 Change in net assets	 (2,848,737)	 24,691	 -	 (2,824,046)	 (973,679)
Net assets (deficit), beginning of year	<u>(979,387)</u>	<u>359,256</u>	<u>1,116,055</u>	<u>495,924</u>	<u>1,469,603</u>
Net assets (deficit), end of year	<u>\$ (3,828,124)</u>	<u>\$ 383,947</u>	<u>\$ 1,116,055</u>	<u>\$ (2,328,122)</u>	<u>\$ 495,924</u>

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

PACIFICA FOUNDATION RADIO
Statement of Cash Flows
For the Year Ending September 30, 2013
(With Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (2,824,046)	\$ (973,679)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	228,177	348,972
Realized and unrealized gain on investments	(39,530)	(96,152)
Change in operating assets and liabilities		
Other receivables	55,627	29,805
Premiums inventory	(13,486)	38,344
Prepaid expenses	77,180	(26,135)
Other assets	(710)	57,810
Accounts payable	1,302,247	1,114,765
Deferred income	(31,713)	(23,956)
Accrued expenses and benefits	541,865	(241,513)
Deferred rent liability	(21,710)	37,827
Net cash provided by (used in) operating activities	(726,099)	266,088
Cash flows from investing activities		
Change in restricted cash	63,767	(51,575)
Purchase of property and equipment	(170,698)	(176,774)
Purchase of investments	(6,562)	-
Proceeds from sales of investments	264,851	120,000
Net cash provided by (used in) investing activities	151,358	(108,349)
Net increase (decrease) in cash and cash equivalents	(574,741)	157,739
Cash and cash equivalents, beginning of year	790,808	633,069
Cash and cash equivalents, end of year	\$ 216,067	\$ 790,808
<u>Supplemental information</u>		
Cash paid for interest	\$ 44	\$ 21,895

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

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

1. Organization

Pacifica Foundation Radio (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 RADIO
Notes to Financial Statements
September 30, 2013

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, 2012 from which the summarized information was derived. Certain prior year balances were reclassified to conform to the current year financial statement presentation.

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 RADIO
Notes to Financial Statements
September 30, 2013

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 RADIO
Notes to Financial Statements
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Investments

Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in unrestricted net assets, unless their use is temporarily restricted or permanently restricted by the donor. Temporarily restricted investment income is reported as unrestricted investment income when the restrictions are satisfied in the same reporting period. Investments at September 30, 2013 were comprised of mutual funds and amounted to \$37,413.

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, 2013, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of financial instruments:

Level 1 Investments include quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.

Level 2 Investments include other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment terms, credit risk, etc.).

Level 3 Investments include significant unobservable inputs (including the Organization's own assumptions in determining fair value instruments).

The category within the fair value hierarchy is based up on the lowest level of input that is significant to the fair value measurement.

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 RADIO
Notes to Financial Statements
September 30, 2013

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 \$2,328,123 at September 30, 2013. The Organization is currently taking measures to reduce its operating costs and streamline its operations. 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, however, there can be no assurance that these actions will be sufficient. However, 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, 2013 the restricted cash consisted of:

Wells Fargo Bank ACH - KPFA	\$ 5,000
Solar Project - KPFK	52,936
NTIA-KPFT	13,671
Heath Fund - KPFA	482,154
Building Fund - WPFW	<u>166,320</u>
Total	<u>\$720,081</u>

5. Property and Equipment

The following is a summary of property and equipment at cost less accumulated depreciation, on September 30, 2013:

Land	\$ 632,428
Building and improvements	2,930,023
Leasehold improvements	609,465
Fixtures and furniture	242,300
Equipment	<u>6,245,479</u>
Total	10,659,695
Less: accumulated depreciation	<u>(8,177,075)</u>
Total	<u>\$2,482,620</u>

Depreciation and amortization of property and equipment amounted to \$228,177 during 2013.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

5. Property and Equipment (continued)

Included in the property and equipment held at September 30, 2013 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, 2013, 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. Fair Value Measurements

The following table summarizes the valuation of the Organization's assets which are measured on a recurring basis at September 30, 2013:

	Quoted Prices In Active Markets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Investments				
Mutual funds	\$37,413	\$ -	\$ -	\$37,413
Total assets at fair value	<u>\$37,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$37,413</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at September 30, 2013:

Capital acquisitions	\$222,945
Unappropriated earnings on endowment investments	<u>161,002</u>
	<u>\$383,947</u>

The Foundation released \$42,855 of temporarily restricted net assets during 2013 for use towards capital acquisitions.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

8. Permanently Restricted Net Assets

These funds are investments in perpetuity, the income from which is expendable for operations. Such endowments at September 30, 2013, are as follows:

KPFA - Heath Trust endowment fund	\$ 375,000
KPFA - Other endowment fund	150,000
KPFK - 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.

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.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

8. Permanently Restricted Net Assets (continued)

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, 2013.

Endowment net asset composition by type of fund as of September 31, 2013 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)	\$161,002	\$1,116,055	\$482,154

The following represents the changes in endowment net assets for the year ended September 30, 2013:

	<u>Deficit</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year, as previously reported	\$(800,598)	\$359,256	\$1,116,055	\$674,713
Reclassification of beginning unrestricted and temporarily restricted endowment net assets	<u>59,543</u>	<u>(265,800)</u>	<u>-</u>	<u>(206,257)</u>
Endowment net assets, as reclassified	(741,055)	93,456	1,116,055	468,456
Investment return				
Net appreciation (realized and unrealized)	<u>-</u>	<u>67,546</u>	<u>-</u>	<u>67,546</u>
Total investment return	<u>-</u>	<u>67,546</u>	<u>-</u>	<u>67,546</u>
Other	<u>(53,848)</u>	<u>-</u>	<u>-</u>	<u>(53,848)</u>
Endowment net assets, end of year	<u>\$(794,903)</u>	<u>\$161,002</u>	<u>\$1,116,055</u>	<u>\$482,154</u>

The previously reported temporarily restricted net assets balance at September 30, 2012 included amounts that were not temporarily restricted due to accumulated and unappropriated earnings and appreciation from donor restricted endowment funds. A reclassification has been presented to reclassify \$265,800 out of beginning temporarily restricted endowment net assets. In addition, the previously reported deficiency in endowment net assets at September 30, 2012 was overstated by \$59,543. A reclassification has been presented to fairly state the beginning deficiency in endowment net assets.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

8. Permanently Restricted Net Assets (continued)

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.

9. Lease Commitments

The Foundation is obligated under several operating leases for office space, studio and radio tower equipment. The leases expire through September 30, 2020. Future minimum lease payments under these lease agreements as of September 30, 2013 are as follows:

2014	\$ 406,888
2015	435,370
2016	465,846
2017	498,455
2018	533,347
Thereafter	<u>922,651</u>
Total	<u>\$3,262,557</u>

Rent expense under these lease agreements during 2013 was \$380,269.

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 \$78,675 during 2013 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 \$77,187 of pension costs related to the Profit Sharing Plan during 2013, but had not funded the plan as of September 30, 2013. The amount is included as part of accrued expenses and benefits at September 30, 2013.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

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.

The Foundation is a defendant in several 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. The aggregate amount of these settlements approximates \$715,000 and has been accrued for as of September 30, 2013.

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, 2013, are as follows:

PRA	\$ 23,896
KPFA	240,526
KPFK	637,041
WBAI	139,755
WPFW	160,560
KPFT	<u>43,812</u>
Total	<u>\$1,245,590</u>

13. SCA Income

Pacifica 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.

PACIFICA FOUNDATION RADIO
Notes to Financial Statements
September 30, 2013

13. SCA Income (continued)

In 1984, Pacifica 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.

14. Subsequent Events

Subsequent events were evaluated through March 18, 2015, 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.

SUPPLEMENTAL INFORMATION

PACIFICA FOUNDATION RADIO
Statement of Functional Expenses
For the Year Ended September 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total Functional Expenses</u>
Expenses				
Personnel costs	\$ 4,292,805	\$ 2,371,541	\$ 1,157,600	\$ 7,821,946
Advertising and promotion	65	9,208	10,688	19,961
Associations and periodicals	5,454	8,603	-	14,057
Audit fees	-	79,229	-	79,229
Bank charges and finance charges	21	117,958	180,592	298,571
Board meetings and elections	-	183,400	-	183,400
Communications expense	210,653	410,611	24,148	645,412
Community events	682	12,254	194,419	207,355
Computer maintenance	20,537	18,402	8,164	47,103
Consultants	79,006	345,044	67,924	491,974
Depreciation and amortization	135,238	85,347	7,593	228,178
Direct mail and telemarketing	17,522	4,438	386,757	408,717
Equipment rental	12,690	123,940	19,184	155,814
Insurance	-	342,091	-	342,091
Interest	-	44	-	44
Legal fees	-	420,079	-	420,079
Miscellaneous	1,510	70,666	10,197	82,373
Rent-office/studio	35,000	400,879	-	435,879
Rent-tower	657,721	-	-	657,721
Office expenses	44,613	72,640	2,209	119,462
Outside services	7,832	62,408	1,199	71,439
Permits, fines and filing fees	-	23,033	155	23,188
Programming costs	1,145,205	6,685	1,174	1,153,064
Repairs and maintenance	182,405	95,312	6,764	284,481
Storage	4,341	40,176	-	44,517
Tapes and supplies	33,716	6,079	480	40,275
Taxes - property tax	-	13,036	-	13,036
Training expense	11,886	2,547	2,953	17,386
Travel	9,924	46,212	3,593	59,729
Utilities	177,624	66,480	-	244,104
Website and audio port expenses	11,620	70,355	-	81,975
Total expenses	<u>\$ 7,098,070</u>	<u>\$ 5,508,697</u>	<u>\$ 2,085,793</u>	<u>\$ 14,692,560</u>

PACIFICA FOUNDATION RADIO
Statement of Financial Position by Division
September 30, 2013

<u>ASSETS</u>	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Totals
Current assets									
Cash and cash equivalents	\$ 43,612	\$ 71,814	\$ 2,404	\$ 31,283	\$ 7,749	\$ 18,825	\$ 40,380	\$ -	\$ 216,067
Other receivables	21,955	5,827	-	3,731	-	-	-	-	31,513
Premium inventory	-	-	5,043	39,725	-	32,944	4,437	-	82,149
Prepaid expenses	1,625	-	3,160	4,759	14,959	-	-	-	24,503
Total current assets	<u>67,192</u>	<u>77,641</u>	<u>10,607</u>	<u>79,498</u>	<u>22,708</u>	<u>51,769</u>	<u>44,817</u>	<u>-</u>	<u>354,232</u>
Non-current assets									
Investments	20,243	-	-	17,170	-	-	-	-	37,413
Property and equipment, net	5,839	20,877	1,429,011	662,529	9,951	14,464	339,949	-	2,482,620
Inter-division receivable	4,626,163	-	1,455,226	-	-	-	-	(6,081,389)	-
Other assets	7,500	-	710	-	42,701	14,349	-	-	65,260
Restricted cash	-	-	487,154	52,936	-	166,320	13,671	-	720,081
Total non-current assets	<u>4,659,745</u>	<u>20,877</u>	<u>3,372,101</u>	<u>732,635</u>	<u>52,652</u>	<u>195,133</u>	<u>353,620</u>	<u>(6,081,389)</u>	<u>3,305,374</u>
Total assets	<u>\$ 4,726,937</u>	<u>\$ 98,518</u>	<u>\$ 3,382,708</u>	<u>\$ 812,133</u>	<u>\$ 75,360</u>	<u>\$ 246,902</u>	<u>\$ 398,437</u>	<u>\$ (6,081,389)</u>	<u>\$ 3,659,606</u>
<u>LIABILITIES</u>									
Current liabilities									
Accounts payable	\$ 3,248,479	\$ 2,746	\$ 289,712	\$ 119,853	\$ 99,298	\$ 246,185	\$ 11,051	\$ -	\$ 4,017,324
Deferred income	-	-	-	-	-	-	48,571	-	48,571
Deferred rent liability, short-term	-	-	-	-	20,259	-	-	-	20,259
Accrued expenses and benefits	80,315	35,010	216,807	181,048	475,391	161,833	33,916	-	1,184,320
Total current liabilities	<u>3,328,794</u>	<u>37,756</u>	<u>506,519</u>	<u>300,901</u>	<u>594,948</u>	<u>408,018</u>	<u>93,538</u>	<u>-</u>	<u>5,270,474</u>
Non-current liabilities									
Inter-division payables	-	947,354	-	219,293	3,182,264	1,228,353	504,125	(6,081,389)	-
Deferred rent liability, long-term	-	-	-	-	717,254	-	-	-	717,254
Total non-current liabilities	<u>-</u>	<u>947,354</u>	<u>-</u>	<u>219,293</u>	<u>3,899,518</u>	<u>1,228,353</u>	<u>504,125</u>	<u>(6,081,389)</u>	<u>717,254</u>
Total liabilities	<u>3,328,794</u>	<u>985,110</u>	<u>506,519</u>	<u>520,194</u>	<u>4,494,466</u>	<u>1,636,371</u>	<u>597,663</u>	<u>(6,081,389)</u>	<u>5,987,728</u>
Net assets (deficit)									
Unrestricted	827,088	(886,592)	2,190,187	271,939	(4,484,906)	(1,546,614)	(199,226)	-	(3,828,124)
Temporarily restricted	-	-	161,002	-	65,800	157,145	-	-	383,947
Permanently restricted	571,055	-	525,000	20,000	-	-	-	-	1,116,055
Total net assets (deficit)	<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>
Total liabilities and net assets	<u>\$ 4,726,937</u>	<u>\$ 98,518</u>	<u>\$ 3,382,708</u>	<u>\$ 812,133</u>	<u>\$ 75,360</u>	<u>\$ 246,902</u>	<u>\$ 398,437</u>	<u>\$ (6,081,389)</u>	<u>\$ 3,659,606</u>

PACIFICA FOUNDATION RADIO
Statement of Activities by Division
For the Year Ended September 30, 2013

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Totals
Unrestricted revenue and support									
Listener support/donations, net	\$ 58,697	\$ 295,710	\$ 2,603,093	\$ 2,775,967	\$ 2,441,187	\$ 1,007,910	\$ 902,045	\$ -	\$ 10,084,609
Grants	13,550	10,000	138,671	151,157	210,690	137,375	132,647	-	794,090
Community events	-	1,557	189,760	16,129	30,642	15,307	27,978	-	281,373
Sub-channel income	300,480	-	-	-	-	-	-	-	300,480
Other revenue	182,985	50,937	14,348	-	3,217	-	41,151	-	292,638
Investment income	36,902	31	2,222	7,586	1	930	106	-	47,778
Central services	1,435,407	249,407	-	-	-	-	-	(1,684,814)	-
Net assets released from restrictions	-	-	-	-	-	42,855	-	-	42,855
Total unrestricted revenue and support	<u>2,028,021</u>	<u>607,642</u>	<u>2,948,094</u>	<u>2,950,839</u>	<u>2,685,737</u>	<u>1,204,377</u>	<u>1,103,927</u>	<u>(1,684,814)</u>	<u>11,843,823</u>
Expenses									
Program services	1,035,561	201,262	1,602,528	1,687,559	1,644,031	506,053	421,076	-	7,098,070
Management and general	1,802,681	234,754	691,716	505,908	1,187,528	692,435	393,675	-	5,508,697
Fundraising and development	-	112,856	517,090	449,725	492,423	240,128	273,571	-	2,085,793
Central services	-	-	484,652	575,455	227,910	222,618	174,179	(1,684,814)	-
Total expenses	<u>2,838,242</u>	<u>548,872</u>	<u>3,295,986</u>	<u>3,218,647</u>	<u>3,551,892</u>	<u>1,661,234</u>	<u>1,262,501</u>	<u>(1,684,814)</u>	<u>14,692,560</u>
Increase (decrease) in unrestricted net assets	<u>(810,221)</u>	<u>58,770</u>	<u>(347,892)</u>	<u>(267,808)</u>	<u>(866,155)</u>	<u>(456,857)</u>	<u>(158,574)</u>	<u>-</u>	<u>(2,848,737)</u>
Temporarily restricted net assets									
Investment income	-	-	67,546	-	-	-	-	-	67,546
Net assets released from restrictions	-	-	-	-	-	(42,855)	-	-	(42,855)
Increase (decrease) in temporary restricted net assets	<u>-</u>	<u>-</u>	<u>67,546</u>	<u>-</u>	<u>-</u>	<u>(42,855)</u>	<u>-</u>	<u>-</u>	<u>24,691</u>
Net assets (deficit), beginning of year	<u>2,208,364</u>	<u>(945,362)</u>	<u>3,156,535</u>	<u>559,747</u>	<u>(3,552,951)</u>	<u>(889,757)</u>	<u>(40,652)</u>	<u>-</u>	<u>495,924</u>
Net assets (deficit), end 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>

PACIFICA FOUNDATION RADIO
Statement of Expenses by Division
For the Year Ended September 30, 2013

Expenses	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Totals
Personnel costs	\$ 560,673	\$ 425,199	\$ 1,908,405	\$ 1,857,672	\$ 1,751,705	\$ 758,131	\$ 560,161	\$ -	\$ 7,821,946
Advertising and promotion	-	5,579	4,250	3,671	2,500	1,230	2,731	-	19,961
Associations and periodicals	-	505	9,009	452	-	-	4,091	-	14,057
Audit fees	79,229	-	-	-	-	-	-	-	79,229
Bank charges and finance charges	25,872	15,387	47,239	66,345	47,919	39,374	56,435	-	298,571
Board meetings and elections	76,271	501	29,671	27,407	23,934	14,724	10,892	-	183,400
Central services	-	-	484,652	575,455	227,910	222,618	174,179	(1,684,814)	-
Communications expense	185,067	9,537	102,862	118,274	112,640	59,298	57,734	-	645,412
Community events	628	5,103	122,334	10,121	37,006	19,170	12,993	-	207,355
Computer maintenance	3,712	3,440	10,268	29,182	-	-	500	-	47,103
Consultants	319,016	9,345	28,721	-	110,767	1,268	22,857	-	491,974
Depreciation and amortization	4,397	6,752	105,395	78,400	6,088	4,326	22,821	-	228,178
Direct mail and telemarketing	-	6,219	98,345	67,567	139,701	9,157	87,728	-	408,717
Equipment rental	6,595	3,709	7,196	24,263	80,644	22,763	10,643	-	155,814
Insurance	341,199	-	-	892	-	-	-	-	342,091
Interest	-	-	-	-	-	44	-	-	44
Legal fees	351,349	-	1,887	168	58,841	7,834	-	-	420,079
Miscellaneous	6,867	4,420	50,311	3,510	11,436	5,040	791	-	82,376
Rent-office/studio	14,740	-	900	-	213,733	206,506	-	-	435,879
Rent-tower	-	-	1,320	19,917	526,352	40,467	69,665	-	657,721
Office expenses	21,269	3,426	3,863	21,592	39,809	19,295	10,208	-	119,462
Outside services	61,695	-	-	-	3,969	-	5,775	-	71,439
Permits, fines and filing fees	15,435	-	6,151	1,602	-	-	-	-	23,188
Programming costs	693,659	-	91,941	91,226	115,124	59,356	101,757	-	1,153,064
Repairs and maintenance	12,398	6,560	45,981	99,642	21,871	79,567	18,462	-	284,481
Storage	3,848	18,142	-	4,341	12,736	5,449	-	-	44,517
Tapes and supplies	-	17,359	1,679	3,182	1,759	220	16,076	-	40,275
Taxes - property tax	-	-	13,036	-	-	-	-	-	13,036
Training expense	-	3,410	7,751	-	607	-	5,618	-	17,386
Travel	42,681	430	3,611	5,969	4,603	2,267	168	-	59,729
Utilities	4,936	-	75,635	100,050	-	53,663	9,820	-	244,104
Website and audio port expenses	6,706	3,849	33,572	7,748	237	29,465	397	-	81,975
Total expenses	\$ 2,838,242	\$ 548,872	\$ 3,295,986	\$ 3,218,647	\$ 3,551,892	\$ 1,661,234	\$ 1,262,501	\$ (1,684,814)	\$ 14,692,560