

Pacifica Foundation Inc.

Financial Statements
and Independent Auditors' Report

September 30, 2020 and 2019

Pacifica Foundation Inc.

Financial Statements
September 30, 2020 and 2019

Contents

Independent Auditors' Report.....	1-3
<i>Financial Statements</i>	
Statements of Financial Position.....	4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10-31
<i>Supplementary Information</i>	
Schedules of Financial Position by Division	32-33
Schedules of Activities by Division.....	34-35
Schedules of Expenses by Division	36-37

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pacifica Foundation Inc.

We have audited the accompanying financial statements of Pacifica Foundation Inc. (“the Foundation”), which comprise the statements of financial position as of September 30, 2020 and 2019; 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 our audits. Except as explained in the Basis for Disclaimer of Opinion paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statement of financial position as of September 30, 2020 and the statements of activities, changes in net assets, and cash flows for the year ended September 30, 2020.

Basis for Disclaimer of Opinion on 2019 Financial Statements

As explained in Note 11 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. We were unable to satisfy ourselves by performing other auditing procedures concerning the correct pension accruals, penalties, and fines as of and for the year ended September 30, 2019. These amounts at September 30, 2019 enter into the determination of changes in net assets and cash flows for the year ended September 30, 2020.

Disclaimer of Opinion on 2019 Financial Statements

Because of the significance of the matter 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 for the year ended September 30, 2019. Accordingly, we do not express an opinion on the financial statements for the year ended September 30, 2019.

Opinion

In our opinion, the statement of financial position of the Foundation as of September 30, 2020, and the statements of activities, changes in net assets, and cash flows for the year ended September 30, 2020, present fairly, in all material respects, the financial position of the Foundation as of September 30, 2020, and the changes in its net assets and its cash flows for the year ended September 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

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 14 to the financial statements, the Foundation 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 14 and 15. 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The September 30, 2020 and 2019 schedules of financial position by division and the schedules of activities and expenses by division for the years ended September 30, 2020 and 2019 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, except for the September 30, 2019 supplemental information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the September 30, 2019 supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the September 30, 2019 supplemental information on which we express no opinion or any assurance due to the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
June 30, 2021

Pacifica Foundation Inc.

Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,199,366	\$ 955,975
Contributions receivable	129,823	122,651
Prepaid expenses	12,421	17,164
Inventory	44,639	21,371
	1,386,249	1,117,161
Total current assets		
Non-current assets:		
Restricted cash	709,015	802,589
Contributions receivable, long-term, net	88,200	174,600
Other assets	52,082	61,488
Property and equipment, net	1,454,340	1,579,904
	2,303,637	2,618,581
Total non-current assets		
Total assets	\$ 3,689,886	\$ 3,735,742
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 317,291	\$ 301,841
Accrued expenses and payroll benefits	1,325,698	2,120,165
Equipment loan payable	108,334	118,185
Note payable	3,165,000	3,165,000
	4,916,323	5,705,191
Total liabilities		
Net Assets (Deficit)		
Without donor restrictions	(2,049,014)	(2,868,397)
With donor restrictions	822,577	898,948
	(1,226,437)	(1,969,449)
Total net deficit		
Total liabilities and net deficit	\$ 3,689,886	\$ 3,735,742

See accompanying notes.

Pacifica Foundation Inc.

Statement of Activities
For the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Listener support and donations, net	\$ 7,369,468	\$ -	\$ 7,369,468
Grants and contributions	3,364,996	3,600	3,368,596
Sub-carrier income	200,900	-	200,900
Community events	99,281	-	99,281
Other revenue	389,604	-	389,604
Interest income	41,803	37,408	79,211
Released from restrictions	117,379	(117,379)	-
Total operating revenue and support	<u>11,583,431</u>	<u>(76,371)</u>	<u>11,507,060</u>
Expenses			
Program services	<u>5,561,748</u>	<u>-</u>	<u>5,561,748</u>
Supporting services:			
Management and general	4,625,836	-	4,625,836
Fundraising and development	<u>1,054,382</u>	<u>-</u>	<u>1,054,382</u>
Total supporting services	<u>5,680,218</u>	<u>-</u>	<u>5,680,218</u>
Total expenses	<u>11,241,966</u>	<u>-</u>	<u>11,241,966</u>
Change in Operating Net Assets	341,465	(76,371)	265,094
Non-Operating Activity			
Gain on accrued pension plan liability adjustment	<u>477,918</u>	<u>-</u>	<u>477,918</u>
Total non-operating activity	<u>477,918</u>	<u>-</u>	<u>477,918</u>
Change in Net Assets	819,383	(76,371)	743,012
Net (Deficit) Assets, beginning of year	<u>(2,868,397)</u>	<u>898,948</u>	<u>(1,969,449)</u>
Net (Deficit) Assets, end of year	<u><u>\$ (2,049,014)</u></u>	<u><u>\$ 822,577</u></u>	<u><u>\$ (1,226,437)</u></u>

See accompanying notes.

Pacifica Foundation Inc.

Statement of Activities
For the Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue and Support			
Listener support and donations, net	\$ 7,148,187	\$ -	\$ 7,148,187
Grants and contributions	3,712,937	444,600	4,157,537
Sub-carrier income	267,333	-	267,333
Community events	215,390	-	215,390
Other revenue	324,916	-	324,916
Interest income	37,395	5,910	43,305
Released from restrictions	108,593	(108,593)	-
	<u>11,814,751</u>	<u>341,917</u>	<u>12,156,668</u>
Expenses			
Program services	<u>4,898,475</u>	<u>-</u>	<u>4,898,475</u>
Supporting services:			
Management and general	5,874,350	-	5,874,350
Fundraising and development	1,095,023	-	1,095,023
	<u>6,969,373</u>	<u>-</u>	<u>6,969,373</u>
Total expenses	<u>11,867,848</u>	<u>-</u>	<u>11,867,848</u>
Change in Operating Net Assets	(53,097)	341,917	288,820
Non-Operating Activity			
Gain on forgiveness of accounts payable	<u>2,361,828</u>	<u>-</u>	<u>2,361,828</u>
Total non-operating activity	<u>2,361,828</u>	<u>-</u>	<u>2,361,828</u>
Change in Net Assets	2,308,731	341,917	2,650,648
Net (Deficit) Assets, beginning of year	<u>(5,177,128)</u>	<u>557,031</u>	<u>(4,620,097)</u>
Net (Deficit) Assets, end of year	<u><u>\$ (2,868,397)</u></u>	<u><u>\$ 898,948</u></u>	<u><u>\$ (1,969,449)</u></u>

See accompanying notes.

Pacifica Foundation Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2020

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising and Development		
Personnel costs:					
Salaries and wages	\$ 3,392,926	\$ 974,284	\$ 440,098	\$ 1,414,382	\$ 4,807,308
Payroll taxes	295,638	89,080	38,452	127,532	423,170
Employee benefits	853,508	239,902	93,770	333,672	1,187,180
Pension and 403(b) contributions	42,614	10,059	5,616	15,675	58,289
Advertising and promotion	239	2,233	5,399	7,632	7,871
Associations and periodicals	547	-	7,979	7,979	8,526
Audit and accounting	-	392,255	-	392,255	392,255
Bank charges and credit card fees	-	193,835	63,999	257,834	257,834
Board meetings and elections	-	80,059	-	80,059	80,059
Communications expense	9,385	315,269	-	315,269	324,654
Community events	-	51,028	37,264	88,292	88,292
Computer maintenance	7,767	24,983	4,527	29,510	37,277
Consultants	38,905	374,130	45,710	419,840	458,745
Depreciation and amortization	135,658	18,653	104	18,757	154,415
Direct mail and telemarketing	4,762	2,266	139,216	141,482	146,244
Equipment rental	-	32,751	24,351	57,102	57,102
Insurance	-	185,349	-	185,349	185,349
Interest	-	250,196	-	250,196	250,196
Legal fees	-	370,946	688	371,634	371,634
Rent – office/studio	15,310	337,040	-	337,040	352,350
Rent – tower	333,900	-	-	-	333,900
Office expenses	766	129,393	11,843	141,236	142,002
Outside services	322	117,730	118,089	235,819	236,141
Permits, fines, and filing fees	3,685	3,750	-	3,750	7,435
Programming costs	133,603	47,596	760	48,356	181,959
Repairs and maintenance	68,046	132,713	8,004	140,717	208,763
Storage	-	40,847	-	40,847	40,847
Tapes and supplies	3,215	2,412	-	2,412	5,627
Taxes – property	-	31,354	-	31,354	31,354
Training conferences	22,669	106	5,638	5,744	28,413
Travel	3,190	28,220	-	28,220	31,410
Utilities	143,317	144,885	-	144,885	288,202
Website and audioport	51,776	2,512	2,875	5,387	57,163
Total Expenses	\$ 5,561,748	\$ 4,625,836	\$ 1,054,382	\$ 5,680,218	\$ 11,241,966

Pacifica Foundation Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2019

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising and Development		
Personnel costs:					
Salaries and wages	\$ 3,287,311	\$ 1,196,630	\$ 491,674	\$ 1,688,304	\$ 4,975,615
Payroll taxes	286,071	97,266	41,779	139,045	425,116
Employee benefits	334,950	796,277	27,706	823,983	1,158,933
Pension and 403(b) contributions	35,475	94,614	4,652	99,266	134,741
Advertising and promotion	218	3,205	15,395	18,600	18,818
Associations and periodicals	734	219	8,281	8,500	9,234
Audit and accounting	-	416,810	-	416,810	416,810
Bank charges and credit card fees	-	207,352	85,367	292,719	292,719
Board meetings and elections	37	298,612	-	298,612	298,649
Communications expense	26,216	344,105	-	344,105	370,321
Community events	351	174,689	51,943	226,632	226,983
Computer maintenance	57,335	46,634	798	47,432	104,767
Consultants	22,884	346,748	82,376	429,124	452,008
Depreciation and amortization	185,593	2,701	104	2,805	188,398
Direct mail and telemarketing	2,219	10,056	118,446	128,502	130,721
Equipment rental	110	34,672	25,728	60,400	60,510
Grants	19,309	-	-	-	19,309
Insurance	-	199,883	-	199,883	199,883
Interest	-	296,347	-	296,347	296,347
Legal fees	-	216,045	1,864	217,909	217,909
Miscellaneous	4,943	-	-	-	4,943
Rent – office/studio	3,000	269,117	-	269,117	272,117
Rent – tower	109,812	199,444	-	199,444	309,256
Office expenses	904	137,799	15,578	153,377	154,281
Outside services	702	47,286	97,713	144,999	145,701
Permits, fines, and filing fees	672	3,444	-	3,444	4,116
Programming costs	194,883	-	8,835	8,835	203,718
Repairs and maintenance	96,288	122,005	1,234	123,239	219,527
Storage	-	34,989	-	34,989	34,989
Tapes and supplies	23,423	3,128	6,450	9,578	33,001
Taxes – property	-	47,153	-	47,153	47,153
Training conferences	23,523	16,054	8,978	25,032	48,555
Travel	8,624	91,885	121	92,006	100,630
Utilities	115,869	114,877	-	114,877	230,746
Website and audioport	57,019	4,305	-	4,305	61,324
Total Expenses	\$ 4,898,475	\$ 5,874,351	\$ 1,095,022	\$ 6,969,373	\$ 11,867,848

Pacifica Foundation Inc.

Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 743,012	\$ 2,650,648
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Forgiveness of paycheck protection program loan	(1,256,630)	-
Depreciation and amortization	154,415	188,398
Gain on accrued pension plan adjustment	(477,918)	-
Gain on forgiveness of accounts payable	-	(2,361,828)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	79,228	(273,080)
Prepaid expenses	4,743	(9,273)
Inventory	(23,268)	2,539
Other assets	9,406	(19,868)
Increase (decrease) in:		
Accounts payable	15,450	(268,397)
Accrued expenses and payroll benefits	(316,549)	(66,887)
Deferred revenue	-	(25,000)
	(1,068,111)	(182,748)
Net cash used in operating activities		
Cash Flows from Investing Activities		
Change in restricted cash	93,574	57,375
Purchases of property and equipment	(28,851)	(61,825)
	64,723	(4,450)
Net cash provided by (used in) investing activities		
Cash Flows from Financing Activities		
Proceeds from paycheck protection program forgivable loan	1,256,630	-
Payments on note payable	-	(100,000)
Payments on equipment loan payable	(9,851)	(3,112)
	1,246,779	(103,112)
Net cash provided by (used in) financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	243,391	(290,310)
Cash and Cash Equivalents, beginning of year	955,975	1,246,285
Cash and Cash Equivalents, end of year	\$ 1,199,366	\$ 955,975
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 318,338	\$ 228,205
Cash paid for taxes	\$ 31,354	\$ 47,153

See accompanying notes.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

1. Nature of Operations

Pacifica Foundation Inc. (“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.

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Contributions Receivable

Contributions receivable represent unconditional promises to give. Amounts to be collected more than a year after the statements of financial position date are recorded net of a present value discount. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received. The Foundation provides an allowance for doubtful pledges using the allowance method, which is based on management's judgment, considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the amounts are written-off against the related allowance. At September 30, 2020 and 2019, no allowance was recorded as management believes that all amounts are fully collectible.

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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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.

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 \$422,073 and \$680,486 for the years ended September 30, 2020 and 2019, respectively.

Grants and contributions are recorded as revenue when received or promised. The Foundation reports gifts of cash and other assets as 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period received.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

Revenue received from community events is recognized at the time the event is held.

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.

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.

Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes non-routine items such as the gain stemming from the adjustment of the pension plan liabilities and the gain on the forgiveness of accounts payable.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 30, 2021, the date the financial statements were available to be issued.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Subsequent Events (continued)

Subsequent to year end, on January 12, 2021, the full amount of the first loan under the Paycheck Protection Program (PPP) was forgiven by the Small Business Administration (SBA). See Note 7 for details.

Subsequent to year-end, the Foundation applied for a second loan under the PPP. The second loan was granted to the Foundation on February 9, 2021 in the amount of \$1,222,237. See Note 7 for details.

3. Concentrations of Risk

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.

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) and Securities Investor Protection Corporation (SIPC). 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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

4. Liquidity and Availability

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Foundation's liquid asset needs and adjusts the cash balances as necessary. Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at September 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,199,366	\$ 955,975
Contributions receivable	218,023	297,251
Less: net assets with donor restrictions	<u>(822,577)</u>	<u>(898,948)</u>
Total available for general expenditures	<u>\$ 594,812</u>	<u>\$ 354,278</u>

5. Contributions Receivable

Contributions receivable are due as follows at September 30:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 129,823	\$ 32,651
Due in one to five years	<u>89,500</u>	<u>270,000</u>
Total contributions receivable	219,323	302,651
Less: present value discount (at 2.0%)	<u>(1,300)</u>	<u>(5,400)</u>
Contributions receivable, net	<u>\$ 218,023</u>	<u>\$ 297,251</u>

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

6. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 432,428	\$ 432,428
Building and improvements	2,356,141	2,356,141
Leasehold improvements	609,465	609,465
Furniture and fixtures	224,711	224,711
Equipment	<u>6,648,052</u>	<u>6,619,201</u>
Total property and equipment	10,270,797	10,241,946
Less: accumulated depreciation and amortization	<u>(8,816,457)</u>	<u>(8,662,042)</u>
Property and equipment, net	<u><u>\$ 1,454,340</u></u>	<u><u>\$ 1,579,904</u></u>

7. Note Payable, Equipment Loan Payable, and Paycheck Protection Program Loans

Note 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, and subsequent amendments signed in April 2021, call for interest-only payments due quarterly, with a final lump-sum payment of all unpaid interest and principal due on October 30, 2022.

The Foundation made a \$100,000 principal payment to the lender during fiscal year 2019.

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, KPFK, and KPFT buildings have been pledged as collateral for this loan. Interest expense for this note totaled \$250,196 and \$296,347 for the years ended September 30, 2020 and 2019, respectively.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

7. Note Payable, Equipment Loan Payable, and Paycheck Protection Program Loans (continued)

Note Payable (continued)

Under the loan (and subsequent amendments), 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 (which is now part of restricted cash in the accompanying statements of financial position).
- The Foundation must be in compliance with every material provision of the Employee Retirement Income Security Act of 1974 (ERISA).
- Bequests received by the Foundation beyond April 19, 2021 are subject to additional interest charged by the lender to varying percentages depending on the direction and restriction of the gift (0% if restricted; 50% if a general, unrestricted gift; and 30% if directed to a particular station).

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) was 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. 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 Reserve Account. Any remaining balance (closing costs, settlement charges, etc.) will be available for other uses.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

7. Note Payable, Equipment Loan Payable, and Paycheck Protection Program Loans (continued)

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 commenced 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:

2021	\$	18,950
2022		18,950
2023		18,950
2024		18,950
2025		18,950
Thereafter		<u>50,532</u>
Total future minimum payments		145,282
Less: amount representing interest		<u>(36,948)</u>
Equipment loan payable	\$	<u><u>108,334</u></u>

Paycheck Protection Program Loans

The Foundation applied for a loan under the PPP pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which the Foundation qualified. After the loans are granted, the SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

7. Note Payable, Equipment Loan Payable, and Paycheck Protection Program Loans (continued)

Paycheck Protection Program Loans (continued)

The Paycheck Protection Program Flexibility Act of 2020 was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness.

The PPP loan was granted to the Foundation on June 19, 2020 in the amount of \$1,256,630. During the covered period, the Foundation incurred qualifying expenditures and applied for forgiveness of the full amount of the PPP loan. Management has determined the conditions have been substantially satisfied as of September 30, 2020, and the related amount was recognized as grant revenue in the accompanying statement of activities for the year ended September 30, 2020.

Subsequent to year end, on January 12, 2021, the full amount of this loan was forgiven by the SBA.

Subsequent to year-end, the Foundation applied for a second loan under the PPP. The second PPP loan was granted to the Foundation on February 9, 2021 in the amount of \$1,222,237 and matures on February 9, 2026. This PPP loan bears interest at a fixed rate of 1.00%, which is payable monthly commencing on February 9, 2022. The PPP loan may be repaid by the Foundation at any time prior to maturity with no prepayment penalties. Funds from this PPP loan may only be used for payroll costs, benefits, mortgage payments, rent, utilities, and certain supplier costs and expenses for operations. The Foundation intends to use the entire loan amount for qualifying expenses and apply for forgiveness of certain amounts up to the full amount of the loan under the terms of the PPP.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
KPFA – long-form educational reporting	\$ 201,166	\$ 201,166
KPFA – internship opportunities	74,534	160,934
Endowments:		
KPFA – Heath Trust endowment fund	102,587	92,558
KPFA – other endowment fund	150,000	150,000
KPFK – other endowment fund	9,188	9,188
National Office – other endowment fund	196,055	196,055
National Office – Heath Trust endowment fund	<u>89,047</u>	<u>89,047</u>
Total net assets with donor restrictions	<u>\$ 822,577</u>	<u>\$ 898,948</u>

9. 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 net assets with donor restrictions (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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

9. 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 \$569,178 and \$579,207 as of September 30, 2020 and 2019, respectively.

Composition of Endowment Funds

Endowment net assets were comprised of the following at September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 546,877	\$ 546,877
Total endowment net assets	\$ -	\$ 546,877	\$ 546,877

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

9. Endowment (continued)

Composition of Endowment Funds (continued)

Endowment net assets were comprised of the following at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 536,848	\$ 536,848
Total endowment net assets	\$ -	\$ 536,848	\$ 536,848

Changes in Endowment Net Assets

Changes in endowment funds were as follows for the years ended September 30:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2020:</u>			
Endowment net assets, beginning	\$ -	\$ 536,848	\$ 536,848
Interest income	-	37,408	37,408
Appropriation of assets for expenditure	-	(27,379)	(27,379)
Endowment net assets, ending	\$ -	\$ 546,877	\$ 546,877
<u>2019:</u>			
Endowment net assets, beginning	\$ -	\$ 557,031	\$ 557,031
Interest income	-	5,910	5,910
Appropriation of assets for expenditure	-	(26,093)	(26,093)
Endowment net assets, ending	\$ -	\$ 536,848	\$ 536,848

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

10. 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 \$686,250 and \$581,373 for the years ended September 30, 2020 and 2019, respectively.

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

	Towers	Facilities	Equipment	Total
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
2024	169,022	-	18,950	187,972
2025	174,093	-	18,950	193,043
Thereafter	473,612	-	55,269	528,881
Total future minimum lease payments	\$ 1,294,825	\$ 18,283	\$ 158,748	\$ 1,471,856

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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

10. 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.

11. 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 \$58,289 and \$53,202 during the years ended September 30, 2020 and 2019, respectively.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

11. 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 \$61,778 and \$81,438 for the years ended September 30, 2020 and 2019, respectively, which are included in accrued expenses and payroll benefits in the statements of financial position at September 30, 2020 and 2019, respectively. As of June 30, 2021, these amounts have been remitted.

Because the Foundation’s contribution to the Pacifica Retirement Plan had not yet been funded as of September 30, 2020 and 2019, 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. The Foundation took steps 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 summarized as follows at September 30:

	2020	2019
PNO	\$ 68,609	\$ -
KPFA	51,064	101,727
KPFK	59,967	59,695
KPFT	-	75,443
WBAI	-	75,443
WPFW	-	65,354
Pacifica Radio Archives	-	44,078
Estimated late filing penalties, assessments, and interest	8,000	228,483
Total accrued pension liabilities	\$ 187,640	\$ 650,223

These accrued pension liabilities are included in accrued expenses and payroll benefits in the statements of financial position. Subsequent to year-end, in fiscal year 2021, the PNO, KPFA, and KPFK employer contributions listed above were all remitted to the Plans.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

11. 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.

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 June 30, 2021, the Foundation has taken steps to be in full compliance of these rules and regulations.

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 June 30, 2021. 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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

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

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (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 \$1,325,698 and \$1,068,333 at September 30, 2020 and 2019, respectively, and are included in accrued expenses and payroll benefits in the statements of financial position.

13. 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. 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 7 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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

14. Results of Operations

Although the Foundation had a \$743,012 surplus for the year ended September 30, 2020, the Foundation has sustained significant losses from operating activities in prior years resulting in a total net deficit of \$1,226,437 and \$1,969,449 at September 30, 2020 and 2019, respectively. The Foundation has taken measures to reduce its operating costs, streamline its operations, and increase revenues and support.

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 15. 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.

15. 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.

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 Foundation. Although the lender on the \$3.165 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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

15. 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 (October 30, 2022), 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 and tax filings through fiscal year 2020 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).

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

15. 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.

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.

Lastly, as discussed in Note 7 to these financial statements, Pacifica applied for and was granted a PPP loan in the amount of \$1,256,630 during 2020. Subsequent to year end, the full amount of this loan was forgiven by the SBA and the related amount was recognized as grant revenue in the accompanying statement of activities for the year ended September 30, 2020. Also, subsequent to year-end, the Foundation applied for a second loan under the PPP. The second loan was granted to the Foundation on February 9, 2021 in the amount of \$1,222,237. The Foundation intends to use the entire loan amount for qualifying expenses and apply for forgiveness of certain amounts up to the full amount of the loan under the terms of the PPP.

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.

Pacifica Foundation Inc.

Notes to Financial Statements
September 30, 2020 and 2019

16. 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, 2020 and 2019, 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, 2020 and 2019, 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 Foundation to file separate tax returns under federal and state statutes.

SUPPLEMENTARY INFORMATION

Pacifica Foundation Inc.

Schedule of Financial Position by Division
September 30, 2020

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Assets									
Current assets:									
Cash and cash equivalents	\$ 105,436	\$ 28,151	\$ 934,831	\$ 9,750	\$ 3,061	\$ 36,477	\$ 81,660	\$ -	\$ 1,199,366
Contributions receivable	31,500	7,806	90,517	-	-	-	-	-	129,823
Inter-division receivables	12,614,652	-	1,464,857	-	-	-	-	(14,079,509)	-
Prepaid expenses	11,200	-	1,221	-	-	-	-	-	12,421
Inventory	-	-	1,796	27,739	-	12,245	2,859	-	44,639
Total current assets	12,762,788	35,957	2,493,222	37,489	3,061	48,722	84,519	(14,079,509)	1,386,249
Non-current assets:									
Restricted cash	113,170	2,217	551,881	7,277	522	33,948	-	-	709,015
Contributions receivable long-term, net	-	-	88,200	-	-	-	-	-	88,200
Other assets	-	-	-	17,780	5,300	29,002	-	-	52,082
Property and equipment, net	133	5,371	595,787	299,275	111,043	111,550	331,181	-	1,454,340
Total non-current assets	113,303	7,588	1,235,868	324,332	116,865	174,500	331,181	-	2,303,637
Total assets	\$ 12,876,091	\$ 43,545	\$ 3,729,090	\$ 361,821	\$ 119,926	\$ 223,222	\$ 415,700	\$ (14,079,509)	\$ 3,689,886
Liabilities and Net Assets (Deficit)									
Liabilities									
Accounts payable	\$ 183,469	\$ 2,329	\$ 3,400	\$ 21,167	\$ 70,555	\$ 16,071	\$ 20,300	\$ -	\$ 317,291
Accrued expenses and payroll benefits	229,672	21,253	705,527	196,016	131,879	32,236	9,115	-	1,325,698
Inter-division payables	-	755,593	-	1,539,310	8,497,813	2,368,225	918,568	(14,079,509)	-
Equipment loan payable	-	-	-	-	108,334	-	-	-	108,334
Note payable	3,165,000	-	-	-	-	-	-	-	3,165,000
Total liabilities	3,578,141	779,175	708,927	1,756,493	8,808,581	2,416,532	947,983	(14,079,509)	4,916,323
Net Assets (Deficit)									
Without donor restrictions	9,012,848	(735,630)	2,491,876	(1,403,860)	(8,688,655)	(2,193,310)	(532,283)	-	(2,049,014)
With donor restrictions	285,102	-	528,287	9,188	-	-	-	-	822,577
Total net assets (deficit)	9,297,950	(735,630)	3,020,163	(1,394,672)	(8,688,655)	(2,193,310)	(532,283)	-	(1,226,437)
Total liabilities and net assets (deficit)	\$ 12,876,091	\$ 43,545	\$ 3,729,090	\$ 361,821	\$ 119,926	\$ 223,222	\$ 415,700	\$ (14,079,509)	\$ 3,689,886

Pacifica Foundation Inc.

Schedule of Financial Position by Division
September 30, 2019

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Assets									
Current assets:									
Cash and cash equivalents	\$ 163,547	\$ 19,359	\$ 627,349	\$ 105,031	\$ 87	\$ 5,389	\$ 35,213	\$ -	\$ 955,975
Contributions receivable	-	769	118,882	3,000	-	-	-	-	122,651
Inter-division receivables	10,848,760	-	1,760,913	-	-	-	-	(12,609,673)	-
Prepaid expenses	9,619	-	7,545	-	-	-	-	-	17,164
Inventory	-	-	1,741	6,077	-	7,275	6,278	-	21,371
Total current assets	11,021,926	20,128	2,516,430	114,108	87	12,664	41,491	(12,609,673)	1,117,161
Non-current assets:									
Restricted cash	241,704	2,217	541,851	7,277	508	9,032	-	-	802,589
Contributions receivable long-term, net	-	-	174,600	-	-	-	-	-	174,600
Other assets	4,500	-	14,720	17,780	5,613	18,875	-	-	61,488
Property and equipment, net	1,733	8,351	647,781	312,699	127,326	123,950	358,064	-	1,579,904
Total non-current assets	247,937	10,568	1,378,952	337,756	133,447	151,857	358,064	-	2,618,581
Total assets	\$ 11,269,863	\$ 30,696	\$ 3,895,382	\$ 451,864	\$ 133,534	\$ 164,521	\$ 399,555	\$ (12,609,673)	\$ 3,735,742
Liabilities and Net Assets (Deficit)									
Liabilities									
Accounts payable	\$ 162,762	\$ 303	\$ 24,286	\$ 64,459	\$ 33,927	\$ 4,706	\$ 11,398	\$ -	\$ 301,841
Accrued expenses and payroll benefits	609,995	61,717	830,837	189,094	278,123	99,062	51,337	-	2,120,165
Inter-division payables	-	735,427	-	937,691	7,992,484	2,138,098	805,973	(12,609,673)	-
Equipment loan payable	-	-	-	-	118,185	-	-	-	118,185
Note payable	3,165,000	-	-	-	-	-	-	-	3,165,000
Total liabilities	3,937,757	797,447	855,123	1,191,244	8,422,719	2,241,866	868,708	(12,609,673)	5,705,191
Net Assets (Deficit)									
Without donor restrictions	7,047,004	(766,751)	2,435,601	(748,568)	(8,289,185)	(2,077,345)	(469,153)	-	(2,868,397)
With donor restrictions	285,102	-	604,658	9,188	-	-	-	-	898,948
Total net assets (deficit)	7,332,106	(766,751)	3,040,259	(739,380)	(8,289,185)	(2,077,345)	(469,153)	-	(1,969,449)
Total liabilities and net assets (deficit)	\$ 11,269,863	\$ 30,696	\$ 3,895,382	\$ 451,864	\$ 133,534	\$ 164,521	\$ 399,555	\$ (12,609,673)	\$ 3,735,742

Pacifica Foundation Inc.

Schedule of Activities by Division
For the Year Ended September 30, 2020

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Operating Revenue and Support									
Listener support and donations, net	\$ -	\$ 80,995	\$ 2,190,787	\$ 1,951,112	\$ 1,230,132	\$ 1,315,134	\$ 601,308	\$ -	\$ 7,369,468
Grants and contributions	1,501,254	11,903	1,040,064	644,644	15,600	78,758	76,373	-	3,368,596
Sub-carrier income	200,900	-	-	-	-	-	-	-	200,900
Community events	-	-	49,017	37,007	-	-	13,257	-	99,281
Other revenue	214,692	40,844	132,191	-	-	-	1,877	-	389,604
Interest income	18,701	100	57,398	2,980	-	32	-	-	79,211
Central services	1,386,912	208,560	-	-	-	-	-	(1,595,472)	-
Total operating revenue and support	3,322,459	342,402	3,469,457	2,635,743	1,245,732	1,393,924	692,815	(1,595,472)	11,507,060
Expenses									
Program services	321,973	121,585	2,088,847	1,700,500	624,151	498,831	205,861	-	5,561,748
Supporting services:									
Management and general	1,512,560	187,993	526,408	695,637	698,679	734,451	270,108	-	4,625,836
Fundraising and development	-	1,703	402,842	394,030	69,028	68,431	118,348	-	1,054,382
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Total supporting services	1,512,560	189,696	1,400,706	1,590,535	1,021,051	1,011,058	550,084	(1,595,472)	5,680,218
Total expenses	1,834,533	311,281	3,489,553	3,291,035	1,645,202	1,509,889	755,945	(1,595,472)	11,241,966
Change in Operating Net Assets	1,487,926	31,121	(20,096)	(655,292)	(399,470)	(115,965)	(63,130)	-	265,094
Non-Operating Activity									
Gain on accrued pension plan liability adjustment	477,918	-	-	-	-	-	-	-	477,918
Total non-operating activity	477,918	-	-	-	-	-	-	-	477,918
Change in Net Assets	1,965,844	31,121	(20,096)	(655,292)	(399,470)	(115,965)	(63,130)	-	743,012
Net Assets (Deficit), beginning of year	7,332,106	(766,751)	3,040,259	(739,380)	(8,289,185)	(2,077,345)	(469,153)	-	(1,969,449)
Net Assets (Deficit), end of year	\$ 9,297,950	\$ (735,630)	\$ 3,020,163	\$ (1,394,672)	\$ (8,688,655)	\$ (2,193,310)	\$ (532,283)	\$ -	\$ (1,226,437)

Pacifica Foundation Inc.

Schedule of Activities by Division
For the Year Ended September 30, 2019

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Operating Revenue and Support									
Listener support and donations, net	\$ 3,438	\$ 84,189	\$ 1,885,808	\$ 2,234,534	\$ 1,107,195	\$ 1,180,049	\$ 652,974	\$ -	\$ 7,148,187
Grants and contributions	689,812	13,193	1,987,799	1,052,403	284,896	37,278	92,156	-	4,157,537
Sub-carrier income	267,333	-	-	-	-	-	-	-	267,333
Community events	-	-	61,816	133,459	481	7,546	12,088	-	215,390
Other revenue	242,168	52,620	24,738	805	-	-	4,585	-	324,916
Interest income	15,082	1	26,095	83	-	15	2,029	-	43,305
Central services	1,386,912	208,560	-	-	-	-	-	(1,595,472)	-
Total operating revenue and support	2,604,745	358,563	3,986,256	3,421,284	1,392,572	1,224,888	763,832	(1,595,472)	12,156,668
Expenses									
Program services	173,491	133,101	2,029,984	1,466,930	474,905	350,622	269,442	-	4,898,475
Supporting services:									
Management and general	1,781,663	213,370	631,618	1,265,733	887,366	804,465	290,135	-	5,874,350
Fundraising and development	850	7,593	355,744	341,669	134,534	69,085	185,548	-	1,095,023
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Total supporting services	1,782,513	220,963	1,458,818	2,108,270	1,275,244	1,081,726	637,311	(1,595,472)	6,969,373
Total expenses	1,956,004	354,064	3,488,802	3,575,200	1,750,149	1,432,348	906,753	(1,595,472)	11,867,848
Change in Operating Net Assets	648,741	4,499	497,454	(153,916)	(357,577)	(207,460)	(142,921)	-	288,820
Non-Operating Activity									
Gain on forgiveness of accounts payable	2,361,828	-	-	-	-	-	-	-	2,361,828
Total non-operating activity	2,361,828	-	-	-	-	-	-	-	2,361,828
Change in Net Assets	3,010,569	4,499	497,454	(153,916)	(357,577)	(207,460)	(142,921)	-	2,650,648
Net Assets (Deficit), beginning of year	4,321,537	(771,250)	2,542,805	(585,464)	(7,931,608)	(1,869,885)	(326,232)	-	(4,620,097)
Net Assets (Deficit), end of year	\$ 7,332,106	\$ (766,751)	\$ 3,040,259	\$ (739,380)	\$ (8,289,185)	\$ (2,077,345)	\$ (469,153)	\$ -	\$ (1,969,449)

Pacifica Foundation Inc.

Schedule of Expenses by Division
For the Year Ended September 30, 2020

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Personnel costs	\$ 353,880	\$ 264,343	\$ 2,282,066	\$ 2,054,311	\$ 598,427	\$ 674,704	\$ 248,216	\$ -	\$ 6,475,947
Advertising and promotion	469	176	1,390	1,620	2,339	-	1,877	-	7,871
Associations and periodicals	-	-	547	7,979	-	-	-	-	8,526
Audit and accounting	389,755	-	2,500	-	-	-	-	-	392,255
Bank charges and credit card fees	35,932	3,446	60,767	74,744	23,166	29,593	30,186	-	257,834
Board meetings and elections	77,170	-	1,147	-	750	992	-	-	80,059
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Communications expense	2,317	3,144	48,297	137,358	8,899	82,168	42,471	-	324,654
Community events	-	-	16,329	20,420	24,821	5,037	21,685	-	88,292
Computer maintenance	24,277	500	11,012	1,440	-	-	48	-	37,277
Consultants	65,965	-	(907)	30,112	176,573	139,662	47,340	-	458,745
Depreciation and amortization	1,600	2,980	77,310	15,461	16,282	13,900	26,882	-	154,415
Direct mail and telemarketing	-	-	45,024	82,846	-	1,673	16,701	-	146,244
Equipment rental	-	1,003	12,263	31,476	4,794	-	7,566	-	57,102
Insurance	170,779	-	13,835	694	41	-	-	-	185,349
Interest	229,014	-	-	-	21,182	-	-	-	250,196
Legal fees	321,067	-	49,018	1,038	-	-	511	-	371,634
Rent – office/studio	9,300	-	-	-	151,907	191,143	-	-	352,350
Rent – tower	-	-	6,000	23,555	164,512	63,602	76,231	-	333,900
Office expenses	24,373	1,351	13,747	17,467	40,292	22,880	21,892	-	142,002
Outside services	26,306	581	97,500	6,823	85,524	-	19,407	-	236,141
Permits, fines, and filing fees	5,385	-	8	798	-	160	1,084	-	7,435
Programming costs	67,992	-	40,919	43,013	7,666	3,828	18,541	-	181,959
Repairs and maintenance	4,375	446	64,249	90,334	13,868	29,197	6,294	-	208,763
Storage	8,283	27,276	-	3,364	1,924	-	-	-	40,847
Tapes and supplies	155	3,215	362	-	1,895	-	-	-	5,627
Taxes – property	-	-	20,024	11,330	-	-	-	-	31,354
Training conferences	-	-	22,848	-	-	5,565	-	-	28,413
Travel	15,263	-	2,390	4,700	6,947	2,110	-	-	31,410
Utilities	147	-	81,035	125,426	38,750	35,499	7,345	-	288,202
Website and audioport	729	2,820	48,417	3,858	1,299	-	40	-	57,163
Total Expenses	\$ 1,834,533	\$ 311,281	\$ 3,489,553	\$ 3,291,035	\$ 1,645,202	\$ 1,509,889	\$ 755,945	\$ (1,595,472)	\$ 11,241,966

Pacifica Foundation Inc.

Schedule of Expenses by Division
For the Year Ended September 30, 2019

	National Division	PRA	KPFA	KPFK	WBAI	WPFW	KPFT	Eliminations	Total
Personnel costs	\$ 524,506	\$ 279,310	\$ 2,215,341	\$ 2,015,667	\$ 728,030	\$ 681,384	\$ 250,167	\$ -	\$ 6,694,405
Advertising and promotion	470	-	559	5,701	3,150	-	8,938	-	18,818
Associations and periodicals	-	-	834	8,381	19	-	-	-	9,234
Audit and accounting	416,810	-	-	-	-	-	-	-	416,810
Bank charges and credit card fees	32,563	4,281	72,741	97,660	30,458	24,608	30,408	-	292,719
Board meetings and elections	(1,418)	-	69,950	68,933	89,969	35,664	35,551	-	298,649
Central services	-	-	471,456	500,868	253,344	208,176	161,628	(1,595,472)	-
Communications expense	20,357	5,975	69,040	112,352	44,026	53,496	65,075	-	370,321
Community events	-	4,843	24,303	144,038	28,255	4,734	20,810	-	226,983
Computer maintenance	46,193	-	33,263	11,599	6,833	6,833	46	-	104,767
Consultants	118,730	-	4,100	33,850	97,814	107,362	90,152	-	452,008
Depreciation and amortization	1,600	3,648	58,589	79,190	15,022	2,606	27,743	-	188,398
Direct mail and telemarketing	-	-	14,969	54,006	5,688	1,213	54,845	-	130,721
Equipment rental	-	1,017	11,664	25,373	10,350	1,272	10,834	-	60,510
Grants	-	-	19,309	-	-	-	-	-	19,309
Insurance	182,098	-	11,500	6,285	-	-	-	-	199,883
Interest	276,785	-	-	-	19,562	-	-	-	296,347
Legal fees	158,571	-	1,750	24,110	22,733	3,198	7,547	-	217,909
Miscellaneous	-	12	-	-	1	-	4,930	-	4,943
Rent – office/studio	38,400	-	-	-	63,444	170,273	-	-	272,117
Rent – tower	-	-	-	22,177	146,800	72,598	67,681	-	309,256
Office expenses	17,037	3,003	12,769	29,546	52,974	16,394	22,558	-	154,281
Outside services	31,554	377	40,307	21,095	44,911	450	7,007	-	145,701
Permits, fines, and filing fees	3,090	-	354	672	-	-	-	-	4,116
Programming costs	(93)	(2,461)	81,157	65,739	25,930	11,958	21,488	-	203,718
Repairs and maintenance	3,756	670	71,953	101,674	26,058	4,531	10,885	-	219,527
Storage	2,376	27,276	-	3,296	2,040	-	-	-	34,988
Tapes and supplies	-	23,423	-	6,450	3,128	-	-	-	33,001
Taxes – property	-	-	37,242	9,911	-	-	-	-	47,153
Training conferences	8,629	-	27,069	451	12,407	-	-	-	48,556
Travel	66,031	-	7,113	16,932	7,874	2,545	135	-	100,630
Utilities	3,610	-	85,477	101,840	8,441	23,053	8,325	-	230,746
Website and audioport	4,349	2,690	45,993	7,404	888	-	-	-	61,324
Total Expenses	\$ 1,956,004	\$ 354,064	\$ 3,488,802	\$ 3,575,200	\$ 1,750,149	\$ 1,432,348	\$ 906,753	\$ (1,595,472)	\$ 11,867,848