

The Pacifica Foundation

Financial Statements
and Independent Auditors' Report

September 30, 2018 and 2017

The Pacifica Foundation

Financial Statements
September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Pacifica Foundation

We were engaged to audit the accompanying financial statements of The Pacifica Foundation (“the Foundation”), which comprise the statements of financial position as of September 30, 2018 and 2017; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As explained in Note 9 to the financial statements, the Foundation is the sponsor of two distinct pension plans covering substantially all employees. Both plans are delinquent in obtaining audited financial statements as required by the Internal Revenue Service (IRS) and the Employee Retirement Income Security Act of 1974 (ERISA). Additionally, both plans are delinquent with filing tax returns with the IRS. As of the date of the Independent Auditors’ Report, July 16, 2020, audits of the plans for years 2018 and 2017 had not been completed. We were thus unable to obtain sufficient appropriate audit evidence about the correct pension accruals, penalties, and fines for the years ended September 30, 2018 and 2017.

Basis for Disclaimer of Opinion (continued)

Additionally, we were unable to obtain audit evidence to support the amounts and disclosures in the September 30, 2017 financial statements due to difficulties in obtaining sufficient supporting documentation from some of the locations. Some of the data from these stations could not be fully verified because it was missing. As a result, we were unable to determine whether any adjustments were necessary to make relating to the Foundation's September 30, 2017 statement of financial position; and the elements making up the statements of activities, functional expenses, and cash flows for the year then ended.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Substantial Doubt About the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 12 to the financial statements, the Foundation has suffered recurring losses from operations and has a net deficit that raises substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions, and management's plans regarding those matters, are described in Notes 12 and 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules included on pages 29-34 are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.



Vienna, Virginia
July 16, 2020

The Pacifica Foundation

Statements of Financial Position September 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,246,285	\$ 809,806
Accounts receivable	24,171	269,325
Prepaid expenses	7,891	31,806
Inventory	23,910	15,771
	1,302,257	1,126,708
Non-current assets:		
Restricted cash	859,964	573,915
Other assets	41,620	42,120
Property and equipment, net	1,706,477	1,914,722
	2,608,061	2,530,757
Total assets	\$ 3,910,318	\$ 3,657,465
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 2,932,066	\$ 2,971,113
Accrued expenses and payroll benefits	2,187,052	2,880,461
Accrued rent	-	2,418,169
Deferred revenue	25,000	-
Equipment loan payable	121,297	-
Notes payable	3,265,000	-
	8,530,415	8,269,743
Total liabilities	8,530,415	8,269,743
Net Assets (Deficit)		
Unrestricted	(5,736,152)	(5,794,133)
Temporarily restricted	-	65,800
Permanently restricted	1,116,055	1,116,055
	(4,620,097)	(4,612,278)
Total net deficit	(4,620,097)	(4,612,278)
Total liabilities and net deficit	\$ 3,910,318	\$ 3,657,465

See accompanying notes.

The Pacifica Foundation

Statement of Activities
For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Listener support and donations, net	\$ 8,272,007	\$ -	\$ -	\$ 8,272,007
Grants and contributions	1,555,331	9,000	-	1,564,331
Sub-carrier income	276,919	-	-	276,919
Community events	218,028	-	-	218,028
Gain on sale of property, net	727,457	-	-	727,457
Other revenue	470,337	-	-	470,337
Interest income	114,370	-	-	114,370
Released from restrictions	74,800	(74,800)	-	-
Total revenue and support	11,709,249	(65,800)	-	11,643,449
Expenses				
Program services	5,333,802	-	-	5,333,802
Supporting services:				
Management and general	5,232,008	-	-	5,232,008
Fundraising and development	1,085,458	-	-	1,085,458
Total supporting services	6,317,466	-	-	6,317,466
Total expenses	11,651,268	-	-	11,651,268
Change in Net Assets	57,981	(65,800)	-	(7,819)
Net (Deficit) Assets, beginning of year	(5,794,133)	65,800	1,116,055	(4,612,278)
Net (Deficit) Assets, end of year	\$ (5,736,152)	\$ -	\$ 1,116,055	\$ (4,620,097)

See accompanying notes.

The Pacifica Foundation

Statement of Activities
For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Listener support and donations, net	\$ 8,663,786	\$ -	\$ -	\$ 8,663,786
Grants and contributions	1,138,438	-	-	1,138,438
Sub-carrier income	276,215	-	-	276,215
Community events	179,663	-	-	179,663
Other revenue	580,037	-	-	580,037
Interest income	99,434	-	-	99,434
Total revenue and support	10,937,573	-	-	10,937,573
Expenses				
Program services	5,007,252	-	-	5,007,252
Supporting services:				
Management and general	4,917,298	-	-	4,917,298
Fundraising and development	1,099,663	-	-	1,099,663
Total supporting services	6,016,961	-	-	6,016,961
Total expenses	11,024,213	-	-	11,024,213
Change in Net Assets	(86,640)	-	-	(86,640)
Net (Deficit) Assets, beginning of year	(5,707,493)	65,800	1,116,055	(4,525,638)
Net (Deficit) Assets, end of year	\$ (5,794,133)	\$ 65,800	\$ 1,116,055	\$ (4,612,278)

The Pacifica Foundation

Statement of Functional Expenses
For the Year Ended September 30, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising and Development	
Personnel costs:				
Salaries and wages	\$ 2,997,163	\$ 1,098,705	\$ 463,874	\$ 4,559,742
Payroll taxes	279,491	98,958	44,107	422,556
Employee benefits	337,601	644,578	31,485	1,013,664
Pension and 403(b) contributions	63,026	29,938	10,976	103,940
Advertising and promotion	20	4,517	21,676	26,213
Associations and periodicals	434	1,043	5,583	7,060
Audit and accounting	-	145,517	-	145,517
Bank charges and credit card fees	(4,992)	119,346	78,759	193,113
Board meetings and elections	-	17,105	-	17,105
Communications expense	48,850	483,999	-	532,849
Community events	117	33,541	93,713	127,371
Computer maintenance	85,335	38,365	7,066	130,766
Consultants	103,041	584,939	56,752	744,732
Depreciation and amortization	129,146	32,531	104	161,781
Direct mail and telemarketing	3,586	41,913	167,921	213,420
Equipment rental	2,135	36,994	25,048	64,177
Insurance	-	232,110	-	232,110
Interest	-	164,147	-	164,147
Legal fees	-	462,381	-	462,381
Miscellaneous	-	245	-	245
Rent – office/studio	42,000	233,927	-	275,927
Rent – tower	669,559	-	-	669,559
Office expenses	612	146,860	6,985	154,457
Outside services	-	52,943	42,082	95,025
Permits, fines, and filing fees	6,334	140,065	-	146,399
Programming costs	215,572	52,476	25,724	293,772
Repairs and maintenance	53,571	83,188	2,638	139,397
Storage	-	29,722	-	29,722
Tapes and supplies	101,884	1,130	-	103,014
Taxes – property	-	111,152	-	111,152
Training conferences	13,382	4,485	104	17,971
Travel	4,019	23,779	861	28,659
Utilities	164,945	80,399	-	245,344
Website and audioport	16,971	1,010	-	17,981
Total Expenses	\$ 5,333,802	\$ 5,232,008	\$ 1,085,458	\$ 11,651,268

See accompanying notes.

The Pacifica Foundation

Statement of Functional Expenses For the Year Ended September 30, 2017

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising and Development	
Personnel costs:				
Salaries and wages	\$ 2,837,587	\$ 1,252,397	\$ 488,346	\$ 4,578,330
Payroll taxes	264,970	103,742	45,418	414,130
Employee benefits	310,544	645,139	31,594	987,277
Pension and 403(b) contributions	51,087	90,081	9,120	150,288
Advertising and promotion	300	1,466	25,427	27,193
Associations and periodicals	4,263	489	797	5,549
Audit and accounting	-	143,989	-	143,989
Bank charges and credit card fees	32,251	169,933	95,553	297,737
Board meetings and elections	-	77,506	-	77,506
Communications expense	67,880	408,116	-	475,996
Community events	1,531	17,662	57,348	76,541
Computer maintenance	27,922	52,704	6,609	87,235
Consultants	72,533	339,258	26,202	437,993
Depreciation and amortization	78,845	121,270	164	200,279
Direct mail and telemarketing	5,438	39,202	144,318	188,958
Equipment rental	1,015	57,714	14,684	73,413
Insurance	-	267,882	-	267,882
Legal fees	-	230,777	-	230,777
Miscellaneous	-	572	240	812
Rent – office/studio	-	226,880	-	226,880
Rent – tower	671,399	42,495	-	713,894
Office expenses	4,164	85,526	7,319	97,009
Outside services	3,426	53,956	110,680	168,062
Permits, fines, and filing fees	611	10,211	-	10,822
Programming costs	156,936	109,135	32,202	298,273
Repairs and maintenance	82,237	100,063	50	182,350
Storage	-	53,261	263	53,524
Tapes and supplies	116,494	4,054	-	120,548
Taxes – property	-	62,787	-	62,787
Training conferences	7,516	1,661	1,036	10,213
Travel	4,900	17,989	2,293	25,182
Utilities	183,247	121,546	-	304,793
Website and audioport	20,156	7,835	-	27,991
Total Expenses	\$ 5,007,252	\$ 4,917,298	\$ 1,099,663	\$ 11,024,213

See accompanying notes.

The Pacifica Foundation

Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets (deficit)	\$ (7,819)	\$ (86,640)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	161,781	200,279
Gain on sale of property and equipment	(727,457)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	245,154	(264,813)
Prepaid expenses	23,915	12,497
Inventory	(8,139)	2,382
Other assets	500	(5,350)
Increase (decrease) in:		
Accounts payable	(39,047)	(25,325)
Accrued expenses and payroll benefits	(693,409)	422,777
Accrued rent	(2,418,169)	58,086
Deferred revenue	25,000	-
	<u>(3,437,690)</u>	<u>313,893</u>
Cash Flows from Investing Activities		
Change in restricted cash	(286,049)	(54,546)
Purchases of property and equipment	(326,079)	(20,289)
Proceeds from sale of property and equipment	1,100,000	-
	<u>487,872</u>	<u>(74,835)</u>
Cash Flows from Financing Activities		
Proceeds from notes payable	3,765,000	-
Payments on notes payable	(500,000)	-
Proceeds from equipment loan payable	121,297	-
	<u>3,386,297</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	436,479	239,058
Cash and Cash Equivalents, beginning of year	<u>809,806</u>	<u>570,748</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,246,285</u>	<u>\$ 809,806</u>
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 164,167	\$ -
Cash paid for taxes	<u>\$ 111,152</u>	<u>\$ 62,787</u>

See accompanying notes.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

1. Nature of Operations

The Pacifica Foundation (“the 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 (IRC), which now corresponds with IRC 501(c)(3) as a public charity. The Foundation currently operates five FM radio stations and maintains a program tape library that is used to sell and rent taped programs to other noncommercial 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 200 affiliated non-commercial radio stations. The financial statements include the operations of the following divisions:

- Pacifica Foundation – National Office
- Pacifica Foundation – Pacifica Radio Archives
- 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.

2. Summary of Significant Accounting Policies

Principles of Combination

The financial statements include the accounts of the Foundation and the various divisions identified above, all of which have common national-level management and have delegates (“Directors”) who participate on the Foundation’s National Board. All significant balances and transactions between the Foundation’s divisions have been eliminated.

Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation

The Foundation's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Foundation's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Foundation or by the passage of time.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations or restricted purposes imposed by the donors.

Cash Equivalents

For the purpose of the statements of cash flows, the Foundation considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Restricted Cash

Restricted cash primarily represents funds restricted for specific purposes that are generally required to be held in separate bank accounts in accordance with donor and lender stipulations and restrictions.

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 Foundation determined costs using the first-in, first-out method. Obsolete or unsalable inventory is reflected at its estimated net realizable value.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. The cost of property and equipment exceeding \$2,000 is capitalized and depreciated over the estimated useful life of each class of depreciable asset. 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. The useful estimated lives of property and equipment are summarized 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

Revenue Recognition

Listener support and donations are reflected net of premiums incentives issued in exchange for payments received. Total premiums incentives and related costs amounted to \$785,273 and \$775,027 for the years ended September 30, 2018 and 2017, respectively.

Grants and contributions are recorded as revenue when received or promised. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of the Foundation's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Sub-carrier income is generated from outside companies that are allowed to use a portion of certain stations' base bands in order to broadcast signals to the outside companies' subscribers, as per agreement with the Foundation. Revenue from sub-carriers is recognized when earned.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 16, 2020, the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Foundation's fiscal year 2022.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the Foundation's fiscal year 2019.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

3. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and cash equivalents. The Foundation maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

The Foundation receives a substantial portion of its support from listeners and members. A significant reduction in the level of this support could have an adverse effect on its ability to continue programs and activities, which are funded wholly or partially by the generosity of listeners and members.

4. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 432,428	\$ 632,428
Building and improvements	2,356,141	2,972,327
Leasehold improvements	609,465	609,464
Furniture and fixtures	224,711	245,815
Equipment	<u>6,557,376</u>	<u>6,495,538</u>
Total property and equipment	10,180,121	10,955,572
Less: accumulated depreciation and amortization	<u>(8,473,644)</u>	<u>(9,040,850)</u>
Property and equipment, net	<u>\$ 1,706,477</u>	<u>\$ 1,914,722</u>

During 2018, the Foundation sold real estate property consisting of land, buildings, and building improvements in Berkeley, California at a gross sale price of \$1,100,000. The book value of the property at the time of the sale was \$305,000. The resulting net gain on this sale was \$727,457, after netting \$67,543 in closing costs, settlement charges, and other expenses incurred on the transaction.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

4. Property and Equipment (continued)

Prior to fiscal year 2018, the Foundation's National Board classified real estate property located in Berkeley, California as an asset under the KPFA division. During 2018, after the sale of the property was finalized, the Foundation made a decision to recognize the gross proceeds under the National Office division, while writing off the asset and related accumulated depreciation under the KPFA division. Refer to the supplementary information on pages 29-34 for further information. This had no effect on the Foundation's change in net assets taken as a whole.

5. Notes Payable and Equipment Loan Payable

Notes Payable

In order to remit payment under the Empire State Realty Trust (ESRT) Settlement Agreement, the Foundation obtained a \$3.265 million loan from a nonprofit lender during April 2018. The terms of the note call for interest-only payments due quarterly, with a final lump-sum payment of all unpaid interest and principal due in September 2021. The annual interest-rate on this instrument is 3% (+ prime rate). The lender also required a set-aside of approximately \$379,000 for the purpose of making interest-only loan payments during the first 18 months of the loan. In addition, the KPFA, KPFAK, and KPFT buildings have been pledged as collateral for this loan. Interest expense for this note totaled \$33,660 for the year ended September 30, 2018.

Under the loan, the Foundation is subject to specific loan covenants, some of which are summarized as follows:

- Submission of audited financial statements within 120 days following the close of the fiscal year.
- Submission of paperwork signed by the CFO certifying compliance with all covenants within 120 days following the close of the fiscal year.
- The Foundation shall not make capital expenditures for its stations in excess of \$150,000 during any fiscal year without the prior written consent of the lender.
- The Foundation shall not, except with the prior written approval of the lender, incur any debt in excess of \$25,000 in any one instance other than customary trade payables.
- A "Reserve Account" in the amount of \$379,000 must be created.
- The Foundation must be in compliance with every material provision of ERISA.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

5. Notes Payable and Equipment Loan Payable (continued)

Notes Payable (continued)

In March 2018, the Foundation obtained a loan in the amount of \$500,000 (“Supporters Loan”) from various benefactors of the Foundation (Board members and other individuals). The purpose of this loan was to cover restoration and moving expenses related to the relocation of the WBAI transmitter from the Empire State Building to 4 Times Square.

The building owned by the Foundation at 1921-1925 Martin Luther King Jr. Way in Berkeley (which housed the financial staff of the National Office until August 2019) has been pledged as collateral for this loan. This loan was repaid in full in June 2018 when the property at 1921-1925 Martin Luther King Jr. Way was sold for \$1.1 million (see Note 4). In June 2018, the building was leased back to the Foundation for a period of two years under an agreement requiring monthly rental payments of \$4,500. The Board resolved to allocate the money available from the proceeds from the building sale, which were used to retire the \$500,000 Supporters Loan and \$379,000 to fund the Loan Reserve Account. Any remaining balance (closing costs, settlement charges, etc.) will be available for other uses.

Equipment Loan Payable

During 2018, the Foundation entered into an equipment loan in conjunction with WBAI relocating to 4 Times Square. The terms of the loan include an 8% per annum interest rate. In addition, the loan calls for monthly payments of \$1,579 consisting of principal and accrued interest, which is set to commence in May 2019, with a final payment of all unpaid principal and interest due on April 30, 2028.

Future minimum payments are as follows as of September 30:

2019	\$	18,950
2020		18,950
2021		18,950
2022		18,950
2023		18,950
Thereafter		<u>74,219</u>
Total future minimum payments		168,969
Less: amount representing interest		<u>(47,672)</u>
Equipment loan payable	\$	<u><u>121,297</u></u>

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

6. Restricted Net Assets

Permanently Restricted

Permanently restricted net assets consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
KPFA – Health Trust endowment fund	\$ 375,000	\$ 375,000
KPFA – other endowment fund	150,000	150,000
KPFK – other endowment fund	20,000	20,000
National Office – other endowment fund	196,055	196,055
National Office – Health Trust endowment fund	<u>375,000</u>	<u>375,000</u>
Total permanently restricted net assets	<u>\$ 1,116,055</u>	<u>\$ 1,116,055</u>

Temporarily Restricted

Temporarily restricted net assets were \$-0- and \$65,800 at September 30, 2018 and 2017, respectively, and were purpose restricted for capital acquisitions.

7. Endowment

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

Interpretation of Relevant Law

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 Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

7. Endowment (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Foundation; and (7) investment policies of the Foundation.

Return Objectives, Risk Parameters, and Strategies

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. The Foundation follows a balanced approach between risk, preservation of capital, income, and growth.

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 \$559,024 and \$577,493 as of September 30, 2018 and 2017, respectively.

Composition of Endowment Funds

Endowment net assets were comprised of the following at September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ (559,024)	\$ -	\$ 1,116,055	\$ 557,031
Total endowment net assets	\$ (559,024)	\$ -	\$ 1,116,055	\$ 557,031

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

7. Endowment (continued)

Composition of Endowment Funds (continued)

Endowment net assets were comprised of the following at September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ (577,493)	\$ -	\$ 1,116,055	\$ 538,562
Total endowment net assets	\$ (577,493)	\$ -	\$ 1,116,055	\$ 538,562

Changes in Endowment Net Assets

Changes in endowment funds were as follows for the year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ (577,493)	\$ -	\$ 1,116,055	\$ 538,562
Interest income	18,469	-	-	18,469
Endowment net assets, ending	\$ (559,024)	\$ -	\$ 1,116,055	\$ 557,031

Changes in endowment funds were as follows for the year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ (625,235)	\$ -	\$ 1,116,055	\$ 490,820
Interest income	47,742	-	-	47,742
Endowment net assets, ending	\$ (577,493)	\$ -	\$ 1,116,055	\$ 538,562

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

8. Commitments and Contingencies

Operating Leases

The Foundation is obligated under certain multi-year operating leases for office space, studio, and radio tower equipment. The leases expire at various dates through April 30, 2028. The Foundation is also obligated under several month-to-month lease agreements to rent office and studio space.

Rent expense for all leases (including facilities, tower, and equipment) amounted to \$945,486 and \$940,774 for the years ended September 30, 2018 and 2017, respectively.

Future minimum lease payments under all multi-year lease agreements are as follows for the years ending September 30:

	Towers	Facilities	Equipment	Total
2019	\$ 154,579	\$ 51,637	\$ 63,639	\$ 269,855
2020	150,174	6,964	52,084	209,222
2021	154,679	7,173	27,679	189,531
2022	159,320	9,249	18,950	187,519
2023	164,099	1,861	18,950	184,910
Thereafter	816,727	-	74,219	890,946
Total future minimum lease payments	\$ 1,599,578	\$ 76,884	\$ 255,521	\$ 1,931,983

General Contingencies

In the normal course of business there are various outstanding commitments and contingent liabilities, such as commitments to enter into contracts and future programs, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions, donor conditions, and government contracts that obligate the Foundation to fulfill certain requirements, conditions, and activities; (b) Funding levels that vary based on factors beyond the Foundation's control, such as generosity of donors and general economic conditions; (c) Employment and service agreements with key management personnel; (d) Lawsuits and unasserted claims arising from the ordinary course of business; (e) Loan agreement covenants related to borrowing arrangements; and (f) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies, and risks will not have a material adverse effect on the financial statements.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

8. Commitments and Contingencies (continued)

General Contingencies (continued)

Certain grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting organizations.

Collective Bargaining Agreements (CBA)

Certain employees at certain geographic locations of the Foundation are enrolled in and protected by union agreements. Such agreements place restrictions on the employer and govern the hiring and firing of employees. Management is aware that certain policies reflected in the employee handbook are inconsistent with the union agreements and a labor attorney has been engaged to reconcile the language between these documents.

Sub-Carrier Agreement

The Foundation entered into sub-carrier agreements in March 1984, whereby outside companies are allowed to use a portion of certain Foundation 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.

Employment Contract

The Foundation has several long-term employment contracts that contain arbitration clauses with certain current and former employees. The estimated liabilities associated with these agreements cannot be estimated and no amount has been accrued in these financial statements.

9. Pension Plans

The Foundation has a 403(b) defined contribution retirement plan ("the 403(b) Plan") covering all eligible regular full time and part time employees who are employed for a minimum of six months. Funds from participants electing to make salary deferrals are invested along with employer matching funds in individual, self-directed accounts. The Foundation's contributions to employee participant accounts amounted to \$52,540 and \$61,736 during the years ended September 30, 2018 and 2017, respectively.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

9. Pension Plans (continued)

The Foundation also has a profit sharing plan (“the Pacifica Retirement Plan”), which provides for contributions based on 2% – 2.5% 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 employer contributions are subject to limitations imposed by applicable provisions of the IRC. The Foundation’s required contributions to the Pacifica Retirement Plan amounted to \$51,404 and \$88,552 for the years ended September 30, 2018 and 2017, respectively, which are included in accrued expenses and payroll benefits in the statements of financial position at September 30, 2018 and 2017, respectively. Subsequent to year end, and as of July 16, 2020, these amounts have been remitted.

Because the Foundation’s contribution to the Pacifica Retirement Plan had not yet been funded as of September 30, 2018 and 2017, the Department of Labor (D.O.L.) (in accordance with provisions stipulated under Federal laws) would have been able to classify the plan as being in critical or endangered status. Pension plans in critical or endangered status are required to adopt a plan aimed at restoring the financial health of the Retirement Plan. Subsequent to year end, the Foundation took steps in 2019 to respond to and correct the D.O.L.’s observations, and filed a Voluntary Compliance Plan in June 2020.

Accrued pension liabilities for each division are estimated and summarized as follows at September 30:

	2018	2017
KPFA	\$ 161,932	\$ 146,899
KPFK	183,086	170,031
KPFT	42,118	40,865
WBAI	64,655	60,573
WPFW	53,631	49,201
National Office	-	46,049
Pacifica Radio Archives	39,984	37,647
Estimated late filing penalties, assessments, and interest	284,727	300,000
Total accrued pension liabilities	<u>\$ 830,133</u>	<u>\$ 851,265</u>

These accrued pension liabilities are included in accrued expenses and payroll benefits in the statements of financial position. Subsequent to year end, during 2019, all amounts owed to the retirement plans were made.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

9. Pension Plans (continued)

The Foundation has received notification from opposing legal counsel demanding disclosure of certain information and documents relating to the Pacifica Retirement Plan and 403(b) Plan, the deposit of outstanding amounts owed to KPFK's CBA employees under the plans, a report on the status of the Pacifica Retirement Plan's search for a new record-keeper and third party administrator, and information about the 403(b) Plan's vendors.

Opposing counsel has also threatened additional grievances, enforcement of the stipulated award, a potential complaint to the D.O.L., and a potential filing of a breach of fiduciary duty lawsuit. According to outside advisors, the Foundation has an obligation to provide the union with relevant information that will assist it in administering the CBA, and failure to do so exposes the Foundation to liability under the National Labor Relations Act for failure to bargain.

The Employee Retirement Income Security Act of 1974 (ERISA) also imposes certain obligations on the Foundation to provide many of the items requested by opposing counsel to plan participants and beneficiaries within specified time frames upon request. Subsequent to year end, management fulfilled the various requests for information.

ERISA requires plans to provide participants with plan information including important information about plan features and funding; sets minimum standards for participation, vesting, benefit accrual, and funding; provides fiduciary responsibilities for those who manage and control plan assets; requires plans to establish a grievance and appeals process for participants to get benefits from their plans; gives participants the right to sue for benefits and breaches of fiduciary duty; and, if a defined benefit plan is terminated, guarantees payment of certain benefits through a federally chartered corporation, known as the Pension Benefit Guaranty Corporation. As of July 16, 2020, the Foundation has taken steps to be in full compliance of these rules and regulations.

The Foundation has been informed that the arbitration award still needs to be revised, because the corrective contributions for the missed employer contributions under the Pacifica Retirement Plan cannot be deposited into the 403(b) Plan. The Foundation has previously received annotated copies of the arbitration award to review and confirm the terms with applicable retirement plan laws and assist in preparation of the revised award. This is still in progress as of July 16, 2020.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

9. Pension Plans (continued)

The Foundation conducted a search for a new record-keeper/third party administrator for the Pacifica Retirement Plan and hired one (PB Retire) in the last months of calendar year 2018.

The Foundation's Board has received documentation outlining the compliance steps needed under the plans to correct the missed employer contributions, plan compliance errors, and draft resolutions to be adopted by the Board. Management has been advised of the importance of implementing the compliance steps, making the required corrective contributions, and making a final decision regarding the outstanding items in order to bring the plans into compliance. All of those items have either been resolved or are in the process of being resolved as of July 16, 2020. The D.O.L. closed its investigation in 2019 after the Foundation provided proof that all of the mandatory distributions from the Pacifica Retirement Plan had been processed.

10. Accrued Payroll and Related Benefits (Including Compensated Absences)

Financial statement presentation follows the recommendations of FASB Accounting Standards Codification (ASC) 710.25, *Compensated Absences*. Under FASB ASC 710.25, the Foundation is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation, which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability in the statements of financial position based on hourly rates in effect at the end of the fiscal year.

Total accrued payroll and related benefits amounted to \$1,170,149 and \$1,368,037 at September 30, 2018 and 2017, respectively, and are included in accrued expenses and payroll benefits in the statements of financial position.

During July 2016, the Foundation entered into a stipulated award agreement related to unpaid wages as a result of a workforce reduction during fiscal year 2015. The terms of the agreement required the Foundation to remit a total of \$150,000 for the unpaid wages, which occurred as a result of the workforce reduction. The agreement also required the Foundation to make severance and back pay remittances to certain employees totaling approximately \$135,000. During the fiscal year ended September 30, 2017, the Foundation made all payments required under the agreement.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

11. Pending or Threatened Litigations

New York

In November 2016, the owner of the Empire State Building filed a lawsuit against the Foundation alleging that the radio network owed \$1.35 million in rent and fees for the tower of its New York City station, WBAI. The suit alleged that the Foundation had been “chronically late” on its rent payments. The lawsuit sought unpaid rent in the amount of \$1,357,429 plus attorneys’ fees and penalties. The Foundation has accrued all applicable past due rent amounts plus estimated additional fees and related charges in the financial statements. The total accrued rent liabilities of \$-0- and \$2,418,169 at September 30, 2018 and 2017, respectively, are reflected in the statements of financial position.

In April 2018, the Foundation accepted a settlement agreement with ESRT. The Foundation paid ESRT \$3,085,000, which covered all monies owed to ESRT including interest, fees, relocation costs, penalties, and legal expenses through May 31, 2018. Further, ESRT released the Foundation from its contract with them, which would have otherwise obligated the Foundation through June 2020.

See Note 5 for further discussion on this.

Other Matters

The Foundation has been named as a defendant in various other lawsuits, which include claims of (a) wrongful termination, (b) wrongful removal from Board of Director positions, (c) violation of union contracts, and (d) other matters. In some cases, the Foundation has assessed the potential liabilities and has accrued the possible exposure. In other cases, the Foundation has contested the claims and sought arbitration.

Management believes that such pending and threatened litigation and related matters will not have a material adverse effect on the financial statements and that all potential liabilities that could materialize have been accrued in the financial statements.

12. Results of Operations

The Foundation has sustained significant losses from operating activities in the current and prior years. These factors resulted in the Foundation developing a total net deficit of \$4,620,097 and \$4,612,278 at September 30, 2018 and 2017, respectively. The Foundation has taken measures to reduce its operating costs, streamline its operations, and increase revenues and support.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

12. Results of Operations (continued)

Based on management's best estimate of future cash flows, these actions are expected to allow the Foundation to operate through the foreseeable future, subject to the factors discussed in Note 13. The Foundation'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 Foundation to sustain its operations in the long term depends on its ability to reduce operating costs and increase sources of cash flows. Lastly, the Foundation prepared a Financial Recovery and Stabilization Plan to address issues related to organizational and financial matters and to set a road map for future operations with an emphasis on stable management and sustainable revenue patterns.

13. Substantial Doubt About an Entity's Ability to Continue as a Going Concern

In accordance with applicable accounting and auditing standards, substantial doubt about an entity's ability to continue as a going concern exists when conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Principal Conditions or Events that Raise Substantial Doubt About the Entity's Ability to Continue as a Going Concern

As a consequence of entering into a settlement agreement with ESRT, the Foundation has amassed new debt exceeding \$3 million (as disclosed in earlier footnotes). These financing commitments will eventually require repayment in full, placing a significant strain on the cash flows and operating activities of the organization.

Although the lender on the \$3.265 million loan has set aside interest payments for the first 18 months of the loan, it is not entirely clear how the remaining funds will materialize. In order to sustain operations, funds will need to be generated from contributed income and earned revenue streams in order to ensure loan repayments. Additionally, it appears that certain loan covenants will be difficult (if not impossible) to be complied with. For example, the Foundation will be facing an event of default unless audited financial data is submitted within 120 days of the end of the fiscal year. Other violations of certain loan covenants also appear to be likely, which puts the Foundation at risk of having the loan called prematurely, which also puts at risk property and equipment pledged as collateral.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

13. Substantial Doubt About an Entity's Ability to Continue as a Going Concern (continued)

Management's Evaluation of the Significance of Those Conditions or Events in Relation to the Entity's Ability to Meet Its Obligations

The Foundation's management understands the significance of the terms and conditions of all secured and unsecured debt instruments. Management intends to take a proactive approach with respect to the covenants and work with the lenders to mitigate any events of default.

Management's Plans that Are Intended to Mitigate the Conditions or Events that Raise Substantial Doubt About the Entity's Ability to Continue as a Going Concern

Management continues to formulate plans and programs to enhance the financial condition of the Foundation, including cost-cutting measures, revenue enhancement strategies, and the lease or sale of certain properties to provide sufficient cash flows to properly service the debt and provide sufficient working capital to satisfy ongoing operational expenditures and related commitments (such as payroll and related benefits).

The Foundation will continue the repayment of the loans through funds allocated per a Reserve Agreement. During the term of the loan, only interest is paid. The entire principal, plus any unpaid interest, must be paid at the maturity date (2021), or earlier if the loan is pre-paid. At present, the monthly note would be a significant burden for the network considering projected revenues. However, successful completion of audits through fiscal year 2019 will coincide with efforts to align the Foundation with Corporation for Public Broadcasting Community Service Grant funds. Additionally, completion of the audits coupled with reliable financial reporting and practices will provide opportunity for major donor support and grantsmanship.

In January 2019, the Foundation entered into an agreement with National Educational Telecommunications Association (NETA) to provide financial management and accounting services for all divisions (National Office, Pacifica Radio Archives, and five stations).

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

13. Substantial Doubt About an Entity's Ability to Continue as a Going Concern (continued)

Management's Plans that Are Intended to Mitigate the Conditions or Events that Raise Substantial Doubt About the Entity's Ability to Continue as a Going Concern (continued)

The scope of services includes:

- Accounting services
- Grants and gifts project tracking and reporting
- Human resources support
- Payroll and benefits administration
- Annual audit and annual reports
- Management support and guidance

This significant upgrade will ensure that the Foundation incorporates best practices in all areas. Most importantly, NETA's services will make financial reporting reliable and accurate.

Lastly, all stations have entered into membership and subscription agreements with non-commercial industry leadership organizations – Radio Research Consortium (RRC), Public Radio Program Director (PRPD), and Greater Public. RRC provides the non-commercial industry with Arbitron audience data necessary to maximize listenership and loyalty – factors necessary to facilitate individual giving (membership). PRPD provides programming best practices. Greater Public is the industry leader in fundraising. Whether on-air fundraising, online giving, direct mail and telemarketing, major giving, or planned giving, the tools, templates, and knowledge gained represent a significant upgrade for the Foundation.

Investment and expertise are the focal point of the Foundation moving forward. The Foundation's ability to advance beyond a "going concern" is dependent on leveraging both of these in the coming months, quarters, and years.

The Pacifica Foundation

Notes to Financial Statements
September 30, 2018 and 2017

14. Income Taxes

The Foundation is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). For the years ended September 30, 2018 and 2017, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Foundation are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Foundation's tax positions and concluded that the Foundation's financial statements do not include any uncertain tax positions.

Financial statement presentation follows the recommendations of FASB ASC 740, *Income Taxes*. Under ASC 740, the Foundation is required to report information regarding its exposure to various tax positions taken by the Foundation and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold.

Management believes that the Foundation has adequately evaluated its current tax positions and has concluded that as of September 30, 2018 and 2017, the Foundation does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary. The Foundation may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes.

SUPPLEMENTARY INFORMATION

The Pacifica Foundation

Schedule of Financial Position by Division
September 30, 2018

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Assets									
Current assets:									
Cash and cash equivalents	\$ 415,204	\$ 41,497	\$ 431,952	\$ 157,446	\$ 3,117	\$ 51,686	\$ 145,383	\$ -	\$ 1,246,285
Accounts receivable	-	21,672	1,839	-	-	660	-	-	24,171
Inter-division receivables	10,201,498	-	1,762,117	-	-	-	-	(11,963,615)	-
Prepaid expenses	-	-	7,891	-	-	-	-	-	7,891
Inventory	-	-	1,958	7,846	-	8,083	6,023	-	23,910
Total current assets	10,616,702	63,169	2,205,757	165,292	3,117	60,429	151,406	(11,963,615)	1,302,257
Non-current assets:									
Restricted cash	260,027	2,217	562,034	7,277	512	27,897	-	-	859,964
Other assets	4,500	-	350	17,780	5,300	13,690	-	-	41,620
Property and equipment, net	3,336	11,999	698,364	388,722	140,864	77,383	385,809	-	1,706,477
Total non-current assets	267,863	14,216	1,260,748	413,779	146,676	118,970	385,809	-	2,608,061
Total assets	\$ 10,884,565	\$ 77,385	\$ 3,466,505	\$ 579,071	\$ 149,793	\$ 179,399	\$ 537,215	\$ (11,963,615)	\$ 3,910,318
Liabilities and Net Assets (Deficit)									
Liabilities									
Accounts payable	\$ 2,723,127	\$ 264	\$ 100,127	\$ 2,562	\$ 54,546	\$ 32,920	\$ 18,520	\$ -	\$ 2,932,066
Accrued expenses and payroll benefits	574,901	55,407	823,573	297,907	286,592	97,736	50,936	-	2,187,052
Inter-division payables	-	792,964	-	864,066	7,618,966	1,893,628	793,991	(11,963,615)	-
Deferred revenue	-	-	-	-	-	25,000	-	-	25,000
Equipment loan payable	-	-	-	-	121,297	-	-	-	121,297
Note payable	3,265,000	-	-	-	-	-	-	-	3,265,000
Total liabilities	6,563,028	848,635	923,700	1,164,535	8,081,401	2,049,284	863,447	(11,963,615)	8,530,415
Net Assets (Deficit)									
Unrestricted	3,750,482	(771,250)	2,017,805	(605,464)	(7,931,608)	(1,869,885)	(326,232)	-	(5,736,152)
Permanently restricted	571,055	-	525,000	20,000	-	-	-	-	1,116,055
Total net assets (deficit)	4,321,537	(771,250)	2,542,805	(585,464)	(7,931,608)	(1,869,885)	(326,232)	-	(4,620,097)
Total liabilities and net assets (deficit)	\$ 10,884,565	\$ 77,385	\$ 3,466,505	\$ 579,071	\$ 149,793	\$ 179,399	\$ 537,215	\$ (11,963,615)	\$ 3,910,318

The Pacifica Foundation

Schedule of Financial Position by Division
September 30, 2017

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Assets									
Current assets:									
Cash and cash equivalents	\$ 355,431	\$ 89,861	\$ 240,155	\$ 85,490	\$ 1,395	\$ 13,949	\$ 23,525	\$ -	\$ 809,806
Accounts receivable	576	19,717	248,503	361	168	-	-	-	269,325
Inter-division receivables	7,931,662	513,461	1,904,010	-	247,690	-	57,330	(10,654,153)	-
Prepaid expenses	30,776	-	1,030	-	-	-	-	-	31,806
Inventory	-	-	2,176	6,908	-	4,969	1,718	-	15,771
Total current assets	8,318,445	623,039	2,395,874	92,759	249,253	18,918	82,573	(10,654,153)	1,126,708
Non-current assets:									
Restricted cash	17,730	2,216	543,564	7,277	256	2,872	-	-	573,915
Other assets	5,000	-	350	17,780	5,300	13,690	-	-	42,120
Property and equipment, net	4,934	11,509	1,070,867	401,675	8,176	3,546	414,015	-	1,914,722
Total non-current assets	27,664	13,725	1,614,781	426,732	13,732	20,108	414,015	-	2,530,757
Total assets	\$ 8,346,109	\$ 636,764	\$ 4,010,655	\$ 519,491	\$ 262,985	\$ 39,026	\$ 496,588	\$ (10,654,153)	\$ 3,657,465
Liabilities and Net Assets (Deficit)									
Liabilities									
Accounts payable	\$ 2,628,479	\$ 673	\$ 60,589	\$ 16,188	\$ 92,858	\$ 140,432	\$ 31,894	\$ -	\$ 2,971,113
Accrued expenses and payroll benefits	667,046	55,639	831,401	303,722	872,130	103,918	46,605	-	2,880,461
Inter-division payables	1,689,725	1,374,066	51,288	685,813	4,162,710	1,818,074	872,477	(10,654,153)	-
Accrued rent	-	-	-	-	2,418,169	-	-	-	2,418,169
Total liabilities	4,985,250	1,430,378	943,278	1,005,723	7,545,867	2,062,424	950,976	(10,654,153)	8,269,743
Net Assets (Deficit)									
Unrestricted	2,789,804	(793,614)	2,542,377	(506,232)	(7,348,682)	(2,023,398)	(454,388)	-	(5,794,133)
Temporarily restricted	-	-	-	-	65,800	-	-	-	65,800
Permanently restricted	571,055	-	525,000	20,000	-	-	-	-	1,116,055
Total net assets (deficit)	3,360,859	(793,614)	3,067,377	(486,232)	(7,282,882)	(2,023,398)	(454,388)	-	(4,612,278)
Total liabilities and net assets (deficit)	\$ 8,346,109	\$ 636,764	\$ 4,010,655	\$ 519,491	\$ 262,985	\$ 39,026	\$ 496,588	\$ (10,654,153)	\$ 3,657,465

The Pacifica Foundation
Schedule of Activities by Division
For the Year Ended September 30, 2018

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Revenue and Support									
Listener support and donations, net	\$ 1,231	\$ 65,189	\$ 2,265,657	\$ 2,707,139	\$ 1,195,108	\$ 1,325,167	\$ 712,516	\$ -	\$ 8,272,007
Grants and contributions	198,610	34,064	779,114	143,994	194,139	135,754	78,656	-	1,564,331
Sub-carrier income	276,919	-	-	-	-	-	-	-	276,919
Community events	-	100	111,923	58,446	-	9,976	37,583	-	218,028
Gain (loss) on sale of property, net	1,100,000	-	(372,543)	-	-	-	-	-	727,457
Other revenue	236,021	162,985	23,984	7,836	-	-	39,511	-	470,337
Interest income	1,605	1	63,366	48,901	5	95	397	-	114,370
Central services	1,386,912	208,560	-	-	-	-	-	(1,595,472)	-
Total revenue and support	3,201,298	470,899	2,871,501	2,966,316	1,389,252	1,470,992	868,663	(1,595,472)	11,643,449
Expenses									
Program services	194,819	227,925	1,895,633	1,500,995	982,378	338,045	194,007	-	5,333,802
Supporting services:									
Management and general	2,045,528	208,580	615,910	732,840	720,549	697,276	211,325	-	5,232,008
Fundraising and development	273	12,030	413,074	330,845	81,707	73,982	173,547	-	1,085,458
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Total supporting services	2,045,801	220,610	1,500,440	1,564,553	1,055,600	979,434	546,500	(1,595,472)	6,317,466
Total expenses	2,240,620	448,535	3,396,073	3,065,548	2,037,978	1,317,479	740,507	(1,595,472)	11,651,268
Change in Net Assets	960,678	22,364	(524,572)	(99,232)	(648,726)	153,513	128,156	-	(7,819)
Net Assets (Deficit), beginning of year	3,360,859	(793,614)	3,067,377	(486,232)	(7,282,882)	(2,023,398)	(454,388)	-	(4,612,278)
Net Assets (Deficit), end of year	\$ 4,321,537	\$ (771,250)	\$ 2,542,805	\$ (585,464)	\$ (7,931,608)	\$ (1,869,885)	\$ (326,232)	\$ -	\$ (4,620,097)

The Pacifica Foundation

Schedule of Activities by Division
For the Year Ended September 30, 2017

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Revenue and Support									
Listener support and donations, net	\$ 4,444	\$ 119,369	\$ 2,630,216	\$ 2,637,631	\$ 1,420,815	\$ 1,141,564	\$ 709,747	\$ -	\$ 8,663,786
Grants and contributions	277,525	26,502	446,297	271,749	38,322	1,257	76,786	-	1,138,438
Sub-carrier income	276,215	-	-	-	-	-	-	-	276,215
Community events	-	-	102,962	27,747	28,000	-	20,954	-	179,663
Other revenue	198,520	228,619	119,362	-	-	-	33,536	-	580,037
Interest income	34	1	72,954	25,883	-	12	550	-	99,434
Central services	1,386,912	208,560	-	-	-	-	-	(1,595,472)	-
Total revenue and support	2,143,650	583,051	3,371,791	2,963,010	1,487,137	1,142,833	841,573	(1,595,472)	10,937,573
Expenses									
Program services	166,173	202,079	1,641,186	1,539,797	856,285	386,260	215,472	-	5,007,252
Supporting services:									
Management and general	1,450,075	202,172	738,519	702,535	847,596	607,390	369,011	-	4,917,298
Fundraising and development	158	18,784	391,618	282,870	152,964	72,852	180,417	-	1,099,663
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Total supporting services	1,450,233	220,956	1,601,593	1,486,273	1,253,904	888,418	711,056	(1,595,472)	6,016,961
Total expenses	1,616,406	423,035	3,242,779	3,026,070	2,110,189	1,274,678	926,528	(1,595,472)	11,024,213
Change in Net Assets	527,244	160,016	129,012	(63,060)	(623,052)	(131,845)	(84,955)	-	(86,640)
Net Assets (Deficit), beginning of year	2,833,615	(953,630)	2,938,365	(423,172)	(6,659,830)	(1,891,553)	(369,433)	-	(4,525,638)
Net Assets (Deficit), end of year	\$ 3,360,859	\$ (793,614)	\$ 3,067,377	\$ (486,232)	\$ (7,282,882)	\$ (2,023,398)	\$ (454,388)	\$ -	\$ (4,612,278)

The Pacifica Foundation

Schedule of Expenses by Division
For the Year Ended September 30, 2018

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Personnel costs	\$ 540,607	\$ 285,508	\$ 2,088,089	\$ 1,793,587	\$ 604,214	\$ 611,197	\$ 176,700	\$ -	\$ 6,099,902
Advertising and promotion	249	-	8,638	4,885	3,185	677	8,579	-	26,213
Associations and periodicals	-	-	1,827	5,583	-	-	(350)	-	7,060
Audit and accounting	143,422	-	-	-	-	2,095	-	-	145,517
Bank charges and credit card fees	27,077	4,496	70,057	15,585	14,427	24,069	37,402	-	193,113
Board meetings and elections	13,536	-	987	-	900	232	1,450	-	17,105
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Communications expense	27,302	6,226	145,751	131,374	89,988	72,516	59,692	-	532,849
Community events	-	7,575	43,131	21,484	6,538	12,649	35,994	-	127,371
Computer maintenance	26,360	180	74,559	28,138	700	-	829	-	130,766
Consultants	274,937	-	6,000	21,516	248,158	130,570	63,551	-	744,732
Depreciation and amortization	1,600	4,736	99,442	18,267	8,367	1,162	28,207	-	161,781
Direct mail and telemarketing	511	-	31,955	97,912	39,251	1,989	41,802	-	213,420
Equipment rental	2	936	12,139	23,417	10,289	6,916	10,478	-	64,177
Insurance	209,281	-	14,304	8,525	-	-	-	-	232,110
Interest	130,487	-	-	-	33,660	-	-	-	164,147
Legal fees	449,783	-	5,000	6,224	(3,692)	2,566	2,500	-	462,381
Miscellaneous	238	1	1	2	1	2	-	-	245
Rent – office/studio	20,850	-	-	-	106,852	148,225	-	-	275,927
Rent – tower	-	-	-	23,557	539,230	36,774	69,998	-	669,559
Office expenses	7,820	3,555	14,527	22,700	74,065	18,298	13,492	-	154,457
Outside services	34,545	418	41,350	6,917	9,231	157	2,407	-	95,025
Permits, fines, and filing fees	138,957	-	6,634	634	-	-	174	-	146,399
Programming costs	84,801	-	76,167	109,752	19,145	1,898	2,009	-	293,772
Repairs and maintenance	7,033	1,482	46,963	66,361	690	5,556	11,312	-	139,397
Storage	5,500	27,099	-	3,175	(6,052)	-	-	-	29,722
Tapes and supplies	-	102,686	-	328	-	-	-	-	103,014
Taxes – property	73,103	-	27,828	10,221	-	-	-	-	111,152
Training conferences	9,902	-	7,769	300	-	-	-	-	17,971
Travel	6,299	-	3,151	10,590	4,224	1,515	2,880	-	28,659
Utilities	6,418	-	88,086	129,604	(18,737)	30,240	9,733	-	245,344
Website and audioport	-	3,637	10,262	4,042	-	-	40	-	17,981
Total Expenses	\$ 2,240,620	\$ 448,535	\$ 3,396,073	\$ 3,065,548	\$ 2,037,978	\$ 1,317,479	\$ 740,507	\$ (1,595,472)	\$ 11,651,268

The Pacifica Foundation

Schedule of Expenses by Division
For the Year Ended September 30, 2017

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Personnel costs	\$ 594,185	\$ 238,548	\$ 1,887,557	\$ 1,854,363	\$ 564,448	\$ 605,228	\$ 385,696	\$ -	\$ 6,130,025
Advertising and promotion	152	-	10,580	8,717	500	160	7,084	-	27,193
Associations and periodicals	-	45	540	1,365	-	-	3,599	-	5,549
Audit and accounting	139,078	-	-	4,911	-	-	-	-	143,989
Bank charges and credit card fees	30,384	13,364	67,662	49,437	59,462	23,998	53,430	-	297,737
Board meetings and elections	44,221	-	1,793	22,068	4,993	2,520	1,911	-	77,506
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Communications expense	27,938	5,756	172,126	99,922	62,260	49,510	58,484	-	475,996
Community events	-	-	30,389	9,222	16,691	4,071	16,168	-	76,541
Computer maintenance	42,228	4,439	14,856	22,496	2,944	-	272	-	87,235
Consultants	100,171	-	19,625	46,550	164,648	71,682	35,317	-	437,993
Depreciation and amortization	1,718	6,135	93,511	65,034	1,861	1,225	30,795	-	200,279
Direct mail and telemarketing	13,145	-	52,572	38,520	41,058	280	43,383	-	188,958
Equipment rental	-	2,670	10,477	21,719	21,731	4,569	12,247	-	73,413
Insurance	244,977	-	13,067	9,838	-	-	-	-	267,882
Legal fees	179,763	-	-	275	42,518	7,990	231	-	230,777
Miscellaneous	470	-	102	240	-	-	-	-	812
Rent – office/studio	-	-	-	-	72,352	154,528	-	-	226,880
Rent – tower	-	-	-	20,365	574,686	44,390	74,453	-	713,894
Office expenses	8,955	4,892	17,815	14,434	28,538	9,196	13,179	-	97,009
Outside services	10,259	6,007	55,808	6,720	85,575	1,775	1,918	-	168,062
Permits, fines, and filing fees	1,524	-	3,385	5,463	-	450	-	-	10,822
Programming costs	146,240	250	82,535	44,277	23,156	415	1,400	-	298,273
Repairs and maintenance	4,069	2,374	62,195	60,188	12,599	27,251	13,674	-	182,350
Storage	15,890	23,079	-	2,955	11,600	-	-	-	53,524
Tapes and supplies	-	113,012	-	175	7,361	-	-	-	120,548
Taxes – property	-	-	58,127	4,660	-	-	-	-	62,787
Training conferences	375	-	6,224	-	999	2,615	-	-	10,213
Travel	4,957	-	4,601	919	11,841	769	2,095	-	25,182
Utilities	5,707	-	92,195	101,900	41,738	53,880	9,373	-	304,793
Website and audioport	-	2,464	13,581	8,469	3,286	-	191	-	27,991
Total Expenses	\$ 1,616,406	\$ 423,035	\$ 3,242,779	\$ 3,026,070	\$ 2,110,189	\$ 1,274,678	\$ 926,528	\$ (1,595,472)	\$ 11,024,213