

KCRW FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

KCRW FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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THE GLOBAL ADVISORY
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**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KCRW Foundation, Inc.

Opinion

We have audited the financial statements of KCRW Foundation, Inc. (KCRW Foundation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KCRW Foundation as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KCRW Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KCRW Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 KCRW Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KCRW Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited KCRW Foundation's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As more fully described in Note 1 and Note 3 to the financial statements, KCRW Foundation was established to promote and provide support to the Santa Monica Community College District's radio station, KCRW-FM (89.9 FM) (the Station). In order to achieve meaningful financial statements that fully and fairly disclose the financial position and results of operations of KCRW Foundation and the Station, the accounts of KCRW Foundation are presented in annual combined financial statements with the Station, and we refer the reader to those combined financial statements. Our opinion is not modified with respect to this matter.

Green Hasson & Janks LLP

November 17, 2023
Los Angeles, California

KCRW FOUNDATION, INC.STATEMENT OF FINANCIAL POSITION
June 30, 2023
With Summarized Totals at June 30, 2022

ASSETS	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and Cash Equivalents	\$ 6,703,946	\$ -	\$ 6,703,946	\$ 8,001,859
Investments	38,320,341	4,492,401	42,812,742	39,807,216
Contributions and Pledges Receivable (Net)	1,972,303	1,253,942	3,226,245	4,311,901
Prepaid Expenses and Other Assets	494,308	-	494,308	409,777
TOTAL ASSETS	\$ 47,490,898	\$ 5,746,343	\$ 53,237,241	\$ 52,530,753
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 2,343,973	\$ -	\$ 2,343,973	\$ 2,428,112
NET ASSETS:				
Without Donor Restrictions	45,146,925	-	45,146,925	42,753,536
With Donor Restrictions	-	5,746,343	5,746,343	7,349,105
TOTAL NET ASSETS	45,146,925	5,746,343	50,893,268	50,102,641
TOTAL LIABILITIES AND NET ASSETS	\$ 47,490,898	\$ 5,746,343	\$ 53,237,241	\$ 52,530,753

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

With Summarized Totals for the Year Ended June 30, 2022

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT:				
Contributions and Grants	\$ 9,058,416	\$ 1,717,961	\$ 10,776,377	\$ 12,389,281
Membership Donations	9,445,783	-	9,445,783	9,564,796
In-Kind Contributions	2,759,353	-	2,759,353	2,063,014
Donated Support from the District	2,367,543	-	2,367,543	2,417,514
TOTAL PUBLIC SUPPORT	23,631,095	1,717,961	25,349,056	26,434,605
OTHER INCOME (LOSS):				
Investment Return (Net)	3,098,757	-	3,098,757	(5,425,114)
Other Income	28,612	-	28,612	52,829
Net Assets Released from Donor Restrictions	3,320,723	(3,320,723)	-	-
TOTAL OTHER INCOME (LOSS)	6,448,092	(3,320,723)	3,127,369	(5,372,285)
TOTAL PUBLIC SUPPORT AND OTHER INCOME (LOSS)	30,079,187	(1,602,762)	28,476,425	21,062,320
EXPENSES:				
Program Services:				
Programming and Production	11,101,662	-	11,101,662	10,431,950
Broadcasting and Engineering	2,772,729	-	2,772,729	1,957,083
Program Information and Promotion	5,001,942	-	5,001,942	4,026,491
TOTAL PROGRAM SERVICES	18,876,333	-	18,876,333	16,415,524
Support Services:				
Management and General	2,825,608	-	2,825,608	3,207,975
Fundraising	5,983,857	-	5,983,857	5,215,614
TOTAL SUPPORT SERVICES	8,809,465	-	8,809,465	8,423,589
TOTAL EXPENSES	27,685,798	-	27,685,798	24,839,113
CHANGE IN NET ASSETS	2,393,389	(1,602,762)	790,627	(3,776,793)
Net Assets - Beginning of Year	42,753,536	7,349,105	50,102,641	53,879,434
NET ASSETS - END OF YEAR	\$ 45,146,925	\$ 5,746,343	\$ 50,893,268	\$ 50,102,641

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023								2022 Total Expenses
	Program Services				Support Services				
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total	Management and General	Fundraising	Total	Total Expenses	
Salaries	\$ 6,722,785	\$ 1,018,653	\$ 1,465,184	\$ 9,206,622	\$ 1,470,575	\$ 865,388	\$ 2,335,963	\$ 11,542,585	\$ 9,712,256
Payroll Taxes	516,696	78,327	112,828	707,851	115,705	66,483	182,188	890,039	744,020
Employee Benefits	860,584	153,514	139,167	1,153,265	286,069	81,722	367,791	1,521,056	1,247,882
TOTAL PERSONNEL COSTS	8,100,065	1,250,494	1,717,179	11,067,738	1,872,349	1,013,593	2,885,942	13,953,680	11,704,158
Professional Fees	908,793	294,265	431,516	1,634,574	390,444	2,701,931	3,092,375	4,726,949	5,388,578
Donated Support from the District	1,349,466	153,439	500,968	2,003,873	220,593	143,077	363,670	2,367,543	2,417,514
Advertising and Promotion	6,756	-	1,829,224	1,835,980	5,000	1,175,956	1,180,956	3,016,936	1,950,770
Dues and Subscriptions	78,820	122,512	112,521	313,853	57,386	186,882	244,268	558,121	504,381
Occupancy	12,960	509,290	400	522,650	-	-	-	522,650	474,467
Telephone and Data Communications	32,896	141,252	300,504	474,652	6,184	13,943	20,127	494,779	509,825
Credit Card and Bank Fees	10	-	20	30	300	381,752	382,052	382,082	400,899
Consultants	255,782	-	59,800	315,582	-	-	-	315,582	334,075
Community Events	306,367	-	-	306,367	-	-	-	306,367	182,158
Postage	515	1,409	31,577	33,501	277	240,142	240,419	273,920	272,944
Equipment Purchases, Rental and Maintenance	484	266,682	738	267,904	4,673	1,336	6,009	273,913	211,669
Insurance	638	7,487	344	8,469	189,255	-	189,255	197,724	121,032
Conferences and Travel	32,363	20,864	5,316	58,543	12,408	116,943	129,351	187,894	84,698
Office	6,255	483	698	7,436	43,303	445	43,748	51,184	47,932
Printing	2,918	78	9,637	12,633	1,311	6,323	7,634	20,267	19,734
Bad Debt	-	-	-	-	14,758	-	14,758	14,758	31,114
Staff Development	980	4,269	1,300	6,549	2,969	1,166	4,135	10,684	11,650
Grants and Awards	5,495	-	200	5,695	2,182	368	2,550	8,245	167,995
Taxes and Licenses	99	205	-	304	2,216	-	2,216	2,520	3,520
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 11,101,662	\$ 2,772,729	\$ 5,001,942	\$ 18,876,333	\$ 2,825,608	\$ 5,983,857	\$ 8,809,465	\$ 27,685,798	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 10,431,950	\$ 1,957,083	\$ 4,026,491	\$ 16,415,524	\$ 3,207,975	\$ 5,215,614	\$ 8,423,589		\$ 24,839,113

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

With Summarized Totals for the Year Ended June 30, 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 790,627	\$ (3,776,793)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Realized and Unrealized (Gains) Losses on Investments	(2,023,358)	6,427,796
Bad Debt Expense	14,758	31,114
Decrease (Increase) in:		
Contributions and Pledges Receivable (Net)	1,070,898	(602,458)
Prepaid Expenses and Other Assets	(84,531)	(8,021)
Decrease in:		
Accounts Payable and Accrued Expenses	<u>(84,139)</u>	<u>(336,306)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(315,745)	1,735,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(3,877,326)	(3,830,032)
Proceeds from Sale of Investments	3,960,792	3,878,226
Interest and Dividends Reinvested	<u>(1,065,634)</u>	<u>(1,044,589)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(982,168)</u>	<u>(996,395)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,297,913)	738,937
Cash and Cash Equivalents - Beginning of Year	<u>8,001,859</u>	<u>7,262,922</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,703,946</u></u>	<u><u>\$ 8,001,859</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - NATURE OF ORGANIZATION

KCRW Foundation, Inc. (KCRW Foundation) was established to promote and provide financial support to the Santa Monica Community College District's radio station, KCRW-FM (89.9 FM) (the Station). The Station's license is held by the Santa Monica Community College District (the District) located in Santa Monica, California. The Station is operated by the District and KCRW Foundation pursuant to an agreement dated June 3, 2014 (Operating Agreement).

KCRW Foundation is a separate legal entity, a 501(c)(3) nonprofit public benefit corporation. KCRW Foundation maintains a separate Board of Directors. Support for KCRW Foundation is derived from foundation grants, underwriting contributions, individual contributions, and membership donations.

Revenue is received by both KCRW Foundation and the District as set forth in more detail in the Operating Agreement. Because the nature and significance of KCRW Foundation's relationship with the District, KCRW Foundation's accounts are also presented in an annual combined financial statement. The combined financial statement includes the accounts of KCRW Foundation and the District in order to achieve a meaningful financial statement that fully and fairly discloses the financial position and operations of the Station.

The Station is one of the nation's leading National Public Radio affiliates, featuring an eclectic mix of music, news, information, and cultural programming. Each week the Station produces over 100 hours of original news, music, and culture content - including award winning, impactful, public service journalism - delivered on-air, online, and in person to diverse, curious communities. The Station also invests in original podcast, broadcast, and digital programs that explore storytelling, design, music commentary, and experimental radio programming. The Station is celebrated for its live events and partners with local organizations to offer over 100 live music and cultural events attended by over 200,000 people from throughout Southern California each year.

The Station's team of producers, DJs, and journalists has received many prestigious honors, including The George Foster Peabody Award, Edward R. Murrow Award, Los Angeles Press Club Awards, and Radio & Television News Directors Association Awards. The Station's music team is widely recognized for discovering new music around the world and has a long history of introducing emerging artists to American audiences.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 1 - NATURE OF ORGANIZATION (continued)

Program Highlights During the Year Ended June 30, 2023 (Unaudited)

- As the COVID-19 pandemic waned, the Station returned to in-person live music performances hosted at the Station's headquarters and Apogee Studios. During the year ended June 30, 2023, the Station recorded and released 27 sessions from artists such as Genesis Owusu, Tears for Fears, Danielle Ponder, Stromae, and many more. These live music sessions are an essential way of providing compelling programming for audiences and building strong relationships with artists.
- At its core, the Station is a convener and spotlihter of culture. To that end, the Station expanded the beloved Summer Nights series that brings the community together with free access to cultural institutions, local vendors and music from the Station's DJs. The 17 Summer Nights concert events included partnerships at One Colorado, MOCA & JANM, LACMA, the Hammer Museum, and more cultural institutions. The new Open House series launched with events at The Kinsey African American Art & History Collection at SoFi Stadium and at the California African American Museum.
- As the housing crisis becomes increasingly severe in Los Angeles, the Station remains committed to chronicling and contextualizing this pressing issue while providing solutions-oriented explorations of the issue. The Station's housing reporter, Anna Scott, created *City of Tents: Veterans Row*, which followed the story of the Veterans Row encampment outside of the Los Angeles VA campus. The 8-episode podcast series touched on personal stories from those affected, the complex legacy of the VA campus, and an analysis of the ultimate dissolution of the encampments. The series received significant acclaim and was even cited in a town hall conversation with Los Angeles Mayor Karen Bass.
- In collaboration with CapRadio and the California Newsroom, the Station helped to produce "Burned" - a major investigative project focusing on the devastating Caldor fire. The series revealed how the U.S. Forest Service has fallen short in doing what the agency knows must be done to keep people in California safe from wildfires. Helmed by the Station's Caleigh Wells and CapRadio's Scott Rod, the series won both prestigious regional and national Edward R. Murrow Awards for best radio news documentary.
- The Station is committed to creating a robust pipeline of talent to train and diversify the next generation of public media professionals. To this end, the Station has created a variety of programs such as the Report LA Fellowship, Podcast Bootcamp, and Young Creators Project. During the year ended June 30, 2023, the Station launched the first Engineering Apprenticeship, which hired two full-time apprentices to receive training in broadcast engineering and work within the engineering department.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The financial statements of KCRW Foundation have been prepared utilizing the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, \$15,922,180 for the following: \$5,000,000 for future programming initiatives, \$3,000,000 for infrastructure, \$2,000,000 for capital improvements and \$5,922,180 for an operating reserve. The operating reserve is calculated at an amount not less than the greater of (i) three months of the operating expenses projected in the budget for the current fiscal year and (ii) 10% of the total net assets as of the latest available monthly financial statements.
- **Net Assets With Donor Restrictions.** Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2023 approximates its fair value.

KCRW Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. KCRW Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return (net) in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies, guidelines, and objectives adopted by KCRW Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

KCRW Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At June 30, 2023, KCRW Foundation evaluated the collectability of contributions and pledges receivable and recorded an allowance for doubtful contributions and pledges receivable of \$7,647. There were no conditional contributions at June 30, 2023.

(f) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair value in the period received and expensed when utilized. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2023, KCRW Foundation recognized in-kind contribution revenue, primarily of advertising and promotion services, of \$2,759,353.

Volunteers donate significant amounts of their time to KCRW Foundation. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) MEMBERSHIP DONATIONS

New and renewing membership donations are recognized as contribution revenue when received, as the exchange element is considered to be de minimis.

(h) ADVERTISING AND PROMOTION

KCRW Foundation expenses advertising and promotion costs as incurred. Advertising and promotion expense for the year ended June 30, 2023 was \$3,016,936.

(i) INCOME TAXES

KCRW Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue Code, and is exempt from federal and state taxes.

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, KCRW Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2023, KCRW Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(j) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing KCRW Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. KCRW Foundation uses full-time equivalents to allocate indirect costs.

(k) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) COMPARATIVE TOTALS

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 presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KCRW Foundation's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

(m) NEW ACCOUNTING PRONOUNCEMENT

In June 2016, FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For KCRW Foundation, the ASU and the subsequent amendments will be effective for the year ending June 30, 2024, and are expected to be adopted using the modified-retrospective approach.

(n) SUBSEQUENT EVENTS

KCRW Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 17, 2023, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - RELATED PARTY TRANSACTIONS

As described in Note 1, KCRW Foundation has an affiliation with the District's radio station, KCRW-FM (89.9 FM) (the Station). The Station is maintained on the campus of the District in the City of Santa Monica, California. The Station is a public telecommunications operation of the District. The District is the Federal Communications Commission (FCC) licensee of the Station. The Operating Agreement, which governs the relationship between the District and KCRW Foundation, provides in part the following:

The District provides support services and facilities to KCRW Foundation. The District does not delegate its FCC-mandated obligations as licensee of the Station to KCRW Foundation. KCRW Foundation coordinates and directs all fundraising efforts of the Station.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

The District retains and exercises oversight and control of the activities and operations of the Station. KCRW Foundation provides financial and operational support to the Station. Day-to-day management of the Station, including programming, technical support, fundraising, and administration, is the responsibility of the Station Manager appointed by the District after consultation with KCRW Foundation's Board of Directors (the Foundation Board).

The Station Manager is a District employee under the direct supervision of the District. The current Station Manager has been elected President of KCRW Foundation by the Foundation's Board and answers to both the District and the Foundation Board. The President is also an ex officio member of the Foundation Board.

Station employees, whether employed by the District or KCRW Foundation, report to the Station Manager. All personnel matters concerning District employees are the responsibility of the District. KCRW Foundation reimburses the District an amount equal to the salaries and benefits of the Station's District employees.

KCRW Foundation (i) hires or otherwise retains personnel necessary to carry out its functions under the Operating Agreement and (ii) otherwise operates KCRW Foundation in accordance with KCRW Foundation's Articles of Incorporation and Bylaws. KCRW Foundation contracts directly for further assistance with such persons or entities it deems necessary. All matters concerning KCRW Foundation employees, vendors, consultants, service providers, and other persons or entities engaged by KCRW Foundation are the responsibility of KCRW Foundation.

KCRW Foundation conducts all fundraising so as to comply with the rules and policies of the FCC applicable to noncommercial educational broadcast stations, including Section 73.503(d) of the FCC rules, and with IRS requirements for documenting charitable contributions.

The District cooperates with KCRW Foundation in applying for grants, awards, contributions, bequests, legacies or other property or monies for the use or benefit of the Station. To the extent any such funds are restricted by the entity providing the funds, the District complies with said restrictions. To the extent funds received by the District are inadequate to pay for expenses incurred by the District related to the Station, KCRW Foundation, in the manner consistent with FCC policies, reimburses the District for Station operating expenses reasonably incurred by the District.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

During the year ended June 30, 2023, the District invoiced KCRW Foundation for the following operating expenses:

Personnel Related Costs	\$ 1,071,321
Rent and Utilities	500,684
Professional Services	9,339
Office, Parking and Events	9,301
TOTAL	\$ 1,590,645

At June 30, 2023, included in accounts payable and accrued expenses was a payable of \$454,866 to the District for KCRW Foundation's reimbursement of expenses incurred by the District on behalf of the Station. The payable is unsecured, non-interest bearing and will be repaid in the ordinary course of operations.

During the year ended June 30, 2023, the District provided KCRW Foundation with operational, and facilities support, which was not and will not be reimbursed to the District. The fair value of this support is recognized in the statement of activities as donated support from the District with a corresponding indirect in-kind expense in the functional expense categories of program, management and general, and fundraising.

The Corporation for Public Broadcasting issued guidance on how to calculate Donated Support from the District, or indirect administrative support. The guidance requires that the Station determine an indirect cost rate, which is the ratio between the District's total indirect expenses consisting of Instructional Support Services and Plant Operations and Maintenance, and the District's direct cost base. For the year ended June 30, 2023, this indirect cost rate was calculated at approximately 20%. The rate is then applied against the Station's net direct expense of \$2,766,405, totaling to \$551,073. As KCRW Foundation is headquartered on the CMD campus of Santa Monica Community College, a pro-rata share of the building's depreciation, \$1,906,135, is also recognized within the calculation of indirect administrative support, bringing the total calculated indirect administrative support to \$2,457,208. The total is allocated between the Station and KCRW Foundation based on full-time equivalents, with KCRW Foundation representing approximately 96.35%. A schedule of the amount KCRW Foundation recognized as indirect support is as follows:

Occupancy Value	\$ 1,836,579
Operational Support	530,964
TOTAL DONATED SUPPORT FROM THE DISTRICT	\$ 2,367,543

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - RELATED PARTY TRANSACTIONS (continued)

KCRW Foundation operates from the KCRW Media Center, which was constructed by the District. The District also installed equipment and furniture for the facilities to be used by KCRW Foundation. As of June 30, 2023, KCRW Foundation has contributed \$8,750,447 to the costs related to the construction and equipping of the KCRW Media Center. Of that amount, \$6,600,355 represents a reimbursed amount paid to the District and \$2,150,092 represents payments made directly by KCRW Foundation.

In June 2021, the KCRW Foundation Board of Directors approved a \$2,000,000 spend from the Capital Campaign Fund towards digital infrastructure, equipment and programming initiatives. During the year ended June 30, 2023, \$758,379 was expensed towards these initiatives bringing total approved expenditures to \$2,000,000. In addition to this \$2,000,000 initiative, KCRW Foundation continues to invest in technological improvements funded through net assets without donor restrictions or board designation.

During the year ended June 30, 2023, a related party of KCRW Foundation donated advertising management consulting services which included planning, placement, and purchasing for marketing campaigns. The donated services were valued at \$64,980 and are reflected on the statement of activities within in-kind contribution revenue and on the statement of functional expenses under advertising and promotion expense.

NOTE 4 - INVESTMENTS

KCRW Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 4 - INVESTMENTS (continued)

The following table presents information about KCRW Foundation's assets that are measured at fair value on a recurring basis at June 30, 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 379,030	\$ 379,030	\$ -	\$ -
Common Stock	4,883	4,883		
Mutual Funds:				
Equity	21,405,639	21,405,639	-	-
Fixed Income	15,194,492	15,194,492	-	-
US Treasury Notes	5,828,698	-	5,828,698	-
TOTAL INVESTMENTS	\$ 42,812,742	\$ 36,984,044	\$ 5,828,698	\$ -

The fair value of common stock and mutual funds within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of US treasury notes within Level 2 was obtained based on market prices for identical or similar instruments traded in over-the-counter markets at the closing of the last business day of the fiscal year.

NOTE 5 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At June 30, 2023, contributions and pledges receivable are due to be received as follows:

Within One Year	\$ 3,231,842
Within Two to Five Years	2,050
GROSS CONTRIBUTIONS AND PLEDGES RECEIVABLE	3,233,892
Less: Allowance for Doubtful Accounts	(7,647)
CONTRIBUTIONS AND PLEDGES RECEIVABLE (NET)	\$ 3,226,245

Contributions and pledges receivable at June 30, 2023 include in-kind contributions of advertising and promotion services to be received in future years of \$1,210,942.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 6 - CONTRIBUTED GOODS AND SERVICES

During the year ended June 30, 2023, KCRW Foundation recognized in-kind contribution revenue of \$2,759,353 primarily in the form of advertising and promotion services. The valuation methodology and functional activity are detailed in the table below.

Category	Valuation	Activity	
Advertising	Vendor quote	Program Information and Promotion	\$ 1,589,895
Premiums	Standard industry price	Fundraising	951,013
	Standard industry price	Program Information and Promotion	1,800
Professional Services	Vendor quote	Program Information and Promotion	64,980
Total In-Kind Expenses			2,607,688
Advertising	Vendor quote	Program Information and Promotion	573,942
Premiums	Standard industry price	Fundraising	637,000
Total In-Kind Contributions Recognized as Pledges Receivable at June 30, 2023 and Expected to be Utilized During the Year Ending June 30, 2024			1,210,942
Premiums	Standard industry price	Fundraising	(399,646)
Advertising	Vendor quote	Program Information and Promotion	(659,631)
Total In-Kind Contributions Recognized as Pledges Receivable at June 30, 2022 and Utilized During the Year Ended June 30, 2023			(1,059,277)
Total In-Kind Contributions			\$ 2,759,353

NOTE 7 - RETIREMENT PLAN

KCRW Foundation sponsors a defined contribution retirement plan for all eligible employees. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. Additionally, KCRW Foundation will match employees' contributions up to 5% of eligible employees' compensation. Employer contributions for the year ended June 30, 2023 were \$210,616.

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2023:

Subject to Expenditure for Specified Purpose:	
Capital Campaign	\$ 4,443,563
Bookworm	29,874
Podcast Bootcamp	<u>23,164</u>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	4,496,601
Subject to the Passage of Time:	
Contributions and Pledges Receivable	<u>1,249,742</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,746,343</u>

With the building completed, and consistent with the capital campaign solicitation, remaining capital campaign funds are planned for building related expenses, programming and technology initiatives, and events.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Satisfaction of Purpose Restrictions:	
Capital Campaign	\$ 1,080,568
Other Programs	793,630
Release of Time Restrictions	<u>1,446,525</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,320,723</u>

KCRW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by KCRW Foundation at June 30, 2023 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2023:	
Cash and Cash Equivalents	\$ 6,703,946
Investments	42,812,742
Contributions and Pledges Receivable (Net)	<u>3,226,245</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2023	52,742,933
Less Amounts Not Available to Be Used Within One Year, Due to:	
Board Designated Reserves	(15,922,180)
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	<u>(4,496,601)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 32,324,152</u>

KCRW Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of KCRW Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, KCRW Foundation considers pledges with time restrictions that are expected to be collected in the next fiscal year as available for general expenditures.

To help manage unanticipated liquidity needs, KCRW Foundation has certain long-term investments that are not subject to donor restrictions that could be made available for current operations, if necessary. Furthermore, KCRW Foundation has a board designated operating reserve of \$5,992,180 that may be used, upon an affirmative vote of the Board of Directors, to fund operations during a period of adverse financial performance.