

**BATES TECHNICAL COLLEGE,  
KBTC-TV**

Audited Financial Statements and  
Supplementary Information

June 30, 2019 and 2018

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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, 2019 and 2018, 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 6 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, 2019 and 2018. 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, 2019 and 2018, 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.

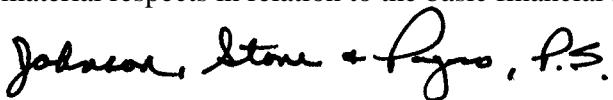
***Emphasis of Matter***

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, 2019 and 2018, 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 22, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Bates Technical College, KBTC-TV  
Management's Discussion and Analysis  
For the Years Ended June 30, 2019 and 2018

## **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 year ended June 30, 2019 with comparative information for the year ended June 30, 2018.

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 1.81 million households in greater western Washington, stretching from the northwestern border of Oregon to southwestern British Columbia, Canada.

## **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, 2019 and 2018.
- **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 \$365,007 and \$346,044 for 2019 and 2018, 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, 2019 and 2018. The total balance in KBTC fund balance held by Bates Technical College is \$1,642,309, which represents cash forwarded to Bates Technical College by KBTC and certain year-end accruals for accounts receivable. This balance does not include \$14,361 of additional accounts receivable included on the statements of net position at June 30, 2019. The statements list capital assets of broadcast equipment, building improvements, furniture and fixtures and automobiles; the balance is \$1,219,601, net of accumulated depreciation at June 30, 2019. 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 the station's unrestricted net position has been designated for programming, broadcasting, production and outreach projects. Station operating revenues increased during 2019 and operating expenses were slightly higher than the prior year. Net position decreased during 2019 from \$2,885,303 to \$2,658,232.

A review of the net position at June 30, 2019 and 2018 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, 2019 and 2018. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current	\$ 1,656,670	\$ 1,750,437
Capital assets, net	<u>1,219,601</u>	<u>1,306,901</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,876,271</u></b>	<b><u>\$ 3,057,338</u></b>
 <u>Liabilities</u>		
Current	\$ 218,039	\$ 172,035
 <u>Net position</u>		
Invested in capital assets	1,219,601	1,306,901
Restricted - expendable		878,337
Unrestricted	<u>1,438,631</u>	<u>700,065</u>
 Total Net Position	<u>2,658,232</u>	<u>2,885,303</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 2,876,271</u></b>	<b><u>\$ 3,057,338</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 2019 have increased approximately \$14,000 in comparison to 2018. Restricted net assets, net of assets released from restriction, decreased by \$587,000. Indirect facility and administrative support from the College increased \$3,500. Revenues generated through telecasting, production and broadcast services increased approximately \$221,000. Instructional related expenses from the College decreased approximately \$45,000. In-kind



contributions are down \$61,000 in comparison to the prior year. Membership income decreased by approximately \$27,000, with an active membership of more than 17,700.

	<u>2019</u>	<u>2018</u>
<u>Operating Revenues</u>		
Community service grant from the Corporation for		
Public Broadcasting	\$ 816,818	\$ 893,650
Donated support	4,008,308	4,137,902
Other income	<u>838,074</u>	<u>617,296</u>
<b>Total Operating Revenues Before</b>		
<b>Release from Restrictions</b>	<u>\$ 5,663,200</u>	<u>\$ 5,648,848</u>
<u>Operating Expenses</u>		
Program services	\$ 3,229,327	\$ 3,042,007
Support services	<u>2,610,944</u>	<u>2,687,607</u>
<b>Total Operating Expenses</b>	<u>\$ 5,840,271</u>	<u>\$ 5,729,614</u>
<u>Other Revenues</u>		
<b>Grant Revenues (Released from Restrictions)</b>	<u>\$ 878,337</u>	<u>\$ 291,045</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 2019.

Overall expenses increased approximately \$110,600 in 2019, significant changes in expenses include a decrease of \$24,000 for professional services, \$48,900 for postage and shipping and \$46,500 for ground care, security and maintenance of plant. There was an overall increase for salaries, payroll taxes and employee benefits of \$156,500, broadcast supplies of \$51,000 and program acquisition expenses of \$36,200. 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 approximately \$60,600 for a total of \$327,707. In the prior year, cash generated from operating activities was \$267,052. 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>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Decrease in net position	\$ (177,071)	\$ (80,766)
Adjustments to reconcile decrease in net position to net cash provided by operating activities	365,007	289,312
Changes in current assets and liabilities	<u>139,771</u>	<u>58,506</u>
Net Cash Provided by Operating Activities	327,707	267,052
<u>Cash Flows Used in Investing Activities</u>		
Purchase of equipment	(277,707)	(267,052)
Transfer to Bates Technical College	<u>(50,000)</u>	<u>                    </u>
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, 2019, KBTC did not have any restricted net position. At June 30, 2018, KBTC had restricted net position of \$878,337. In 2019, the restrictions of prior grants were met, thus releasing \$878,337 to operating revenues. 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**

KBTC remained committed to its mission to engage viewers, communities and supporters by delivering media experiences that educate, inspire and entertain. A goal of raising the profile of the station in the community remained a priority. The staff continued to create locally produced content through *KBTC Profiles*, *Northwest Now*, *Northwest Now Digital First* and a special project highlighting workforce development. The locally produced segment on workforce development was part of a national initiative that was later broadcast as part of a nationally distributed program.

The KBTC Association (the "Association") continued its support of the station's efforts to produce local content. The Association provided funds to update the look of the *Northwest Now* set. The *Insight Speaker Series*, featuring experts in the arts, education, history and environment, has remained part of the station's efforts to engage the community.

KBTC is committed to providing additional community engagement activities that include early childhood learning opportunities for children and families in underserved communities. The station partners and integrates services with several local organizations and businesses to ensure

greater public access. KBTC was provided financial support through the Greater Tacoma Community Foundation to hire an Expanded Learning Opportunity ("ELO") Coordinator who oversaw the delivery of afterschool learning activities at two Tacoma Public Schools. The activities included social, emotional and learning content. The community engagement efforts also provided opportunity for growth and support covering spring and summer day camps. The Bamford Foundation provided financial support for these activities, as well as support to partner with the Tacoma Rescue Mission and provide learning opportunities for families utilizing their services.

While the station has seen growth in programmatic activities that are meeting a critical need in the community, and received some monetary funding, KBTC will enter its fifth and final year of grant monies from CPB for the Ready to Learn program. Finding and securing financial support to continue these important early learning services will be a priority in the coming year.

As reported in previous years, the television broadcast industry continues to undergo monumental change. The relocation assignment of KBTC's broadcast channels was priority in fiscal year 2018 - 2019. We are happy to report the requirements for "repack" have been completed and was financed by T-Mobile through grants from PBS. Our attention now turns to learning about a new, next generation broadcast platform, ATSC 3.0, and the implications for local broadcast stations. There will be more to explore, share and discuss on this in the future.

Audiences continue to access content via broadcast; PBS reaches 80% of all US television households through its member stations. Here in western Washington 5% of KBTC viewers receive the signal over-the-air. The station audience is 1.8 million households, reaching more than 4 million viewers. However, it is becoming clear that streaming content is increasing in popularity and, the competition includes such entities as Netflix, Hulu, Xfinity, etc. To that end, KBTC will continue to seek distribution options and provide the community with streaming content. KBTC Public Television will explore developments as they happen and ascertain what is needed to serve its growing media market.

**AUDITED FINANCIAL STATEMENTS**

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

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
KBTC fund balance held by Bates Technical College	\$ 1,439,132	\$ 1,702,330
Accounts, grants and contributions receivable	<u>217,538</u>	<u>48,107</u>
<b>Total Current Assets</b>	1,656,670	1,750,437
<b>CAPITAL ASSETS</b>		
Broadcast equipment	18,230,649	17,952,942
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	19,571,979
Less accumulated depreciation	<u>18,630,085</u>	<u>18,265,078</u>
	<u>1,219,601</u>	<u>1,306,901</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,876,271</u>	<u>\$ 3,057,338</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>\$ 218,039</u>	<u>\$ 172,035</u>
<b>Total Current Liabilities</b>	218,039	172,035
<b>NET POSITION</b>		
Invested in capital assets	1,219,601	1,306,901
Restricted - expendable		878,337
Unrestricted	<u>1,438,631</u>	<u>700,065</u>
	<u>2,658,232</u>	<u>2,885,303</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,876,271</u>	<u>\$ 3,057,338</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Operating and capital appropriations from Bates Technical College	\$ 395,302	\$ 440,015
Donated facilities and administrative support from Bates Technical College	1,137,526	1,134,026
Subscription and membership income	2,364,107	2,391,250
Telecasting, production and broadcast services	838,074	617,296
Community service grant from Corporation for Public Broadcasting	816,818	893,650
In-kind contributions	111,373	172,611
Net position released from restrictions	<u>878,337</u>	<u>291,045</u>
<b>Total Operating Revenues</b>	<b>6,541,537</b>	<b>5,939,893</b>
<b>OPERATING EXPENSES</b>		
Program services		
Programming and production	1,663,711	1,473,262
Broadcasting	1,418,140	1,393,876
Program information	<u>147,476</u>	<u>174,869</u>
	3,229,327	3,042,007
Supporting services		
Management and general	1,232,526	1,244,869
Fundraising	<u>1,378,418</u>	<u>1,442,738</u>
	<u>2,610,944</u>	<u>2,687,607</u>
<b>Total Operating Expenses</b>	<b><u>5,840,271</u></b>	<b><u>5,729,614</u></b>
<b>Operating Income</b>	<b>701,266</b>	<b>210,279</b>
<b>NET POSITION RELEASED FROM RESTRICTIONS</b>	<b><u>(878,337)</u></b>	<b><u>(291,045)</u></b>
<b>NET DECREASE IN NET POSITION</b>	<b>(177,071)</b>	<b>(80,766)</b>
<b>Net Position at Beginning of Year</b>	<b>2,885,303</b>	<b>2,966,069</b>
<b>Transfer to Bates Technical College</b>	<b><u>(50,000)</u></b>	<b><u>          </u></b>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 2,658,232</u></b>	<b><u>\$ 2,885,303</u></b>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from CPB grant	\$ 816,818	\$ 893,650
Cash received from subscriptions and memberships	2,457,874	2,446,445
Cash received from telecasting, production and broadcasting	838,074	607,290
Cash payments for compensation and benefits	(2,535,007)	(2,354,659)
Cash payments to suppliers	(1,250,052)	(1,325,674)
<b>Net Cash Provided by Operating Activities</b>	<u>327,707</u>	<u>267,052</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(277,707)	(267,052)
Transfer to Bates Technical College	(50,000)	
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(327,707)</u>	<u>(267,052)</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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net position	\$ (177,071)	\$ (80,766)
Adjustments to reconcile decrease in net position to net cash provided by operating activities		
Depreciation	365,007	346,044
Donated equipment		(56,732)
(Increase) decrease in assets		
KBTC fund balance held by Bates Technical College	263,198	76,480
Accounts, grants and contributions receivable	(169,431)	(21,285)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	46,004	13,317
Unearned revenue		(10,006)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 327,707</u>	<u>\$ 267,052</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, 2019 and 2018

#### **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, 2019 and 2018, 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 have restrictions on their use (see Note 4).



**BATES TECHNICAL COLLEGE, KBTC-TV**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

**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 Notes 3 and 4 for descriptions of the restrictions for KBTC's 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, 2019 or 2018, 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, 2019 and 2018

### **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, 2019 and 2018

### 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 \$51,792 in 2019 and \$122,371 in 2018.

#### *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 22, 2019, the date the financial statements were available to be issued. No such events were identified.

### 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, 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>

**BATES TECHNICAL COLLEGE, KBTC-TV**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

**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, 2018</u>					
Broadcast equipment	\$ 17,644,816	\$ 308,126			\$ 17,952,942
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	924,289	15,658			939,947
Automobiles	<u>136,685</u>				<u>136,685</u>
	19,248,195	323,784			19,571,979
Less accumulated depreciation	<u>17,919,034</u>	<u>346,044</u>			<u>18,265,078</u>
	<u>\$ 1,329,161</u>	<u>\$ (22,260)</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,306,901</u>

**NOTE 3 - RESTRICTED NET POSITION - EXPENDABLE**

Restricted net position - expendable consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Grant from Department of Community, Trade & Economic Development (until June 2019)		\$ 227,866
Grant from Corporation for Public Broadcasting Digital Television Transition Grants (until June 2019)		245,308
Grant from Corporation for Public Broadcasting Digital Television Transition Grants (until June 2019)	<u>_____</u>	<u>405,163</u>
	<u>\$ _____</u>	<u>\$ 878,337</u>

**NOTE 4 - 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.

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

#### **NOTE 4 - CONTINGENCIES, COMMITMENTS AND CONCENTRATIONS**

(Continued)

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.

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.

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.

#### **NOTE 5 - OPERATING LEASE**

Future operating lease commitments are not material; total rental and lease expense for 2019 and 2018 is less than 2% of revenues.

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

#### **NOTE 6 - 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, 2019 and 2018, KBTC contributed \$144,025 and \$134,652, 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.

*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 7 - 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, 2019, the cost would be \$85,293.

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, 2019 cannot be determined. As of June 30, 2019, no employees are on an approved sabbatical leave.

SUPPLEMENTARY INFORMATION

**BATES TECHNICAL COLLEGE, KBTC-TV**

**SCHEDULES OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2019 and 2018

	Program Services								Supporting Services				Total Expenses			
	Programming and Production		Broadcasting		Program Information		Total Program Services		Management and General		Fundraising				Total Supporting Services	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Salaries, payroll taxes and employee benefits	\$ 777,709	\$ 648,514	\$ 650,319	\$ 661,216	\$ 60,878	\$ 70,378	\$ 1,488,906	\$ 1,380,108	\$ 971,588	\$ 957,725	\$ 502,090	\$ 468,208	\$ 1,473,678	\$ 1,425,933	\$ 2,962,584	\$ 2,806,041
Rents and maintenance	15,326	15,398	34,044	45,805			49,370	61,203	105	12	18,098	21,319	18,203	21,331	67,573	82,534
Professional services	69,537	69,583	40,988	86,113			110,525	155,696	39,298	28,371	91,014	81,004	130,312	109,375	240,837	265,071
Dues and fees	4,923	4,239				225	4,923	4,464	24,555	24,317	105,166	114,605	129,721	138,922	134,644	143,386
Supplies	37,562	17,875			472	70	38,034	17,945	5,212	6,373	14,196	14,589	19,408	20,962	57,442	38,907
Utilities	82,744	67,934	67,973	64,273	7,069	8,277	157,786	140,484	60,943	58,852	120,567	126,589	181,510	185,441	339,296	325,925
Advertising and marketing	26,450	41,775			57,009	55,507	83,459	97,282		10,483	25,342	14,606	25,342	25,089	108,801	122,371
Occupancy	65,387	53,248	60,184	60,156			125,571	113,404	34,060	34,015	5,311	5,300	39,371	39,315	164,942	152,719
Postage and shipping	1,201	854	6,328	421	14,225	29,000	21,754	30,275	214	130	65,831	106,301	66,045	106,431	87,799	136,706
Ground care, security and maintenance of plant	51,992	58,904	44,318	55,730	4,609	7,176	100,919	121,810	38,517	49,588	43,076	57,684	81,593	107,272	182,512	229,082
Travel	13,771	14,577	11,660	69			25,431	14,646	4,499	3,325	6,646	2,285	11,145	5,610	36,576	20,256
Broadcast supplies			133,984	83,054			133,984	83,054							133,984	83,054
Other indirect allocated supplies and services	36,261	34,765	30,908	32,892	3,214	4,236	70,383	71,893	25,962	29,267	30,043	34,045	56,005	63,312	126,388	135,205
Program acquisition	479,708	445,172					479,708	445,172			19,443	17,766	19,443	17,766	499,151	462,938
Premiums											327,634	373,689	327,634	373,689	327,634	373,689
Miscellaneous	1,140	424					1,140	424		514	3,961	4,748	3,961	5,262	5,101	5,686
Depreciation			337,434	304,147			337,434	304,147	27,573	41,897			27,573	41,897	365,007	346,044
	<u>\$ 1,663,711</u>	<u>\$ 1,473,262</u>	<u>\$ 1,418,140</u>	<u>\$ 1,393,876</u>	<u>\$ 147,476</u>	<u>\$ 174,869</u>	<u>\$ 3,229,327</u>	<u>\$ 3,042,007</u>	<u>\$ 1,232,526</u>	<u>\$ 1,244,869</u>	<u>\$ 1,378,418</u>	<u>\$ 1,442,738</u>	<u>\$ 2,610,944</u>	<u>\$ 2,687,607</u>	<u>\$ 5,840,271</u>	<u>\$ 5,729,614</u>

See independent auditor's report.