

Consolidated Financial Statements and Report of Independent Certified Public Accountants

KQED Inc.

September 30, 2025 (with summarized financial
information for September 30, 2024)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
KQED Inc.

Opinion

We have audited the consolidated financial statements of KQED Inc. (the "Corporation"), which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of September 30, 2025, 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 consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are issued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 information

Report on 2024 summarized comparative information

We have previously audited the Corporation's 2024 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 11, 2025. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



San Francisco, California
February 24, 2026

KQED Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**September 30,
(in thousands)**

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 33,624	\$ 19,843
Restricted cash and cash equivalents	838	3,526
Receivables, net	11,798	11,914
Prepaid expense and other assets	3,608	3,798
Operating lease right-of-use asset	5,251	1,967
Investments	211,944	197,731
Deferred compensation cash equivalents and investments	3,033	2,809
Charitable gift annuities and trusts	15,115	14,227
Intangible assets, net	1,495	1,583
Property and equipment, net	93,936	99,641
Total assets	\$ 380,642	\$ 357,039
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,102	\$ 2,972
Accrued payroll and vacation	10,234	9,475
Broadcast rights liability	1,565	1,786
Deferred production and underwriting revenues	720	707
Operating lease liability	5,435	2,169
Deferred compensation obligations	3,033	2,809
Liabilities to beneficiaries of charitable gift annuities and trusts	6,659	6,228
Total liabilities	29,748	26,146
Net assets		
Without donor restrictions	300,692	278,956
With donor restrictions	50,202	51,937
Total net assets	350,894	330,893
Total liabilities and net assets	\$ 380,642	\$ 357,039

The accompanying notes are an integral part of this consolidated financial statement.

KQED Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2025 (with summarized financial information for September 30, 2024)
(in thousands)

	2025		2025 Total	2024 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Revenues, support and other changes				
Individual member contributions	\$ 69,430	\$ 509	\$ 69,939	\$ 55,021
Underwriting	11,546	-	11,546	13,068
General and project grants	559	3,672	4,231	9,834
CPB community service grants	7,328	790	8,118	7,623
Investment income appropriated from endowments	5,224	1,656	6,880	6,347
Other revenue	3,373	-	3,373	4,551
Contributions of non financial assets	4,211	-	4,211	3,884
Trade revenue	656	-	656	310
Net assets released from restrictions	10,229	(10,229)	-	-
Total revenues, support and other changes	112,556	(3,602)	108,954	100,638
Expenses				
Program services				
Television				
Programming and production	10,319	-	10,319	9,537
Broadcast services	8,592	-	8,592	9,350
Radio				
Programming and production	5,691	-	5,691	5,322
Broadcast services	4,463	-	4,463	4,182
Multiplatform content	31,795	-	31,795	31,988
Education	2,262	-	2,262	2,266
Program promotion	4,194	-	4,194	4,371
Digital	6,253	-	6,253	5,340
Events	1,981	-	1,981	1,700
Total program services	75,550	-	75,550	74,056
Support services				
Fundraising and underwriting solicitation	20,763	-	20,763	20,744
General and administrative	14,875	-	14,875	14,508
Total support services	35,638	-	35,638	35,252
Total expenses	111,188	-	111,188	109,308
Impairment loss	-	-	-	1,526
Changes in net assets from operations	1,368	(3,602)	(2,234)	(10,196)

The accompanying notes are an integral part of this consolidated financial statement.

KQED Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Year ended September 30, 2025 (with summarized financial information for September 30, 2024)
(in thousands)

	2025		2025 Total	2024 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Endowment and planned giving				
Bequests and trusts	\$ 11,487	\$ -	\$ 11,487	\$ 8,196
Donor-restricted endowment, charitable gift annuities and trust contributions	-	644	644	445
Change in value - charitable gift annuities and trusts	-	331	331	1,590
Investment income on endowments, net	8,566	1,499	10,065	27,830
Changes in net assets from endowment and planned giving	20,053	2,474	22,527	38,061
Campaign 21				
Revenue and support	-	50	50	61
Net assets released from restrictions	360	(360)	-	-
Total Campaign 21 revenues, support and other changes	360	(310)	50	61
Program services	-	-	-	2,379
Support services	-	-	-	92
Fundraising	-	-	-	43
General and administrative	-	-	-	-
Total Campaign 21 expenses	-	-	-	2,514
Changes in net assets from Campaign 21	360	(310)	50	(2,453)
Studios Fund				
Revenue and support	-	100	100	306
Net assets released from restrictions	397	(397)	-	-
Total Studios Fund revenues, support and other changes	397	(297)	100	306
Program services	442	-	442	-
Changes in net assets from Studios Fund	(45)	(297)	(342)	306
TOTAL CHANGES IN NET ASSETS	21,736	(1,735)	20,001	25,718
Net assets, beginning of year	278,956	51,937	330,893	305,175
Net assets, end of year	\$ 300,692	\$ 50,202	\$ 350,894	\$ 330,893

The accompanying notes are an integral part of this consolidated financial statement.

KQED Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

September 30,
(in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Changes in net assets	\$ 20,001	\$ 25,718
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,974	8,215
Impairment loss	-	1,526
Amortization of right-of-use asset	1,386	1,516
Realized and unrealized net (gain) loss on investments	(17,585)	(34,862)
Change in value of charitable gift annuities and trusts	(331)	(1,590)
Credit loss expense and canceled contracts	33	74
Loss on disposal of equipment	156	158
Contributions restricted for investment in perpetuity	(138)	(509)
Contributions restricted for purchase of property and equipment	-	(10)
Net effect of changes in:		
Receivables	(80)	4,571
Prepaid expenses and other assets	190	(252)
Charitable gift annuities and trusts assets and liabilities	486	308
Operating lease liabilities	(1,404)	(1,607)
Accounts payable, accrued expenses and other liabilities	(335)	2,006
Deferred production and underwriting revenues	13	(470)
Net cash provided by operating activities	<u>10,366</u>	<u>4,792</u>
Cash flows from investing activities:		
Purchases of investments	(26,939)	(34,683)
Proceeds from sales of investments	29,699	27,124
Purchases of property and equipment	<u>(2,334)</u>	<u>(2,059)</u>
Net cash provided by (used in) investing activities	<u>426</u>	<u>(9,618)</u>
Cash flows from financing activities:		
Contributions restricted for purchase of property and equipment	-	60
Contributions restricted for investment in perpetuity	<u>301</u>	<u>184</u>
Net cash provided by financing activities	<u>301</u>	<u>244</u>
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	11,093	(4,582)
Beginning of year	<u>23,369</u>	<u>27,951</u>
End of year	<u>\$ 34,462</u>	<u>\$ 23,369</u>
Supplemental data:		
Non-cash transactions:		
Equipment purchases included in payables at year end	\$ 382	\$ 379
Receivable restricted for investment in perpetuity	163	(325)
Right-of-use assets obtained in exchange for operating lease liabilities	4,670	-

The accompanying notes are an integral part of this consolidated financial statement.

KQED Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2025 (with summarized financial information for September 30, 2024)
(in thousands)

	Program Activities				Supporting Activities				2025 Total Expenses	2024 Total Expenses
	TV	Radio	Multiplatform	Other Programs	Programs Subtotal	Fundraising and Underwriting Solicitation	General and Administrative	Supporting Subtotal		
Salaries and benefits	\$ 4,676	\$ 2,901	\$ 25,544	\$ 8,693	\$ 41,814	\$ 11,117	\$ 10,883	\$ 22,000	\$ 63,814	\$ 63,653
Office and occupancy	1,672	1,572	1,646	803	5,693	5,040	845	5,885	11,578	11,863
Dues and program acquisition	7,297	4,575	160	87	12,119	24	95	119	12,238	11,003
Information technologies	857	482	1,094	543	2,976	711	610	1,321	4,297	4,214
Membership and donor premiums	-	-	-	6	6	390	5	395	401	621
Professional services	193	70	834	2,059	3,156	1,498	1,320	2,818	5,974	7,125
Other services	636	110	80	31	857	233	40	273	1,130	1,114
Trade and in-kind expenses	-	-	2	365	367	-	158	158	525	541
Travel and conferences	21	4	263	119	407	67	35	102	509	441
Depreciation and amortization	3,333	384	2,202	591	6,510	791	673	1,464	7,974	8,215
Insurance	35	35	157	58	285	60	67	127	412	477
Advertising	-	-	54	1,222	1,276	501	-	501	1,777	1,502
Rights and royalties	-	-	89	3	92	-	-	-	92	72
Other expenses	39	17	109	108	273	326	33	359	632	684
Taxes and licenses	-	1	3	2	6	5	110	115	121	139
Loss on disposal of assets	152	3	-	-	155	-	1	1	156	158
	<u>\$ 18,911</u>	<u>\$ 10,154</u>	<u>\$ 32,237</u>	<u>\$ 14,690</u>	<u>\$ 75,992</u>	<u>\$ 20,763</u>	<u>\$ 14,875</u>	<u>\$ 35,638</u>	<u>\$ 111,630</u>	<u>\$ 111,822</u>

The accompanying notes are an integral part of this consolidated financial statement.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KQED Inc. (“KQED”) is a nonprofit corporation which operates three noncommercial public television stations (“KQED-TV,” “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. KQED also distributes its content and services via KQED.org, KQEDNews.org, and KQED Education as well as other digital and mobile media technology.

KQED serves the people of Northern California with a community-supported alternative to commercial media. KQED’s television, radio, digital media and educational services seek to change lives for the better and help individuals and communities achieve their full potential. KQED 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. KQED’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. KQED celebrates diversity, embraces innovation, values lifelong learning, and partners with those who share a commitment to public service.

Snap Studios, LLC, (“Snap”) is a separate organization, disregarded for tax purposes, and wholly owned subsidiary of KQED. Snap produces and creates radio shows, podcasts, and live shows by combining beats to create cinematic and dramatic radio.

In July 2023, KQED and Snap acquired certain assets and liabilities from a third party, Snap Judgment, LLC. The acquisition brings new audiences, followers, and monthly downloads from podcasts. The acquisition allows for creation of new podcasts, additional fundraising, and underwriting.

Principles of Consolidation

The consolidated financial statements include the accounts of KQED and Snap because KQED has both control and an economic interest in Snap. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “the Corporation”.

Basis of Presentation

The Corporation’s consolidated 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.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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 consolidated statement of activities and changes in net assets.

Comparative Financial Information

The consolidated financial statements include certain summarized comparative information as of and for the year ended September 30, 2024 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, 2024, from which the summarized financial information was derived.

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, planned giving, individual donors and advertising trades. Grants and underwriting receivables consist of amounts due from foundations and corporate sponsors. Receivables due in more than one year 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 credit losses 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 bonds, mutual funds, certificates of deposit, U.S. Treasury bills and notes, real estate investment trusts, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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 each of the years ended September 30, 2025 and 2024, contribution income for charitable gift annuities and trusts were \$0.3 million. The present value of the estimated payouts under the agreement is computed using actuarial methods and a mortality table, with discount rates of 0.4% to 8.2%, representing the risk-adjusted rates applicable in the year the gift was made, and expected return based on current market conditions. For the year ended September 30, 2025, the 2010CM mortality table was used. For the year ended September 30, 2024, the 2000CM mortality table was used. 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, 2025 and 2024, future annuity payments due to beneficiaries of charitable gift annuities and trusts totaled \$6.7 million and \$6.2 million, respectively, on the accompanying consolidated 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, 2025, the Corporation had sufficient funds in its reserve fund to meet the Code requirements and those funds were invested in accordance with the Code.

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.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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 three 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.

In 2021, the Corporation 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.

Leases

The Corporation determines if an arrangement is or contains a lease at inception. Leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also includes prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Corporation does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense as cash is paid over the lease term.

Broadcast Rights

The Corporation purchases broadcast rights for certain programs from the Public Broadcasting Service ("PBS") and other sources. These costs are expensed over the period of expected telecasts or the term of the agreement, whichever is shorter. Broadcast rights are included in the prepaid expense and other assets line when paid in advance, or in the broadcast rights liability line on the consolidated statement of financial position, when accrued.

Revenue Recognition

Contributions and grants are recognized as revenue at fair value when they are received or unconditionally pledged. Individual membership contributions 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 consolidated statement of activities and changes in net assets and approximated \$0.4 million and \$0.6 million for the years ended September 30, 2025 and 2024, 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 at a point in time when the related acknowledgement is broadcasted by the Corporation. Funds received in advance are reported in deferred production and underwriting revenues in the consolidated statement of financial position. Corporate underwriting funds received in advance were approximately \$0.2 million and \$0.3 million as of September 30, 2025 and 2024, respectively.

Government grants are recognized as allowable costs are incurred.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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. 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.

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

	2025	2024
Vehicles	\$ 4,211	\$ 3,842
Digital ads	-	42
	<u>\$ 4,211</u>	<u>\$ 3,884</u>

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, 2025 and 2024, sponsorship barter transactions resulted in the recognition of approximately \$0.7 million and \$0.3 million, respectively, in revenues and approximately \$0.5 million each year, in expenses in the accompanying consolidated statement of activities and changes in net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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.

As of September 30, 2021, Campaign 21 fundraising efforts concluded. Revenue recognized in the subsequent years represent cash received for intentions made during the campaign.

Studios Fund

Media habits have shifted decisively, as audiences begin to spend more time using digital media. Keeping pace with evolving media consumption trends, the Corporation is a pipeline of vibrant new digital video and podcast programs for multiplatform audiences. The Studios Fund provides research and development funding so that the Corporation can remain agile in a changing media environment and deliver programs that appeal to the next generation of audiences.

Advertising Expenses

The costs of advertising are expensed as incurred. Advertising expense was approximately \$1.8 million and \$1.5 million for the years ended September 30, 2025 and 2024, 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 consolidated 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 consolidated 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 headcount, equipment usage, space occupied, and on estimates made by the Corporation’s management.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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, planned giving 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.

One donor comprised 13% of the receivables balance as of September 30, 2025 and 2024.

As of September 30, 2025, the Corporation's cash, cash equivalents and investments were in excess of the federal depository and securities investor protection corporation insurance limits.

In July 2025, future federal funding that supports public broadcasting through the Corporation for Public Broadcasting ("CPB") was eliminated by the U.S. Congress effective October 1, 2025. Funding from CPB provided directly to the Corporation for the years ended September 30, 2025 and 2024 was \$8 million and \$7.6 million, respectively.

Collective Bargaining Agreements

The Corporation has six union collective bargaining agreements which cover approximately 40% of its full-time, part-time and temporary staff. The contracts, with the National Association of Broadcast Employees and Technician ("NABET") and the Screen Actors Guild – American Federation of Television and Radio Artists ("SAG-AFTRA") unions and expiration dates are as follows:

	<u>Expiration Date</u>
NABET and KQED	October 19, 2025
NABET and Snap	September 30, 2027
SAG-AFTRA and KQED-TV	September 30, 2027
SAG-AFTRA and KQED-FM	September 30, 2027
SAG-AFTRA and KQED Digital and Podcast	September 30, 2027

Additionally, the Corporation is a signatory to the SAG-AFTRA Public Television Agreement which covers performers who appear on television programs distributed nationally. This contract expires on October 31, 2028.

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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
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New Accounting Pronouncements

In July 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities*. The ASU amends Accounting Standards Codification (“ASC”) 326, *Financial Instruments-Credit Losses*, and allows all entities to elect a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounting for under ASC 606, *Revenue from Contracts from Customers*. The guidance also allows entities other than public business entities that apply the practical expedient to make an accounting policy election to consider collection activity after the consolidated statement of financial position date when estimating expected credit losses. This update is effective for annual periods beginning after December 15, 2025.

In September 2025, the FASB issued ASU 2025-06, *Intangible-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. The ASU replaces the previous three-stage framework and establishes a principles-based, flexible approach to determine when to capitalize costs pertaining to software development, making the capitalization process more straightforward, logical, and simple. This update is effective for annual periods beginning after December 15, 2027.

The Corporation is currently evaluating the impact of the ASUs on its consolidated financial statements.

Subsequent Events

The Corporation evaluated subsequent events from September 30, 2025 through February 24, 2026, the date these consolidated financial statements were available to be issued.

In January 2026, the collective bargaining agreement between NABET and KQED was ratified and extended through October 19, 2029.

The Corporation concluded that no other material subsequent events have occurred since September 30, 2025 that require recognition or disclosure in such consolidated financial statements.

NOTE B - AVAILABILITY AND LIQUIDITY

The Corporation has an operating reserve that had a balance of \$24.4 million and \$23.6 million as of September 30, 2025 and 2024, 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 expenses, 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 consolidated statement of financial position.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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 consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2025	2024
Cash and cash equivalents	\$ 33,624	\$ 19,843
Restricted cash and cash equivalents	838	3,526
Receivables, net	11,798	11,914
Investments	211,944	197,731
Deferred compensation investments	3,033	2,809
Charitable gifts and annuities and trusts	15,115	14,227
Financial assets as of September 30	276,352	250,050
Amounts not due within one year	(349)	(874)
Contractual or donor-imposed restrictions:		
Amounts subject to donor restrictions	(1,405)	(5,139)
Donor-restricted endowment funds	(38,058)	(36,421)
Investments held in deferred compensation investments	(3,033)	(2,809)
Investments held in charitable gift annuities and trusts	(15,115)	(14,227)
Board designations:		
Board-designated endowment funds for long term sustainability	(167,056)	(147,793)
Amounts set aside for operating and building reserve	(25,289)	(24,479)
Endowment investments available for general purposes and for distribution in accord with the Corporation spending policy	7,852	6,881
Net assets with purpose restrictions to be met in less than a year	1,003	2,703
Financial assets available to meet cash needs for general expenditures within one year	\$ 34,902	\$ 27,892

NOTE C - RECEIVABLES

At September 30, 2025, receivables consist of the following:

	Accounts and Contributions Receivable	Grants and Underwriting Receivable	Campaign 21 and Studios Fund Receivable	Total
Amounts due in:				
One year or less	\$ 8,603	\$ 2,552	\$ 317	\$ 11,472
Two to four years (net of discount of \$62)	107	242	-	349
Less: allowance for credit losses	-	(23)	-	(23)
Receivables, net	\$ 8,710	\$ 2,771	\$ 317	\$ 11,798

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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At September 30, 2024, receivables consist of the following:

	Accounts and Contributions Receivable	Grants and Underwriting Receivable	Campaign 21 and Studios Fund Receivable	Total
Amounts due in:				
One year or less	\$ 6,944	\$ 3,602	\$ 530	\$ 11,076
Two to four years (net of discount of \$44)	107	460	307	874
Less: allowance for credit losses	-	(36)	-	(36)
Receivables, net	<u>\$ 7,051</u>	<u>\$ 4,026</u>	<u>\$ 837</u>	<u>\$ 11,914</u>

NOTE D - INVESTMENTS

The Corporation's investments were composed of the following at September 30, 2025:

	Operating	Endowment	Board- Designated Endowments	Total
Cash and cash equivalents	\$ -	\$ 81	\$ 80	\$ 161
Brokerage certificates of deposit	5,731	-	-	5,731
U.S. Treasury bills and notes	1,099	-	-	1,099
Mutual funds - equity	-	22,498	98,292	120,790
Mutual funds - bonds	-	10,860	48,063	58,923
Mutual funds - real estate	-	4,619	20,621	25,240
Total	<u>\$ 6,830</u>	<u>\$ 38,058</u>	<u>\$ 167,056</u>	<u>\$ 211,944</u>

The Corporation's investments were composed of the following at September 30, 2024:

	Operating	Endowment	Board- Designated Endowments	Total
Cash and cash equivalents	\$ -	\$ 70	\$ 444	\$ 514
Brokerage certificates of deposit	7,589	-	-	7,589
U.S. Treasury bills and notes	5,928	-	-	5,928
Mutual funds - equity	-	21,565	87,263	108,828
Mutual funds - bonds	-	10,235	41,665	51,900
Mutual funds - real estate	-	4,551	18,421	22,972
Total	<u>\$ 13,517</u>	<u>\$ 36,421</u>	<u>\$ 147,793</u>	<u>\$ 197,731</u>

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

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 \$95.5 million. Participation in the auction allowed the Corporation to repurpose under-utilized broadcast spectrum, which was 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.

The Corporation’s Board approved the transaction and, acknowledging the historic long-term nature of the assets that generated these proceeds, utilized them for a capital project with the balance designated to the establishment of a Spectrum Endowment Fund.

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, 2025 on a recurring basis.

	2025			Total
	Level 1	Level 2	Level 3	
Investments:				
Certificates of deposit	\$ -	\$ 5,731	\$ -	\$ 5,731
U.S. Treasury bills and notes	1,099	-	-	1,099
Mutual funds - equity:				
Domestic small company	18,423	-	-	18,423
Domestic large company	53,524	-	-	53,524
International small company	9,505	-	-	9,505
International large company	27,770	-	-	27,770
Emerging markets	11,568	-	-	11,568
Real estate investment trusts:				
Domestic	20,172	-	-	20,172
International	5,068	-	-	5,068
Mutual funds - bonds:				
Domestic	48,342	-	-	48,342
International	10,581	-	-	10,581
Subtotal investments	<u>\$ 206,052</u>	<u>\$ 5,731</u>	<u>\$ -</u>	211,783
Cash and cash equivalents				<u>161</u>
Total				<u>\$ 211,944</u>

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

	2025			Total
	Level 1	Level 2	Level 3	
Deferred compensation investments:				
Mutual funds - equity:				
Domestic small company	\$ 38	\$ -	\$ -	\$ 38
Domestic medium company	10	-	-	10
Domestic large company	1,752	-	-	1,752
International large company	69	-	-	69
Real estate investment trusts:				
Domestic	34	-	-	34
International	2	-	-	2
Mutual funds - bonds:				
Domestic	236	-	-	236
International	8	-	-	8
Exchange traded funds:				
Domestic large company	68	-	-	68
International small company	80	-	-	80
International large company	126	-	-	126
Stocks - domestic	70	-	-	70
Stocks - international	29	-	-	29
Subtotal deferred compensation investments	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ -</u>	2,522
Cash and cash equivalents				511
Total				<u>\$ 3,033</u>
Charitable gift annuities and trusts:				
Mutual funds - equity:				
Domestic small company	\$ 1,094	\$ -	\$ -	\$ 1,094
Domestic large company	3,369	-	-	3,369
International small company	604	-	-	604
International large company	1,852	-	-	1,852
Emerging markets	676	-	-	676
Real estate investment trusts:				
Domestic	1,394	-	-	1,394
International	327	-	-	327
Mutual funds - bonds:				
Domestic	3,763	-	-	3,763
International	852	-	-	852
Split interest investment (non-trustee)	-	-	920	920
Subtotal charitable gift annuities and trusts investments	<u>\$ 13,931</u>	<u>\$ -</u>	<u>\$ 920</u>	14,851
Cash and cash equivalents				264
Total				<u>\$ 15,115</u>

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

The table below presents the Corporation's assets measured at fair value, by category of risks, at September 30, 2024 on a recurring basis.

	2024			Total
	Level 1	Level 2	Level 3	
Investments:				
Certificates of deposit	\$ -	\$ 7,589	\$ -	\$ 7,589
U.S. Treasury bills and notes	5,928	-	-	5,928
Mutual funds - equity:				
Domestic small company	16,871	-	-	16,871
Domestic large company	48,073	-	-	48,073
International small company	8,388	-	-	8,388
International large company	24,977	-	-	24,977
Emerging markets	10,519	-	-	10,519
Real estate investment trusts:				
Domestic	18,365	-	-	18,365
International	4,607	-	-	4,607
Mutual funds - bonds:				
Domestic	42,523	-	-	42,523
International	9,377	-	-	9,377
Subtotal investments	<u>\$ 189,628</u>	<u>\$ 7,589</u>	<u>\$ -</u>	197,217
Cash and cash equivalents				<u>514</u>
Total				<u>\$ 197,731</u>
Deferred compensation investments:				
Mutual funds - equity:				
Domestic small company	\$ 35	\$ -	\$ -	\$ 35
Domestic medium company	13	-	-	13
Domestic large company	1,626	-	-	1,626
International large company	59	-	-	59
Real estate investment trusts:				
Domestic	32	-	-	32
International	2	-	-	2
Mutual funds - bonds:				
Domestic	235	-	-	235
International	9	-	-	9
Exchange traded funds:				
Domestic large company	36	-	-	36
International small company	70	-	-	70
International large company	204	-	-	204
Stocks - domestic	66	-	-	66
Stocks - international	24	-	-	24
Subtotal deferred compensation investments	<u>\$ 2,411</u>	<u>\$ -</u>	<u>\$ -</u>	2,411
Cash and cash equivalents				<u>398</u>
Total				<u>\$ 2,809</u>

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

	2024			Total
	Level 1	Level 2	Level 3	
Charitable gift annuities and trusts:				
Mutual funds - equity:				
Domestic small company	\$ 1,043	\$ -	\$ -	\$ 1,043
Domestic large company	3,154	-	-	3,154
International small company	542	-	-	542
International large company	1,734	-	-	1,734
Emerging markets	643	-	-	643
Real estate investment trusts:				
Domestic	1,301	-	-	1,301
International	305	-	-	305
Mutual funds - bonds:				
Domestic	3,466	-	-	3,466
International	797	-	-	797
Split interest investment (non-trustee)	-	-	874	874
Subtotal charitable gift annuities and trusts investments	<u>\$ 12,985</u>	<u>\$ -</u>	<u>\$ 874</u>	13,859
Cash and cash equivalents				<u>368</u>
Total				<u><u>\$ 14,227</u></u>

The following is a rollforward of the Level 3 assets:

	Split-Interest Investment (Non-Trustee)
Fair value at September 30, 2023	\$ 737
Change in value	<u>137</u>
Fair value at September 30, 2024	874
Change in value	<u>46</u>
Fair value at September 30, 2025	<u><u>\$ 920</u></u>

Other Financial Instruments

Financial instruments, which are included in the Corporation's consolidated statement of financial position as of September 30, 2025 and 2024 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.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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NOTE F - INTANGIBLE ASSETS

In May 2003, the Corporation acquired the assets of KQEI-FM Radio in North Highlands, California for \$3.2 million which included \$0.07 million of radio station equipment. The acquisition was accounted for under the purchase method. The purchase price was allocated \$3.0 million to the broadcast license and \$0.2 million to acquisition costs. The broadcast license and acquisition costs are reflected as intangible assets on the accompanying consolidated statement of financial position and are being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2025 and 2024 was \$1.8 million and \$1.7 million, respectively. The radio station equipment is included in property and equipment on the accompanying consolidated statement of financial position.

In October 2006, the Corporation acquired the assets of KTEH Foundation in San Jose which included a license fee for \$0.3 million, which is being amortized over the estimated useful life of 40 years. The accumulated amortization at both September 30, 2025 and 2024 was \$0.2 million.

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

<u>September 30,</u>			
2026		\$	88
2027			88
2028			88
2029			88
2030			88
Thereafter			<u>1,055</u>
Total		\$	<u><u>1,495</u></u>

NOTE G - PROPERTY AND EQUIPMENT

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

	2025	2024
Land	\$ 1,270	\$ 1,270
Building and improvements	91,907	91,184
Furniture, fixtures, office equipment and vehicles	16,623	16,486
TV station equipment	25,481	27,834
Radio station equipment	10,516	10,479
Multiplatform equipment	3,060	3,219
Less: accumulated depreciation	<u>(54,921)</u>	<u>(50,831)</u>
Property and equipment, net	<u>\$ 93,936</u>	<u>\$ 99,641</u>

Depreciation expense was \$7.9 million and \$8.1 million for the years ended September 30, 2025 and 2024, respectively.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
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NOTE H - NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 108,347	\$ 106,684
Board-designated		
Board-designated endowment	107,258	90,290
Spectrum endowment	59,798	57,503
Reserve fund	24,446	23,636
Building fund	<u>843</u>	<u>843</u>
Total Board-designated	<u>192,345</u>	<u>172,272</u>
Total net assets without donor restrictions	<u>\$ 300,692</u>	<u>\$ 278,956</u>

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

	<u>2025</u>	<u>2024</u>
Campaign 21 (restricted for time)	\$ 307	\$ 617
Studios fund (restricted for purpose and time)	10	306
Planned gifts (restricted for time)	7,956	7,535
Endowment planned gifts (restricted for time and purpose)	500	465
Endowment receivables (restricted for time)	163	-
Specific productions or areas of programming (restricted for purpose and time)	3,208	6,593
Investment in perpetuity (including amounts above original gift amount of \$20,730 and \$20,592 as of September 30, 2025 and 2024, respectively), which, once appropriated, is expendable to support:		
Arts	3,432	3,298
Education	137	132
Science	1,209	1,162
General production of content	2,739	2,632
General operations	<u>30,541</u>	<u>29,197</u>
Total net assets with donor restrictions	<u>\$ 50,202</u>	<u>\$ 51,937</u>

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
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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:

	2025	2024
Campaign 21 program and building	\$ 360	\$ 6,215
Support specific productions or areas of programming	8,355	5,914
Endowment earnings appropriated	1,656	1,685
Studios fund	397	-
Planned gifts	218	105
Total	\$ 10,986	\$ 13,919

NOTE I - ENDOWMENTS

The Corporation's endowments consist of donor-restricted endowment funds and funds designated by the Board 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 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 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, 2025 and 2024.

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 CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
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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 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, the Corporation may spend additional amounts from the Board-designated endowment up to the entire principal balance in the Board-designated endowment or Spectrum auction endowment.

Endowment funds as of September 30, are as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 38,058	\$ 38,058
Board-designated endowment	107,258	-	107,258
Spectrum auction endowment	59,798	-	59,798
Total endowment funds	<u>\$ 167,056</u>	<u>\$ 38,058</u>	<u>\$ 205,114</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 36,421	\$ 36,421
Board-designated endowment	90,290	-	90,290
Spectrum auction endowment	57,503	-	57,503
Total endowment funds	<u>\$ 147,793</u>	<u>\$ 36,421</u>	<u>\$ 184,214</u>

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 \$0.7 million and \$0.5 million as of September 30, 2025 and 2024, respectively.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

Endowment activity by net asset classification as of September 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 147,793	\$ 36,421	\$ 184,214
Investment return:			
Interest and dividends	4,310	1,017	5,327
Realized and unrealized net gain	9,820	2,219	12,039
Service fees	(340)	(81)	(421)
Total investment gain	13,790	3,155	16,945
Contributions	10,697	138	10,835
Appropriation of endowment assets for expenditure	(5,224)	(1,656)	(6,880)
Endowment net assets, end of year	<u>\$ 167,056</u>	<u>\$ 38,058</u>	<u>\$ 205,114</u>

Endowment activity by net asset classification as of September 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 111,782	\$ 30,519	\$ 142,301
Investment return:			
Interest and dividends	3,842	1,003	4,845
Realized and unrealized net gain	23,548	6,151	29,699
Service fees	(291)	(76)	(367)
Total investment gain	27,099	7,078	34,177
Contributions	13,661	509	14,170
Assets designated by the Board for acquisition of business	(87)	-	(87)
Appropriation of endowment assets for expenditure	(4,662)	(1,685)	(6,347)
Endowment net assets, end of year	<u>\$ 147,793</u>	<u>\$ 36,421</u>	<u>\$ 184,214</u>

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

NOTE J - COMMITMENTS AND CONTINGENCIES

Leases

The Corporation evaluated current contracts to determine which met the criteria of a lease. The ROU assets represents the Corporation's right to use underlying assets for the lease term, and the lease liabilities represent the Corporation's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Corporation has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of September 30, 2025 was 3.5%.

The Corporation's operating leases consist primarily of real estate leases in connection with its operation of noncommercial public television and radio stations.

For the year ended September 30, 2025, total operating lease expense was \$1.5 million, and total short-term lease expense was approximately \$0.2 million. As of September 30, 2025, the weighted-average remaining lease term for the Corporation's operating leases was approximately six years. Cash paid for operating leases for the year ended September 30, 2025 was \$1.5 million.

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending September 30:

<u>September 30,</u>			
2026	\$	1,487	
2027		1,122	
2028		1,155	
2029		1,190	
2030		407	
Thereafter		683	
Total lease payments			6,044
Less: present value discount			(609)
Total lease obligations			\$ 5,435

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 \$1.7 million and \$1.8 million for the years ended September 30, 2025 and 2024, respectively.

Other Commitments and Contingencies

As of September 30, 2025, the Corporation has remaining contractual commitments of approximately \$1.9 million related to system licenses, services, and hardware maintenance contracts through 2029.

The Corporation has entered into a written settlement agreement resolving a putative wage and hour class action lawsuit, which agreement is pending formal court approval. As of September 30, 2025 and 2024, the Corporation has an accrual reflecting the total amount of the agreed settlement.

KQED Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024
(in thousands unless otherwise indicated)

The Corporation is involved in other 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 K - CONDITIONAL PROMISES TO GIVE

The Corporation received a one-year grant from a governmental agency 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, 2025 was \$0.5 million. For the year ended September 30, 2025, the Corporation has recognized \$0.5 million.

The Corporation received grants from multiple funders, which have been determined to be conditional grants based on meeting specific program deliverables. Total cumulative grants awarded to the Corporation as of September 30, 2025 was \$1.8 million, of which \$0.8 million has been recognized as revenue. For the year ended September 30, 2025, the Corporation has recognized \$0.4 million. As of September 30, 2025, \$1.0 million remains conditional. 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 year ended September 30, 2025, the amount of payments for which conditions have not been met was \$0.2 million. The conditions are expected to be met in the next fiscal year.

NOTE L - RETIREMENT PLANS

The 403(b) tax-sheltered annuity plan is funded by employee contributions and the employer's matching share amount. The Corporation contributes a matching contribution to the plan on behalf of each participant who contribute up to 3% of their monthly salary. The contribution costs, funded currently, were \$1.2 million and \$1.3 million for the years ended September 30, 2025 and 2024, respectively.

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, 2025 and 2024, approximately \$0.04 million and \$0.08 million, 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 consolidated statement of financial position at September 30, 2025 and 2024 were approximately \$3.0 million and \$2.8 million, respectively.

NOTE M - 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, 2025 and 2024, those contributions were approximately \$0.6 million and \$0.5 million, respectively. As of September 30, 2025 and 2024, the balance due from related parties was approximately \$0 and \$0.3 million, respectively.