

**BATES TECHNICAL COLLEGE,
KBTC-TV**

Audited Financial Statements and
Supplementary Information

June 30, 2022 and 2021

BATES TECHNICAL COLLEGE, KBTC-TV

**Audited Financial Statements and
Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT 1-3

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis 4-9

AUDITED FINANCIAL STATEMENTS

Statements of Net Position 10

Statements of Revenues, Expenses and Changes in Net Position 11

Statements of Cash Flows 12

Notes to Financial Statements 13-18

SUPPLEMENTARY INFORMATION

Schedules of Functional Expenses 19



1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report

Board of Trustees
Bates Technical College, KBTC-TV
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bates Technical College, KBTC-TV ("KBTC"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects, the financial position of KBTC as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 KBTC 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.

Basis for Qualified Opinion

As described in Note 4 to the financial statements, management has not implemented Governmental Accounting Standards Board ("GASB") No. 68 *Accounting and Financial Reporting for Pensions* and GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB") as of and for the years ended June 30, 2022 and 2021. U.S. GAAP requires that KBTC record its proportionate share of net pension liability and OPEB liability. The amount by which these departures would affect the liabilities, net position and expenses has not been determined.

Responsibilities of Management for the Financial Statements

KBTC's Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 KBTC's ability to continue as a going concern for one year after the date that the financial statements.

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 opinions. 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 U.S. 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 U.S. 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 KBTC'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 KBTC'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only KBTC-TV and do not purport to, and do not present fairly, the financial position of Bates Technical College, as of June 30, 2022 and 2021, the changes in its net position or, where applicable, its cash flows for the years then ended in accordance with U.S. GAAP. Our opinion is not modified with respect to this matter.

U.S. GAAP requires that management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information and compared the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


JOHNSON, STONE & PAGANO, P.S.

November 29, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Bates Technical College, KBTC-TV
Management's Discussion and Analysis
For the Years Ended June 30, 2022 and 2021

Introduction and Reporting Entity

Management's Discussion and Analysis ("MD&A") is an overview of the financial position and activities of Bates Technical College-KBTC-TV ("KBTC") as of and for the years ended June 30, 2022 and 2021.

Management of KBTC has prepared the following discussion. Readers should also review the Independent Auditor's Report along with the financial statements and related footnotes which follow this section to enhance their understanding of KBTC's performance.

Bates Technical College, KBTC-TV is a public television station established to encourage and promote non-commercial educational and public television broadcasting in the Tacoma and Centralia areas of Washington State. In the Centralia area, KBTC operates as KCKA-TV ("KCKA"). KBTC is operated by and licensed under Bates Technical College (the "College") and accounted for as a fund by the College. The station has a significant commitment to local interest programming, local production and growing its educational and community engagement activities.

The signal of KBTC and KCKA reaches an estimated 2.1 million households in greater western Washington, stretching from the northwestern border of Oregon to southwestern British Columbia, Canada. Additional populations access content through streaming services that are not included in this figure. KBTC continues to expand its distribution and provide its service area with streaming content.

Overview of the Financial Statements

The KBTC financial report consists of a series of financial statements and notes to the statements which are presented in accordance with the standards established by the Governmental Accounting Standards Board ("GASB") for the presentation of audited financial statements and note disclosures for state and local governments and their subsidiaries.

Public Broadcasting Financial Statements

The public broadcasting entity-wide financial statements and the fund financial statements are the basic financial statements under the reporting standards of GASB. Financial information reported in the public broadcasting financial statements uses the full-accrual method of accounting. Revenues are recognized when they are earned, and expenditures are recognized when they are incurred.

The public broadcasting financial statements present the financial activity of KBTC (the primary government entity). KCKA, which broadcasts from Centralia, Washington, has its financial activity included in the KBTC financial statements.

Significant financial activities that occurred during the past year are listed and changes in financial activity from the prior year are shown.

The financial statements of KBTC consist of:

- **Statements of Net Position:** This statement presents the financial position of KBTC as of the end of the fiscal year. It classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the date of the statement. Current

assets are those that are available to satisfy current liabilities. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of KBTC, while the change in net position is an indication of whether the overall financial condition improved or worsened during the year. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost, less an allowance for depreciation and amortization.

- **Statements of Revenues, Expenses and Changes in Net Position:** This statement presents KBTC's results of operations for the years ending June 30, 2022 and 2021.
- **Statements of Cash Flows:** This statement presents the detailed information about the major sources and uses of cash. KBTC does not maintain a separate cash account; therefore, all of KBTC's cash receipts and disbursements are reflected in the accounts of Bates Technical College.
- The notes to the financial statements provide an overview of KBTC, significant accounting policies and important events.
- **Schedules of Functional Expenses:** This schedule presents the operating expenses incurred to vendors and employees for providing goods and services for the overall operations of KBTC. In addition, depreciation expense of \$249,006 and \$278,655 for 2022 and 2021, respectively, are reported.

KBTC has received a qualified opinion on the financial statements as it relates to GASB No. 68 *Accounting and Financial Reporting for Pensions* and GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB"). The pension and OPEB information and related disclosures are not currently available at KBTC's fund level and therefore we are unable to record our proportionate share of the pension and OPEB liability. This is a departure from U.S. GAAP, the amount by which this departure would affect the liabilities, net position and expenses has not been determined.

The Statements of Net Position include assets, liabilities and net position of KBTC as of June 30, 2022 and 2021. The total balance in KBTC fund balance held by Bates Technical College at June 30, 2022 is \$1,869,112, which represents cash forwarded to Bates Technical College by KBTC and certain year-end accruals for accounts receivable. The statements list capital assets of broadcast equipment, building improvements, furniture and fixtures and automobiles; the balance is \$1,280,646, net of accumulated depreciation at June 30, 2022. Fixed (capital) assets are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Net position represents the residual interest of KBTC's assets after liabilities are deducted. Restricted net position is subject to externally imposed restrictions governing their use. Although unrestricted net position is not subject to externally imposed stipulations, the majority of KBTC's unrestricted net position has been designated for programming, broadcasting, production and outreach projects. Station operating revenues decreased during 2022, and operating expenses were higher than the prior year. Net position decreased during 2022 from \$3,040,039 to \$2,934,873.

A review of the net position at June 30, 2022 and 2021 shows that KBTC continues to maintain a favorable financial foundation.

The following chart depicts the breakdown of assets, liabilities and net position for KBTC for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current	\$ 1,869,112	\$ 2,056,745
Capital assets, net	<u>1,280,646</u>	<u>1,191,422</u>
TOTAL ASSETS	<u>\$ 3,149,758</u>	<u>\$ 3,248,167</u>
<u>LIABILITIES</u>		
Current	\$ 214,885	\$ 208,128
<u>NET POSITION</u>		
Invested in capital assets	1,280,646	1,191,422
Unrestricted	<u>1,654,227</u>	<u>1,848,617</u>
Total Net Position	<u>2,934,873</u>	<u>3,040,039</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,149,758</u>	<u>\$ 3,248,167</u>

The Statements of Revenues, Expenses and Changes in Net Position list expenses by function. Operating revenues are listed by source. Grants and contributions not restricted to a specific program or function are included in operating revenues.

KBTC's main revenue sources are the Corporation for Public Broadcasting ("CPB"), Bates Technical College, individuals and businesses, both for-profit and foundations. The station has and will continue to pursue funding from all sources consistent with its mission.

In reviewing the statements of revenues, expenses and change in net position, it should be noted that operating revenues have decreased approximately \$221,000 in comparison to 2021. Indirect facility and administrative support from the College increased \$37,600 in 2022. Revenues generated through telecasting, production and broadcast services decreased approximately \$494,400 in 2022. Instructional related expenses from the College decreased approximately \$67,300. In-kind contributions increased approximately \$121,200 in comparison to the prior year. Membership income increased by approximately \$85,700 in 2022, with a consistent active membership of more than 18,490 at June 30, 2022.

	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
Community service grant from the Corporation for Public Broadcasting	\$ 819,939	\$ 730,784
Donated support	4,434,657	4,257,379
Other income	567,698	1,062,134
Loss on sale of equipment		<u>(6,786)</u>
TOTAL OPERATING REVENUES	<u>\$ 5,822,294</u>	<u>\$ 6,043,511</u>
<u>OPERATING EXPENSES</u>		
Program services	\$ 3,386,997	\$ 3,268,269
Support services	<u>2,540,463</u>	<u>2,518,914</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,927,460</u>	<u>\$ 5,787,183</u>

The Schedules of Functional Expenses identify the costs of providing the various programs and other activities on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services on the basis of benefits received.

There were no significant variances from the budget in 2022.

Overall expenses increased approximately \$140,000 in 2022. Significant changes in expenses include an increase of \$82,100 for salaries, payroll taxes and employee benefits. There was an overall decrease for supplies of \$105,000, advertising and marketing of \$20,100 and dues and fees of \$24,600. There was an overall increase for professional services of \$90,300 and program acquisition of \$103,000. Other items fluctuated by less significant amounts.

The Statements of Cash Flows identify the increases and decreases in cash from operating and investing activities. In the current year, cash generated from operating activities was \$224,780, which is a decrease of approximately \$56,000 from the prior year. In the prior year, cash generated from operating activities was \$280,854. The station utilizes the cash generated by both operating activities to invest in broadcast equipment and support operational plans consistent with KBTC's mission.

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net position	\$ (105,166)	\$ 256,328
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities	135,556	285,441
Changes in current assets and liabilities	<u>194,390</u>	<u>(260,915)</u>
Net Cash Provided by Operating Activities	224,780	280,854
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Purchase of equipment	(224,780)	(332,625)
Proceeds from sale of equipment	<u> </u>	<u>51,771</u>
Net Cash Used by Investing Activities	(224,780)	(280,854)
Change in cash		
Cash at beginning of Year	<u> </u>	<u> </u>
CASH AT END OF YEAR	\$ <u> </u>	\$ <u> </u>

The Notes to Financial Statements provide an overview of the organization, significant accounting policies and important events.

Current Factors having Plausible Future Financial Implication

KBTC began Fiscal Year 2022-2023 in a strong financial position. Operations support included funds allocated to the Corporation for Public Broadcasting through the American Rescue Plan.

KBTC community engagement activities continued to grow. The team was able to provide virtual family-oriented activities as well as deliver some in-person learning support at partner locations in underserved communities. Many of the activities launched in 2020-2021 continued going strong including expanded learning opportunities in partnership with Tacoma Public Schools and the Tacoma Housing Authority. As the year progressed, new partnerships and opportunities began with Clover Park Schools and JBLM. These activities were supported by grants from the partners.

Educational workshops and professional development trainings in partnership with OSPI (Office of the Superintendent of Public Instruction) continued. KBTC also provided virtual professional development trainings to Spanish speaking educators.

All trainings, workshops and family-oriented activities utilized age-appropriate PBS Learning Media content, which is available at no cost to the users.

Financial support from the KBTC Association enabled staff to provide community engagement activities in addition to resources used for producing local content for on-air activities.

Station staff continued to create and produce local content through *Northwest Now*, *Northwest Now Digital First* and *Northwest Now Digital Extras*. *Northwest Now* and *Northwest Now Digital First* focused many of the programs and stories on several important local elections including Seattle’s mayoral race, and the King County Executive race. Other programs

highlighted the controversial Indian Boarding Schools and the foster care crisis. These activities helped staff deliver on the station's mission to engage viewers, communities and supporters by delivering media experiences that educate, and inspire.

Every year we report that viewing habits have changed. They continue, and KBTC is finding that more people stream their content on various streaming services rather than simply watch over-the-air in the traditional broadcast way. These new habits encouraged staff to provide users the opportunity to live stream KBTC's main channel via the website at kbt.org. While the station adapts to new ways of providing access to content, KBTC also continues to maintain our broadcast facilities and to provide free content over-the-air. KBTC's engineering staff continue to invest in upgrading and maintaining the broadcast towers as needed and preparing for the future of ATSC 3, a new broadcast platform.

The end of KBTC's fiscal year came with change. Bates Technical College, the broadcast license holder for KBTC, began transitioning to a new operating system in May 2022. The challenge was in retrieving end of year information with newly coded accounts. The station was successful in ensuring accuracy with the reconciliation of all funds.

KBTC donors continue to support the work and programming of the station. The staff remain grateful and energized in serving the public. KBTC recognizes and appreciates the continuing support received from the community.

AUDITED FINANCIAL STATEMENTS

BATES TECHNICAL COLLEGE, KBTC-TV**STATEMENTS OF NET POSITION**

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
KBTC fund balance held by Bates Technical College	\$ 1,839,698	\$ 2,019,063
Accounts, grants and contributions receivable	<u>29,414</u>	<u>37,682</u>
Total Current Assets	1,869,112	2,056,745
CAPITAL ASSETS		
Broadcast equipment	19,119,148	18,803,971
Building and leasehold improvements	542,405	542,405
Nonbroadcast equipment and furniture	963,000	939,947
Automobiles	<u>112,993</u>	<u>112,993</u>
	20,737,546	20,399,316
Less accumulated depreciation	<u>19,456,900</u>	<u>19,207,894</u>
Total Capital Assets	<u>1,280,646</u>	<u>1,191,422</u>
TOTAL ASSETS	<u>\$ 3,149,758</u>	<u>\$ 3,248,167</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 213,142	\$ 206,435
Deferred revenue	<u>1,743</u>	<u>1,693</u>
Total Current Liabilities	214,885	208,128
NET POSITION		
Invested in capital assets	1,280,646	1,191,422
Unrestricted	<u>1,654,227</u>	<u>1,848,617</u>
	<u>2,934,873</u>	<u>3,040,039</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,149,758</u>	<u>\$ 3,248,167</u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

BATES TECHNICAL COLLEGE, KBTC-TV**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Operating and capital appropriations from Bates Technical College	\$ 481,049	\$ 548,313
Donated facilities and administrative support from Bates Technical College	1,175,707	1,138,111
Subscription and membership income	2,576,419	2,490,670
Telecasting, production and broadcast services	567,698	1,062,134
Community service grant from Corporation for Public Broadcasting	819,939	730,784
In-kind contributions	201,482	80,285
Loss on sale of equipment		<u>(6,786)</u>
Total Operating Revenues	5,822,294	6,043,511
OPERATING EXPENSES		
Program services		
Programming and production	2,062,802	1,911,676
Broadcasting	1,123,948	1,148,885
Program information	<u>200,247</u>	<u>207,708</u>
	3,386,997	3,268,269
Supporting services		
Management and general	1,246,968	1,213,086
Fundraising	<u>1,293,495</u>	<u>1,305,828</u>
	<u>2,540,463</u>	<u>2,518,914</u>
Total Operating Expenses	5,927,460	5,787,183
NET INCREASE (DECREASE) IN NET POSITION	(105,166)	256,328
Net Position at Beginning of Year	<u>3,040,039</u>	<u>2,783,711</u>
NET POSITION AT END OF YEAR	<u>\$ 2,934,873</u>	<u>\$ 3,040,039</u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

BATES TECHNICAL COLLEGE, KBTC-TV**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from CPB grant	\$ 819,939	\$ 730,784
Cash received from subscriptions and memberships	2,764,052	2,243,455
Cash received from telecasting, production and broadcasting	567,748	1,048,766
Cash payments for compensation and benefits	(2,576,213)	(2,419,311)
Cash payments to suppliers	<u>(1,350,746)</u>	<u>(1,322,840)</u>
Net Cash Provided by Operating Activities	<u>224,780</u>	<u>280,854</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(224,780)	(332,625)
Proceeds from sale of equipment		<u>51,771</u>
Net Cash Used by Capital and Related Financing Activities	<u>(224,780)</u>	<u>(280,854)</u>
CHANGE IN CASH		
Cash at Beginning of Year	<u> </u>	<u> </u>
CASH AT END OF YEAR	<u>\$ <u> </u></u>	<u>\$ <u> </u></u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net position	\$ (105,166)	\$ 256,328
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities		
Depreciation	249,006	278,655
Loss on sale of equipment		6,786
Donated equipment	(113,450)	
(Increase) decrease in assets		
KBTC fund balance held by Bates Technical College	179,365	(255,381)
Accounts, grants and contributions receivable	8,268	8,166
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	6,707	(332)
Deferred revenue	<u>50</u>	<u>(13,368)</u>
Net Cash Provided by Operating Activities	<u>\$ 224,780</u>	<u>\$ 280,854</u>

OTHER CASH FLOW INFORMATION

Refer to Note 1 of the financial statements for further explanation of KBTC's cash

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Bates Technical College, KBTC-TV ("KBTC") is a public (not-for-profit) television station established to encourage and promote noncommercial educational and public television broadcasting in the Tacoma and Centralia areas of Washington State. In the Centralia area, KBTC operates as KCKA-TV. KBTC is operated by, and licensed under, Bates Technical College (the "College") and accounted for as a fund by the College. The College, an agency of the State of Washington, follows accounting principles generally accepted in the United States of America ("U.S. GAAP") for governmental fund accounting. A fund, as defined by the Government Accounting Standards Board ("GASB"), is a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, together with all related liabilities and residual equities, and changes therein, are recorded and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As an agency of the State of Washington, the College is subject to audit by the State Auditor's Office to evaluate internal controls and financial activities information and for compliance with state and federal laws.

The financial statements of KBTC have been prepared in conformity with U.S. GAAP. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. KBTC implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35 *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*.

KBTC Fund Balance Held by Bates Technical College

Amounts held by Bates Technical College represent cash forwarded to the College by KBTC, which are commingled with the College for the purposes of banking and investment. Because of the pooling concept, it is not possible to allocate KBTC's share of pooled cash and investment balances into various risk categories.

Accounts, Grants and Contributions Receivable

Receivables are recorded when invoices are issued or when amounts on underwriting agreements have been earned, but not yet received, or a promise to give has been made as of the statements of net position date. Receivables are written off when they are determined to be uncollectible. An allowance for doubtful accounts has not been established as management believes that essentially all receivables are collectible at June 30, 2022 and 2021, and are all current, less than 90 days past due.

Capital Assets

Capital assets are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, ranging between 3 and 30 years.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include trade payables and accrued vacations.

Net Position

KBTC's net position is classified as follows:

Invested in Capital Assets

This represents KBTC's total investment in capital assets net of depreciation related to those capital assets.

Restricted Net Position - Expendable

Restricted net position - expendable includes resources in which KBTC is legally or contractually obligated to spend in accordance with restrictions imposed by external third-parties. At June 30, 2022 or 2021, KBTC had no balance in restricted net position - expendable.

Restricted Net Position - Nonexpendable

Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2022 or 2021, KBTC had no balance in restricted net position - nonexpendable.

Unrestricted Net Position

Unrestricted net position represents resources derived from operating grants, state appropriations, corporate memberships and underwriting and unrestricted contributions. These resources are used for transactions relating to the general operations of KBTC and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues

KBTC has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) operating grants from the Corporation for Public Broadcasting ("CPB"), (2) support from the College and (3) corporate memberships and underwriting. Membership contributions and contributed support are deemed program revenue and therefore operating revenue as prescribed by CPB.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Classification of Revenues (Continued)

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, contributions or grants received for purchase of capital assets and other revenue sources that are defined as nonoperating revenues.

Support, Revenue Recognition and Expenses

Support and revenues are reported as increases in unrestricted net position unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net position. Expirations of restrictions on net position, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are transferred to unrestricted net position. KBTC treats restricted revenues as unrestricted if the donor restrictions expire during the fiscal year the gift is received.

Contributions, including unconditional promises to give, are recognized as revenues in the same period received. Promises to give that are scheduled to be received after the statements of net position date are shown as increases in accounts receivable and unrestricted net position. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in restricted net position - unexpendable conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the appropriate discount rate.

Certain support and expenses are provided for in the financial statements as allowed under guidelines provided by the CPB and include donated facilities and administrative support from the College. Eligible employees of KBTC are also deemed to be employees of the College and are therefore provided benefits, including retirement benefits, in the same manner as the College provides to all of its eligible employees.

Restricted Resources

When KBTC has both restricted and unrestricted resources available to finance a particular program, KBTC uses restricted resources before unrestricted resources.

Donated Volunteer Services

No amounts have been recorded in the financial statements for donated volunteer services because such services do not meet the criteria for such recognition.

In-kind Contributions

In-kind contributions consist of donated professional services, capital assets and facilities recorded at their estimated fair value. The amounts of the contributions are recorded as support when earned and capitalized or expensed as deemed appropriate.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Income Taxes

No provision is made for federal income taxes as KBTC is tax-exempt under provision of the Internal Revenue Code and is not required to file an annual information return.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net position and the schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services on the basis of benefits received.

Advertising

Advertising costs are expensed as incurred and are included in advertising and marketing expense, which totaled \$73,718 in 2022 and \$93,898 in 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

KBTC evaluated for subsequent events through November 29, 2022, the date the financial statements were available to be issued.

NOTE 2 - CAPITAL ASSETS

Capital assets at June 30 consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>June 30, 2022</u>					
Broadcast equipment	\$ 18,803,971	\$ 315,177			\$ 19,119,148
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	939,947	23,053			963,000
Automobiles	<u>112,993</u>				<u>112,993</u>
	20,399,316	338,230			20,737,546
Less accumulated depreciation	<u>19,207,894</u>	<u>249,006</u>			<u>19,456,900</u>
	<u>\$ 1,191,422</u>	<u>\$ 89,224</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,280,646</u>

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 2 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>June 30, 2021</u>					
Broadcast equipment	\$ 18,536,707	\$ 332,625	\$ 65,361		\$ 18,803,971
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	939,947				939,947
Automobiles	<u>136,685</u>		<u>23,692</u>		<u>112,993</u>
	20,155,744	332,625	89,053		20,399,316
Less accumulated depreciation	<u>18,959,735</u>	<u>278,655</u>	<u>30,496</u>		<u>19,207,894</u>
	<u>\$ 1,196,009</u>	<u>\$ 53,970</u>	<u>\$ 58,557</u>	<u>\$ _____</u>	<u>\$ 1,191,422</u>

NOTE 3 - OPERATING LEASE

Future operating lease commitments are not material; total rental and lease expense for 2022 and 2021 is less than 2% of revenues.

NOTE 4 - RETIREMENT PLANS

Through the College, KBTC offers two contributory pension plans to its employees. The Washington State Public Employees Retirement System ("PERS") is a cost sharing multiple employer defined benefit pension plan administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan ("SBRP") is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community and Technical Colleges ("SBCTC") and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. Employer matching is provided at various rates based on the age of the participating employee. During the years ended June 30, 2022 and 2021, KBTC contributed \$147,804 and \$150,843, respectively, under these plans.

GASB No. 68 *Accounting and Financial Reporting for Pensions* requires KBTC to report its proportionate share of the total pension liability as it is a part of the college system. The pension information and related disclosures are not currently available at KBTC's fund level, and, therefore, KBTC is unable to record its proportionate share of the pension liability. This is a departure from U.S. GAAP, the amount by which this departure would affect the liabilities, net position and expenses has not been determined.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 4 - RETIREMENT PLANS (Continued)

GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB") requires KBTC to recognize its proportionate share of the state's actuarially determined OPEB liability, net of any assets segregated and restricted in a qualified trust, together with any associated deferred inflows and deferred outflows of resources and benefit expense related to the plan. The OPEB information and related disclosures are not currently available at KBTC's fund level and, therefore, KBTC is unable to record its proportionate share of the total OPEB liability. This is a departure from U.S. GAAP, the amount by which this departure that would affect the liabilities, net position and expenses has not been determined.

NOTE 5 - FUTURE SICK TIME

Under terms of employment with exempt employees and employees covered by a collective bargaining agreement, if certain conditions are met, current employees may elect to receive a monetary payment for accrued sick time on a four-for-one basis. If all of KBTC's accrued sick time was converted at June 30, 2022, the cost would be \$85,981.

NOTE 6 - RISKS AND UNCERTAINTIES

At June 30, 2022, the world was in the midst of the COVID-19 pandemic. Significant uncertainty remains regarding the wide ranging effects of the pandemic subsequent to the year-end. KBTC is closely monitoring its operations, liquidity, capital and financial resources, and is actively working to minimize the current and future effects of this unprecedented situation. As of the date of these financial statements, the full impact to KBTC's financial position or operations is not known.

SUPPLEMENTARY INFORMATION

BATES TECHNICAL COLLEGE, KBTC-TV

SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended June 30, 2022 and 2021

	Program Services								Supporting Services							
	Programming and Production		Broadcasting		Program Information		Total Program Services		Management and General		Fundraising		Total Supporting Services		Total Expenses	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Salaries, payroll taxes and employee benefits	\$ 1,055,311	\$ 993,188	\$ 462,852	\$ 451,135	\$ 79,836	\$ 79,350	\$ 1,597,999	\$ 1,523,673	\$ 979,026	\$ 955,372	\$ 476,130	\$ 492,002	\$ 1,455,156	\$ 1,447,374	\$ 3,053,155	\$ 2,971,047
Rents and maintenance	18,619	17,268	76,448	77,518			95,067	94,786	24	12	26,006	19,757	26,030	19,769	121,097	114,555
Professional services	84,084	81,224	98,612	41,017	4,728	9,315	187,424	131,556	50,500	49,300	136,301	103,042	186,801	152,342	374,225	283,898
Dues and fees	3,052	4,750	151	525		240	3,203	5,515	27,430	23,650	96,493	122,592	123,923	146,242	127,126	151,757
Supplies	12,677	33,935	31,150	108,041		225	43,827	142,201	3,933	6,778	11,509	15,301	15,442	22,079	59,269	164,280
Utilities	100,518	85,448	54,769	51,353	9,758	9,284	165,045	146,085	65,186	58,439	111,629	118,411	176,815	176,850	341,860	322,935
Advertising and marketing	7,700	23,400			66,018	70,498	73,718	93,898							73,718	93,898
Occupancy	79,981	75,644	66,558	64,654			146,539	140,298	45,203	42,024	6,734	6,136	51,937	48,160	198,476	188,458
Postage and shipping		737	159	982	29,000	27,025	29,159	28,744	289	153	84,227	77,971	84,516	78,124	113,675	106,868
Ground care, security and maintenance of plant	62,670	63,250	34,146	38,012	6,084	6,872	102,900	108,134	37,884	40,136	39,297	43,205	77,181	83,341	180,081	191,475
Travel	289	73	330	119			619	192			1,518		1,518		2,137	192
Broadcast supplies			29,567	18,214			29,567	18,214							29,567	18,214
Other indirect allocated supplies and services	49,677	45,086	27,068	27,096	4,823	4,899	81,568	77,081	30,031	28,610	31,151	30,798	61,182	59,408	142,750	136,489
Program acquisition	587,443	487,572					587,443	487,572			12,193	9,075	12,193	9,075	599,636	496,647
Premiums											260,307	267,538	260,307	267,538	260,307	267,538
Miscellaneous	781	101					781	101	594	176			594	176	1,375	277
Depreciation			242,138	270,219			242,138	270,219	6,868	8,436			6,868	8,436	249,006	278,655
	<u>\$ 2,062,802</u>	<u>\$ 1,911,676</u>	<u>\$ 1,123,948</u>	<u>\$ 1,148,885</u>	<u>\$ 200,247</u>	<u>\$ 207,708</u>	<u>\$ 3,386,997</u>	<u>\$ 3,268,269</u>	<u>\$ 1,246,968</u>	<u>\$ 1,213,086</u>	<u>\$ 1,293,495</u>	<u>\$ 1,305,828</u>	<u>\$ 2,540,463</u>	<u>\$ 2,518,914</u>	<u>\$ 5,927,460</u>	<u>\$ 5,787,183</u>

See independent auditor's report.