

**BATES TECHNICAL COLLEGE,  
KBTC-TV**

Audited Financial Statements and  
Supplementary Information

June 30, 2020 and 2019

**BATES TECHNICAL COLLEGE, KBTC-TV**

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Supplementary Information**

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bates Technical College, KBTC-TV ("KBTC"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### ***Basis for Qualified Opinion***

As described in Note 5 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, 2020 and 2019. Accounting principles generally accepted in the United States of America require that KBTC record its proportionate share of net pension liability and OPEB liability, which would increase the liabilities, decrease net position and increase expenses. The amount by which these departures would affect the liabilities, net position and expenses has not been determined.

***Qualified Opinion***

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Bates Technical College, KBTC-TV as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

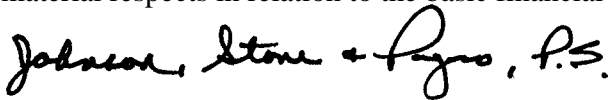
***Emphasis of Matter***

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, 2020 and 2019, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 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 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 auditing standards generally accepted in the United States of America. 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 23, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Bates Technical College, KBTC-TV  
Management's Discussion and Analysis  
For the Years Ended June 30, 2020 and 2019

## **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, 2020 and 2019.

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 2.2 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, 2020 and 2019.
- **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 \$329,650 and \$365,007 for 2020 and 2019, 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 accounting principles generally accepted in the United States of America, 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, 2020 and 2019. The total balance in KBTC fund balance held by Bates Technical College at June 30, 2020 is \$1,802,032, which represents cash forwarded to Bates Technical College by KBTC and certain year-end accruals for accounts receivable. This balance does not include \$7,498 of additional accounts receivable included on the statements of net position at June 30, 2020. The statements list capital assets of broadcast equipment, building improvements, furniture and fixtures and automobiles; the balance is \$1,196,009, net of accumulated depreciation at June 30, 2020. 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 increased during 2020, and operating expenses were higher than the prior year. Net position increased during 2020 from \$2,658,232 to \$2,783,711.

A review of the net position at June 30, 2020 and 2019 shows that KBTC continues to maintain a favorable financial foundation.

There were two major accounting changes that affected the financial statements. Management has not implemented 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, 2020 and 2019. Accounting principles generally accepted in the United States of America require that KBTC record its proportionate share of net pension liability and OPEB liability, which would increase the liabilities, decrease net position and increase expenses. The amount by which this departure would affect the liabilities, net position and expenses has not been determined. KBTC is not able to determine its pension and OPEB liability prior to its annual audit and the publication of the audited financial statements. The required information is not available in time for KBTC to meet the mandated reporting to the Corporation for Public Broadcasting. In addition, the practicality of determining the amounts and necessary disclosures are further complicated by being licensed to a state agency.

The following chart depicts the breakdown of assets, liabilities and net position for KBTC for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets		
Current	\$ 1,809,530	\$ 1,656,670
Capital assets, net	<u>1,196,009</u>	<u>1,219,601</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,005,539</u></b>	<b><u>\$ 2,876,271</u></b>
Liabilities		
Current	\$ 221,828	\$ 218,039
Net position		
Invested in capital assets	1,196,009	1,219,601
Unrestricted	<u>1,587,702</u>	<u>1,438,631</u>
Total Net Position	<u>2,783,711</u>	<u>2,658,232</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 3,005,539</u></b>	<b><u>\$ 2,876,271</u></b>

**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 corporate donors. 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 before release from restriction in 2020 have increased approximately \$679,500 in comparison to 2019. Restricted net assets, net of assets released from restriction, decreased by \$878,337 in 2019. Indirect facility and administrative support from the College increased \$261,000 in 2020. Revenues generated through telecasting, production and broadcast services increased approximately \$111,000 in 2020. Instructional related expenses from the College increased approximately \$39,300. In-kind contributions increased \$298,000 in comparison to the prior year. Membership income increased by approximately \$39,000 in 2020, with a consistent active membership of more than 17,700 at June 30, 2020.



	<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>		
Community service grant from the Corporation for Public Broadcasting	\$ 747,317	\$ 816,818
Donated support	4,646,112	4,008,308
Other income	<u>949,241</u>	<u>838,074</u>
<b>Total Operating Revenues Before Release from Restrictions</b>	<b><u>\$ 6,342,670</u></b>	<b><u>\$ 5,663,200</u></b>
<u>Operating Expenses</u>		
Program services	\$ 3,490,923	\$ 3,229,327
Support services	<u>2,726,268</u>	<u>2,610,944</u>
<b>Total Operating Expenses</b>	<b><u>\$ 6,217,191</u></b>	<b><u>\$ 5,840,271</u></b>
<u>Other Revenues</u>		
<b>Grant Revenues (Released from Restrictions)</b>	<b><u>\$ _____</u></b>	<b><u>\$ 878,337</u></b>

**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 2020.

Overall expenses increased approximately \$376,900 in 2020. Significant changes in expenses include an increase of \$201,700 for salaries, payroll taxes and employee benefits. There was an overall increase for broadcast supplies of \$69,200, utilities of \$95,000 and indirect expenses of \$50,500. There was an overall decrease for dues and fees of \$37,500. 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 increased by \$52,122 a decrease of approximately \$272,500 from the prior year for a total of \$52,122. In the prior year, cash generated from operating activities was \$327,707. 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>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Increase (decrease) in net position	\$ 125,479	\$ (177,071)
Adjustments to reconcile decrease in net position to net cash provided by operating activities	78,714	365,007
Changes in current assets and liabilities	<u>(149,071)</u>	<u>139,771</u>
Net Cash Provided by Operating Activities	55,122	327,707
<u>Cash Flows Used in Investing Activities</u>		
Purchase of equipment	(55,122)	(277,707)
Transfer to Bates Technical College	<u>                    </u>	<u>(50,000)</u>
Net Cash Used by Investing Activities	(55,122)	(327,707)
Change in cash		
Cash at Beginning of Year	<u>                    </u>	<u>                    </u>
<b>CASH AT END OF YEAR</b>	<b>\$ <u>                    </u></b>	<b>\$ <u>                    </u></b>

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

Net position subject to donor-imposed stipulations that may or will be met either by actions of KBTC or the passage of time is restricted net position. At June 30, 2020 and 2019, KBTC did not have any restricted net position. The restrictions of prior grants were met, thus releasing \$878,337 to operating revenues in 2019. As with a majority of the digital conversion grants, this grant required Bates Technical College/KBTC maintain the equipment without modification for a period of 10 years. If the equipment is not retained for the required 10-year period, the full amount of the grant may be required to be repaid to the grantor.

#### **Assessment on Future Financial Indicators, Activities & Responses**

The Fiscal Year 2019/2020 began as each fiscal year has in the past, on July 1. Two weeks into the new fiscal year Bates Technical College, KBTC's license holder, experienced a breach of its IT network. The breach had a serious effect on KBTC operations.

All KBTC financial systems had to be re-created, and while taxing on our staff, our Director of Financial Services was able to rebuild from internal, historic data and hard copy records. Bates Technical College was on its way to becoming more fully operational when the COVID-19 pandemic hit. The full impact of the pandemic has yet to be felt by KBTC. Individual donors have continued supporting KBTC at levels on par with previous years, corporate support was lower, due, in part, to businesses having to shut down operations.

The Corporation for Public Broadcasting received funds to support public media stations through the CARES Act, which helped off-set some of KBTC losses. KBTC, during this time, received one of its largest, unsolicited contributions in the history of KBTC in recognition of the challenging times.

Through it all, KBTC operations pivoted the way business was conducted. KBTC, focused on its primary services, continued its commitment to the mission to engage viewers, communities and supporters by delivering media experiences that educate, inspire and entertain.

Media operations were deemed essential by the Governor of Washington. KBTC staff worked remotely and at KBTC. Our community engagement activities provided educational packets and meals in Grab & Go bags for families in three local, underserved neighborhoods.

The staff continued to create locally produced content through *KBTC Profiles*, *Northwest Now* and *Northwest Now Digital First*. *Northwest Now* and *Northwest Now Digital First* focused many of their programs and stories on the pandemic and provided recaps of the Governor's press conferences as well as discussions of racial justice. The web site provided links to stories and programs covering both topics.

The KBTC Association continued its support of KBTC's efforts to produce local content by creating a fund to support future expanded reporting on *Northwest Now* and its continued support of *KBTC Profiles*.

KBTC Community Engagement activities continued as well. As mentioned above, Grab & Go bags and educational activity kits were provided instead of in person, expanded learning activities afterschool. In April and in partnership with other public television stations in the state of Washington, KBTC began providing 5 hours of special, educational programs for students, parents and educators.

KBTC devoted one of its multicast channels to offer **The World Channel**, free over the air. The content was specifically curated and targeted to students in the sixth through the twelfth grades. This content further complemented the learning materials available online through PBS Learning Media.

In addition to providing educational content, staff created online screening events and convened gatherings to view documentaries and participate in discussions following the viewings. The activities conducted prior to the end of the fiscal year were well attended and highly successful.

Viewing of television has changed with people staying home due to the pandemic. One message that has come through very clearly during this pandemic is the digital divide between those who have access to the internet and those who do not. Public television continues as a universal service, to be accessible to anyone with a television set and an antenna to receive the broadcast signal.

KBTC continues assessing technical needs and prepares the operation for the next generation of television, which may include the new broadcast platform ATSC 3.0.

While the future is uncertain, throughout the current crises KBTC has made an effort to stay connected with the community and provided vital services. The staff remain grateful and energized in supporting individuals in the community. It is noted however, that without continued financial support KBTC would be unable to provide many of its valued services.

Meanwhile, KBTC serves while holding a favorable financial position that demonstrates financial integrity in all areas of its public television station operation.

**AUDITED FINANCIAL STATEMENTS**

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

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
KBTC fund balance held by Bates Technical College	\$ 1,763,682	\$ 1,439,132
Accounts, grants and contributions receivable	<u>45,848</u>	<u>217,538</u>
<b>Total Current Assets</b>	1,809,530	1,656,670
<b>CAPITAL ASSETS</b>		
Broadcast equipment	18,536,707	18,230,649
Building and leasehold improvements	542,405	542,405
Nonbroadcast equipment and furniture	939,947	939,947
Automobiles	<u>136,685</u>	<u>136,685</u>
	20,155,744	19,849,686
Less accumulated depreciation	<u>18,959,735</u>	<u>18,630,085</u>
	1,196,009	1,219,601
<b>TOTAL ASSETS</b>	<u>\$ 3,005,539</u>	<u>\$ 2,876,271</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 206,767	\$ 218,039
Deferred revenue	<u>15,061</u>	<u></u>
<b>Total Current Liabilities</b>	221,828	218,039
<b>NET POSITION</b>		
Invested in capital assets	1,196,009	1,219,601
Unrestricted	<u>1,587,702</u>	<u>1,438,631</u>
	2,783,711	2,658,232
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,005,539</u>	<u>\$ 2,876,271</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Operating and capital appropriations from Bates Technical College	\$ 434,601	\$ 395,302
Donated facilities and administrative support from Bates Technical College	1,398,595	1,137,526
Subscription and membership income	2,403,171	2,364,107
Telecasting, production and broadcast services	949,241	838,074
Community service grant from Corporation for Public Broadcasting	747,317	816,818
In-kind contributions	409,745	111,373
Net position released from restrictions		<u>878,337</u>
<b>Total Operating Revenues</b>	<u>6,342,670</u>	<u>6,541,537</u>
<b>OPERATING EXPENSES</b>		
Program services		
Programming and production	1,744,703	1,663,711
Broadcasting	1,561,441	1,418,140
Program information	<u>184,779</u>	<u>147,476</u>
	3,490,923	3,229,327
Supporting services		
Management and general	1,397,473	1,232,526
Fundraising	<u>1,328,795</u>	<u>1,378,418</u>
	<u>2,726,268</u>	<u>2,610,944</u>
<b>Total Operating Expenses</b>	<u>6,217,191</u>	<u>5,840,271</u>
<b>Operating Income</b>	125,479	701,266
<b>NET POSITION RELEASED FROM RESTRICTIONS</b>		<u>(878,337)</u>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	125,479	(177,071)
<b>Net Position at Beginning of Year</b>	2,658,232	2,885,303
<b>Transfer to Bates Technical College</b>		<u>(50,000)</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,783,711</u>	<u>\$ 2,658,232</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from CPB grant	\$ 747,317	\$ 816,818
Cash received from subscriptions and memberships	2,250,311	2,457,874
Cash received from telecasting, production and broadcasting	964,302	838,074
Cash payments for compensation and benefits	(2,729,441)	(2,535,007)
Cash payments to suppliers	(1,177,367)	(1,250,052)
<b>Net Cash Provided by Operating Activities</b>	<u>55,122</u>	<u>327,707</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(55,122)	(277,707)
Transfer to Bates Technical College		(50,000)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(55,122)</u>	<u>(327,707)</u>
<b>CHANGE IN CASH</b>		
<b>Cash at Beginning of Year</b>	<u>          </u>	<u>          </u>
<b>CASH AT END OF YEAR</b>	<u><u>\$          </u></u>	<u><u>\$          </u></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net position	\$ 125,479	\$ (177,071)
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities		
Depreciation	329,650	365,007
Donated equipment	(250,936)	
(Increase) decrease in assets		
KBTC fund balance held by Bates Technical College	(324,550)	263,198
Accounts, grants and contributions receivable	171,690	(169,431)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(11,272)	46,004
Deferred revenue	15,061	
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 55,122</u></u>	<u><u>\$ 327,707</u></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, 2020 and 2019

#### **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 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 accounting principles generally accepted in the United States of America. 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, 2020 and 2019, 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. Certain assets had restrictions on their use (see Note 3).



**BATES TECHNICAL COLLEGE, KBTC-TV**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**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. See Note 3 for descriptions of the restrictions for KBTC's restricted net position - expendable. At June 30, 2020 or 2019, 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, 2020 or 2019, KBTC has 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, 2020 and 2019

### **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 permanently 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, 2020 and 2019

### 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 \$107,172 in 2020 and \$108,801 in 2019.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 23, 2020, 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, 2020</u>					
Broadcast equipment	\$ 18,230,649	\$ 306,058			\$ 18,536,707
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	939,947				939,947
Automobiles	<u>136,685</u>				<u>136,685</u>
	19,849,686	306,058			20,155,744
Less accumulated depreciation	<u>18,630,085</u>	<u>329,650</u>			<u>18,959,735</u>
	\$ <u>1,219,601</u>	\$ <u>(23,592)</u>	\$ <u>      </u>	\$ <u>      </u>	\$ <u>1,196,009</u>

# BATES TECHNICAL COLLEGE, KBTC-TV

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### 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, 2019</u>					
Broadcast equipment	\$ 17,952,942	\$ 277,707			\$ 18,230,649
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	939,947				939,947
Automobiles	<u>136,685</u>				<u>136,685</u>
	19,571,979	277,707			19,849,686
Less accumulated depreciation	<u>18,265,078</u>	<u>365,007</u>			<u>18,630,085</u>
	\$ <u>1,306,901</u>	\$ <u>(87,300)</u>	\$ <u>      </u>	\$ <u>      </u>	\$ <u>1,219,601</u>

### NOTE 3 - CONTINGENCIES, COMMITMENTS AND CONCENTRATIONS

KBTC was awarded a Digital Distribution Fund 11 grant of \$94,018 to upgrade the DTV Encoder to full digital technology. The total grant amount was adjusted to \$63,179 to reflect actual expenditures related to this portion of the digital upgrade. This grant requires KBTC to maintain the equipment without modification for a period of 10 years. The asset restriction for this grant was met during the year ended June 30, 2018, and, accordingly, the related net position restricted - expendable was released from restrictions on the statements of net position during the year ended June 30, 2019.

KBTC received grants of \$227,866 each in two years for a total of \$455,732 from the Washington State Department of Community, Trade and Economic Development. These grants provide support for the digital conversion. These grants specify that KBTC maintain the equipment without modification for a period of 10 years. The asset restriction for one of these grants in the amount of \$227,866 was met during the year ended June 30, 2018, and the remaining restriction in the amount of \$227,866 was met during the year ended June 30, 2019, and, accordingly, the related net position restricted - expendable was released from restrictions on the statements of net position and statements of revenues, expenses and changes in net position during the year ended June 30, 2019.

KBTC was awarded a grant from the Corporation of Public Broadcasting of \$245,308 to upgrade the video service to full digital technology. The grant specifies that KBTC must maintain the equipment without modification for a period of 10 years. The asset restriction for this grant was met during the year ended June 30, 2019, and, accordingly, the related net position restricted - expendable was released from restrictions on the statements of net position and statements of revenues, expenses and changes in net position during the year ended June 30, 2019.

## **BATES TECHNICAL COLLEGE, KBTC-TV**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

#### **NOTE 3 - CONTINGENCIES, COMMITMENTS AND CONCENTRATIONS**

(Continued)

KBTC was awarded a grant from the Corporation of Public Broadcasting of \$500,000 for the maximization of KBTC's transmitters. The total amount of the grant was adjusted to \$405,163 to reflect actual expenditures related to this grant. The grant specifies that KBTC must maintain the equipment without modification for a period of 10 years. The asset restriction for this grant was met during the year ended June 30, 2019, and, accordingly, the related net position restricted - expendable was released from restrictions on the statements of net position and statements of revenues, expenses and changes in net position during the year ended June 30, 2019.

#### **NOTE 4 - OPERATING LEASE**

Future operating lease commitments are not material; total rental and lease expense for 2020 and 2019 is less than 2% of revenues.

#### **NOTE 5 - 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, 2020 and 2019, KBTC contributed \$150,305 and \$144,025, 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 accounting principles generally accepted in the United States of America, 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, 2020 and 2019

#### **NOTE 5 - 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 accounting principles generally accepted in the United States of America, the amount by which this departure that would affect the liabilities, net position and expenses has not been determined.

#### **NOTE 6 - FUTURE SICK TIME AND SABBATICAL OBLIGATIONS**

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, 2020, the cost would be \$92,448.

Bates Technical College offers its administrative and exempt employees a sabbatical leave benefit after seven years of full-time employment. The sabbatical cost, including cost of replacement personnel, cannot exceed 150% of an employee's salary and benefits. Since sabbaticals require the approval of the College president, can be supplemented by outside funding and must be in compliance with RCW 25B.10.650, the value of this obligation at June 30, 2020 cannot be determined. As of June 30, 2020, no employees are on an approved sabbatical leave.

#### **NOTE 7 - RISKS AND UNCERTAINTIES**

KBTC has been negatively affected by the effects of the world-wide COVID-19 pandemic. 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, 2020 and 2019

	Program Services								Supporting Services						Total Expenses	
	Programming and Production		Broadcasting		Program Information		Total Program Services		Management and General		Fundraising		Total Supporting Services			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Salaries, payroll taxes and employee benefits	\$ 812,358	\$ 777,709	\$ 698,675	\$ 650,319	\$ 73,412	\$ 60,878	\$ 1,584,445	\$ 1,488,906	\$ 1,102,395	\$ 971,588	\$ 477,530	\$ 502,090	\$ 1,579,925	\$ 1,473,678	\$ 3,164,370	\$ 2,962,584
Rents and maintenance	10,940	15,326	33,959	34,044			44,899	49,370		105	22,553	18,098	22,553	18,203	67,452	67,573
Professional services	58,420	69,537	55,019	40,988			113,439	110,525	42,615	39,298	97,398	91,014	140,013	130,312	253,452	240,837
Dues and fees	3,355	4,923	75		235		3,665	4,923	22,843	24,555	70,571	105,166	93,414	129,721	97,079	134,644
Supplies	24,758	37,562			5	472	24,763	38,034	7,915	5,212	19,797	14,196	27,712	19,408	52,475	57,442
Utilities	99,912	82,744	91,614	67,973	10,841	7,069	202,367	157,786	85,552	60,943	146,919	120,567	232,471	181,510	434,838	339,296
Advertising and marketing	27,180	26,450			66,702	57,009	93,882	83,459			13,290	25,342	13,290	25,342	107,172	108,801
Occupancy	65,387	65,387	60,184	60,184			125,571	125,571	34,060	34,060	5,311	5,311	39,371	39,371	164,942	164,942
Postage and shipping	1,842	1,201	109	6,328	22,000	14,225	23,951	21,754	75	214	74,655	65,831	74,730	66,045	98,681	87,799
Ground care, security and maintenance of plant	59,616	51,992	53,354	44,318	6,314	4,609	119,284	100,919	47,751	38,517	45,405	43,076	93,156	81,593	212,440	182,512
Travel	3,448	13,771	736	11,660			4,184	25,431	3,250	4,499	10,704	6,646	13,954	11,145	18,138	36,576
Broadcast supplies			203,218	133,984			203,218	133,984							203,218	133,984
Other indirect allocated supplies and services	49,757	36,261	44,131	30,908	5,270	3,214	99,158	70,383	39,855	25,962	37,896	30,043	77,751	56,005	176,909	126,388
Program acquisition	518,990	479,708					518,990	479,708			300	19,443	300	19,443	519,290	499,151
Premiums											304,076	327,634	304,076	327,634	304,076	327,634
Miscellaneous	8,740	1,140					8,740	1,140	1,879		2,390	3,961	4,269	3,961	13,009	5,101
Depreciation			320,367	337,434			320,367	337,434	9,283	27,573			9,283	27,573	329,650	365,007
	<u>\$ 1,744,703</u>	<u>\$ 1,663,711</u>	<u>\$ 1,561,441</u>	<u>\$ 1,418,140</u>	<u>\$ 184,779</u>	<u>\$ 147,476</u>	<u>\$ 3,490,923</u>	<u>\$ 3,229,327</u>	<u>\$ 1,397,473</u>	<u>\$ 1,232,526</u>	<u>\$ 1,328,795</u>	<u>\$ 1,378,418</u>	<u>\$ 2,726,268</u>	<u>\$ 2,610,944</u>	<u>\$ 6,217,191</u>	<u>\$ 5,840,271</u>

See independent auditor's report.