

**BATES TECHNICAL COLLEGE,
KBTC-TV**

Audited Financial Statements and
Supplementary Information

June 30, 2021 and 2020

BATES TECHNICAL COLLEGE, KBTC-TV

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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, 2021 and 2020, 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 4 to the financial statements, management has not implemented Governmental Accounting Standards Board ("GASB") No. 68 *Accounting and Financial Reporting for Pensions* and GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than*

Pensions ("OPEB") as of and for the years ended June 30, 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Bates Technical College, KBTC-TV
Management's Discussion and Analysis
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020.

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

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

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

Overview of the Financial Statements

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

Public Broadcasting Financial Statements

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

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

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

The financial statements of KBTC consist of:

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

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

- **Statements of Revenues, Expenses and Changes in Net Position:** This statement presents KBTC's results of operations for the years ending June 30, 2021 and 2020.
- **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 \$278,655 and \$329,650 for 2021 and 2020, 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, 2021 and 2020. The total balance in KBTC fund balance held by Bates Technical College at June 30, 2021 is \$2,056,745, which represents cash forwarded to Bates Technical College by KBTC and certain year-end accruals for accounts receivable. The statements list capital assets of broadcast equipment, building improvements, furniture and fixtures and automobiles; the balance is \$1,191,422, net of accumulated depreciation at June 30, 2021. Fixed (capital) assets are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Net position represents the residual interest of KBTC's assets after liabilities are deducted. Restricted net position is subject to externally imposed restrictions governing their use. Although unrestricted net position is not subject to externally imposed stipulations, the majority of KBTC's unrestricted net position has been designated for programming, broadcasting, production and outreach projects. Station operating revenues decreased during 2021, and operating expenses were lower than the prior year. Net position increased during 2021 from \$2,783,711 to \$3,040,039.

A review of the net position at June 30, 2021 and 2020 shows that KBTC continues to maintain a favorable financial foundation.

The following chart depicts the breakdown of assets, liabilities and net position for KBTC for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current	\$ 2,056,745	\$ 1,809,530
Capital assets, net	<u>1,191,422</u>	<u>1,196,009</u>
TOTAL ASSETS	<u>\$ 3,248,167</u>	<u>\$ 3,005,539</u>
<u>Liabilities</u>		
Current	\$ 208,128	\$ 221,828
<u>Net position</u>		
Invested in capital assets	1,191,422	1,196,009
Unrestricted	<u>1,848,617</u>	<u>1,587,702</u>
Total Net Position	<u>3,040,039</u>	<u>2,783,711</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,248,167</u>	<u>\$ 3,005,539</u>

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

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

In reviewing the statements of revenues, expenses and change in net position, it should be noted that operating revenues have decreased approximately \$299,000 in comparison to 2020. Indirect facility and administrative support from the College decreased \$260,484 in 2021. Revenues generated through telecasting, production and broadcast services increased approximately \$112,900 in 2021. Instructional related expenses from the College increased approximately \$113,700. In-kind contributions decreased approximately \$329,400 in comparison to the prior year. Membership income increased by approximately \$87,500 in 2021, with a consistent active membership of more than 18,230 at June 30, 2021.

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues</u>		
Community service grant from the Corporation for		
Public Broadcasting	\$ 730,784	\$ 747,317
Donated support	4,257,379	4,646,112
Other income	1,062,134	949,241
Loss on sale of equipment	<u>(6,786)</u>	
Total Operating Revenues	<u>\$ 6,043,511</u>	<u>\$ 6,342,670</u>
<u>Operating Expenses</u>		
Program services	\$ 3,268,269	\$ 3,490,923
Support services	<u>2,518,914</u>	<u>2,726,268</u>
Total Operating Expenses	<u>\$ 5,787,183</u>	<u>\$ 6,217,191</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 2021.

Overall expenses decreased approximately \$430,000 in 2021. Significant changes in expenses include a decrease of \$193,300 for salaries, payroll taxes and employee benefits. There was an overall decrease for broadcast supplies of \$76,900, utilities of \$111,900, indirect expenses of \$40,400 and dues and fees of \$54,600. There was an overall increase for professional services of \$30,400 and rents and maintenance of \$47,100. 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 \$280,854, which is an increase of approximately \$225,700 from the prior year. In the prior year, cash generated from operating activities was \$55,122. 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>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Increase in net position	\$ 256,328	\$ 125,479
Adjustments to reconcile decrease in net position to net cash provided by operating activities	285,441	78,714
Changes in current assets and liabilities	<u>(260,915)</u>	<u>(149,071)</u>
Net Cash Provided by Operating Activities	280,854	55,122
<u>Cash Flows Used in Investing Activities</u>		
Purchase of equipment	(332,625)	(55,122)
Proceeds from sale of equipment	<u>51,771</u>	<u> </u>
Net Cash Used by Investing Activities	(280,854)	(55,122)
Change in cash		
Cash at beginning of Year	<u> </u>	<u> </u>
CASH AT END OF YEAR	\$ <u> </u>	\$ <u> </u>

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

Current Factors having Plausible Future Financial Implication

KBTC's fiscal year began July 1, 2020. This was several months into what became the first year of the COVID-19 pandemic that started March of 2020. At the time little was known about the pandemic or what effect it would have on business operations. In addition to the pandemic, the entire country was experiencing a racial reconciliation following the killing by police of African American George Floyd in Minnesota.

There was uncertainty in the country during the pandemic lock-down, and the closure of many businesses. However, funding from the CARES Act was provided to the Corporation for Public Broadcasting for public media organizations at the end of the previous fiscal year. This, along with a generous donation from a local individual, provided the station with a sound, monetary starting position. Donors continued to support the station in spite of the pandemic. Corporate Support never fully returned during the year. However, the Corporation for Public Broadcasting was once again granted an appropriation for public media as part of the AMERICAN RESCUE PLAN ACT. This second allocation put KBTC in solid financial position as we rounded out the fiscal year.

KBTC's community engagement activities geared up in a slightly changed way, from in-person to virtual gatherings. The partnerships between KBTC, Tacoma Public Schools, the Tacoma Housing Authority and other community organizations continued. The station focused on its primary services which included support of the community through educational content, broadcast over the air, working in partnership with other Washington State public media organizations and the Office of the State Superintendent for Public Instruction (OSPI). KBTC provided virtual training sessions on PBS Learning Media for educators. Station staff were also able to connect with community members through virtual screenings and panel discussions on important topics tied to programming.

In addition to our community engagement and educational activities, staff continued to create locally produced content through *Northwest Now* and *Northwest Now Digital First*. *Northwest Now* and *Northwest Now Digital First* focused many of the programs and stories on the pandemic and provided recaps of the Washington Governor's press conferences connected to the pandemic. KBTC used its website to connect users with up-to-date information on COVID-19. KBTC's website also provided links to PBS programs dealing with history and racial reconciliation. These activities helped staff deliver on the station's mission to engage viewers, communities and supporters by delivering media experiences that educate, inspire and entertain.

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. This service was offered, free over the air, until students were able to go back to school in person. The goal of this effort was to narrow the learning gap and further support educational access to all.

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.

The KBTC Association continued its support of KBTC's efforts to produce local content by providing financial resources for production and community engagement activities.

While the future is uncertain, throughout the current crises KBTC has made an effort to stay connected with the community and provide vital services. The staff remain grateful and energized in supporting individuals in the community. It is noted however, that without continued financial support the station 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. KBTC remains grateful for the support from our community.

AUDITED FINANCIAL STATEMENTS

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

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
KBTC fund balance held by Bates Technical College	\$ 2,019,063	\$ 1,763,682
Accounts, grants and contributions receivable	<u>37,682</u>	<u>45,848</u>
Total Current Assets	2,056,745	1,809,530
CAPITAL ASSETS		
Broadcast equipment	18,803,971	18,536,707
Building and leasehold improvements	542,405	542,405
Nonbroadcast equipment and furniture	939,947	939,947
Automobiles	<u>112,993</u>	<u>136,685</u>
	20,399,316	20,155,744
Less accumulated depreciation	<u>19,207,894</u>	<u>18,959,735</u>
Total Capital Assets	<u>1,191,422</u>	<u>1,196,009</u>
TOTAL ASSETS	<u>\$ 3,248,167</u>	<u>\$ 3,005,539</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 206,435	\$ 206,767
Deferred revenue	<u>1,693</u>	<u>15,061</u>
Total Current Liabilities	208,128	221,828
NET POSITION		
Invested in capital assets	1,191,422	1,196,009
Unrestricted	<u>1,848,617</u>	<u>1,587,702</u>
	<u>3,040,039</u>	<u>2,783,711</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,248,167</u>	<u>\$ 3,005,539</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Operating and capital appropriations from Bates Technical College	\$ 548,313	\$ 434,601
Donated facilities and administrative support from Bates Technical College	1,138,111	1,398,595
Subscription and membership income	2,490,670	2,403,171
Telecasting, production and broadcast services	1,062,134	949,241
Community service grant from Corporation for Public Broadcasting	730,784	747,317
In-kind contributions	80,285	409,745
Loss on sale of equipment	<u>(6,786)</u>	
Total Operating Revenues	6,043,511	6,342,670
OPERATING EXPENSES		
Program services		
Programming and production	1,911,676	1,744,703
Broadcasting	1,148,885	1,561,441
Program information	<u>207,708</u>	<u>184,779</u>
	3,268,269	3,490,923
Supporting services		
Management and general	1,213,086	1,397,473
Fundraising	<u>1,305,828</u>	<u>1,328,795</u>
	2,518,914	2,726,268
Total Operating Expenses	<u>5,787,183</u>	<u>6,217,191</u>
NET INCREASE IN NET POSITION	256,328	125,479
Net Position at Beginning of Year	<u>2,783,711</u>	<u>2,658,232</u>
NET POSITION AT END OF YEAR	<u>\$ 3,040,039</u>	<u>\$ 2,783,711</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from CPB grant	\$ 730,784	\$ 747,317
Cash received from subscriptions and memberships	2,243,455	2,250,311
Cash received from telecasting, production and broadcasting	1,048,766	964,302
Cash payments for compensation and benefits	(2,419,311)	(2,729,441)
Cash payments to suppliers	<u>(1,322,840)</u>	<u>(1,177,367)</u>
Net Cash Provided by Operating Activities	<u>280,854</u>	<u>55,122</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(332,625)	(55,122)
Proceeds from sale of equipment	<u>51,771</u>	<u></u>
Net Cash Used by Capital and Related Financing Activities	<u>(280,854)</u>	<u>(55,122)</u>
CHANGE IN CASH		
Cash at Beginning of Year	<u></u>	<u></u>
CASH AT END OF YEAR	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net position	\$ 256,328	\$ 125,479
Adjustments to reconcile increase in net position to net cash provided by operating activities		
Depreciation	278,655	329,650
Loss on sale of equipment	6,786	
Donated equipment		(250,936)
(Increase) decrease in assets		
KBTC fund balance held by Bates Technical College	(255,381)	(324,550)
Accounts, grants and contributions receivable	8,166	171,690
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(332)	(11,272)
Deferred revenue	<u>(13,368)</u>	<u>15,061</u>
Net Cash Provided by Operating Activities	<u>\$ 280,854</u>	<u>\$ 55,122</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, 2021 and 2020

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, 2021 and 2020, and are all current, less than 90 days past due.

Capital Assets

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

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Accounts Payable and Accrued Liabilities

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

Net Position

KBTC's net position is classified as follows:

Invested in Capital Assets

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

Restricted Net Position - Expendable

Restricted net position - expendable includes resources in which KBTC is legally or contractually obligated to spend in accordance with restrictions imposed by external third-parties. At June 30, 2021 or 2020, 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, 2021 or 2020, KBTC had no balance in restricted net position - nonexpendable.

Unrestricted Net Position

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

Classification of Revenues

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

Operating Revenues

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

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021 and 2020

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 \$23,400 in 2021 and \$107,172 in 2020.

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

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 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>1,196,009</u>

NOTE 3 - OPERATING LEASE

Future operating lease commitments are not material; total rental and lease expense for 2021 and 2020 is less than 2% of revenues.

NOTE 4 - RETIREMENT PLANS

Through the College, KBTC offers two contributory pension plans to its employees. The Washington State Public Employees Retirement System ("PERS") is a cost sharing multiple employer defined benefit pension plan administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan ("SBRP") is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community and Technical Colleges ("SBCTC") and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. Employer matching is provided at various rates based on the age of the participating employee. During the years ended June 30, 2021 and 2020, KBTC contributed \$150,843 and \$150,305, 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, 2021 and 2020

NOTE 4 - RETIREMENT PLANS (Continued)

GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB") requires KBTC to recognize its proportionate share of the state's actuarially determined OPEB liability, net of any assets segregated and restricted in a qualified trust, together with any associated deferred inflows and deferred outflows of resources and benefit expense related to the plan. The OPEB information and related disclosures are not currently available at KBTC's fund level and, therefore, KBTC is unable to record its proportionate share of the total OPEB liability. This is a departure from 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 5 - FUTURE SICK TIME

Under terms of employment with exempt employees and employees covered by a collective bargaining agreement, if certain conditions are met, current employees may elect to receive a monetary payment for accrued sick time on a four-for-one basis. If all of KBTC's accrued sick time was converted at June 30, 2021, the cost would be \$98,933.

NOTE 6 - RISKS AND UNCERTAINTIES

At June 30, 2021, the world was in the midst of the COVID-19 pandemic. Significant uncertainty remains regarding the wide ranging effects of the pandemic subsequent to the year-end. KBTC is closely monitoring its operations, liquidity, capital and financial resources, and is actively working to minimize the current and future effects of this unprecedented situation. As of the date of these financial statements, the full impact to KBTC's financial position or operations is not known.

SUPPLEMENTARY INFORMATION

BATES TECHNICAL COLLEGE, KBTC-TV

SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	Program Services								Supporting Services						Total Expenses	
	Programming and Production		Broadcasting		Program Information		Total Program Services		Management and General		Fundraising		Total Supporting Services			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Salaries, payroll taxes and employee benefits	\$ 993,188	\$ 812,358	\$ 451,135	\$ 698,675	\$ 79,350	\$ 73,412	\$ 1,523,673	\$ 1,584,445	\$ 955,372	\$ 1,102,395	\$ 492,002	\$ 477,530	\$ 1,447,374	\$ 1,579,925	\$ 2,971,047	\$ 3,164,370
Rents and maintenance	17,268	10,940	77,518	33,959			94,786	44,899	12		19,757	22,553	19,769	22,553	114,555	67,452
Professional services	81,224	58,420	41,017	55,019	9,315		131,556	113,439	49,300	42,615	103,042	97,398	152,342	140,013	283,898	253,452
Dues and fees	4,750	3,355	525	75	240	235	5,515	3,665	23,650	22,843	122,592	70,571	146,242	93,414	151,757	97,079
Supplies	33,935	24,758			225	5	34,160	24,763	6,778	7,915	15,301	19,797	22,079	27,712	56,239	52,475
Utilities	85,448	99,912	51,353	91,614	9,284	10,841	146,085	202,367	58,439	85,552	118,411	146,919	176,850	232,471	322,935	434,838
Advertising and marketing	23,400	27,180			70,498	66,702	93,898	93,882				13,290		13,290	93,898	107,172
Occupancy	75,644	65,387	64,654	60,184			140,298	125,571	42,024	34,060	6,136	5,311	48,160	39,371	188,458	164,942
Postage and shipping	737	1,842	982	109	27,025	22,000	28,744	23,951	153	75	77,971	74,655	78,124	74,730	106,868	98,681
Ground care, security and maintenance of plant	63,250	59,616	38,012	53,354	6,872	6,314	108,134	119,284	40,136	47,751	43,205	45,405	83,341	93,156	191,475	212,440
Travel	73	3,448	119	736			192	4,184		3,250		10,704		13,954	192	18,138
Broadcast supplies			126,255	203,218			126,255	203,218							126,255	203,218
Other indirect allocated supplies and services	45,086	49,757	27,096	44,131	4,899	5,270	77,081	99,158	28,610	39,855	30,798	37,896	59,408	77,751	136,489	176,909
Program acquisition	487,572	518,990					487,572	518,990			9,075	300	9,075	300	496,647	519,290
Premiums											267,538	304,076	267,538	304,076	267,538	304,076
Miscellaneous	101	8,740					101	8,740	176	1,879		2,390	176	4,269	277	13,009
Depreciation			270,219	320,367			270,219	320,367	8,436	9,283			8,436	9,283	278,655	329,650
	<u>\$ 1,911,676</u>	<u>\$ 1,744,703</u>	<u>\$ 1,148,885</u>	<u>\$ 1,561,441</u>	<u>\$ 207,708</u>	<u>\$ 184,779</u>	<u>\$ 3,268,269</u>	<u>\$ 3,490,923</u>	<u>\$ 1,213,086</u>	<u>\$ 1,397,473</u>	<u>\$ 1,305,828</u>	<u>\$ 1,328,795</u>	<u>\$ 2,518,914</u>	<u>\$ 2,726,268</u>	<u>\$ 5,787,183</u>	<u>\$ 6,217,191</u>

See independent auditor's report.