

PACIFICA FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 1997

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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REPORT OF THE INDEPENDENT AUDITORS

Board of Directors
Pacifica Foundation
Los Angeles, California

We have audited the accompanying statement of financial position of the Pacifica Foundation (a nonprofit organization) at September 30, 1997, and the related statements of activities, functional expenses and cash flows, for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pacifica Foundation at September 30, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.



Getz, Krycler & Jakubovits
An Accountancy Corporation

Sherman Oaks, California
February 15, 1998

PACIFICA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 1997

ASSETS

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WFFW	National Office
CURRENT ASSETS								
Cash in bank	\$ 294,039	\$ -	\$ 53,244	\$ 39,162	\$ 25,721	\$ 3,317	\$ 4,426	\$ 168,169
Investments	952,351	-	149,106	197,250	43,152	-	226	562,617
Accounts receivable	295,314	-	93,765	54,314	47,744	7,769	15,289	76,433
Inter-division receivable	-	(971,225)	1,655	1,874	21,526	-	-	946,170
Prepaid expenses	33,825	-	33,825	-	-	-	-	-
TOTAL CURRENT ASSETS	1,575,529	(971,225)	331,595	292,600	138,143	11,086	19,941	1,753,389
PROPERTY AND EQUIPMENT								
Land	632,428	-	481,069	88,475	-	62,884	-	-
Building and improvements	2,615,346	-	1,971,174	294,177	-	99,406	-	250,589
Equipment	4,842,912	-	1,593,060	867,266	858,143	424,591	650,885	448,967
Leasehold improvements	666,077	-	-	-	432,868	6,200	88,096	138,913
Furniture and fixtures	303,109	-	103,293	27,244	49,287	20,164	83,359	19,762
Motor vehicles	3,954	-	3,954	-	-	-	-	-
	9,063,826	-	4,152,550	1,277,162	1,340,298	613,245	822,340	858,231
Less: Accumulated depreciation	4,172,279	-	1,546,208	757,704	789,968	280,297	452,277	345,825
PROPERTY AND EQUIPMENT, NET	4,891,547	-	2,606,342	519,458	550,330	332,948	370,063	512,406
OTHER ASSETS								
Other, including deposits	113,082	-	1,750	7,914	74,014	-	16,297	13,107
Program endowment	567,600	-	267,079	26,069	-	-	-	274,452
TOTAL OTHER ASSETS	680,682	-	268,829	33,983	74,014	-	16,297	287,559
TOTAL ASSETS	\$ 7,147,758	\$ (971,225)	\$3,206,766	\$ 846,041	\$ 762,487	\$344,034	\$ 406,301	\$2,553,354

The accompanying notes are an integral part of these financial statements.
GETZ, KRYCIER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 1997

LIABILITIES AND NET ASSETS

	Totals	Eliminations	KPFA	KPFFK	WBAI	KPFT	WFFW	National Office
CURRENT LIABILITIES								
Accounts payable and accrued expenses	\$ 682,826	\$ -	\$ 94,225	\$ 80,571	\$ 218,139	\$ 86,031	\$ 47,942	\$ 155,918
Loans payable - other	6,037	-	-	-	-	-	6,037	-
Inter-division payable	-	(971,225)	-	-	-	240,842	730,383	-
Loans payable - Bank - current portion	49,167	-	49,167	-	-	-	-	-
Deferred income - other	41,580	-	26,830	-	-	-	-	14,750
Deposits	1,200	-	1,200	-	-	-	-	-
TOTAL CURRENT LIABILITIES	780,810	(971,225)	171,422	80,571	218,139	326,873	784,362	170,668
LONG-TERM DEBT, NET OF CURRENT MATURITIES								
	492,456	-	483,750	-	-	-	8,706	-
TOTAL LIABILITIES	1,273,266	(971,225)	655,172	80,571	218,139	326,873	793,068	170,668
COMMITMENTS AND CONTINGENCIES								
	-	-	-	-	-	-	-	-
NET ASSETS								
Unrestricted	5,508,427	-	2,401,594	745,470	544,348	17,161	(386,767)	2,186,621
Permanently restricted	366,065	-	150,000	20,000	-	-	-	196,065
TOTAL NET ASSETS	5,874,492	-	2,551,594	765,470	544,348	17,161	(386,767)	2,382,686
TOTAL LIABILITIES AND NET ASSETS	\$ 7,147,758	\$ (971,225)	\$ 3,206,766	\$ 846,041	\$ 762,487	\$ 344,034	\$ 406,301	\$ 2,553,354

The accompanying notes are an integral part of these financial statements.
GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
UNRESTRICTED NET ASSETS								
SUPPORT								
Listener support / Donations	\$ 6,291,916	\$ -	\$ 1,713,636	\$ 1,303,176	\$ 2,218,486	\$ 391,923	\$ 636,684	\$ 28,011
Grants	1,519,502	-	533,361	207,962	431,753	97,506	148,920	100,000
Community events	373,405	-	167,268	5,366	181,846	9,810	9,115	-
SCA income	781,722	-	2,000	2,000	37,000	63,586	75,500	601,636
Miscellaneous	586,767	(12,000)	150,255	20,145	29,311	2,645	1,964	394,447
Unrealized investment gains & losses	145,735	-	61,325	9,186	746	-	-	74,478
Central services	-	(1,537,727)	-	-	-	-	-	1,537,727
	9,699,047	(1,549,727)	2,627,845	1,547,835	2,899,142	565,470	872,183	2,736,299
NET ASSETS (RESTRICTED) / RELEASED FROM RESTRICTIONS								
DONATED SERVICES & EQUIPMENT	935,512	-	249,052	211,319	125,099	12,200	-	337,842
	261,221	-	61,071	28,998	112,802	-	10,825	47,525
TOTAL UNRESTRICTED REVENUE	10,895,780	(1,549,727)	2,937,968	1,788,152	3,137,043	577,670	883,008	3,121,666
EXPENDITURES								
Program services	5,249,375	-	1,407,845	558,491	1,118,413	281,967	386,507	1,496,152
Management & general	1,834,334	(12,000)	327,285	175,186	365,515	83,278	99,341	795,729
Fundraising	2,510,438	-	587,941	422,693	813,186	126,524	315,632	244,462
Community events	156,722	-	98,287	293	58,142	-	-	-
Central services	-	(1,537,727)	444,315	295,706	548,708	94,067	154,931	-
TOTAL EXPENDITURES	9,750,869	(1,549,727)	2,865,673	1,452,369	2,903,964	585,836	956,411	2,536,343
DECREASE IN UNRESTRICTED NET ASSETS	20,000	-	-	20,000	-	-	-	-
DONATED SERVICES & EQUIPMENT	261,221	-	61,071	28,998	112,802	-	10,825	47,525
TOTAL EXPENSES	10,032,090	(1,549,727)	2,926,744	1,501,367	3,016,766	585,836	967,236	2,583,868
CHANGE IN UNRESTRICTED NET ASSETS	863,690	-	11,224	286,785	120,277	(8,166)	(84,228)	537,798
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Net assets restricted (released from restriction)	(935,512)	-	(249,052)	(211,319)	(125,099)	(12,200)	-	(337,842)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS								
Net assets restricted (released from restriction)	20,000	-	-	20,000	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(51,822)	-	(237,828)	95,466	(4,822)	(20,366)	(84,228)	199,956
LOSS ON ABANDONMENT OF FIXED ASSETS								
FIXED ASSETS	(2,615)	-	-	-	-	(2,615)	-	-
NET ASSETS - Beginning of year	5,928,929	-	2,789,422	670,004	549,170	40,142	(302,539)	2,182,730
NET ASSETS - End of year	\$ 5,874,492	\$ -	\$ 2,551,594	\$ 765,470	\$ 544,348	\$ 17,161	\$(386,767)	\$ 2,382,686

The accompanying notes are an integral part of these financial statements.
GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION
 SCHEDULE OF DONATED SERVICE MATERIALS AND FACILITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Totals	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
DONATED SERVICES, MATERIALS AND FACILITIES							
Accounting & legal	\$ 28,188	\$ 500	-	\$ 5,788	\$ -	\$ -	\$ 21,900
Technical	20,265	-	20,265	-	-	-	-
Programming service	137,299	43,985	-	73,114	-	-	20,200
Operating expenses	17,411	16,586	825	-	-	-	-
Other professional services	58,058	-	7,908	33,900	-	10,825	5,425
TOTAL DONATED SERVICES AND MATERIALS EXCLUDING EQUIPMENT	\$ 261,221	\$ 61,071	\$ 28,998	\$ 112,802	\$ -	\$ 10,825	\$ 47,525

The accompanying notes are an integral part of these financial statements.
 GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION
 SCHEDULE OF FUNCTIONAL INSES-PROGRAM SERVICES
 FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Office
SALARIES AND RELATED EXPENSES								
Salaries	\$ 2,026,696	\$ -	\$ 572,017	\$ 219,420	\$ 412,209	\$ 93,123	\$ 116,545	\$ 613,382
Payroll taxes	179,757	-	51,639	19,705	34,508	8,400	11,789	53,716
Employee benefits	200,929	-	71,134	14,389	39,198	10,326	8,366	57,516
Consultants	95,711	-	3,700	654	4,998	-	-	86,359
TOTAL SALARIES AND RELATED EXPENSES	2,503,093	-	698,490	254,168	490,913	111,849	136,700	810,973
OTHER EXPENSES								
Legal fees	27,971	-	3,701	-	2,471	-	-	21,799
Supplies	75,097	-	7,858	13,451	18,531	4,301	6,838	24,118
Telephone	316,468	-	54,482	48,938	86,605	12,425	28,130	85,888
Postage & shipping	96,479	-	30,319	1,999	27,537	4,255	1,651	30,718
Rent	192,853	-	-	-	110,608	-	48,129	34,116
Equipment rental	288,142	-	7,616	9,723	180,712	57,522	26,969	5,600
Printing & publications	27,151	-	13,514	-	13,637	-	-	-
Travel	46,361	-	1,976	956	4,567	1,974	8,581	28,307
Conferences & meetings	80,633	-	11,181	12,350	8,671	10,294	8,164	29,973
Interest	37,480	-	37,480	-	-	-	-	-
Depreciation & amortization	328,348	-	157,618	54,130	52,078	17,996	46,526	-
Advertising & promotion	13,727	-	-	-	-	-	-	13,727
Associations & periodicals	14,222	-	1,650	1,020	-	129	838	10,585
Bank charges	5,229	-	-	-	-	-	-	5,229
Insurance	99,953	-	-	-	-	-	-	99,953
News service	122,525	-	24,293	34,110	27,484	-	-	36,638
Other administrative	24,545	-	1,152	775	1,775	1,558	2,506	16,779
Other programming	59,880	-	5,271	5,841	16,424	16,783	4,039	11,522
Property taxes	20,746	-	5,776	846	10,364	3,072	513	175
Repairs & maintenance - general	100,312	-	29,870	36,100	11,946	3,339	10,694	8,363
Repairs & maintenance - technical	84,772	-	10,426	28,479	8,261	10,635	13,200	13,771
Satellite interconnect	127,052	-	21,660	6,000	6,000	6,000	6,000	81,392
Special projects	285,805	-	225,537	-	-	-	-	60,268
Tapes & supplies	76,334	-	6,350	7,711	14,302	385	482	47,104
Utilities	194,197	-	51,625	41,894	25,527	19,450	36,547	19,154
TOTAL OTHER EXPENSES	2,746,282	-	709,355	304,323	627,500	170,118	249,807	685,179
TOTAL PROGRAM SERVICE EXPENDITURES	\$ 5,249,375	\$ -	\$ 1,407,845	\$ 558,491	\$ 1,118,413	\$ 281,967	\$ 386,507	\$ 1,496,152

The accompanying notes are an integral part of these financial statements.
 GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION
 SCHEDULE OF FUNCTIONAL EXPENSES-MANAGEMENT & GENERAL
 FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Totals	Eliminations	KPFA	KPKK	WBAI	KPFT	WPPW	National Office
SALARIES AND RELATED EXPENSES								
Salaries	\$ 1,014,335	\$ -	\$ 148,183	\$ 110,795	\$ 257,926	\$ 54,401	\$ 63,486	\$ 379,544
Payroll taxes	89,067	-	13,377	9,950	21,593	4,908	6,422	32,817
Employee benefits	85,077	-	18,427	7,266	24,527	6,032	4,556	24,269
Consultants	60,207	-	42,678	3,338	4,080	-	5,431	4,680
TOTAL SALARIES AND RELATED EXPENSES	1,248,686	-	222,665	131,349	308,126	65,341	79,895	441,310
OTHER EXPENSES								
Audit & accounting fees	47,785	-	-	-	-	-	-	47,785
Legal fees	121,044	-	41,171	22,866	14,726	-	658	41,623
Supplies	14,087	-	1,549	1,441	2,031	1,001	675	7,390
Telephone	30,970	-	5,749	4,210	8,198	1,910	2,037	8,866
Postage & shipping	6,676	-	1,206	214	845	991	163	3,257
Rent	16,875	(12,000)	-	-	12,121	-	4,754	12,000
Equipment rental	4,178	-	1,502	230	-	1,857	589	-
Printing & publications	17,290	-	10,330	-	-	432	-	6,528
Travel	18,081	-	390	103	500	460	847	15,781
Conferences & meetings	73,966	-	4,099	3,601	2,196	4,151	2,136	57,783
Interest	7,390	-	7,390	-	-	-	-	-
Depreciation & amortization	79,041	-	18,798	5,800	5,707	4,191	4,595	39,950
Associations & periodicals	2,153	-	325	109	-	30	83	1,606
Bank charges	4,778	-	-	-	-	-	-	4,778
Insurance	17,329	-	-	-	-	-	-	17,329
Lease buyout	55,000	-	-	-	-	-	-	55,000
List rental expenses	4,803	-	-	-	-	-	-	4,803
Other administrative	15,608	-	227	83	195	363	247	14,493
Property taxes	11,290	-	1,139	91	1,136	716	51	8,157
Repairs & maintenance - general	22,086	-	6,959	3,868	6,936	777	1,056	2,490
Utilities	15,218	-	3,786	1,221	2,798	1,058	1,555	4,800
TOTAL OTHER EXPENSES	585,648	(12,000)	104,620	43,837	57,389	17,937	19,446	354,419
TOTAL MANAGEMENT & GENERAL EXPENDITURES	\$ 1,834,334	\$ (12,000)	\$ 327,285	\$ 175,186	\$ 365,515	\$ 83,278	\$ 99,341	\$ 795,729

The accompanying notes are an integral part of these financial statements.
 GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION
 SCHEDULE OF FUNCTION. EXPENSES-FUNDRAISING
 FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Totals	Eliminations	KPFA	KPFF	WBAI	KPFT	WPFW	National Office
SALARIES AND RELATED EXPENSES								
Salaries	\$ 680,223	\$ -	\$ 172,950	\$ 133,622	\$ 166,718	\$ 50,404	\$ 91,728	\$ 64,801
Payroll taxes	61,000	-	15,613	12,000	13,958	4,548	9,278	5,603
Employee benefits	64,363	-	21,507	8,763	15,853	5,589	6,584	6,067
Consultants	73,969	-	7,912	20,081	32,681	-	13,295	-
TOTAL SALARIES AND RELATED EXPENSES	879,555	-	217,982	174,466	229,210	60,541	120,885	76,471
OTHER EXPENSES								
Legal fees	6,820	-	-	-	-	-	-	6,820
Supplies	20,721	-	3,556	5,330	4,823	589	4,576	1,847
Telephone	35,045	-	6,160	3,274	19,470	1,123	2,801	2,217
Postage & shipping	70,874	-	13,579	18,486	18,638	7,468	11,888	815
Rent	35,324	-	-	-	28,788	-	6,536	-
Equipment rental	3,690	-	1,609	179	-	1,092	810	-
Printing & publications	46,781	-	2,435	10,597	17,460	1,088	6,570	8,631
Travel	13,237	-	535	80	1,189	270	2,212	8,951
Conferences & meetings	31,326	-	4,453	3,368	3,292	3,383	2,384	14,446
Interest	7,918	-	7,918	-	-	-	-	-
Depreciation & amortization	46,821	-	9,985	4,511	13,555	2,465	6,318	9,987
Associations & periodicals	1,041	-	423	85	-	18	114	401
Bank charges	133,650	-	34,563	20,408	52,284	13,141	12,059	1,195
Computer supplies	10,903	-	-	-	7,114	407	3,382	-
Direct mail & telemarketing	376,994	-	107,932	71,540	119,845	18,102	36,852	22,723
Insurance	10,479	-	-	-	-	-	-	10,479
Other administrative	12,077	-	243	65	462	214	340	10,753
Other development	37,073	-	2,988	3,921	29,867	297	-	-
Mailing services	45,751	-	24,493	7,595	7,915	-	-	5,748
Premiums & marathon	649,309	-	137,500	94,759	246,823	14,826	94,245	61,156
Property taxes	4,480	-	1,220	71	2,698	421	70	-
Repairs & maintenance - general	14,959	-	6,311	3,008	3,109	457	1,452	622
Utilities	15,610	-	4,056	950	6,644	622	2,138	1,200
TOTAL OTHER EXPENSES	1,630,883	-	369,959	248,227	583,976	65,983	194,747	167,991
TOTAL FUNDRAISING EXPENDITURES	\$ 2,510,438	\$ -	\$ 587,941	\$ 422,693	\$ 813,186	\$ 126,524	\$ 315,632	\$ 244,462

The accompanying notes are an integral part of these financial statements.
 GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFIC MIDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Totals	Eliminations	KPFA	KPFFK	WBAl	KPFT	WPFW	National Office
CASH FLOWS FROM OPERATING ACTIVITIES:								
Increase (decrease) in net assets	\$ (51,822)	\$ -	\$ (237,828)	\$ 95,466	\$ (4,822)	\$ (20,366)	\$ (84,228)	\$ 199,956
Adjustments to reconcile change in net assets to net cash provided by operating activities:								
Depreciation & amortization	454,210	-	186,401	64,441	71,340	24,652	57,439	49,937
Changes in assets & liabilities:								
Accounts receivable	72,241	-	19,415	(31,700)	(9,657)	10,260	(5,497)	89,420
Prepaid expenses	2,935	-	2,935	-	-	-	-	-
Other assets	(5,296)	-	-	4,736	(51,013)	28,225	464	12,292
Accounts payable accrued expenses	41,119	-	24,988	13,028	(9,216)	3,261	(13,323)	22,381
Deferred grant income	(23,077)	-	(19,077)	-	-	-	-	(4,000)
Deferred income - other	(10,096)	-	(18,841)	-	(5,000)	-	-	13,745
Loss on abandoned assets	(2,615)	-	-	-	-	(2,615)	-	-
NET CASH FROM OPERATING ACTIVITIES	477,599	-	(42,007)	145,971	(8,368)	43,417	(45,145)	383,731
CASH FLOWS FROM INVESTING ACTIVITIES:								
Acquisition of land, buildings & equipment	(358,239)	-	(13,586)	(163,225)	17,336	(79,489)	(1,917)	(117,358)
Investments & program endowment	(221,438)	-	85,909	(10,693)	(3,976)	-	(226)	(292,452)
NET CASH FROM INVESTING ACTIVITIES	(579,677)	-	72,323	(173,918)	13,360	(79,489)	(2,143)	(409,810)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Inter-division receivables	-	59,732	(1,655)	565	3,762	-	-	(62,404)
Loans payable - bank	(49,787)	-	(43,750)	-	-	-	(6,037)	-
Inter-division payables	-	(59,732)	(22,491)	-	-	28,170	54,053	-
Loan payable - other	724	-	-	-	-	-	724	-
NET CASH FROM FINANCING ACTIVITIES	(49,063)	-	(67,896)	565	3,762	28,170	48,740	(62,404)
NET CHANGE IN CASH	(151,141)		(37,580)	(27,382)	8,754	(7,902)	1,452	(88,483)
Cash at beginning of year	445,180		90,824	66,544	16,967	11,219	2,974	256,652
Cash at end of year	\$ 294,039	\$ -	\$ 53,244	\$ 39,162	\$ 25,721	\$ 3,317	\$ 4,426	\$ 168,169

The accompanying notes are an integral part of these financial statements.
GETZ, KRYCLER & JAKUBOVITS AN ACCOUNTANCY CORPORATION

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

Organization and Description of Operations

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

The financial statements include the operations of the following units:

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

All significant inter-division accounts have been eliminated.

Basis of Presentation

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

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations.

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

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

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

Contributions

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

Income Recognition from Grants and Earmarked Funds

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

Income Taxes

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

Estimates

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

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

Property and Equipment

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

Intangible Assets

The cost of a broadcasting license is being amortized on a straight-line method over 20 years from the date of acquisition (1977). Amortization charged to operations amounted to \$1,000 in the year ended September 30, 1997. (Radio station - WPFW).

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

Donated Services, Materials and Facilities

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

Accounting Standards

The Foundation adopted the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*, by restating net assets as of September 30, 1995. Statement No. 116 requires the Foundation to distinguish between contributions that increase permanently

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

Accounting Standards (continued)

restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

The Foundation adopted the provisions of Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The Foundation adopted the provisions of Statement No. 124 by restating the net assets as of September 30, 1995.

NOTE 2 - INVESTMENTS

Investments, stated at fair market value as of September 30, 1997 consist of the following:

	<u>COST</u>	<u>MV</u>	<u>UNREALIZED GAIN (LOSS)</u>
U.S. Treasury Notes	\$ 729,608	\$ 732,481	\$ 2,873
U.S. Government Securities	134,194	138,188	3,994
Corporate Bonds	229,009	253,613	24,604
Stocks	<u>249,252</u>	<u>395,669</u>	<u>146,417</u>
	<u>\$1,342,063</u>	<u>\$1,519,951</u>	<u>\$177,888</u>
Investments	\$ 936,783	\$ 952,351	\$ 15,568
Endowment	<u>405,280</u>	<u>567,600</u>	<u>162,320</u>
	<u>\$1,342,063</u>	<u>\$1,519,951</u>	<u>177,888</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 1997:

	<u>UNRESTRICTED</u>
Interest and dividend income	\$101,668
Realized gains and losses	29,786
Unrealized gains and losses	<u>145,735</u>
Total investment return	<u>\$277,189</u>

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

NOTE 3 - RESTRICTED CASH

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

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

Loans Payable - Other, consisted of the following:

	<u>September 30, 1997</u>	
	<u>Current</u>	<u>Long-Term</u>
<u>WPFW-FM</u>		
Lease payable, secured by equipment, bearing interest at 12.7% per annum, principle and interest due in monthly installments of \$630. The final payment is due December 1999.	<u>6,037</u>	<u>8,706</u>
Total Loans Payable - Other	<u>6,037</u>	<u>8,706</u>
Loan Payable - Bank, consisted of the following:		
<u>KPFA-FM</u>		
A 15-year real estate loan secured by land, building and equipment (except for equipment & fixtures funded by an NTIA Grant). The terms of the loan call for monthly repayments of principle on a fixed schedule and monthly payments of interest at the bank's prime rate plus 1% with a 10.5% cap and a 7% floor. The interest rate at September 30, 1997 was 9.50%.	<u>49,167</u>	<u>483,750</u>
Total Loan Payable - Bank	<u>49,167</u>	<u>483,750</u>
TOTAL LOANS PAYABLE, CONTRACTS PAYABLE, LONG-TERM DEBT	<u>\$55,204</u>	<u>\$492,456</u>

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

Maturities by year of the long-term debt, including the KPFA mortgage payable and the WPFW lease payable are: 9/98 - \$55,204, 9/99 - \$61,020, 9/00 - \$61,020, 9/01 - \$64,167, 9/02 - \$69,167, and thereafter - \$237,082.

NOTE 5 - GRANT REVENUE

Grant Revenue was recognized from the following sources:

For the fiscal year ended September 30, 1997:

	<u>Total</u>	Corporation For Public <u>Broadcasting</u> (see below)	Other <u>Federal</u>	Charitable Foundation <u>and other</u>
KPFA	\$ 533,361	\$ 261,573	\$241,670	\$ 30,118
KPFB	207,962	197,367	-	10,595
WBAI	431,753	426,753	-	5,000
KPFT	97,506	97,506	-	-
WPFW	148,920	148,920	-	-
National Office	<u>100,000</u>	<u>-</u>	<u>35,000</u>	<u>65,000</u>
	<u>\$1,519,502</u>	<u>\$1,132,119</u>	<u>\$276,670</u>	<u>\$110,713</u>

Federal funding for the corporation for public broadcasting has been budgeted through September 1998. Such funding is currently under review by the Federal government, and proposals have been made to cut back or eliminate entirely these funds.

Grant revenue recognized as income includes amounts deferred at September 30, 1996, and excludes amounts deferred at September 30, 1997 for the year ended September 30, 1997.

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

NOTE 6- LEASE COMMITMENTS, OFFICES AND FACILITIES

Studio Rent

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

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

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

Studio Rent (continued)

Net rental expense for operating facilities charged to operations for the year ended September 30, 1997 amounted to \$245,052.

Equipment Rental (Towers)

WBAI-FM

WBAI is currently obligated under a radio tower rental agreement entered into in January, 1992 for 14 years at a monthly rental subject to annual cost of living adjustments. The monthly rental as of September 30, 1997 was \$14,504 (174,048 per annum).

WPFW-FM

WPFW is currently obligated under a radio tower rental agreement entered on January 1, 1988 for fourteen years at a monthly rental subject to annual cost of living adjustments. The monthly rental for the year ended September 30, 1997 was \$1,750 (\$21,000 per annum).

KPFT-FM

KPFT is currently obligated under a radio tower rental agreement entered into on February 1, 1997, for 2 years, at a monthly rental of \$2,500. The lease contains four individual 2-year options to renew under similar terms.

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

STUDIO RENT

<u>Fiscal Year</u> <u>Ended</u>	<u>Total</u>	<u>WPFW (PNP)</u>	<u>WBAI</u>
9/30/98	\$182,840	\$ 86,640	\$ 96,200
9/30/99	236,283	86,640	149,643
9/30/00	286,164	86,640	199,524
9/30/01	213,964	14,440	199,524
9/30/02	199,524	-	199,524
Subsequent	<u>2,581,521</u>	<u>-</u>	<u>2,581,521</u>
	<u>\$3,700,296</u>	<u>\$274,360</u>	<u>\$3,425,936</u>

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

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

TOWER RENT

<u>Fiscal Year</u> <u>Ended</u>	<u>Total</u>	<u>WPFW</u>	<u>WBAI</u>	<u>KPFT</u>
9/30/98	\$199,728	\$18,408	\$150,960	\$30,360
9/30/99	179,488	18,408	150,960	10,120
9/30/00	169,368	18,408	150,960	-
9/30/01	150,960	-	150,960	-
9/30/02	150,960	-	150,960	-
Subsequent	<u>364,820</u>	<u>-</u>	<u>364,820</u>	<u>-</u>
	<u>1,215,324</u>	<u>55,224</u>	<u>1,119,620</u>	<u>40,480</u>
TOTAL	<u>\$4,915,620</u>	<u>\$329,584</u>	<u>\$4,545,556</u>	<u>\$40,480</u>

NOTE 7 - MISCELLANEOUS INCOME

Miscellaneous income for the year ended September 30, 1997, consisted of the following:

	<u>Total</u>	<u>KPFA</u>	<u>KPFK</u>	<u>WBAI</u>	<u>KPFT</u>	<u>WPFW</u>	<u>National</u> <u>Office</u>
Tape sales (recorded programs)	\$149,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$149,098
Rental of mailing lists	41,893	-	-	-	-	-	41,893
Rental of premises (net)	110,926	110,201	725	-	-	-	-
Interest	131,454	31,687	19,420	6,851	385	353	72,758
Radio news feeds	130,698	-	-	-	-	-	130,698
Program guide advertising	6,431	5,933	-	498	-	-	-
Miscellaneous	<u>28,267</u>	<u>2,434</u>	<u>-</u>	<u>21,962</u>	<u>2,260</u>	<u>1,611</u>	<u>-</u>
	598,767	150,255	20,145	29,311	2,645	1,964	394,447
Eliminations	<u>(12,000)</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$586,767</u>	<u>\$138,255</u>	<u>\$20,145</u>	<u>\$29,311</u>	<u>\$2,645</u>	<u>\$1,964</u>	<u>\$394,447</u>

NOTE 8 - SCA INCOME

Pacifica Foundation entered into subcarrier agreements in March 1984, whereby outside companies would be allowed to use a portion of certain Pacifica stations' basebands in order to broadcast signals to the outside companies' subscribers. The initial terms of the agreements were five years from start of operations at each respective station. Subsequent to the initial agreement, some of the leases have expired, some have renewed, and various additional agreements have been entered into.

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

NOTE 8 - SCA INCOME

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

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

NOTE 9 - DONATED SERVICES - VOLUNTEERS

Donated services, materials and facilities, shown in these financial statements, consist of amounts of support received for the year ended September 30, 1997, by individuals and organizations supplying their regular professional services, materials and facilities.

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

NOTE 10 - PROPERTY AND EQUIPMENT

Included in the property and equipment as held at September 30, 1997 is certain technical equipment acquired with the assistance of government grants.

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

At September 30, 1997, the following assets were owned:

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

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

NOTE 11 - CENTRAL SERVICES

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

NOTE 12 - DEFERRED INCOME - OTHER

Deferred income at September 30, 1997 consisted of the following:

National Office

Prepayments on tape sales	\$14,750
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KPFA-FM

Deposits collected and held from vendors for December 1997 Christmas Crafts Fair.	26,830
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\$41,580

Amounts of \$33,764 of expenses of KPFA relating to the December 1997 Christmas Crafts Fair are included in prepaid expenses.

NOTE 13 - DEPOSITS

Deposits at September 30, 1997 include security deposits held by KPFA related to tenants leasing various property acquired during the year ended September 30, 1991.

NOTE 14 - PROGRAM ENDOWMENT, RESTRICTED

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

NOTE 15 - PENDING LEGAL MATTERS

Communications Attorneys

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

PACIFICA FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

NOTE 16 - CHARITABLE REMAINDER TRUST

In December 1990 Pacifica was named principle beneficiary of a charitable remainder trust. The terms of the trust calls for monthly percentage of principle payments to named income beneficiaries. Required monthly payments are to be paid first out of trust income, then out of trust principle, with any excess trust income added to principle. Annual trust administrative costs are to be paid out of trust assets. Upon expiration of the trust term of twenty years, or, if earlier, upon the death of the last income beneficiary, trust assets revert to Pacifica Foundation. The market value of trust assets at September 30, 1997 was \$159,322.

NOTE 17 - CONCENTRATION OF CREDIT RISK

Pacifica Foundation maintains several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution exceeded Federally insured limits. The amount in excess of the FDIC limit totaled \$118,029 as of September 30, 1997.