

Pacifica Foundation
Preliminary FY05 Audit Report
January 2006

by Lonnie Hicks
Chief Financial Officer
Pacifica Foundation

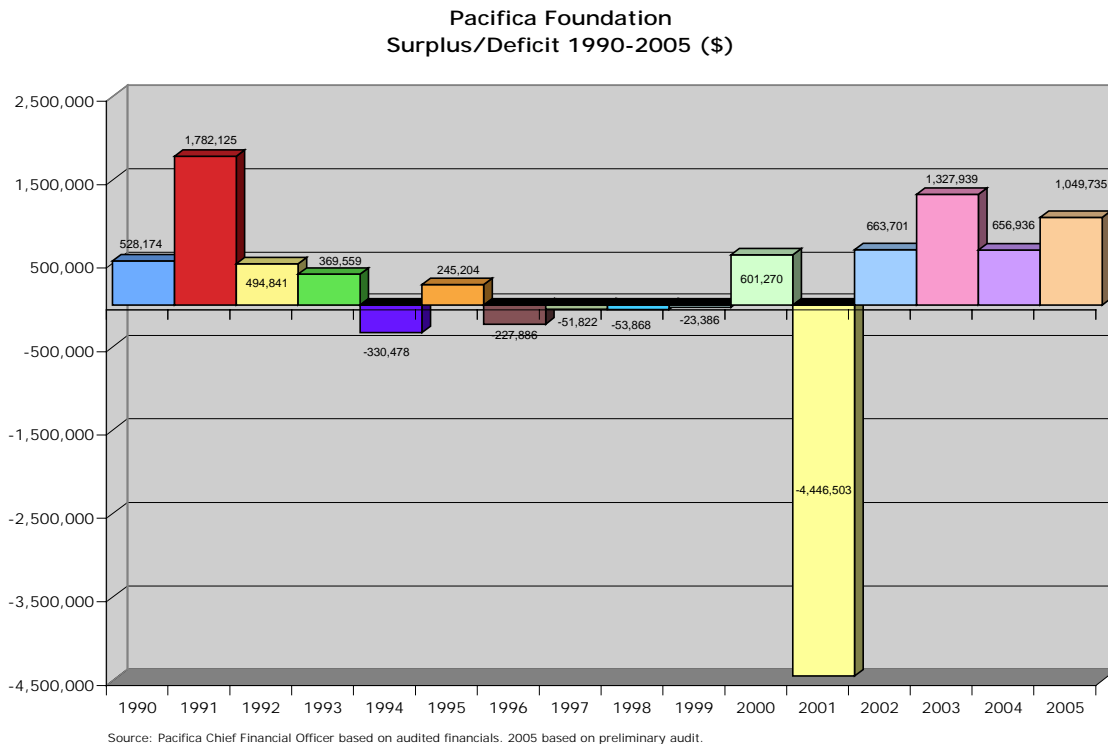
CFO Preliminary Audit Report and Analysis

This report is an analysis of the *preliminary* FY05 audit report. There are several areas to highlight. FY04 audit results compared to FY05 audit results reveal:

Revenue Analysis ('000)

	FY04	FY05	Var \$	Var%
Listener Support/Donations	13,022	13,710	688	5.28%
Grants	1,547	1,899	352	22.75%
Community Events	668	487	-181	-27.00%
Other Income: (SCA, Katrina, Invest. Inc.PRA sales)	791	847	56	7.08%
Total Revenue	16,028	16,943	915	5.70%

A longer term view of 16 years of Pacifica’s financial history shows:



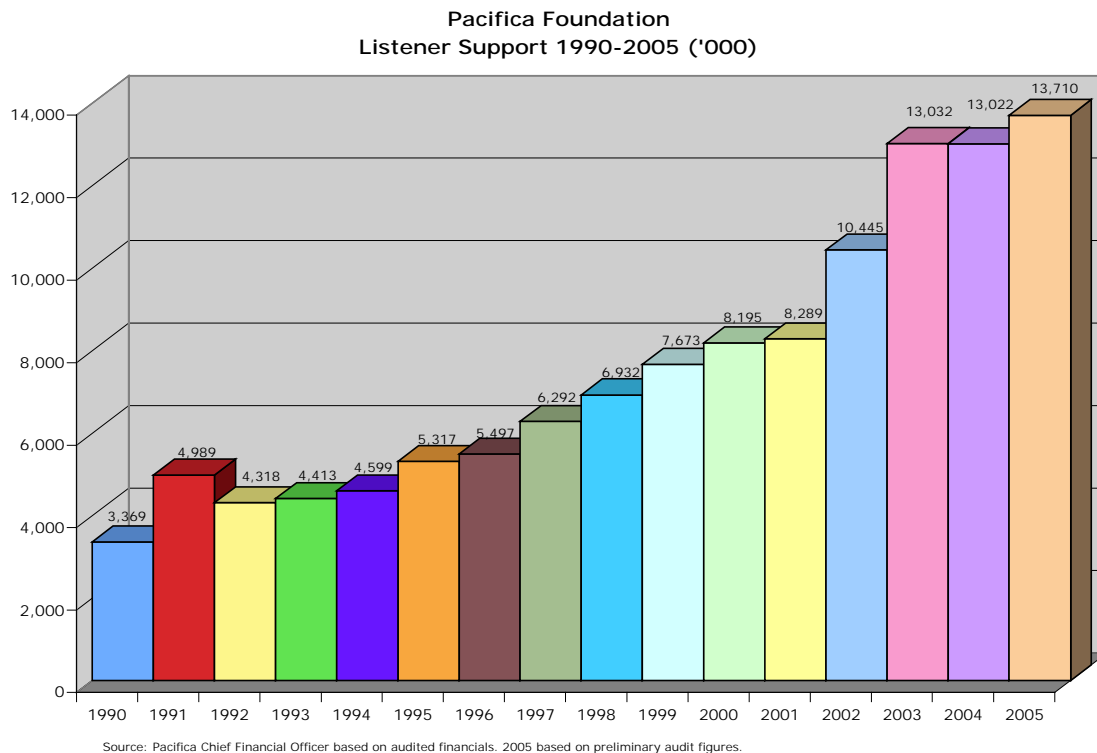
1. The total network surplus increased from FY04 to FY05 60% or 393k. In addition, network working capital increased from 708k in FY04 to 1.8 million dollars in FY05 an increase of 163.7%. (Working capital is current assets minus current liabilities. See “Balance Sheet Analysis” chart below. Note that our

working capital need is 1.5 million which usually is utilized in the month of October; therefore, the net for us is 300k. Still work to do to get that number higher. Finally the surplus at 1.049 million needs to be at the afore-mentioned 1.5 million for us to really have the one month we require.

But congratulations are definitely in order to all of our station personnel, our volunteer staff, our General Managers, Board members and our finance staff, PRA and our affiliates. Most of all, thanks to our listeners who make it all possible. To summarize: *strong financial management was the key to the success we enjoyed last year.*

2. Notice, too, the network has earned 3.6 million in the last four years. In the previous 12 years the figure stands at average -93k. Average earnings, even eliminating the 4.4 million losses in 2001, over the previous 11 years averaged 303k per year. In contrast, in the last four years, the network has an average earning figure of 924k per year.

But what of the listener support increases? They are detailed below.



From the above we see that listener support from FY04 to FY05 is up 688k or 5.28% — a significant increase.

Drivers and Major Factors in FY05 Results

Now we ask the question what are other important details? We point to several factors.

1. The National Office bottom line is up by 335k or 285%. National Office listener support is also up by 27%.
2. Management of line item expenses in the network has greatly improved. See the Expense Analysis below.

Expense Analysis ('000)

	FY04	FY05	Var \$	Var%
Gross Salaries	5,560	5,994	434	7.81%
Outside Services	263	393	130	49.43%
Depreciation	502	402	-100	-19.92%
Insurance	336	299	-37	-11.00%
Legal Expenses/Settlements	277	180	97	-35.02%
Board Meetings and Elections	326	409	83	25.46%
Premiums	1,018	1,082	64	6.29%

Aside from revenue and expense our balance sheet shows improvement.

Balance Sheet Analysis

ASSETS	FY04	FY05	Var \$	Var %
Cash	1,612,541	2,097,955	485,414	30.10%
Receivables	473,549	698,762	225,213	47.56%
Total Current Assets	2,283,715	2,992,041	708,326	31.02%
Total Assets	6,396,584	6,992,395	595,811	9.31%
LIABILITIES				
Accounts Payable	1,458,599	1,107,261	-351,338	-24.09%
Total Current Liabilities	1,575,167	1,124,993	-450,174	-28.58%
Change in Net Assets	656,936	1,049,735	392,799	59.80%
TOTAL ASSETS	6,396,584	6,992,395	595,811	9.31%
TOTAL LIABILITIES	1,578,917	1,124,993	-453,924	-28.75%

We see that the major factors are that we increased our assets and reduced our liabilities. The former increased by 9% and the latter decreased by 28.75%.

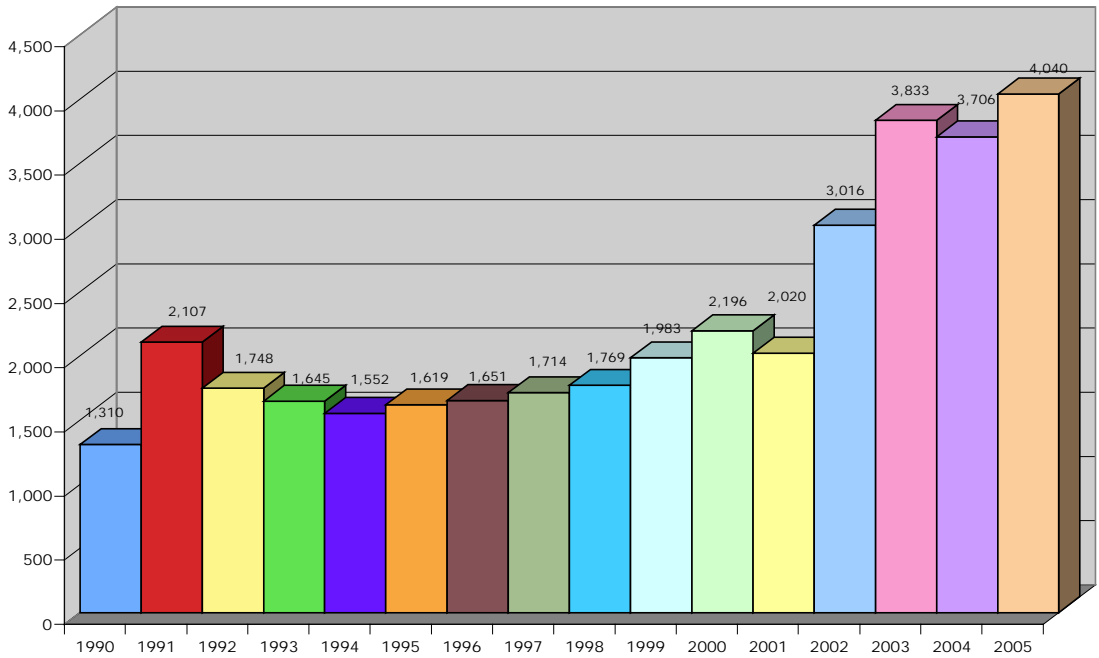
STATION ANALYSES

KPFA 94.1 FM

The station had a reduced surplus year - down 109k - but its strong cash reserves (979K) gives "A" the potential to maintain financial stability. But if funds continue to be used from accumulated savings then KPFA will have to be careful to not overspend.

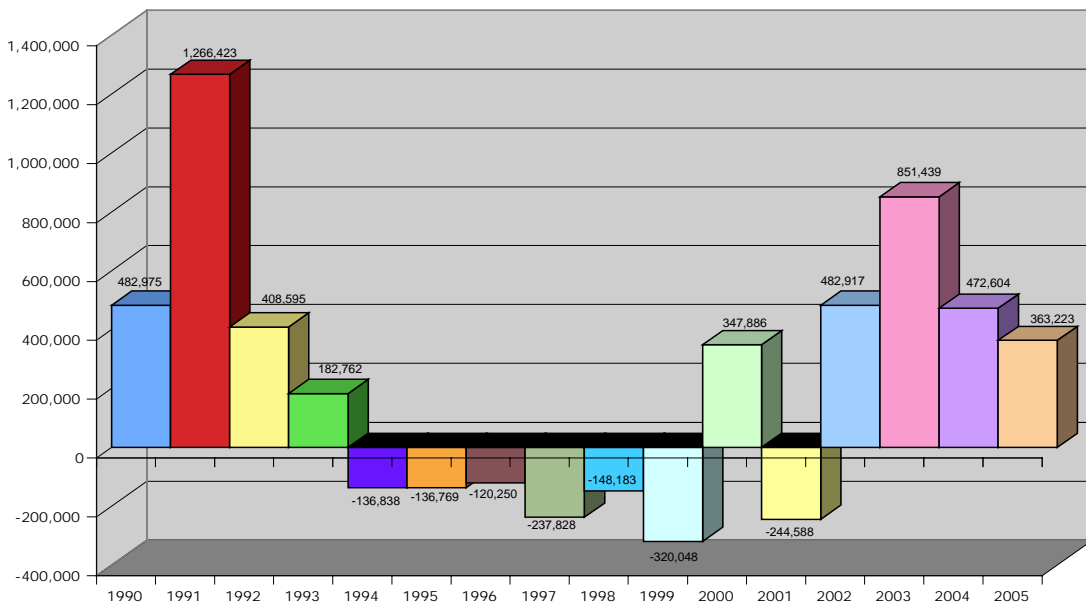
The chart below demonstrates the 16 year listener support history of KPFA. From FY04 to FY05, listener support revenue rose from 3.7 million to 4.04 million or 334k. The percentage increase is 9%. Congratulations to KPFA members, staff, Board and listeners.

KPFA-Pacific Radio 94.1 FM
Listener Support 1990-2005 ('000)



Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit figures.

KPFA-Pacific Radio 94.1 FM
Surplus/Deficit 1990-2005 (\$)

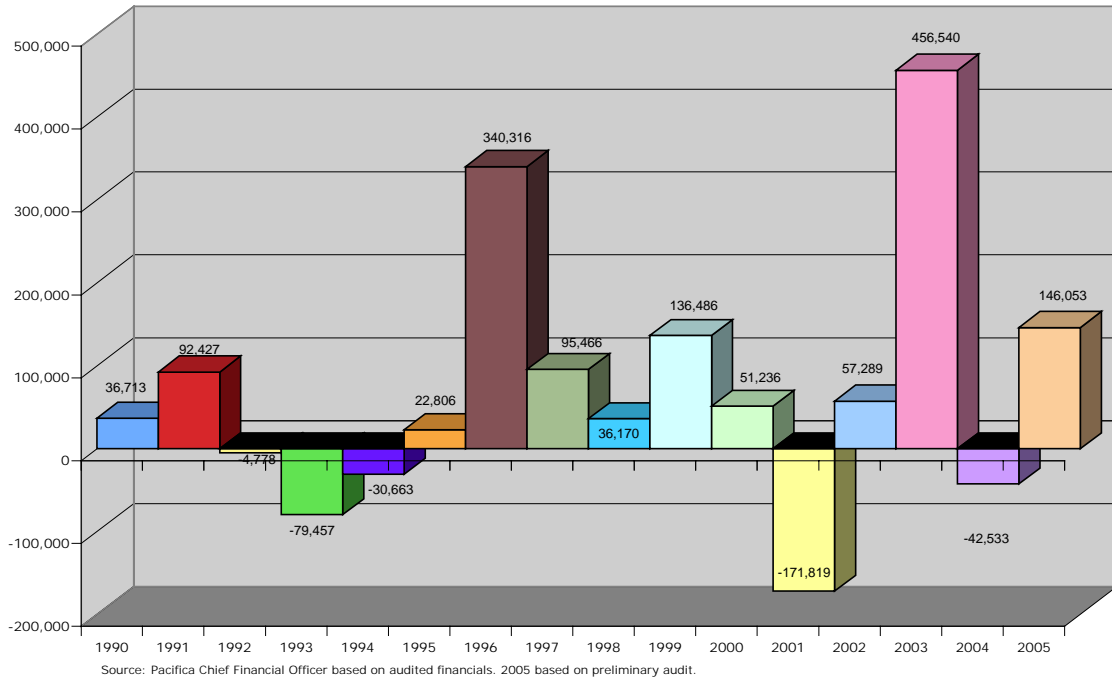


Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit.

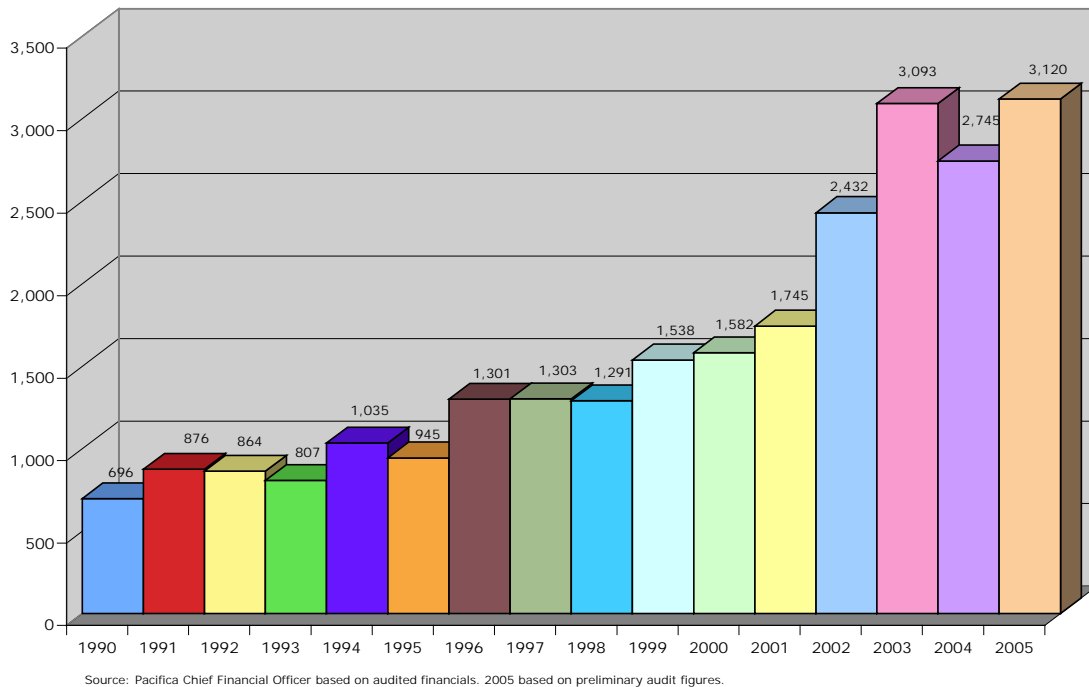
KPFK 90.7 FM

From a deficit of 42k in 2004 the station in FY05 achieved a surplus of 146k. This is approximately half of the one month the station needs, but, nonetheless this is a good solid achievement. Congratulations to all of the KPFK family, Board, staff, volunteers and listeners. Much potential at the station, a solid forwarding looking technological outlook really portends good things from “K” in the future.

KPFK-Pacific Radio 90.7 FM
Surplus/Deficit 1990-2005 (\$)



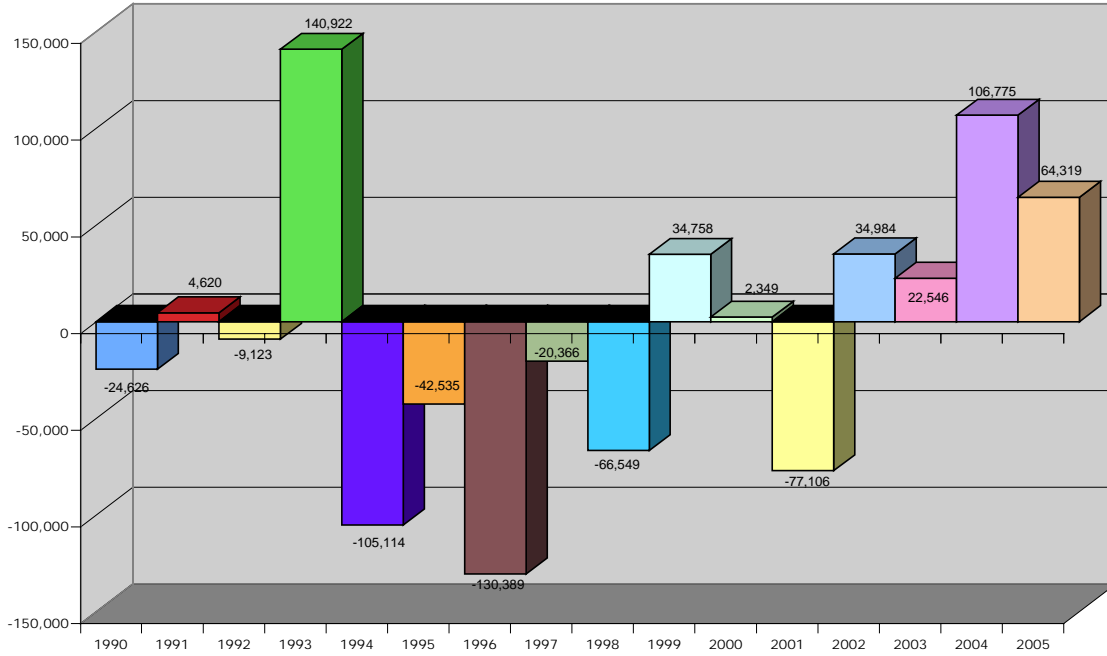
KPFK-Pacific Radio 90.7 FM
Listener Support 1990-2005 ('000)



KPFT 90.1 FM

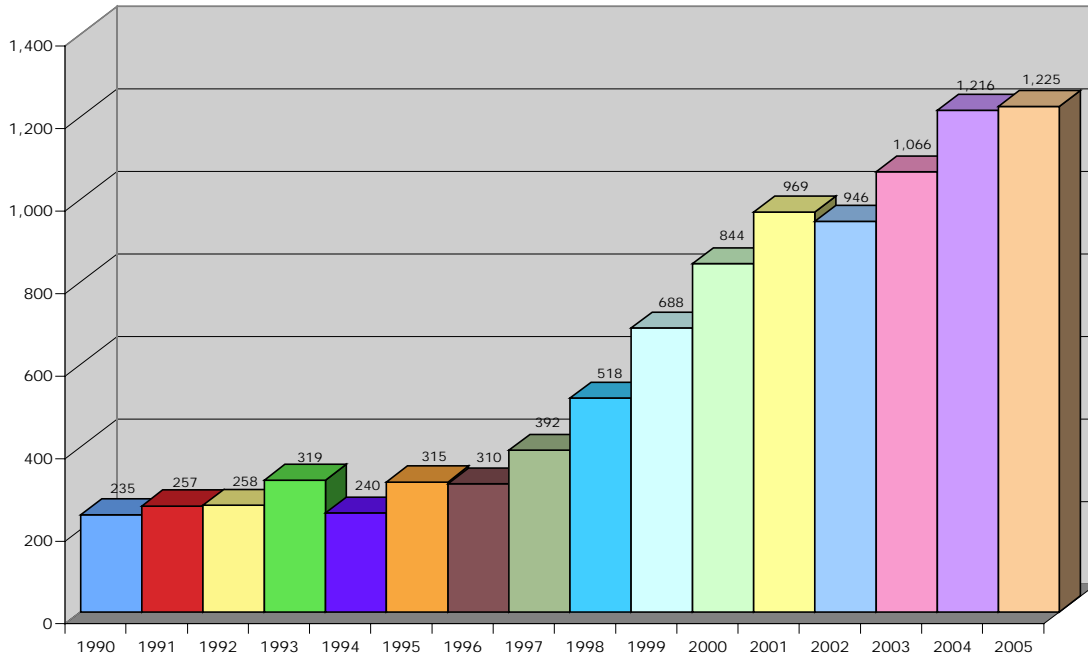
“T” has been designated a minority station and has correspondingly received an increase in its funding. This will put the station on a solid financial footing. Congratulations to the General Manager noting and pursuing this designation, and to all of the staff, Board, volunteers and listeners. A good job well done.

KPFT-Pacifica Radio 90.1 FM
Surplus/Deficit 1990-2005



Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit.

KPFT-Pacifica Radio 91.3 FM
Listener Support 1990-2005

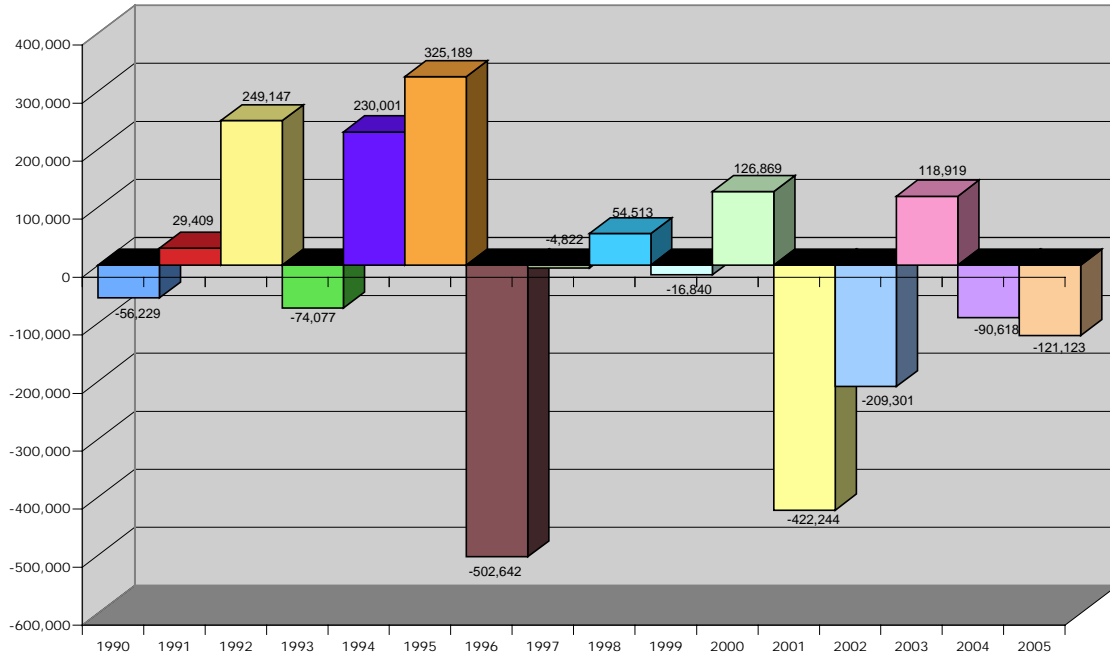


Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit figures.

WBAI 99.5 FM

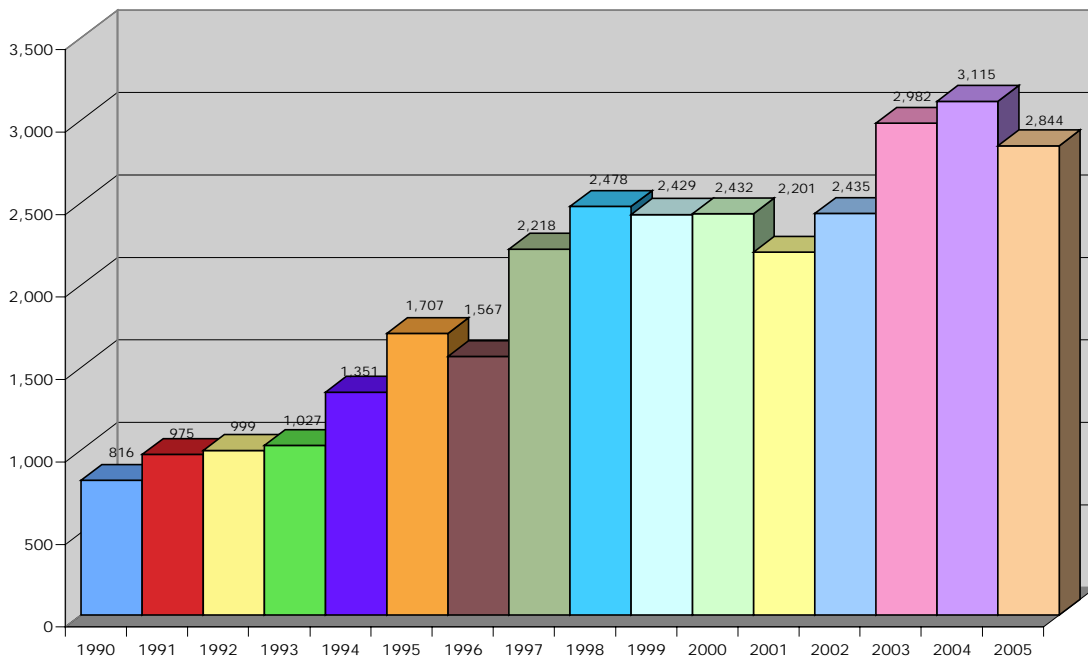
“T” has a deficit issue. However, the station has taken steps to reduce the deficit and is planning other steps as well. Congratulations to the staff, management, listeners and volunteers for continuing to develop new plans to move the station forward.

WBAI-Pacific Radio 99.5 FM
Surplus/Deficit 1990-2005 (\$)



Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit.

WBAI-Pacific Radio 99.5 FM
Listener Support 1990-2005 ('000)

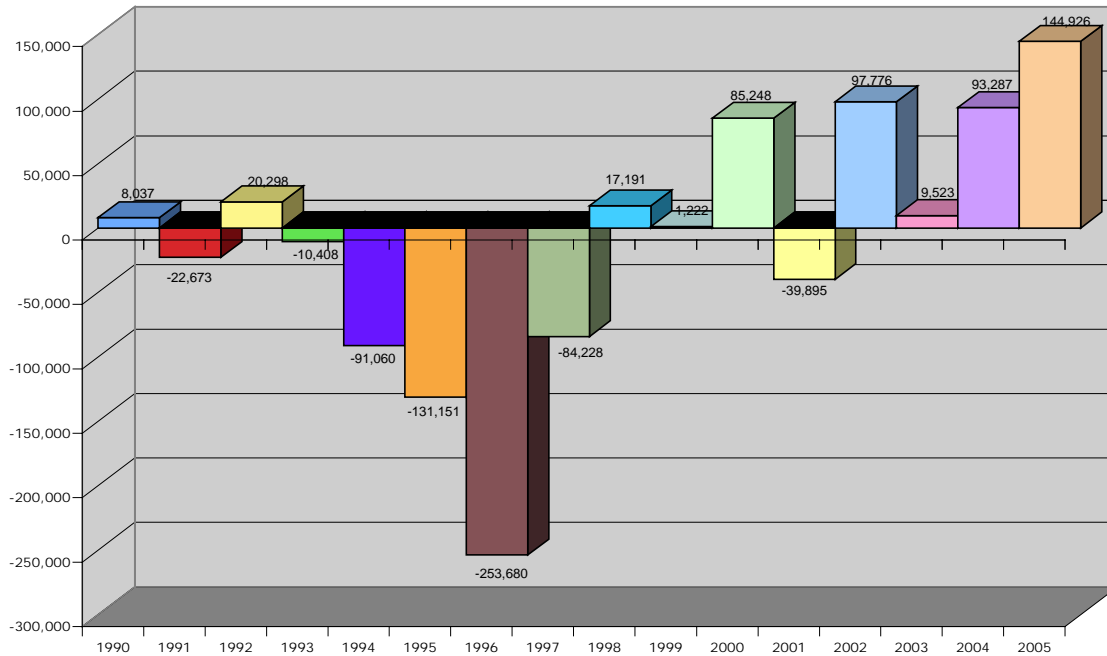


Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit figures.

WPFW 89.3 FM

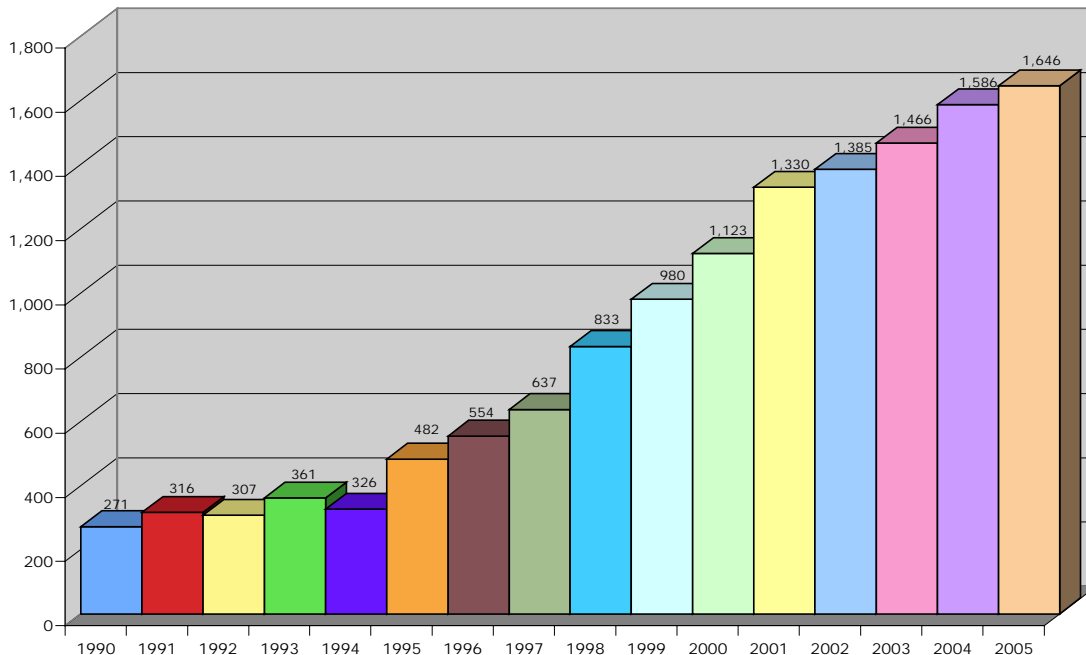
Here the pictures tell the whole story. Surplus is up 55.35% or 51.6k. Listener support up 60k. This means “W” is an extremely frugal in it use of membership dollars -- 91.6 percent of membership dollars are returned to the bottom line. Congratulations to everyone at “W.” Solid work.

WPFW-Pacific Radio 89.3 FM
Surplus/Deficit 1990-2005



Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit.

WPFW-Pacific Radio 89.3 FM
Listener Support 1990-2005

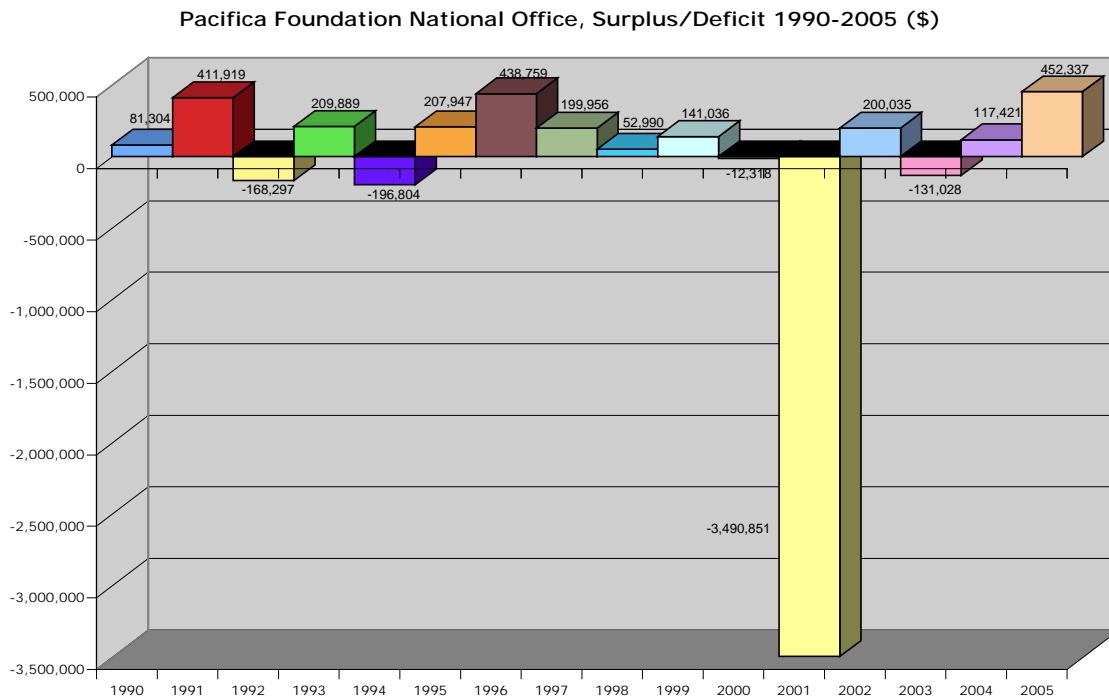


Source: Pacifica Chief Financial Officer based on audited financials. 2005 figures based on preliminary audit.

National Operations and Archive Analysis

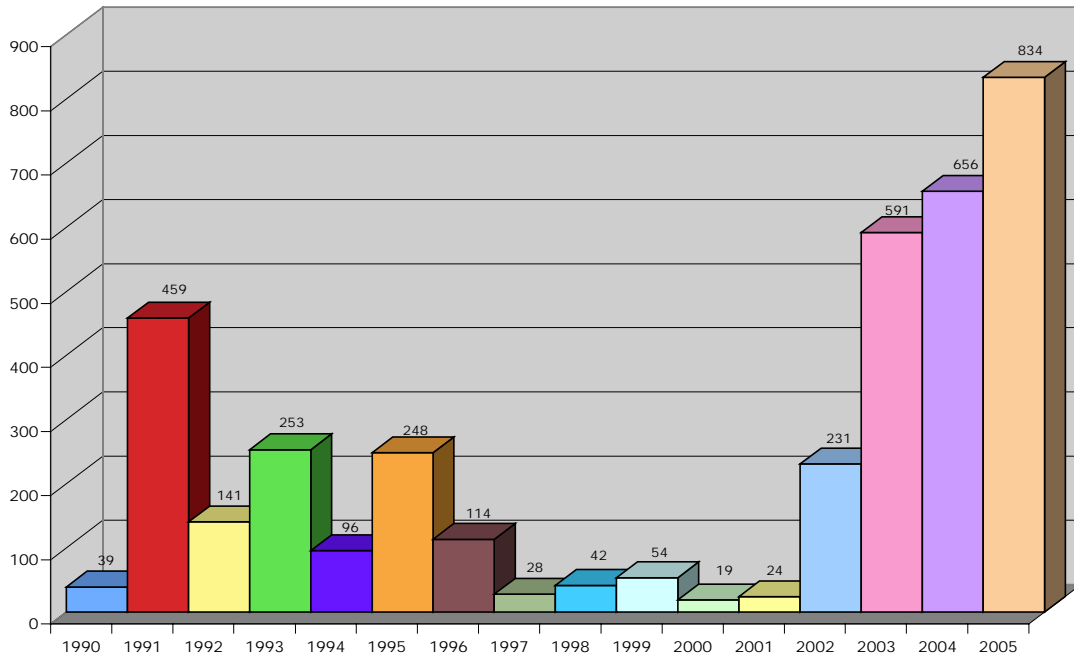
For national operations, the stats are as follows:

1. The surplus is up 335k or 285% due mostly to new revenue sources being identified to supplement shortfalls in some station drives and legal expenses.
2. Listener Support revenue is up 178k or 27%. This means that internal cost reductions and expense reductions made up the difference (158k-mostly legal expenses).



Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit.

Pacifica Foundation National Office
Listener Support 1990-2005 ('000)



Source: Pacifica Chief Financial Officer based on audited financials. 2005 based on preliminary audit figures.

Summary

These are preliminary results and may change once the final audit is done. But I do not believe that these numbers will change drastically.

Keep in mind that the auditor will come to the January Board to go over the draft audit report with the Board of Directors at that time.

All of Pacifica's financial information is published on-line at <http://www.pacifica.org/finance/index.html>

On the web site, you will find:

- * 11 years of Pacifica Audits 1994-2004
- * 11 years of IRS Form 990s
- * Budgets from 2002-2005
- * Income Statements and Balance Sheets, 2002-present

The Income Statements contain more than 1,000 line items for each Pacifica department, detailing every transaction in the entire Pacifica system, including those from all five Pacifica stations, the Pacifica Radio Archives and the Pacifica National Office.

Again, congratulations and thanks to all who worked so hard all year long, and, in previous years to make Pacifica what it is today. On now to our future.