

Financial Statements and Report of
Independent Certified Public
Accountants

KQED Inc.

September 30, 2022 (with summarized financial
information for September 30, 2021)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
KQED Inc.

Opinion

We have audited the accompanying financial statements of KQED Inc. (the "Corporation"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KQED Inc. as of September 30, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Other matters

Report on 2021 summarized comparative information

We have previously audited the Corporation's 2021 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

San Francisco, California
January 10, 2023

KQED Inc.

STATEMENT OF FINANCIAL POSITION

September 30,

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 29,503,411	\$ 44,122,234
Restricted cash and cash equivalents	7,171,882	6,084,989
Receivables, net	16,785,115	15,238,489
Prepaid expense and other assets	3,067,007	3,676,195
Investments	126,801,250	140,537,576
Deferred compensation cash equivalents and investments	2,100,900	2,610,506
Charitable gift annuities and trusts	10,970,845	11,044,155
Intangible assets, net	1,741,988	1,828,061
Property and equipment, net	112,124,690	112,972,195
	\$ 310,267,088	\$ 338,114,400
Total assets	\$ 310,267,088	\$ 338,114,400
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,326,988	\$ 8,422,512
Accrued payroll and vacation	8,272,734	7,639,175
Broadcast rights liability	2,624,322	1,518,288
Deferred production and underwriting revenues	854,068	2,691,973
Deferred rent liability	333,524	44,062
Deferred compensation obligations	2,100,900	2,610,506
Liabilities to beneficiaries of charitable gift annuities and trusts	5,353,000	4,799,555
	23,865,536	27,726,071
Total liabilities	23,865,536	27,726,071
Net assets		
Without donor restrictions	239,687,170	251,341,256
With donor restrictions	46,714,382	59,047,073
	286,401,552	310,388,329
Total net assets	286,401,552	310,388,329
Total liabilities and net assets	\$ 310,267,088	\$ 338,114,400

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

KQED Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2022 (with summarized financial information for September 30, 2021)

	2022		2022 Total	2021 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Revenues, support and other changes				
Individual member contributions	\$ 53,278,151	\$ 23,657	\$ 53,301,808	\$ 54,916,316
Underwriting	13,294,186	-	13,294,186	11,601,932
General and project grants	2,591,082	5,878,000	8,469,082	6,285,891
Community service grants	6,185,238	543,058	6,728,296	7,217,407
Investment income appropriated from endowments	5,326,124	1,586,680	6,912,804	7,205,665
Gain on extinguishment of debt	-	-	-	8,210,300
Other revenue	1,249,429	-	1,249,429	1,612,136
Contributions of non financial assets	3,640,783	-	3,640,783	5,230,720
Trade revenue	453,000	-	453,000	335,000
Net assets released from restrictions	6,986,965	(6,986,965)	-	-
Total revenues, support and other changes	93,004,958	1,044,430	94,049,388	102,615,367
Expenses				
Program services				
Television				
Programming and production	12,604,759	-	12,604,759	9,243,138
Broadcast services	6,994,014	-	6,994,014	6,252,857
Radio				
Programming and production	5,801,018	-	5,801,018	5,332,077
Broadcast services	3,451,790	-	3,451,790	3,257,348
Multiplatform content	25,102,357	-	25,102,357	21,445,473
Education	2,315,963	-	2,315,963	2,431,917
Program promotion	2,637,146	-	2,637,146	2,725,671
Digital	5,273,593	-	5,273,593	4,731,245
Events	1,192,122	-	1,192,122	773,048
Total program services	65,372,762	-	65,372,762	56,192,774
Support services				
Fundraising	19,170,842	-	19,170,842	17,016,380
General and administrative	12,410,598	-	12,410,598	12,495,999
Total support services	31,581,440	-	31,581,440	29,512,379
Total expenses	96,954,202	-	96,954,202	85,705,153
Changes in net assets from operations	(3,949,244)	1,044,430	(2,904,814)	16,910,214
Bequests and trusts	12,068,756	-	12,068,756	5,215,858
Donor-restricted endowment, charitable gift annuities and trust contributions	-	1,496,766	1,496,766	1,660,202
Change in value - charitable gift annuities and trusts	-	(1,743,668)	(1,743,668)	947,882
Investment income (loss) on endowments, net	(23,564,521)	(8,181,408)	(31,745,929)	14,796,157
Campaign 21				
Revenue and support	-	3,238,398	3,238,398	9,994,299
Net assets released from restrictions	8,187,209	(8,187,209)	-	-
Program services	(2,907,335)	-	(2,907,335)	(3,472,199)
Support services				
Fundraising	(1,031,726)	-	(1,031,726)	(1,245,467)
General and administrative	(457,225)	-	(457,225)	(829,918)
CHANGES IN NET ASSETS	(11,654,086)	(12,332,691)	(23,986,777)	43,977,028
Net assets, beginning of year	251,341,256	59,047,073	310,388,329	266,411,301
Net assets, end of year	\$ 239,687,170	\$ 46,714,382	\$ 286,401,552	\$ 310,388,329

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

KQED Inc.

STATEMENT OF CASH FLOWS

September 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (23,986,777)	\$ 43,977,028
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,069,096	6,979,539
Amortization of discount on long-term promises to give	(5,094)	(95,475)
Realized and unrealized net loss (gain) on investments	27,843,641	(19,325,036)
Change in value of charitable gift annuities and trusts	1,743,668	(947,882)
Bad debt expense and cancelled contracts	408,094	200,669
Interest on loan payable	-	56,485
Gain on extinguishment of debt	-	(8,210,300)
Contributions restricted for investment in perpetuity	(107,325)	(640,419)
Contributions restricted for purchase of property and equipment	(63,500)	(171,873)
Net effect of changes in:		
Receivables	(7,106,364)	(943,658)
Prepaid expenses and other assets	609,188	154,485
Charitable gift annuities and trusts	1,298,292	(151,901)
Accounts payable, accrued expenses and other liabilities	2,330,459	1,425,109
Deferred production and underwriting revenues	(1,837,905)	1,980,201
	<u>11,195,473</u>	<u>24,286,972</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(49,790,973)	(36,726,147)
Proceeds from sales of investments	32,715,008	39,093,779
Purchases of property and equipment	(12,979,001)	(51,190,361)
	<u>(30,054,966)</u>	<u>(48,822,729)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Contributions restricted for purchase of property and equipment	5,313,500	5,078,644
Contributions restricted for investment in perpetuity	14,063	640,419
	<u>5,327,563</u>	<u>5,719,063</u>
Net cash provided by financing activities		
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(13,531,930)	(18,816,694)
Beginning of year	<u>50,207,223</u>	<u>69,023,917</u>
End of year	<u>\$ 36,675,293</u>	<u>\$ 50,207,223</u>
Supplemental data:		
Non-cash transactions:		
Equipment purchases included in payables at year end	\$ 1,627,265	\$ 5,470,748
Forgiveness of loan payable and interest	-	8,210,300
Receivable restricted for investment in perpetuity	93,262	-

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

KQED Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2022 (with summarized financial information for September 30, 2021)

	Program Activities				Programs Subtotal	Supporting Activities			2022 Total Expenses	2021 Total Expenses
	TV	Radio	Multiplatform	Other Programs		Fundraising	General and Administrative	Supporting Subtotal		
Salaries and benefits	\$ 4,943,185	\$ 2,585,120	\$ 20,621,259	\$ 6,498,091	\$ 34,647,655	\$ 9,942,816	\$ 8,712,430	\$ 18,655,246	\$ 53,302,901	\$ 50,150,129
Office and occupancy	1,595,063	1,470,617	2,337,982	476,034	5,879,696	2,551,020	699,963	3,250,983	9,130,679	10,152,942
Dues and program acquisition	7,450,487	3,765,840	37,380	67,863	11,321,570	23,522	108,378	131,900	11,453,470	9,970,516
Information technologies	917,103	268,176	990,769	464,376	2,640,424	767,636	374,235	1,141,871	3,782,295	3,099,984
Membership and donor premiums	-	-	-	3,096	3,096	1,274,165	1,074	1,275,239	1,278,335	1,332,036
Professional services	176,011	9,720	1,737,575	1,292,523	3,215,829	3,475,810	1,162,804	4,638,614	7,854,443	5,846,378
Other services	537,693	62,951	31,160	-	631,804	184,215	283,387	467,602	1,099,406	1,009,168
Trade and in-kind expenses	-	-	-	428,054	428,054	109,852	-	109,852	537,906	489,957
Travel and conferences	1,858	1,928	208,579	19,486	231,851	46,893	40,139	87,032	318,883	76,937
Depreciation and amortization	3,851,450	1,045,928	1,560,346	1,691,124	8,148,848	819,606	1,100,642	1,920,248	10,069,096	6,979,539
Insurance	42,651	25,032	131,567	61,237	260,487	51,294	62,823	114,117	374,604	292,967
Advertising	17,797	-	65,499	395,914	479,210	102,782	21,268	124,050	603,260	803,378
Rights and royalties	23,200	-	109,238	5,854	138,292	-	-	-	138,292	125,495
Other expenses	42,131	17,178	177,434	15,172	251,915	850,014	265,608	1,115,622	1,367,537	907,747
Taxes and licenses	144	318	904	-	1,366	2,943	35,072	38,015	39,381	15,564
	<u>\$ 19,598,773</u>	<u>\$ 9,252,808</u>	<u>\$ 28,009,692</u>	<u>\$ 11,418,824</u>	<u>\$ 68,280,097</u>	<u>\$ 20,202,568</u>	<u>\$ 12,867,823</u>	<u>\$ 33,070,391</u>	<u>\$ 101,350,488</u>	<u>\$ 91,252,737</u>

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

KQED Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KQED Inc. (the "Corporation") is a nonprofit corporation which operates three noncommercial public television stations ("KQED," "KQEH," "KQET") in San Francisco, San Jose and Monterey, and two noncommercial public radio stations ("KQED-FM") in San Francisco and ("KQEI-FM") in North Highlands. The Corporation also distributes its content and services via KQED.org, KQEDNews.org, and KQED Education as well as other digital and mobile media technology.

The Corporation serves the people of Northern California with a community-supported alternative to commercial media. The Corporation's television, radio, digital media and educational services seek to change lives for the better and help individuals and communities achieve their full potential. The Corporation provides citizens with the information they need to make informed decisions, convenes community dialogue, brings the arts to everyone, and engages audiences to share their stories. The Corporation's content and services help students and teachers thrive in 21st century classrooms, and take people of all ages on journeys of exploration, exposing them to new people, places and ideas. The Corporation celebrates diversity, embraces innovation, values lifelong learning, and partners with those who share a commitment to public service.

Basis of Presentation

The Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the Board of Directors ("Board").

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Cash, Cash Equivalents and Restricted Cash

The Corporation's cash consists of cash on deposit with banks. The Corporation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents include funds restricted by various funders and donors for specific projects, capital purchases and operating periods, as well as deferred obligations for underwriting.

Receivables

The Corporation's accounts and contributions receivable consist primarily of amounts due from general members, individual donors and advertising trades. Grants and underwriting receivables consist of amounts

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

due from foundations and corporate sponsors. Receivables are recorded at the present value of the estimated future cash flows. The discounts are computed using risk-adjusted rates applicable in the years in which the commitments are received.

The Corporation uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is based on historical experience, present market conditions and an evaluation of the outstanding receivables at the end of the year.

The Corporation uses a fulfillment rate to record membership receivables. The fulfillment rate is based on historical experience and is evaluated periodically based on current market conditions.

Investments

The Corporation's investments consist of stocks, bonds, mutual funds, certificates of deposit, U.S. Treasury bills, and cash and money market funds.

Investments are carried at estimated fair value based on quoted market prices. Investments received through gifts and endowments are recorded at estimated fair market value at the date of donation. Unrealized gains and losses resulting from changes in fair value are recognized in the period in which such fluctuations occur. Income is recorded within net asset categories in accordance with donor stipulations.

Charitable Gift Annuities and Trusts

Charitable gift annuities and trusts are established by gifts that require payments to be made to the donor or the donor's designee(s) from assets of the trust and which name the Corporation as the beneficiary of the assets remaining at the termination of the trust. Charitable gift annuities and trusts are recorded as contribution income at the fair value of the assets in the trust less an annuity reserve. For the years ended September 30, 2022 and 2021, contribution income for charitable gift annuities and trusts were \$1,389,441 and \$1,377,314, respectively. The present value of the estimated payouts under the agreement is computed using actuarial methods and the 2000CM mortality table, with a discount rate of 0.4% to 8.2%, representing the risk-adjusted rate applicable in the year the gift was made, and expected return based on current market conditions. The income is restricted during the life of the donor unless the donor has restricted the use of the remainder interest to be held in perpetuity. An annual adjustment is made for the actuarial gain or loss on annuity obligations representing differences between assumed and actual experience as to earnings, payouts, and life expectancies used in the computation of the liability for distribution.

As of September 30, 2022 and 2021, future annuity payments due to beneficiaries of charitable gift annuities and trusts totaled \$5,353,000 and \$4,799,555, respectively, on the accompanying statement of financial position.

Charitable trust assets also include the fair value of the Corporation's remainder interest receivable in certain trusts where the Corporation is not the trustee. The fair value of these trusts is measured based upon the estimated net present value of amounts to be received using investment values reported from the trustees, less liabilities to beneficiaries calculated using the valuation technique as described above.

California Insurance Code (the "Code") requires that organizations maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the law requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of September 30, 2022, the Corporation had sufficient funds in its reserve fund to meet the Code requirements and those funds were invested in accordance with the Code.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Corporation classifies its financial assets and liabilities measured at fair value on a recurring basis (annually) based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Corporation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at the estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives of the assets ranging from 2 to 55 years. The carrying amount of long-lived assets is evaluated periodically to determine if adjustments to the useful life of the undepreciated balance are warranted.

The Corporation has completed a major renovation of its headquarters at 2601 Mariposa Street, San Francisco, California. The redesigned building is essential to meet the changing needs of the community now, and for generations to come. The renovated building showcases the Corporation's inclusive, community-minded and ambitious vision for the future of public media.

Broadcast Rights

The Corporation purchases and capitalizes broadcast rights for certain programs from the Public Broadcasting Service and other sources. These costs are expensed over the period of expected telecasts or the term of the agreement, whichever is shorter.

Revenue Recognition

Contributions and charitable grants are recognized as revenue at fair value when they are received or unconditionally pledged. Membership fees are recognized as net assets without donor restrictions when committed as they relate to current year's operations. Premium costs offered to members as thank-you gifts or appreciation are recorded as fundraising expenses in the statement of activities and changes in net assets and approximated \$1,278,000 and \$1,332,000 for the years ended September 30, 2022 and 2021, respectively, which includes the value of de minimis premium items.

Corporate underwriting support is recognized as net assets without donor restrictions when each performance obligation is fulfilled. Performance obligations typically consist of on-air or digital acknowledgements and revenue is recognized when the related acknowledgement is broadcasted by the Corporation. Funds received in advance are reported in deferred production and underwriting revenues in the statement of financial position. Deferred underwriting revenue was approximately \$532,000 and \$359,000 as of September 30, 2022 and 2021, respectively.

Government grants are recognized when allowable costs have been incurred.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The Corporation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions restricted for the purchase of long-lived assets are reported as increases in net assets with donor restrictions when received or unconditionally pledged. The Corporation's policy is to release the capital contributions into net assets without donor restrictions once the acquired long-lived assets are placed into service.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Nonmonetary Assets

Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services are valued at the estimated fair value based on current rates for similar services.

The Corporation's policy is to sell all contributed vehicles immediately upon receipt at auction or for salvage. No vehicles received during the period were restricted for use. Sold vehicles are valued according to the actual cash proceeds on their disposition. Vehicles donated but not sold by fiscal year end are valued based upon an average selling price of the cars sold during the year.

In-kind contributions primarily consist of donated goods and space. The fair market value of donated goods is generally the price for which the asset would sell on the open market on the day of the donation. The Corporation estimates the fair value of rentals based on comparable rental prices in a similar location.

For the years ended September 30, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included:

	2022	2021
Vehicles	\$ 3,560,877	\$ 5,070,698
Space (used for fundraising and program)	18,000	138,582
Tickets	61,906	2,390
Services	-	13,650
Gift Certificates	-	5,400
	<u>3,640,783</u>	<u>5,230,720</u>
Contributed nonfinancial assets as of September 30	\$ 3,640,783	\$ 5,230,720

Nonmonetary Transactions

The Corporation has transactions involving the exchange of sponsorship rights for goods and services. These transactions are recorded based on the fair value of the goods and services received. For the years ended September 30, 2022 and 2021, sponsorship barter transactions resulted in the recognition of approximately \$453,000 and \$335,000, respectively, in revenues and approximately \$458,000 and \$330,000, respectively, in expenses in the accompanying statement of activities and changes in net assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Campaign 21

There is a transformation in the media industry due to the digital revolution. To compete in this new age, in 2013, the Corporation embarked on a multi-year fundraising campaign to generate contributions to create a new infrastructure and reinvent the way the Corporation creates content and convenes community dialogue. As part of this transformation, the Corporation also renovated its headquarters. A portion of funds raised through Campaign 21 was used to assist in this project.

For the years ended September 30, 2022 and 2021, the Corporation received support of approximately \$3,238,000 and \$9,994,000, respectively.

As of September 30, 2021, Campaign 21 fundraising efforts concluded.

Advertising Expenses

The costs of advertising are expensed as incurred. Advertising expense was approximately \$603,000 and \$803,000 for the years ended September 30, 2022 and 2021, respectively.

Income Taxes

The Corporation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Corporation has also been recognized by the Franchise Tax Board as an organization that is exempt from income tax pursuant to California Revenue and Tax Code Section 23701d on its income other than unrelated business income. The Corporation has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it was nexus, and to identify and evaluate other matters that may be considered tax positions. The Corporation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Expense Allocations

Certain expenses, such as depreciation, software maintenance and support, insurance, utilities and telephone, are allocated among program services and supporting services based primarily on equipment usage, space occupied, headcount and on estimates made by the Corporation’s management.

Concentrations of Credit Risk

Financial instruments which potentially subject the Corporation to credit risk include cash, cash equivalents, restricted cash, investments, and receivables. The Corporation attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing outside investment managers to place the Corporation’s investments with highly rated corporate and financial institutions. The Corporation’s receivables result primarily from donor pledges, membership drives and underwriting sponsorships. These receivables are from donors, members and sponsors located primarily in the San Francisco Bay Area. The Corporation routinely assesses the financial strength of these various parties.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

One donor comprised 26% and two donors comprised 43% of the receivables balance as of September 30, 2022 and 2021, respectively.

As of September 30, 2022, the Corporation's cash, cash equivalents and investments were in excess of the federal depository and securities investor protection corporation insurance limits.

Collective Bargaining Agreements

The Corporation has two union collective bargaining agreements which cover approximately 33% of its full-time, part-time and temporary staff. The National Association of Broadcast Employees and Technician ("NABET") union contract expires on October 19, 2025. The contract between the Screen Actors Guild - American Federation of Television and Radio Artists ("SAG-AFTRA") and KQED-FM expires in September 2026.

The Corporation also has a basic minimum agreement with SAG-AFTRA covering performers appearing on KQED-TV, which expires on December 31, 2024. Additionally, the Corporation is a signatory to the SAG-AFTRA Public Television Agreement which covers performers who appear on television programs distributed nationally. The Public Broadcasting Service ("PBS") and producing stations, including the Corporation, are, by mutual agreement, continuing to operate under the terms of an agreement with SAG-AFTRA which expired on July 22, 2022 while the parties prepare for negotiations on a renewal agreement. The parties anticipate commencing negotiations during the first quarter of 2023.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain summarized comparative information as of and for the year ended September 30, 2021 presented in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended September 30, 2021, from which the summarized financial information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

New Accounting Pronouncements

The FASB issued ASU 2020-07 - *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance was issued to improve transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The Corporation has adopted this standard for the year ended September 30, 2022. The Corporation's adoption resulted in a change to its statement of activities where contributions of nonfinancial assets are presented on a separate line. Additional disclosures have been added to provide further information in regard to the nonfinancial assets' use, any donor-imposed restrictions, and a description of the valuation methods.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Recent Accounting Pronouncements

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU 2016-02 - *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their statement of financial position for all leases with lease terms longer than 12 months. The new guidance is effective for years beginning after December 15, 2021. The Corporation is currently evaluating the impact of this pronouncement on its financial statements.

Subsequent Events

The Corporation evaluated subsequent events from September 30, 2022 through January 10, 2023, the date these financial statements were available to be issued. The Corporation concluded that no material subsequent events have occurred since September 30, 2022 that require recognition or disclosure in such financial statements.

NOTE B - AVAILABILITY AND LIQUIDITY

The Corporation has an operating reserve that had a balance of \$21,625,000 and \$21,207,000 as of September 30, 2022 and 2021, respectively. The purpose of the account is to establish a reserve to be used to fund day-to-day operations of the Corporation in the event of a downturn of expected revenue or short-term cash need. The operating reserve is a target balance of 12.5% of operating revenue, which was determined based on management's judgment about the appropriate amount of funds to have set aside in addition to working capital. The operating reserve funds are held in money market funds and certificate of deposits. The operating reserve balance is included in the cash and cash equivalents and investments lines on the statement of financial position.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The following reflects the Corporation's financial assets as of September 30, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2022	2021
Cash and cash equivalents	\$ 29,503,411	\$ 44,122,234
Restricted cash and cash equivalents	7,171,882	6,084,989
Receivables	16,785,115	15,238,489
Investments	126,801,250	140,537,576
Deferred compensation investments	2,100,900	2,610,506
Charitable gifts and annuities and trusts	10,970,845	11,044,155
Financial assets as of September 30	193,333,403	219,637,949
Amounts not due within one year	(3,412,420)	(2,706,254)
Contractual or donor-imposed restrictions:		
Amounts subject to donor restrictions	(9,994,882)	(13,358,751)
Donor-restricted endowment funds	(28,763,927)	(36,931,272)
Funds restricted by lender	(43,869,727)	(53,794,309)
Investments held in deferred compensation investments	(2,100,900)	(2,610,506)
Investments held in charitable gift annuities and trusts	(10,970,845)	(11,044,155)
Board designations:		
Board-designated endowment funds for long term sustainability	(40,775,584)	(39,801,191)
Amounts set aside for operating and building reserve	(23,287,826)	(32,421,559)
Endowment investments available for general purposes and for distribution in accord with the Corporation spending policy	6,581,555	6,912,804
Net assets with purpose restrictions to be met in less than a year	5,444,510	7,508,150
Financial assets available to meet cash needs for general expenditures within one year	\$ 42,183,357	\$ 41,390,906

NOTE C - RECEIVABLES

At September 30, 2022, receivables consist of the following:

	Accounts and Contributions Receivable	Grants and Underwriting Receivable	Campaign 21 Receivable	Total
Amounts due in:				
One year or less	\$ 8,975,686	\$ 3,059,713	\$ 1,383,000	\$ 13,418,399
Two to four years (net of discount of \$32,212)	967,631	1,063,735	1,381,054	3,412,420
Less: allowance for doubtful accounts	-	(45,704)	-	(45,704)
Total	\$ 9,943,317	\$ 4,077,744	\$ 2,764,054	\$ 16,785,115

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

At September 30, 2021, receivables consist of the following:

	Accounts and Contributions Receivable	Grants and Underwriting Receivable	Campaign 21 Receivable	Total
Amounts due in:				
One year or less	\$ 2,908,111	\$ 3,674,823	\$ 6,111,262	\$ 12,694,196
Two to four years (net of discount of \$11,449)	173,703	200,000	2,332,551	2,706,254
Less: allowance for doubtful accounts	<u>(6,308)</u>	<u>(155,653)</u>	-	<u>(161,961)</u>
Total	<u>\$ 3,075,506</u>	<u>\$ 3,719,170</u>	<u>\$ 8,443,813</u>	<u>\$ 15,238,489</u>

NOTE D - INVESTMENTS

The Corporation's investments were composed of the following at September 30, 2022:

	Operating	Endowment	Board- Designated Endowment	Total
Cash and cash equivalents	\$ -	\$ 77,862	\$ 110,713	\$ 188,575
Certificates of deposit	13,392,012	-	-	13,392,012
Mutual funds - equity	-	20,101,342	59,010,778	79,112,120
Mutual funds - bonds	-	8,584,723	25,523,820	34,108,543
Total	<u>\$ 13,392,012</u>	<u>\$ 28,763,927</u>	<u>\$ 84,645,311</u>	<u>\$ 126,801,250</u>

The Corporation's investments were composed of the following at September 30, 2021:

	Operating	Endowment	Board- Designated Endowment	Total
Cash and cash equivalents	\$ -	\$ 87,351	\$ 128,404	\$ 215,755
Certificates of deposit	10,010,805	-	-	10,010,805
Mutual funds - equity	-	26,049,479	65,690,408	91,739,887
Mutual funds - bonds	-	10,794,442	27,776,687	38,571,129
Total	<u>\$ 10,010,805</u>	<u>\$ 36,931,272</u>	<u>\$ 93,595,499</u>	<u>\$ 140,537,576</u>

Spectrum Auction

As part of the Federal Communications Commission ("FCC") spectrum auction conducted during the 2017 fiscal year, the Corporation received a one-time non-recurring cash infusion of \$95,459,109. Participation in the auction allowed the Corporation to repurpose under-utilized broadcast spectrum, which is much in demand by wireless service providers. This action did not have a material impact upon services or coverage for Bay Area residents, as most households receive their television via cable or satellite services and not over airwaves. Digital (as opposed to analog) broadcast technology also supports the ability to relinquish six megahertz of broadcast spectrum without significant impacts to service.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The Corporation's Board of Directors approved the transaction and, acknowledging the historic long-term nature of the assets that generated these proceeds, designated the funds to be invested as follows:

Spectrum endowment fund	\$ 67,459,109
Building fund	20,000,000
Reserve fund	<u>8,000,000</u>
	<u>\$ 95,459,109</u>

The Corporation's endowment and Board-designated contributions and net income on investments consist of the following components:

	<u>Endowment</u>	<u>Board- Designated Endowment</u>	<u>Total</u>
October 1, 2021 - September 30, 2022			
Contributions invested	<u>\$ 14,063</u>	<u>\$ 5,062,971</u>	<u>\$ 5,077,034</u>
Interest and dividends	\$ 889,192	\$ 2,318,964	\$ 3,208,156
Realized and unrealized net loss	(7,398,737)	(20,337,213)	(27,735,950)
Service fees	<u>(85,183)</u>	<u>(220,148)</u>	<u>(305,331)</u>
Total investment loss	(6,594,7287)	(18,238,397)	(24,833,125)
Income appropriated to operations	<u>(1,586,680)</u>	<u>(5,326,124)</u>	<u>(6,912,804)</u>
Total investment loss, net	<u>\$ (8,181,408)</u>	<u>\$ (23,564,521)</u>	<u>\$ (31,745,929)</u>
October 1, 2020 - September 30, 2021			
Contributions invested	<u>\$ 282,888</u>	<u>\$ 7,203,451</u>	<u>\$ 7,486,339</u>
Interest and dividends	\$ 824,917	\$ 2,171,042	\$ 2,995,959
Realized and unrealized net gain	6,252,740	13,074,597	19,327,337
Service fees	<u>(83,075)</u>	<u>(238,399)</u>	<u>(321,474)</u>
Total investment gain	6,994,582	15,007,240	22,001,822
Income appropriated to operations	<u>(1,516,096)</u>	<u>(5,689,569)</u>	<u>(7,205,665)</u>
Total investment gain, net	<u>\$ 5,478,486</u>	<u>\$ 9,317,671</u>	<u>\$ 14,796,157</u>

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below presents the Corporation's assets measured at fair value, by category of risks, at September 30, 2022 on a recurring basis.

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Certificates of deposit	\$ -	\$ 8,442,503	\$ -	\$ 8,442,503
Mutual funds - equity:				
Domestic small company	9,036,591	-	-	9,036,591
Domestic large company	29,346,718	-	-	29,346,718
International small company	2,744,717	-	-	2,744,717
International large company	15,491,377	-	-	15,491,377
Emerging markets	6,007,289	-	-	6,007,289
Real estate investment trusts:				
Domestic	11,149,557	-	-	11,149,557
International	5,335,871	-	-	5,335,871
Mutual funds - bonds:				
Domestic	27,933,137	-	-	27,933,137
International	6,175,406	-	-	6,175,406
Subtotal investments	<u>\$113,220,663</u>	<u>\$ 8,442,503</u>	<u>\$ -</u>	121,663,166
Cash and cash equivalents				188,575
Certificate of deposit (non-investment security)				<u>4,949,509</u>
Total				<u>\$126,801,250</u>
Deferred compensation investments:				
Mutual funds - equity:				
Domestic small company	\$ 25,105	\$ -	\$ -	\$ 25,105
Domestic medium company	8,858	-	-	8,858
Domestic large company	1,220,443	-	-	1,220,443
International large company	22,613	-	-	22,613
Mutual funds - bonds:				
Domestic	230,503	-	-	230,503
Exchange traded funds:				
Domestic large company	59,478	-	-	59,478
International small company	53,604	-	-	53,604
International large company	119,222	-	-	119,222
U.S. Treasury Notes	69,567	-	-	69,567
Stocks - domestic	33,145	-	-	33,145
Stocks - international	7,458	-	-	7,458
Subtotal deferred compensation investments	<u>\$ 1,849,996</u>	<u>\$ -</u>	<u>\$ -</u>	1,849,996
Cash and cash equivalents				<u>250,904</u>
Total				<u>\$ 2,100,900</u>

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2022			Total
	Level 1	Level 2	Level 3	
Charitable gift annuities and trusts:				
Mutual funds - equity:				
Domestic small company	\$ 643,635	\$ -	\$ -	\$ 643,635
Domestic large company	2,519,942	-	-	2,519,942
International small company	202,875	-	-	202,875
International large company	1,280,220	-	-	1,280,220
Emerging markets	473,472	-	-	473,472
Real estate investment trusts:				
Domestic	1,016,170	-	-	1,016,170
International	487,337	-	-	487,337
Mutual funds - bonds:				
Domestic	2,842,750	-	-	2,842,750
International	573,614	-	-	573,614
Split interest investment (non-trustee)	-	-	692,556	692,556
Subtotal charitable gift annuities and trusts investments	<u>\$ 10,040,015</u>	<u>\$ -</u>	<u>\$ 692,556</u>	10,732,571
Cash and cash equivalents				<u>238,274</u>
Total				<u>\$ 10,970,845</u>

The table below presents the Corporation's assets measured at fair value, by category of risks, at September 30, 2021 on a recurring basis.

	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
Certificates of deposit	\$ -	\$ 4,999,630	\$ -	\$ 4,999,630
Mutual funds - equity:				
Domestic small company	10,587,012	-	-	10,587,012
Domestic large company	33,766,473	-	-	33,766,473
International small company	3,264,334	-	-	3,264,334
International large company	17,999,405	-	-	17,999,405
Emerging markets	7,123,481	-	-	7,123,481
Real estate investment trusts:				
Domestic	12,694,274	-	-	12,694,274
International	6,304,908	-	-	6,304,908
Mutual funds - bonds:				
Domestic	31,645,790	-	-	31,645,790
International	6,925,339	-	-	6,925,339
Subtotal investments	<u>\$130,311,016</u>	<u>\$ 4,999,630</u>	<u>\$ -</u>	135,310,646
Cash and cash equivalents				215,755
Certificate of deposit (non-investment security)				<u>5,011,175</u>
Total				<u>\$140,537,576</u>

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2021			Total
	Level 1	Level 2	Level 3	
Deferred compensation investments:				
Mutual funds - equity:				
Domestic small company	\$ 79,708	\$ -	\$ -	\$ 79,708
Domestic medium company	47,582	-	-	47,582
Domestic large company	1,493,331	-	-	1,493,331
International large company	40,412	-	-	40,412
Mutual funds - bonds:				
Domestic	275,643	-	-	275,643
Exchange traded funds:				
Domestic small company	33,906	-	-	33,906
Domestic large company	100,273	-	-	100,273
International small company	66,489	-	-	66,489
International large company	76,160	-	-	76,160
U.S. Treasury Notes	152,818	-	-	152,818
Stocks - domestic	50,880	-	-	50,880
Stocks - international	23,438	-	-	23,438
	<u>\$ 2,440,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,440,640</u>
Subtotal deferred compensation investments				
				<u>169,866</u>
				<u>\$ 2,610,506</u>
Charitable gift annuities and trusts:				
U.S. Treasury notes	\$ 1,276,614	\$ -	\$ -	\$ 1,276,614
Mutual funds - equity:				
Domestic small company	587,511	-	-	587,511
Domestic large company	2,395,639	-	-	2,395,639
International small company	206,500	-	-	206,500
International large company	1,252,425	-	-	1,252,425
Emerging markets	474,042	-	-	474,042
Real estate investment trusts:				
Domestic	989,588	-	-	989,588
International	496,951	-	-	496,951
Mutual funds - bonds:				
Domestic	1,534,799	-	-	1,534,799
International	644,967	-	-	644,967
Split interest investment (non-trustee)	-	-	944,594	944,594
	<u>\$ 9,859,036</u>	<u>\$ -</u>	<u>\$ 944,594</u>	<u>10,803,630</u>
Subtotal charitable gift annuities and trusts investments				
				<u>240,525</u>
				<u>\$ 11,044,155</u>

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The following is a rollforward of the Level 3 assets:

	<u>Split-Interest Investment (Non-Trustee)</u>
Fair value at September 30, 2020	\$ 489,882
Additions	357,531
Change in value	<u>97,181</u>
Fair value at September 30, 2021	944,594
Liquidations	(98,677)
Change in value	<u>(153,361)</u>
Fair value at September 30, 2022	<u>\$ 692,556</u>

Other Financial Instruments

Financial instruments, which are included in the Corporation's statement of financial position as of September 30, 2022 but not required to be measured at fair value, consist of cash and cash equivalents, receivables, accounts payable, and liabilities to beneficiaries of charitable gift annuities and trusts. Their carrying amounts, including the present value of future cash flows, represent a reasonable estimate of the corresponding fair values.

NOTE F - INTANGIBLE ASSETS

In May 2003, the Corporation acquired the assets of KQEI-FM Radio in North Highlands, California for \$3,196,568 which included \$64,770 of radio station equipment. The acquisition was accounted for under the purchase method. The purchase price was allocated \$2,966,362 to the broadcast license and \$165,436 to acquisition costs. The broadcast license and acquisition costs are reflected as intangible assets on the accompanying statement of financial position and are being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2022 and 2021 was \$1,521,060 and \$1,442,487, respectively. The radio station equipment is included in property and equipment on the accompanying statement of financial position.

In October 2006, the Corporation acquired the assets of KTEH Foundation in San Jose which included a license fee for \$300,000, which is being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2022 and 2021 was \$168,750 and \$161,250, respectively.

The Corporation reviewed intangible assets and determined that the estimated useful lives of 40 years used are appropriate as of September 30, 2022.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The following is a schedule of expected amortization expense for the succeeding five years and thereafter:

<u>September 30,</u>	
2023	\$ 86,073
2024	86,073
2025	86,073
2026	86,073
2027	86,073
Thereafter	<u>1,311,623</u>
Total	<u>\$ 1,741,988</u>

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at September 30, consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,269,691	\$ 1,269,691
Building and improvements	92,462,600	91,274,976
Furniture, fixtures, office equipment and vehicles	19,579,741	18,821,309
TV station equipment	32,896,070	29,885,085
Radio station equipment	11,830,806	10,411,320
Multiplatform equipment	2,806,320	2,594,604
Less accumulated depreciation	<u>(48,720,536)</u>	<u>(41,284,790)</u>
Property and equipment, net	<u>\$ 112,124,690</u>	<u>\$ 112,972,195</u>

Depreciation expense was \$9,983,023 and \$6,893,467 for the years ended September 30, 2022 and 2021, respectively.

NOTE H - LOAN PAYABLE

The Corporation was granted a loan (the "Loan") from Community Reinvestment Fund, Inc. in the aggregate amount of \$8,116,900, pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").

The Loan, dated April 17, 2020, with a maturity date of April 17, 2022, bears interest at a rate of 1% per annum. Accrued interest for the year ended September 30, 2021 was \$56,485. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before October 4, 2020. The Corporation has used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if certain criteria are met.

The Loan, including accrued interest of \$93,400, was forgiven on June 14, 2021.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE I - LINE OF CREDIT

The Corporation has a revolving construction line of credit, in the amount of \$35,000,000 which expires on December 1, 2023. The line of credit contains certain covenants and is secured by a portion of the Corporation's Spectrum endowment which must be at least \$35,000,000. The interest rate is based upon the one-month London Interbank Offered Rate ("LIBOR") Index rate plus 0.50%. The Corporation had no outstanding balances on the line of credit at September 30, 2022.

NOTE J - NET ASSETS

Net assets without donor restrictions for the years ended September 30 are as follows:

	2022	2021
Undesignated	\$ 131,754,033	\$ 125,324,199
Board-designated		
Board-designated endowment	38,144,173	33,145,106
Spectrum endowment	46,501,138	60,450,393
Reserve fund	21,625,079	21,207,451
Building fund	1,662,747	11,214,107
Total Board-designated	107,933,137	126,017,057
Total net assets without donor restrictions	\$ 239,687,170	\$ 251,341,256

Net assets with donor restrictions were available with the following restrictions as of September 30:

	2022	2021
Campaign 21 (restricted for purpose and time)	\$ 8,565,695	\$ 8,223,408
Building renovation (restricted for purpose)	-	5,291,098
Planned gifts (restricted for time)	5,254,830	5,787,520
Endowment planned gifts (restricted for time and purpose)	363,016	457,079
Endowment receivables (restricted for time)	93,262	-
Underwrite specific productions or areas of programming (restricted for purpose and time)	3,673,652	2,356,696
Investment in perpetuity (including amounts above original gift amount of \$20,083,066 and \$20,069,003, as of September 30, 2022 and 2021, respectively), which, once appropriated, is expendable to support:		
Arts	2,645,401	3,398,332
Education	105,573	136,150
Science	932,162	1,202,097
General production of content	2,111,509	2,723,110
General operations	22,969,282	29,471,583
Total net assets with donor restrictions	\$ 46,714,382	\$ 59,047,073

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended September 30:

	<u>2022</u>	<u>2021</u>
Campaign 21 program and building	\$ 8,187,209	\$ 30,421,224
Underwrite specific productions or areas of programming	5,127,757	5,960,451
Endowment earnings appropriated	1,586,680	1,516,096
Planned gifts	<u>272,528</u>	<u>233,313</u>
Total	<u>\$ 15,174,174</u>	<u>\$ 38,131,084</u>

NOTE K - ENDOWMENTS

The Corporation's endowments consist of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Donor-restricted endowment funds are restricted to investment in perpetuity, the income from which is expendable in accordance with donor stipulations, to support programmatic or general activities of the Corporation. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation 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. Amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

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 SPMIFA requires the Corporation to retain as a fund of perpetual duration. No such deficiencies existed as of September 30, 2022 and 2021.

Return Objectives and Risk Parameters

The Corporation's primary long-term management objective is to preserve the inflation-adjusted purchasing power of endowment funds, while providing an available, stable, and constant stream of earnings to help meet the Corporation's spending needs.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Strategies Employed for Achieving Objectives

The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending rule amount is defined as the annual amount appropriated by the Board of Directors for inclusion in the subsequent year's budget. The withdrawals may not exceed 5% of the endowment's market value averaged over the prior 12 quarters calculated as of June 30 each year. If this amount would cause the Corporation permanent endowment's value to fall below its original gift value level, then the annual spending rule amount to be included in the subsequent fiscal year's budget is limited to the amount in excess of the original gift value.

If the annual spending rule amount becomes limited as so described, this may be considered a "financial emergency" for purposes of making supplemental payouts from the Board-Designated endowment. If such a financial emergency is determined by the Board of Directors, the Corporation may spend additional amounts from the Board-Designated endowment up to the entire principal balance in the Board-Designated endowment.

Endowment funds as of September 30, are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 28,763,927	\$ 28,763,927
Board-designated endowment	38,144,173	-	38,144,173
Spectrum auction endowment	46,501,138	-	46,501,138
	\$ 84,645,311	\$ 28,763,927	\$ 113,409,238
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 36,931,272	\$ 36,931,272
Board-designated endowment	33,145,106	-	33,145,106
Spectrum auction endowment	60,450,393	-	60,450,393
	\$ 93,595,499	\$ 36,931,272	\$ 130,526,771

The spectrum auction endowment fund was established with the intent that the spectrum auction proceeds be maintained to benefit the community and the Corporation over the long term.

The donor-restricted endowment's funds exclude charitable gift annuities and trusts and receivables of \$456,278 and \$457,079 as of September 30, 2022 and 2021, respectively.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Endowment activity by net asset classification as of September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 93,595,499	\$ 36,931,272	\$ 130,526,771
Investment return:			
Interest and dividends	2,318,964	889,192	3,208,156
Realized and unrealized net gain (loss)	(20,337,213)	(7,398,737)	(27,735,950)
Service fees	(220,148)	(85,183)	(305,331)
Total investment loss (see Note D)	<u>(18,238,397)</u>	<u>(6,594,728)</u>	<u>(24,833,125)</u>
Contributions	5,062,971	14,063	5,077,034
Reimbursement from Campaign 21	10,000,000	-	10,000,000
Assets designated by the Board for property and equipment	(448,638)	-	(448,638)
Appropriation of endowment assets for expenditure	<u>(5,326,124)</u>	<u>(1,586,680)</u>	<u>(6,912,804)</u>
Endowment net assets, end of year	<u>\$ 84,645,311</u>	<u>\$ 28,763,927</u>	<u>\$ 113,409,238</u>

Endowment activity by net asset classification as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 84,475,749	\$ 31,169,898	\$ 115,645,647
Investment return:			
Interest and dividends	2,171,042	824,917	2,995,959
Realized and unrealized net gain (loss)	13,074,597	6,252,740	19,327,337
Service fees	(238,399)	(83,075)	(321,474)
Total investment gain (see Note D)	<u>15,007,240</u>	<u>6,994,582</u>	<u>22,001,822</u>
Contributions	7,203,451	282,888	7,486,339
Assets designated by the Board for property and equipment	(7,401,372)	-	(7,401,372)
Appropriation of endowment assets for expenditure	<u>(5,689,569)</u>	<u>(1,516,096)</u>	<u>(7,205,665)</u>
Endowment net assets, end of year	<u>\$ 93,595,499</u>	<u>\$ 36,931,272</u>	<u>\$ 130,526,771</u>

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE L - CAMPAIGN 21

Campaign 21 assets included in the statement of financial position consist of the following:

	<u>2022</u>	<u>2021</u>
Restricted cash	\$ 5,801,641	\$ 5,071,055
Receivables, net	<u>2,764,054</u>	<u>8,443,813</u>
Total Campaign 21 assets	<u>\$ 8,565,695</u>	<u>\$ 13,514,868</u>

Campaign 21 program services comprised of expenses for the following programs for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Multiplatform content	\$ 1,424,560	\$ 948,850
Building project	309,108	1,953,711
Education	520,664	357,159
Innovation lab	653,003	168,313
Media technology	<u>-</u>	<u>44,166</u>
Total Campaign 21 program services expense	<u>\$ 2,907,335</u>	<u>\$ 3,472,199</u>

NOTE M - COMMITMENTS AND CONTINGENCIES

Leases

The Corporation leases real estate property in connection with its operation of noncommercial public television and radio stations. The following is a schedule of future minimum lease payments required under non-cancelable operating leases as of September 30, 2022:

<u>September 30,</u>	
2023	\$ 1,775,836
2024	1,833,365
2025	938,452
2026	488,417
2027	92,791
Thereafter	<u>759,520</u>
Total minimum rental payments	<u>\$ 5,888,381</u>

The minimum lease payments do not include future cost-of-living escalations and pro rata property tax allocations, which are required for certain of the leases. Total rent expense, including month-to-month leases, was \$2,394,053 and \$4,362,211 for the years ended September 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Other Commitments and Contingencies

As of September 30, 2022, the Corporation has remaining contractual commitments of approximately \$279,000 related to construction contracts for the renovation of its headquarters and equipment.

The Corporation is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's financial position or its change in net assets.

NOTE N - CONDITIONAL PROMISES TO GIVE

The Corporation received two grants from governmental agencies which have been determined to be conditional grants based on the amount of project expenses incurred each year, plus a percentage for overhead. Total cumulative governmental grants awarded to the Corporation as of September 30, 2022 was \$2,738,966. For the years ended September 30, 2022 and 2021, the Corporation has recognized \$27,950 and \$914,401, respectively. As of September 30, 2022, the conditions were fully met on both grants.

The Corporation received grants from multiple funders which have been determined to be conditional grants based on the meeting specific program deliverables. Total cumulative grants awarded to the Corporation as of September 30, 2022 was \$4,992,090. For the years ended September 30, 2022 and 2021, the Corporation has recognized \$2,942,452 and \$802,146, respectively. As of September 30, 2022, \$669,992 remains conditional. Of this amount, \$201,531 was received in advance and is reported in deferred production and underwriting revenues in the statement of financial position. The conditions are expected to be met next year.

The Corporation receives cash payments in advance from donors to be used as challenge grants. For the years ended September 30, 2022 and 2021, the amount of payments for which conditions have not been met was \$60,875 and \$115,636, respectively. The conditions are expected to be met in the next fiscal year.

NOTE O - RETIREMENT PLANS

The 403(b) tax-sheltered annuity plan is funded by employee contributions and the employer's matching share amount. The employer matching share amount is 5.5%. Effective October 1, 2020, the Corporation eliminated the employer matching share amount. In April 2021, the employer matching share was reinstated at 3%. In June 2022, the employer matching share was fully restored. The Contribution costs, funded currently, were \$1,190,339 and \$438,352 for the years ended September 30, 2022 and 2021, respectively.

The Corporation has deferred compensation plans primarily for the purpose of providing deferred compensation for a select group of employees to accumulate retirement assets. The assets of the plans are under general control and available to general creditors of the Corporation and are included in the statement of financial position.

The 457(b) plan enables participants to defer income on a pre-tax basis and is not matched with contributions from the Corporation. For the years ended September 30, 2022 and 2021, approximately \$82,000 and \$86,000, respectively, has been deferred based on elections made by the participants to the 457(b) plan.

The total market value of 457(b) investments and the related deferred compensation obligations to employees included in the statement of financial position at September 30, 2022 and 2021 were approximately \$2,101,000 and \$2,611,000, respectively.

KQED Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE P - RELATED PARTY TRANSACTIONS

The Corporation has transactions, where directors make contributions or recommend contributions to the Corporation through a donor advised fund. For the years ended September 30, 2022 and 2021, those contributions were approximately \$438,000 and \$1,728,000, respectively. As of September 30, 2022 and 2021, the balance due from related parties was approximately \$555,000 and \$550,000, respectively.