

PACIFICA FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2005

**PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pacifica Foundation
Berkeley, California


We have audited the accompanying statement of financial position of the Pacifica Foundation (a nonprofit organization) at September 30, 2005, and the related statements of activities and changes in net assets, 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 the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Statements of Financial Position, Activities, Other Revenue and Functional Expenses (By Division) on pages 20 through 28 are not a required part of the basic financial statements of Pacifica Foundation but are supplementary information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

New York, New York
February 7, 2006


Ross Wisdom CPA, PLLC
Certified Public Accountant

PACIFICA FOUNDATION
AT SEPTEMBER 30, 2005

Statement of Financial Position

CURRENT ASSETS

Cash (note 1)	\$2,091,633
Investments (note 2)	11,881
Pledges and other receivables (note 3)	698,762
Prepaid expenses	55,021
Inventory	150,050
TOTAL CURRENT ASSETS	<u>3,007,347</u>

PROPERTY AND EQUIPMENT

Equipment (note 4)	7,519,148
Furniture and fixtures	324,002
Leasehold improvements	723,205
Building and improvements	2,981,701
Land	632,428
	<u>12,180,484</u>
Less: Accumulated depreciation	<u>(8,741,867)</u>
NET PROPERTY AND EQUIPMENT	<u>3,438,617</u>

OTHER ASSETS

Other assets including deposits (note 5)	55,802
Program endowment (note 6)	506,873
TOTAL OTHER ASSETS	<u>562,675</u>

TOTAL ASSETS \$7,008,639

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

PACIFICA FOUNDATION
AT SEPTEMBER 30, 2005

Statement of Financial Position (continued)

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$1,128,889
Deferred income (note 7)	3,732
Deposit payable & other liabilities	14,000
TOTAL CURRENT LIABILITIES	<u>1,146,621</u>

NET ASSETS

Unrestricted	5,455,577
Temporarily restricted (note 9)	40,386
Permanently restricted (note 6)	366,055
TOTAL NET ASSETS	<u>5,862,018</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$7,008,639</u></u>
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PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Statement of Activities

	TEMPORARILY		PERMANENTLY	TOTAL
	UNRESTRICTED	RESTRICTED	RESTRICTED	
UNRESTRICTED REVENUE & SUPPORT				
Listener support / Donations	\$13,705,687			\$13,705,687
Contributions-Katrina Relief Fund (note 8)	0	111,349		111,349
Grants (note 9)	1,297,119	602,813		1,899,932
Community events	486,872			486,872
SCA income	386,500			386,500
Other revenue	308,620			308,620
Investment income	40,224			40,224
Net assets released from restrictions	705,749	(705,749)		0
TOTAL UNRESTRICTED REVENUE	16,930,771	8,413	0	16,939,184
EXPENSES				
Program services	7,783,421			7,783,421
Management & general	4,497,299			4,497,299
Fundraising	3,384,383			3,384,383
Community events	229,730			229,730
TOTAL EXPENSES	15,894,833	0	0	15,894,833
CHANGE IN NET ASSETS	1,035,938	8,413	0	1,044,351
NET ASSETS-BEGINNING OF YEAR	4,419,639	31,973	366,055	4,817,667
NET ASSETS-END OF YEAR	\$5,455,577	\$40,386	\$366,055	\$5,862,018

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

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Statement of Functional Expenses

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL FUNCTIONAL EXPENSES
Salaries	\$3,551,813	\$1,674,648	\$768,487	\$5,994,948
Payroll taxes	341,862	137,839	72,306	552,007
Employee benefits	597,975	324,863	133,581	1,056,419
Outside services	206,706	158,630	31,161	396,497
Payroll service		10,991		10,991
Advertising & promotion	81	15	17,676	17,772
Associations & periodicals	2,055	15,766	6,416	24,237
Audit and accounting fees		72,063		72,063
Bank charges		41,488		41,488
Board election expenses		183,941		183,941
Brokers fee		15,619		15,619
CAC Training expenses	14,319			14,319
Computer maintenance	62,980	101,304	11,544	175,828
Conferences & training	6,968	19,828	3,610	30,406
Consulting fees		2,200		2,200
Credit card fees			276,963	276,963
Democracy now	523,904			523,904
Depreciation & amortization	242,052	159,467		401,519
Development expenses			28,340	28,340
Direct mail/ telemarketing/Sub. serv.			739,261	739,261
Documentary production	300			300
Equipment rental	11,795	100,336	837	112,968
Folio expenses			10,854	10,854
Insurance	345	298,807		299,152
Interest		11,795		11,795
Katrina Relief Coverage	10,963			10,963
Katrina Relief Agencies	100,000			100,000
Legal and professional fees	76,917	101,947	1,327	180,191
Major gifts expense			1,088	1,088
Misc.	1,490	43,414	(2,015)	42,889
Moving expenses		6,493		6,493
National board expenses		224,677		224,677
National Prog.-Free Speech Radio	440,287			440,287
News service	118,619			118,619
NFCB Tradeshow & conventions	33,575			33,575
Non-operating grant expenses	3,732			3,732
Office expenses	2,564	97,520	1,906	101,990
Postage & shipping	7,236	43,310	694	51,240
Premiums/shipping & marathons			1,082,078	1,082,078
Presidential election/comm. hearings	75,125			75,125
Printing & publications	1,700	10,136	95,365	107,201
Programming services & expenses	103,023			103,023
Rent	573,389	137,417	37,741	748,547
Repairs & maintenance	174,236	95,617	2,150	272,003
Satellite interconnect	70,581			70,581
Storage		15,666		15,666
Tapes & supplies	116,013			116,013
Taxes (UBT & Property)		29,189		29,189
Telephone	89,625	245,754	6,329	341,708
Travel	41,842	61,833	4,697	108,372
Utilities	179,349	54,726	51,987	286,062
	\$7,783,421	\$4,497,299	\$3,384,383	\$15,665,103

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Statement of Cash Flow

CASH FLOWS FROM OPERATING ACTIVITES

<i>Increase in net assets</i>	\$ 1,044,351
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	401,519
Realized and unrealized gain on investments	(12,903)
<i>Change in assets and liabilities</i>	
Increase in accounts receivable	(225,213)
Decrease in prepaid expenses	3,287
Increase in inventory	(20,575)
Decrease in other assets	6,003
Decrease in accounts payable	(329,710)
Decrease in deposit payable/other liabilities	(11,079)
Decrease in deferred income	(7,757)
NET CASH PROVIDED BY OPERATING ACTIVITES:	847,923

CASH FLOWS FROM INVESTING ACTIVITES

Purchase of building and improvements	(7,834)
Purchase of property and equipment	(233,658)
Purchase of furniture & fixtures	(8,181)
Net (Acquisition)/Sales of investments	(35,408)
NET CASH USED BY INVESTING ACTIVITES:	(285,081)

CASH FLOWS FROM FINANCING ACTIVITES

Payments on mortgage	(83,750)
NET CASH USED BY FINANCING ACTIVITES:	(83,750)

NET INCREASE IN CASH 479,092

CASH AT BEGINNING OF YEAR 1,612,541

CASH AT END OF YEAR **\$ 2,091,633**

PACIFICA FOUNDATION
NOTES TO FINANCIAL
STATEMENTS
SEPTEMBER 30, 2005

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Notes to Financial Statements

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Operations

Pacifica Foundation was incorporated under the Nonprofit Corporation Law of the State of California on August 24, 1946 and currently operates, on a not-for-profit basis, five FM radio stations and maintains a program tape library which is used to sell and rent taped programs to other non-commercial radio stations, news services, schools, colleges, universities and the general public. Contributions are used to support non-commercial radio stations and to create public affairs programming which is available to 122 affiliated non-commercial radio stations.

The financial statements include the operations of the following divisions:

Radio Station-KPFA-Berkeley, California
Radio Station-KPFB-Los Angeles, California
Radio Station-KPFT-Houston, Texas
Radio Station-WBAI-New York, New York
Radio Station-WPFW-Washington, D.C.
Pacifica Foundation-National Division (National Office & Pacifica Radio Archives)

All significant inter-division accounts have been eliminated.

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.

Inventory

Each station maintains an inventory of premium items used for fundraising activities carried at the lower of cost or fair market values.

Property and Equipment

Purchases of property and equipment are recorded at cost. 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 (see Note 4). Property and equipment are depreciated using the straight-line method over 30 yrs for Buildings, 10 yrs for Furniture and Fixtures, 10yrs for Technical Equipment, 20yrs for Transmitter and Antenna Equipment (10yrs for Transmitter equipment acquired prior to October 1, 2002) and 5yrs for Computer and Office Equipment. The Organization's capitalization policy is to capitalize and depreciate assets over \$1,000.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Intangible Assets

The foundation owns the broadcasting licenses of all five stations of which four licenses were acquired at no cost to the Foundation.

The cost of the fifth broadcasting license (WPFW) was being amortized on a straight-line method over 20 years from date of acquisition (1977). That license was fully amortized as of September 30, 1997 and, as such, no amortization was charged to operations in the year ended September 30, 2005. (Radio Station WPFW).

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 be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the year ended September 30, 2005, \$705,749 of net assets were released from restrictions including \$21,500 and \$99,500 in grant expenditures respectively from NEA and charitable foundations and \$441,813 in CPB grants for national programming (Free Speech Radio & News) (note 9) and \$110,963 for Katrina Relief (note 8) and \$31,973 of NARAS grants from fiscal year ending September 30, 2005 for PRA Archives Project.

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. (see note 6)

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. As of September 30, 2005 there were no unconditional promises to give in subsequent years, other than the Lutz Charitable Remainder Trust (see note 17).

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Restricted Grants

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. (See Notes 6 & 9)

Income Recognition from Community Events

Funds received in advance from community events are shown as deferred income when received. These amounts are recorded as income when the funds are disbursed upon the completion of the community event in order to more closely match revenue with the related expenditure.

Donated services-volunteers

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.

Income Taxes

The Foundation has qualified as a tax-exempt organization under 501(C)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes, other than taxes on unrelated business taxable income (UBTI). During the fiscal year ended September 30, 2005, the Foundation incurred Federal and California income taxes of \$4,540 on UBTI from commercial leases.

NOTE 1 – 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) for up to \$100,000. Cash at these institutions exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$2,228,897 as of September 30, 2005. The Foundation also maintains accounts with stock brokerage firms. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corp. There were no amounts in excess of the insured limits with brokers at September 30, 2005.

NOTE 2 – Investments

The Organization's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the year reported on the statement of activities as realized and unrealized gains or (losses) \$12,903. Unrealized gains (losses) since acquisition totaled \$31,450.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 2 – Investments (continued)

Investments, stated at fair market value as of September 30, 2005 consist of the following:

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
Money Market (Brokerage accounts)	\$105,079	\$105,079	0
Corporate Securities	382,225	413,675	31,450
	<u>487,304</u>	<u>518,754</u>	<u>31,450</u>
Investments	9,420	11,881	2,461
Endowment	477,884	506,873	28,989
	<u>\$487,304</u>	<u>\$518,754</u>	<u>\$31,450</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2005.

Realized & unrealized gains	\$12,903
Interest & dividends	<u>27,321</u>
Net investment income (losses)	<u>\$40,224</u>

NOTE 3 – Pledges And Other Receivables

Pledges receivable have been recorded as of September 30, 2005 based primarily on balances due on installment pledges and represent historical collection fulfillment rates for this fiscal year of approximately 91% KPFA, 88% KPFK, 89% KPFT, 81% WBAI and 87% WPFW.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 4 – Technical Equipment Subject To Restrictions

Included in the property and equipment held at September 30, 2005 is certain technical equipment acquired with the assistance of government grants.

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

At September 30, 2005, the following assets were subject to the federal ten-year periods:

	<u>Approximate Costs</u>	<u>End of 10-year Period</u>
KPFA	<u>\$73,326</u>	2013
Total equipment subject to federally retained interests	<u><u>\$73,326</u></u>	

NOTE 5 – Deposits

Deposits at September 30, 2005 include security deposits on leased properties.

NOTE 6 – 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. The annual investment income may be used for various program production activities. In addition, if the value of assets has appreciated over the historic dollar value of \$366,055, the net appreciation, realized (with respect to all assets) and unrealized (with respect only to readily marketable assets) may be appropriated for expenditure, unless prohibited by the donor in the applicable gift instrument.

NOTE 7 – Deferred Income

Deferred income at September 30, 2005 consisted of \$3,732 from affiliates.

NOTE 8 – Temporarily Restricted Contributions-Katrina Relief Fund

KPFK-on air fundraising activities raised \$111,349 from listeners for Katrina Hurricane Relief efforts of which \$10,963 was used for Katrina coverage and travel expenses and \$100,000 was distributed to 501(c) (3) public charity Katrina disaster relief agencies. \$386 remained in temporarily restricted funds on September 30, 2005.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 9 – Grant Revenue

Grant Revenue was recognized from the following sources:

	TOTAL	Corporation for Public Broadcasting	Charitable Foundations NEA and Other
KPFA	\$539,960	\$488,160	\$51,800
KPFK	393,428	392,428	1,000
WBAI	501,440	499,840	1,600
KPFT	91,296	86,296	5,000
WPFW	314,058	272,558	41,500
National Office	13,250	0	13,250
PRA	46,500	0	46,500
Total Grants	\$1,899,932	\$1,739,282	\$160,650

Funding from the Corporation for Public Broadcasting (CPB) has been budgeted through September 30, 2006. Grant revenue is received for program production, capital equipment acquisition and station operations. KPFA, KPFK, WBAI and WPFW received an additional \$10,000 each during the year from CPB for Internet Services Acquisition Grants. There were \$40,000 of restricted funds remaining at September 30, 2005 from CPB for Internet Services Acquisition grants.

Grant revenue from National Endowment for the Arts (NEA) and charitable foundations includes \$121,000 in temporarily restricted grants: \$46,500 for PRA Archives Project, \$31,500 for WPFW Programming, \$13,000 KPFA Apprenticeship Program and \$30,000 for News and Public Awareness programs on the public hazards of toxic chemicals.

NOTE 10 – SCA Income

Pacifica Foundation entered into sub-carrier agreements (SCA) in March 1984, whereby outside companies would be allowed to use a portion of certain Pacifica stations' base bands in order to broadcast signals to the outside companies' subscribers. The initial terms of the agreements were five years from start of operations at each respective station. Subsequent to the initial agreements, some of the leases have expired and some have renewed. Additional agreements have been entered into during the year ended September 30, 2005 resulting in total annual SCA revenue of approximately \$ 386,500.

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.

In 1984, Pacifica Foundation had retained legal counsel to investigate the possibility that the above income is unrelated and thereby taxable, and a determination request was submitted to the IRS. The response from the IRS indicated that the income is not taxable and that Pacifica's not-for-profit status will not be affected.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 11 – Lease Commitments, Offices And Facilities

Studio and Office Rent

The Foundation leases offices and operating facilities under operating leases providing for minimum future rentals at WBAI-FM, WPFW-FM and KPFT-FM. WBAI is currently obligated under a studio and office lease rental agreement entered into in June 1997 for 15 years at a current monthly base rental of \$19,606.75. WPFW is currently obligated under a studio and office lease rental agreement amended October 24, 2000 extending the lease term to November 30, 2008 at a current monthly base rental of \$11,348.75. Generally, the leases provide that insurance, maintenance and taxes are to be paid by the lessee.

Equipment Rental (Towers)

NEW YORK-WBAI-FM

WBAI is currently obligated under a radio tower rental agreement entered into in June 2005 for 15 years at a monthly base rental of \$18,750 (as of September 30, 2005) plus a fixed annual rent of \$25,575 subject to annual cost of consumer price index adjustments.

WASHINGTON-WPFW-FM

WPFW is currently obligated under a radio tower rental agreement entered into in January 1, 1988 at a monthly rental subject to annual cost of consumer price index adjustments.

HOUSTON-KPFT-FM

KPFT-FM is currently obligated under a radio tower rental agreement entered into on February 1, 1997 for 2 years. The lease contains four individual 2-year options to renew under similar terms. The fourth option to extend automatically became effective on February 1, 2005 for the period February 1, 2005 to January 31, 2007, at a monthly rental of \$2,651. The future minimum rental payments under leases with remaining non-cancelable terms in excess of one year are:

Studio and Office Rent

Year Ended	<u>TOTAL</u>	<u>Studio and Office Rent</u>	<u>Tower Rent</u>
9/30/06	668,873	\$371,466	\$297,407
9/30/07	697,987	378,984	319,003
9/30/08	743,977	416,378	327,599
9/30/09	646,599	297,200	349,399
9/30/10 and thereafter	5,786,144	880,872	4,905,272
	<u>\$8,543,580</u>	<u>\$2,344,900</u>	<u>\$6,198,680</u>

Equipment Financing

\$66,000 of remote broadcasting equipment was acquired during the year with secured financing at 16 % APR for 3 years.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 12 – Pending Legal Matters

Commitments and Contingencies

The Foundation is a defendant in several lawsuits. Management believes these suits are without merit and intends to vigorously defend its position. Management believes that the resolutions claims and pending litigation will not have a material effect, individually or in the aggregate, to the financial position, results of operations and cash flows. Legal counsel has advised management that a range of loss, if any, cannot be reasonably estimated at this time. Accordingly, no provision for possible loss has been made in these financial statements.

Communications Attorneys

Pacifica's communications attorneys have advised management that they are not aware of any pending or threatened litigations, claims, or assessments.

NOTE 13 – Central Services

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

NOTE 14 – Severance Payments Included In Salaries Expense

Severances paid or accrued to employees terminated during the fiscal year ended Sept. 30, 2005 of \$ 30,870 has been included in the total salaries expense of \$5,994,948.

NOTE 15 – Employee Benefit Plan

The Foundation has a defined contribution 403B salary deferral plan and a profit-sharing plan covering substantially all eligible employees' salaries. Plan expenses incurred by the Foundation during the fiscal year ended September 30, 2005 was \$70,353.

NOTE 16 – Democracy Now Agreement

On June 13, 2002 an agreement was made between Pacifica and Democracy Now! Productions, Inc. (Producer) whereby the Democracy Now! Program will be independently produced by the Producer under an annual contract with Pacifica for \$440,000 for fiscal year ended Sept. 30, 2003 with annual increases of 4% in subsequent years until the termination of the contract on Sept. 30, 2007. Summary of Key Terms: Pacifica will provide Producer with distribution services and research materials. Producer will have complete editorial independence and will be solely responsible for content and all costs of production including production facilities. Intellectual property and certain distribution rights are reserved to Producer. Producer will actively assist Pacifica in on-air fundraising drives to substantially the same extent as before and shall have the rights to also engage in fundraising on its own behalf. Producer will deliver the program to Pacifica at Pacifica's expense using technically reasonable means, which may include, as at present, an ISDN line. In addition to the fees specified above, Pacifica will pay the costs of Producer's ISDN and telephone service, not to exceed \$4,000 per month.

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 17 – Charitable Remainder Trust

In December 1990 Pacifica was named principal beneficiary of a charitable remainder trust. The terms of the trust calls for monthly percentage of principal payments to named income beneficiaries. Required monthly payments are to be paid first out of trust income, then out of trust principal, with any excess trust income added to principal. Annual trust administrative costs are to be paid out of trusts 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 the trust assets at September 30, 2005 was \$145,890.

NOTE 18 – Annual Election Of Directors

Pursuant to the adoption of new By-Laws, the five station Pacifica Radio network had elections in February, 2004 whereby over 16,000 active members nationwide cast ballots in an independently supervised election that elected five 24-member Local Station Boards (LSB) representing KPFA, KPFK, KPFT, WBAI and WPFW. The LSB's in turn elected representatives to a 22 member Pacifica National Board seated on March 12, 2004. As of September 30, 2004 there were approximately 95,555 active members across the Pacifica network which met the voting qualifications of (a) donating \$25 or more to a Pacifica station during the year, or (b) volunteering a minimum of three verifiable hours to a Pacifica station, or (c) receiving a staff or hardship exemption qualification. No goods or services are provided to members other than the right to attend meetings, vote or hold office and, accordingly, the organization does not recognize a portion of donations received as Membership Dues. Subsequent to September 30, 2004, annual elections were held across the network in November and December of 2004 whereby, over 11,000 active members nationwide cast ballots in an independently supervised election that elected 12 members to each of the five 24-member LSB's to three-year terms. The LSB's in turn elected four representatives each to a 22 member PACIFICA NATIONAL BOARD (Including 2 affiliate members) that was seated in January 2005.

PACIFICA FOUNDATION
SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2005

PACIFICA FOUNDATION
AT SEPTEMBER 30, 2005

Statement of Financial Position by Division

ASSETS	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Division
CURRENT ASSETS								
Cash	\$2,091,633		\$979,433	\$426,782	\$132,881	\$133,281	\$286,937	\$132,319
Investments	11,881			11,881				
Pledges and other receivables	698,762		197,144	139,283	49,945	197,685	24,337	90,368
Inter-division receivables	-	(1,624,846)	1,453,413	171,433				
Prepaid expenses	55,021		25,057			925	3,234	25,805
Inventory	150,050		24,200	79,020	11,528	21,736	13,566	
TOTAL CURRENT ASSETS	3,007,347	(1,624,846)	2,679,247	828,399	194,354	353,627	328,074	248,492
PROPERTY AND EQUIPMENT								
Equipment	7,519,148			1,755,418	1,283,972	527,998	812,530	1,120,656
Furnitures and fixtures	324,002		2,018,574	10,900	62,468	22,130	84,669	40,542
Leasehold improvements	723,205		103,293	7,707	494,471	16,430	88,096	116,501
Building and improvements	2,981,701		2,052,881	556,201		122,030		250,589
Land	632,428		481,069	88,475		62,884		
	12,180,484		4,655,817	2,418,701	1,840,911	751,472	985,295	1,528,288
Less: Accumulated depreciation	(8,741,867)		(2,772,239)	(1,617,132)	(1,650,692)	(582,865)	(929,616)	(1,189,323)
NET PROPERTY AND EQUIPMENT	3,438,617		1,883,578	801,569	190,219	168,607	55,679	338,965
OTHER ASSETS								
Other assets including deposits	55,802				41,842		13,960	506,873
Program endowment	506,873							506,873
TOTAL OTHER ASSETS	562,675		0	0	41,842	0	13,960	506,873
TOTAL ASSETS	\$7,008,639	(\$1,624,846)	\$4,562,825	\$1,629,968	\$426,415	\$522,234	\$397,713	\$1,094,330

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
AT SEPTEMBER 30, 2005

Statement of Financial Position by Division (continued)

LIABILITIES AND NET ASSETS	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Division
CURRENT LIABILITIES								
Accounts payable and accrued expenses	\$1,128,889		\$158,939	\$79,014	\$235,213	\$35,803	\$28,955	\$590,965
Deferred income	3,732							3,732
Inter-division payable	14,000	(1,624,846)			89,586	317,124	287,991	930,145
Deposit payable & other liabilities	1,146,621	(1,624,846)	158,939	79,014	324,799	352,927	316,946	14,000
TOTAL CURRENT LIABILITIES	<u>1,146,621</u>	<u>(1,624,846)</u>	<u>158,939</u>	<u>79,014</u>	<u>324,799</u>	<u>352,927</u>	<u>316,946</u>	<u>1,538,842</u>
TOTAL LIABILITIES	<u>1,146,621</u>	<u>(1,624,846)</u>	<u>158,939</u>	<u>79,014</u>	<u>324,799</u>	<u>352,927</u>	<u>316,946</u>	<u>1,538,842</u>
NET ASSETS								
Unrestricted	5,455,577		4,243,886	1,520,568	91,616	169,307	70,767	(640,567)
Temporarily restricted	40,386		10,000	10,386	10,000		10,000	
Permanently restricted	366,055		150,000	20,000				196,055
TOTAL NET ASSETS	<u>5,862,018</u>		<u>4,403,886</u>	<u>1,550,954</u>	<u>101,616</u>	<u>169,307</u>	<u>80,767</u>	<u>(444,512)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$7,008,639</u>	<u>(\$1,624,846)</u>	<u>\$4,562,825</u>	<u>\$1,629,968</u>	<u>\$426,415</u>	<u>\$522,234</u>	<u>\$397,713</u>	<u>\$1,094,330</u>

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Statement of Activities by Division and changes in Net Assets

	Totals	Eliminations	KPFA	KPFK	WBAl	KPFT	WPFW	National Division
UNRESTRICTED REVENUE & SUPPORT								
Listener support / Donations	\$13,705,687		\$4,040,967	\$3,120,267	\$2,844,038	\$1,219,541	\$1,646,150	\$834,724
Grants	1,297,119		362,638	283,997	364,082	68,859	204,293	13,250
Community events	486,872		206,938	25,744	212,175	26,735	6,156	9,124
SCA income	386,500							386,500
Other revenue	308,620		33,654	18,361	1,046	2,337	513	252,709
Investment income	40,224	(2,376,336)	7,564	2,038				30,622
Central services								2,376,336
Net assets released from restrictions	705,749		167,322	210,394	127,358	22,437	99,765	78,473
TOTAL UNRESTRICTED REVENUE	16,930,771	(2,376,336)	4,819,083	3,660,801	3,548,699	1,339,909	1,956,877	3,981,738
EXPENSES								
Program services	7,783,421		1,976,220	1,561,923	2,176,119	345,176	523,487	1,200,496
Management & general	4,497,299		907,782	419,565	488,103	386,533	445,045	1,850,271
Fundraising	3,384,383		719,485	941,766	461,387	310,693	515,445	435,607
Central services	0	(2,376,336)	743,955	572,858	509,071	221,237	329,215	
Community events	229,730		118,421	29,024	45,141	18,275	8,760	10,109
TOTAL EXPENSES	15,894,833	(2,376,336)	4,465,863	3,525,136	3,679,821	1,281,914	1,821,952	3,496,483
INCREASE IN UNRESTRICTED NET ASSETS	1,035,938		353,220	135,665	(131,122)	57,995	134,925	485,255
TEMPORARILY RESTRICTED NET ASSETS								
Contributions-Katrina Relief Fund	111,349			111,349				
Grants	602,813		177,322	109,431	137,358	22,437	109,765	46,500
Net assets released from restrictions	(705,749)		(167,322)	(210,394)	(127,358)	(22,437)	(99,765)	(78,473)
INCREASE IN TEMP. RESTRICTED NET ASSET	8,413		10,000	10,386	10,000	0	10,000	(31,973)
CHANGE IN PERM. RESTRICTED NET ASSETS	0		0	0	0	0	0	0
NET ASSETS-Beginning of year	4,817,667		4,040,666	1,404,903	222,738	111,312	(64,158)	(897,794)
NET ASSETS-End of year	\$5,862,018		\$4,403,886	\$1,550,954	\$101,616	\$169,307	\$80,767	(\$444,512)

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Statement of Functional Expenses by Division

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Division
SALARIES AND RELATED EXPENSES								
Salaries	\$5,994,948		\$1,780,842	\$1,131,010	\$1,201,852	\$442,750	\$401,678	\$1,036,816
Payroll taxes	552,007		167,144	101,932	118,115	44,276	34,368	86,172
Employee benefits	1,056,419		322,448	161,164	188,860	96,080	86,546	201,321
Outside services	396,497		37,222	75,819	25,456	369	103,672	153,959
TOTAL SALARIES & RELATED EXPENSES	7,999,871		2,307,656	1,469,925	1,534,283	583,475	626,264	1,478,268
OTHER EXPENSES								
Payroll service	10,991							10,991
Advertising & promotion	17,772		2,405	950	1,500	3,813	451	8,653
Associations & periodicals	24,237		8,539	1,032	3,923	6,533	307	3,903
Audit and accounting fees	72,063							72,063
Bank charges	41,488		9,948	8,247	8,721	9,376	3,108	2,088
Board election expenses	183,941		54,631	42,420	38,305	20,595	27,657	333
Brokers fee	15,619							15,619
CAC Training expenses	14,319		14,319					
Computer maintenance	175,828		52,452	38,464	15,498	17,716	13,078	38,620
Conferences & training	30,406		4,328	6,654	3,525	6,935		8,964
Consulting fees	2,200			2,200				
Credit card fees	276,963		68,744	71,898	76,040	28,187	27,754	4,340
Democracy now	523,904							523,904
Depreciation & amortization	401,519		91,114	92,352	81,880	8,565	48,051	79,557
Development expenses	28,340		5,140	6,111	4,932	10,773		1,384
Direct mail/telemarketing/Sub. serv.	739,261		137,055	123,038	88,689	78,760	52,772	258,947
Documentary production	300							300
Equipment rental	112,968		35,424	11,773	15,758	11,749	11,830	26,434
Folio expenses	10,854				10,854			
Insurance	299,152		7,135	345				291,672
Interest	11,795		2,332		19			9,444
Katrina Relief Coverage	10,963			10,963				
Katrina Relief Agencies	100,000			100,000				
Legal and professional fees	180,191		49,505	3,777	61,187	9,947	8,073	47,702
Major gifts expense	1,088					843	245	
Misc.	42,889		7,989	5,442	(2,475)	4,058	9,336	18,539
Moving expenses	6,493		5,000	1,493				
National board expenses	224,677		10,290	12,633	8,680	5,206	10,758	177,110
National Prog.-Free Speech Radio	440,287		123,892	99,088	126,918	22,360	68,029	
News service	118,619		41,592	36,507	31,992	2,969	5,559	23,401
NFCB Tradeshows & conventions	33,575			6,864			3,310	
Non-operating grant expenses	3,732		3,732					
Office expenses	101,990		13,006	36,032	7,405	13,207	8,491	23,849

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Statement of Functional Expenses by Division (Continued)

	<u>Totals</u>	<u>Eliminations</u>	<u>KPFA</u>	<u>KPFFK</u>	<u>WBAI</u>	<u>KPFT</u>	<u>WPFW</u>	<u>National Division</u>
Postage & shipping	51,240		6,569	5,632	9,340	4,633	10,751	14,315
Premiums/shipping & marathons	1,082,078		228,665	308,379	242,996	48,690	214,819	38,529
Presidential election/comm. hearings	75,125		8,289	7,495	7,995	7,703	7,302	36,341
Printing & publications	107,201		24,147	19,295	20,709	5,737	17,657	19,656
Programming services & expenses	103,023		12,989	17,778	4,778	33,616	1,675	32,187
Rent	748,547		8,125	3,236	533,973	34,339	153,116	15,758
Repairs & maintenance	272,003		64,672	123,561	28,762	5,653	40,659	8,696
Satellite interconnect	70,581		17,540	13,396	18,953	13,396	7,296	
Storage	15,666						5,141	10,525
Tapes & supplies	116,013		7,046	8,609	7,608	315	213	92,222
Taxes (UBT & Property)	29,189		6,430	9,741		8,403		4,615
Telephone	341,708		76,684	80,826	76,531	20,976	47,849	38,842
Travel	108,372		27,608	26,651	4,907	1,898	2,606	44,702
Utilities	286,062		58,495	110,447	51,423	11,976	49,820	3,901
TOTAL OTHER EXPENSES	7,665,232		1,295,831	1,453,329	1,591,326	458,927	857,713	2,008,106
TOTAL FUNCTIONAL EXPENSES	\$15,665,103		\$3,603,487	\$2,923,254	\$3,125,609	\$1,042,402	\$1,483,977	\$3,486,374

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Schedule of Functional Expenses – Program Services

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Division
SALARIES AND RELATED EXPENSES								
Salaries	\$3,551,813		\$1,161,997	\$745,675	\$1,049,217	\$185,956	\$140,587	\$268,381
Payroll taxes	341,862		117,890	67,205	103,115	18,596	12,029	23,027
Employee benefits	597,975		206,998	105,186	164,874	40,354	30,292	50,271
Outside services	206,706		20,579	24,074	7,977		98,703	55,373
TOTAL SALARIES & RELATED EXPENSES	4,698,356		1,507,464	942,140	1,325,183	244,906	281,611	397,052
OTHER EXPENSES								
Payroll service	0							81
Advertising & promotion	81							
Apprenticeship program	0							
Associations & periodicals	2,055		1,739	191				125
CAC Training	14,319		14,319					
Computer maintenance	62,980		1,528	27,158	7,960			26,334
Conferences & training	6,968		2,530	1,725				2,713
Democracy now	523,904							523,904
Depreciation & amortization	242,052		68,837	60,856	54,987	6,897	44,255	6,220
Documentary production	300							300
Equipment rental	11,795		1,132	3,430				7,233
Insurance	345			345				
Katrina Relief Coverage	10,963			10,963				
Katrina Relief Agencies	100,000			100,000				
Legal and professional fees	76,917		7,431	3,615	19,044	7,984	1,243	37,600
Misc.	1,490		1,490					
National Prog.-Free Speech Radio	440,287							
News service	118,619		123,892	99,088	126,918	22,360	68,029	
NFCB Tradeshows & conventions	33,575		41,592	36,507	31,992	2,969	5,559	
Non-operating grant expenses	3,732			6,864			3,310	23,401
Office expenses	2,564		1,083	1,257				224
Postage & shipping	7,236		2,424	2,149				2,663
Presidential election/comm. hearings	75,125		8,289	7,495	7,995	7,703	7,302	36,341
Printing & publications	1,700		1,120	185				395
Programming services	103,023		12,989	17,778	4,778	33,616	1,675	32,187
Rent	573,389		1,820	1,820	500,434		71,135	
Repairs & maintenance	174,236		23,063	112,440	25,375		10,785	2,573
Satellite interconnect	70,581		17,540	13,396	18,953	13,396	7,296	92,222
Tapes & supplies	116,013		7,046	8,609	7,608	315	213	5,820
Telephone	89,625		63,507	16,661			3,637	2,098
Travel	41,842		25,311	14,433				
Utilities	179,349		38,162	72,818	44,892	5,030	17,437	1,010
TOTAL OTHER EXPENSES	3,085,065		468,756	619,783	850,936	100,270	241,876	803,444
TOTAL PROGRAM SERVICES EXPENSES	\$7,783,421		\$1,976,220	\$1,561,923	\$2,176,119	\$345,176	\$523,487	\$1,200,496

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Schedule of Functional Expenses - Management & General

	Totals	Eliminations	KPFA	KPFK	WBAL	KPFT	WPFW	National Division
SALARIES AND RELATED EXPENSES								
Salaries	\$1,674,648		\$431,318	\$92,404	\$146,866	\$154,962	\$148,621	\$700,477
Payroll taxes	137,839		29,412	8,327	14,433	15,497	12,716	57,454
Employee benefits	324,863		83,177	15,808	23,079	33,628	32,023	137,148
Outside services	158,630		15,908	36,220	14,772	369	4,969	86,392
TOTAL SALARIES & RELATED EXPENSES	2,295,980		559,815	152,759	199,150	204,456	198,329	981,471
OTHER EXPENSES								
Payroll service	10,991					15		10,991
Advertising & promotion	15					3,758	307	722
Associations & periodicals	15,766		6,215	841	3,923			72,063
Audit and accounting fees	72,063							2,088
Bank charges	41,488		9,948	8,247	8,721	9,376	3,108	333
Board election expenses	183,941		54,631	42,420	38,305	20,595	27,657	15,619
Brokers fee	15,619							11,241
Computer maintenance	101,304		45,573	9,642	4,832	17,716	12,300	6,251
Conferences & training	19,828		1,729	2,388	2,525	6,935		
Consulting fees	2,200							
Depreciation & amortization	159,467		22,277	31,496	26,893	1,668	3,796	73,337
Equipment rental	100,336		34,274	7,524	15,758	11,749	11,830	19,201
Insurance	298,807		7,135					291,672
Interest	11,795		2,332		19			9,444
Legal and professional fees	101,947		40,747	162	42,143	1,963	6,830	10,102
Misc.	43,414		8,514	5,442	(2,475)	4,058	9,336	18,539
Moving expenses	6,493		5,000	1,493				
National board expenses	224,677		10,290	12,633	8,680	5,206	10,758	177,110
Office expenses	97,520		11,656	34,061	7,405	13,207	7,716	23,475
Postage & shipping	43,310		3,451	3,483	9,340	4,633	10,751	11,652
Printing & publications	10,136		2,609		500	5,737	130	1,160
Rent	137,417		8,125	291	32,245	34,339	46,659	15,758
Repairs & maintenance	95,617		41,609	11,121	3,312	5,653	27,799	6,123
Storage	15,666						5,141	10,525
Taxes (UBT & Property)	29,189		6,430	9,741		8,403		4,615
Telephone	245,754		9,031	63,528	76,531	20,976	43,036	32,652
Travel	61,833		2,229	11,069	4,017	1,898	1,129	41,491
Utilities	54,726		14,162	9,024	6,279	4,192	18,433	2,636
TOTAL OTHER EXPENSES	2,201,319		347,967	266,806	288,953	182,077	246,716	868,800
TOTAL MGMT AND GENERAL EXPENSES	\$4,497,299		\$907,782	\$419,565	\$488,103	\$386,533	\$445,045	\$1,850,271

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Schedule of Functional Expenses – Fundraising

	Totals	Eliminations	KPFA	KPFK	WBAI	KPFT	WPFW	National Division
SALARIES AND RELATED EXPENSES								
Salaries	\$768,487		\$187,527	\$292,931	\$5,769	\$101,832	\$112,470	\$67,958
Payroll taxes	72,306		19,842	26,400	567	10,183	9,623	5,691
Employee benefits	133,581		32,273	40,170	907	22,098	24,231	13,902
Outside services	31,161		735	15,525	2,707			12,194
TOTAL SALARIES & RELATED EXPENSES	1,005,535		240,377	375,026	9,950	134,113	146,324	99,745
OTHER EXPENSES								
Payroll service	0							
Advertising & promotion	17,676		2,405	950	1,500	3,798	451	8,572
Associations & periodicals	6,416		585			2,775		3,056
Computer maintenance	11,544		5,351	1,664	2,706		778	1,045
Conferences & training	3,610		69	2,541	1,000			
Credit card fees	276,963		68,744	71,898	76,040	28,187	27,754	4,340
Development expenses	28,340		5,140	6,111	4,932	10,773		1,384
Direct mail/ telemarketing/Sub. serv.	739,261		137,055	123,038	88,689	78,760	52,772	258,947
Equipment rental	837		18	819				
Folio expenses	10,854				10,854			
Legal and professional fees	1,327		1,327					
Major gifts expense	1,088					843	245	
Misc.	(2,015)		(2,015)					
Office expenses	1,906		267	714			775	150
Postage & shipping	694		694					
Premiums/shipping & marathons	1,082,078		228,665	308,379	242,996	48,690	214,819	38,529
Printing & publications	95,365		20,418	19,110	20,209	17,527	17,527	18,101
Rent	37,741			1,125	1,294		35,322	
Repairs & maintenance	2,150				75		2,075	370
Telephone	6,329		4,146	637			1,176	1,113
Travel	4,697		68	1,149	890		1,477	
Utilities	51,987		6,171	28,605	252	2,754	13,950	255
TOTAL OTHER EXPENSES	2,378,848		479,108	566,740	451,437	176,580	369,121	335,862
TOTAL FUNDRAISING EXPENSES	\$3,384,383		\$719,485	\$941,766	\$461,387	\$310,693	\$515,445	\$435,607

The accompanying notes are an integral part of these financial statements

PACIFICA FOUNDATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Other Revenue by Division

	Totals	KPFA	KPFK	WBAI	KPFT	WPFW	National Division
OTHER REVENUE							
Tape sales (recorded programs)	\$227,727						\$227,727
Rental of mailing lists	16,713						16,713
Rental of premises (net)	22,675	22,675					
Other income	41,505	10,979	18,361	1,046	2,337	513	8,269
TOTAL OTHER REVENUE	\$308,620	\$33,654	\$18,361	\$1,046	\$2,337	\$513	\$252,709