

**BATES TECHNICAL COLLEGE,  
KBTC-TV**

Audited Financial Statements and  
Supplementary Information

June 30, 2023 and 2022

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**INDEPENDENT AUDITOR'S REPORT** ..... 1-3

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis ..... 4-9

**AUDITED FINANCIAL STATEMENTS**

Statements of Net Position ..... 10

Statements of Revenues, Expenses and Changes in Net Position ..... 11

Statements of Cash Flows ..... 12-13

Notes to Financial Statements ..... 14-21

**SUPPLEMENTARY INFORMATION**

Schedules of Functional Expenses ..... 22



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## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Bates Technical College, KBTC-TV ("KBTC"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects, the financial position of KBTC as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, KBTC-TV has adopted the provisions of Governmental Accounting Standards Board ("GASB") No. 87, *Leases*, using the modified retrospective approach with an adjustment at the beginning of the earliest period presented. Our opinion is not modified with respect to this matter.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KBTC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 4 to the financial statements, management has not implemented 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, 2023 and 2022. U.S. GAAP requires that KBTC record its proportionate share of net pension liability and OPEB liability. The amount by which these departures would affect the liabilities, net position and expenses has not been determined.

***Responsibilities of Management for the Financial Statements***

KBTC's Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KBTC's ability to continue as a going concern for one year after the date that the financial statements.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KBTC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KBTC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only KBTC-TV and do not purport to, and do not present fairly, the financial position of Bates Technical College, as of June 30, 2023 and 2022, the changes in its net position or, where applicable, its cash flows for the years then ended in accordance with U.S. GAAP. Our opinion is not modified with respect to this matter.

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

***Other Information***

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



JOHNSON, STONE & PAGANO, P.S.

November 21, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Bates Technical College, KBTC-TV  
Management's Discussion and Analysis  
For the Years Ended June 30, 2023 and 2022

## **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, 2023 and 2022.

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, 2023 and 2022.
- **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 and amortization expense of \$267,397 and \$258,127 for 2023 and 2022, respectively, are reported.

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

**The Statements of Net Position** include assets, liabilities and net position of KBTC as of June 30, 2023 and 2022. The total balance in KBTC fund balance held by Bates Technical College at June 30, 2023 is \$1,333,994, 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 \$1,323,698, net of accumulated depreciation at June 30, 2023. 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 2023, and operating expenses were higher than the prior year. Net position decreased during 2023 from \$2,934,873 to \$2,342,195.

A review of the net position at June 30, 2023 and 2022, despite a decrease, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current	\$ 1,333,994	\$ 1,869,112
Capital assets, net	<u>1,323,698</u>	<u>1,365,382</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,657,692</u></b>	<b><u>\$ 3,234,494</u></b>
<b><u>LIABILITIES</u></b>		
Current	\$ 253,876	\$ 226,311
Finance lease liability	<u>61,621</u>	<u>73,310</u>
<b>Total Liability</b>	315,497	299,621
<b><u>NET POSITION</u></b>		
Invested in capital assets	1,323,698	1,365,382
Unrestricted	<u>1,018,497</u>	<u>1,569,491</u>
<b>Total Net Position</b>	<b><u>2,342,195</u></b>	<b><u>2,934,873</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 2,657,692</u></b>	<b><u>\$ 3,234,494</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 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 \$29,500 in comparison to 2022. Indirect facility and administrative support from the College increased \$85,800 in 2023. Revenues generated through telecasting, production and broadcast services increased approximately \$122,700 in 2023. Instructional related expenses from the College increased approximately \$22,100. In-kind contributions decreased approximately \$42,200 in comparison to the prior year. Membership income decreased by approximately \$180,600 in 2023, with a consistent active membership of more than 17,585 at June 30, 2023.

	<u>2023</u>	<u>2022</u>
<b><u>OPERATING REVENUES</u></b>		
Community service grant from the Corporation for Public Broadcasting	\$ 782,694	\$ 819,939
Donated support	4,319,678	4,434,657
Telecasting, production and broadcast services	<u>690,443</u>	<u>567,698</u>
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$ 5,792,815</u></b>	<b><u>\$ 5,822,294</u></b>
<b><u>OPERATING EXPENSES</u></b>		
Program services	\$ 3,651,281	\$ 3,386,997
Support services	<u>2,734,212</u>	<u>2,540,463</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 6,385,493</u></b>	<b><u>\$ 5,927,460</u></b>

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

There were no significant variances from the budget in 2023.

Overall expenses increased approximately \$458,000 in 2023. Significant changes in expenses include an increase of \$254,900 for salaries, payroll taxes and employee benefits. There was an overall decrease of \$23,000 for program acquisition and \$38,500 for premiums. There was an overall increase of \$103,500 for professional services, \$34,500 for advertising and marketing, \$37,000 and for ground care, security, and maintenance of plant. Other items fluctuated by less significant amounts.

**The Statements of Cash Flows** identify the increases and decreases in cash from operating and investing activities. In the current year, cash generated from operating activities was \$230,512, which is a decrease of approximately \$3,400 from the prior year. In the prior year, cash generated from operating activities was \$233,901. 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>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Decrease in net position	\$ (592,678)	\$ (105,166)
Adjustments to reconcile decrease in net position to net cash provided by operating activities	261,096	144,677
Changes in current assets and liabilities	<u>562,094</u>	<u>194,390</u>
<b>Net Cash Provided by Operating Activities</b>	230,512	233,901
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principle payments on finance lease liability	<u>(11,100)</u>	<u>(9,121)</u>
<b>Net Cash Used by Financing Activities</b>	(11,100)	(9,121)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of equipment	<u>(219,412)</u>	<u>(224,780)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(219,412)</u>	<u>(224,780)</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.

#### **Activities & Factors having Plausible Future Financial Implications**

Fiscal Year 2022-2023 was a year of continued growth and new partnerships for KBTC Public Television.

In partnership with Humanities Washington, KBTC's Education team launched a series of youth literacy activities through a program called "Prime Time." The activities take place on location. Families gathered for dinner and storytelling. Two co-hosts read stories and interact with the participants. "Prime Time" is supported through a \$25,000 grant from Humanities Washington. Another, bilingual, session is scheduled in the coming year.

KBTC continued its efforts, working in partnership, with the Sumner-Bonney Lake School District, and created a Learning Neighborhood with the district and Spanish speaking families. Through meeting with families, KBTC ascertained needs and designed services to meet those needs. This has included providing bilingual educational activities during the summer. The activity is supported through grant funds of up to \$150,000 from Ready To Learn and will continue into the coming fiscal year.

The continuing partnership with the Federal Way Public Schools' Special Education and Employment Transition Program, enabled KBTC to produce three more *Ability Awareness* short videos. This project supports neurodivergent youth and youth with disabilities to create videos that address life skills that all young people need for transitioning to the workplace and independent living. It began with a grant from Sesame Street Workshop and is now supported by a grant from Best Starts Kids King County. KBTC was awarded \$145,000 through this BSK grant, which extends the station's services to the community over a three-year period.

Other educational partnerships included working with Clover Park Schools providing family-oriented workshops utilizing PBS Learning Media. In addition, professional development training of educators is happening in partnership with the Office of the State Superintendent of Public Instruction ("OSPI").

The KBTC Association, the 501(C)(3) organization that provides financial support for KBTC Public Television activities, continues supporting local programming and production through *Northwest Now*, *Northwest Now Digital Extras* and *KBTC Profiles*. KBTC's Production team has used this support to add many more field produced stories for *Northwest Now* and, *KBTC Profiles* has increased the number of stories in its series.

KBTC's Engineering team continues to upgrade its broadcast facilities and supports online streaming services on [kbt.org](http://kbt.org).

Previously we have mentioned the new broadcast platform ATSC 3.0. While we have been transitioning our facilities, the Corporation for Public Broadcasting announced an opportunity for stations to apply for funding to update and strengthen broadcast signals in support of the Next Generation Warning System. KBTC is applying for the grant. If awarded, the funding will allow for station upgrades and help us provide emergency alerts in the wake of a disaster. It will also foster new partnerships with first responders and emergency services throughout the station's service coverage area in Washington State.

As acknowledged in the previous fiscal year, Bates Technical College, the license holder for KBTC, transitioned to a new operating system in May of 2022. The transition has continued into Fiscal Year 2023. The challenge of retrieving end-of-year information from the system continues.

Television viewing behavior continues to modify as people increase their use of streaming services. Traditional live viewership is impacted by increased, time-shifted viewing and streaming services on multiple devices. KBTC's Fundraising team is monitoring the impact of streaming viewership and how it affects the ability to raise funds.

KBTC continues to provide multiple services during the many changes in viewership habits and remains grateful for all the support from our donors and advocates. KBTC looks forward to continuing to serve our community in respectful and creative ways.

AUDITED FINANCIAL STATEMENTS

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

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
KBTC fund balance held by Bates Technical College	\$ 1,186,021	\$ 1,839,698
Accounts, grants and contributions receivable	<u>147,973</u>	<u>29,414</u>
<b>Total Current Assets</b>	1,333,994	1,869,112
<b>CAPITAL ASSETS</b>		
Broadcast equipment	19,338,560	19,119,148
Building and leasehold improvements	542,405	542,405
Nonbroadcast equipment and furniture	969,301	963,000
Automobiles	112,993	112,993
Finance right-of-use asset	<u>126,220</u>	<u>126,220</u>
	21,089,479	20,863,766
Less accumulated depreciation	<u>19,765,781</u>	<u>19,498,384</u>
<b>Total Capital Assets</b>	<u>1,323,698</u>	<u>1,365,382</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,657,692</u>	<u>\$ 3,234,494</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 241,861	\$ 213,142
Deferred revenue		1,743
Current portion of finance lease liability	<u>12,015</u>	<u>11,426</u>
<b>Total Current Liabilities</b>	253,876	226,311
<b>FINANCE LEASE LIABILITY</b>	61,621	73,310
<b>NET POSITION</b>		
Invested in capital assets	1,323,698	1,365,382
Unrestricted	<u>1,018,497</u>	<u>1,569,491</u>
	<u>2,342,195</u>	<u>2,934,873</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,657,692</u>	<u>\$ 3,234,494</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Operating and capital appropriations from Bates Technical College	\$ 503,104	\$ 481,049
Donated facilities and administrative support from Bates Technical College	1,261,509	1,175,707
Subscription and membership income	2,395,787	2,576,419
Telecasting, production and broadcast services	690,443	567,698
Community service grant from Corporation for Public Broadcasting	782,694	819,939
In-kind contributions	<u>159,278</u>	<u>201,482</u>
<b>Total Operating Revenues</b>	5,792,815	5,822,294
<b>OPERATING EXPENSES</b>		
Program services		
Programming and production	2,210,833	2,062,802
Broadcasting	1,111,763	1,123,948
Program information	<u>328,685</u>	<u>200,247</u>
	3,651,281	3,386,997
Supporting services		
Management and general	1,362,531	1,246,968
Fundraising	<u>1,371,681</u>	<u>1,293,495</u>
	<u>2,734,212</u>	<u>2,540,463</u>
<b>Total Operating Expenses</b>	<u>6,385,493</u>	<u>5,927,460</u>
<b>NET DECREASE IN NET POSITION</b>	(592,678)	(105,166)
<b>Net Position at Beginning of Year</b>	<u>2,934,873</u>	<u>3,040,039</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,342,195</u>	<u>\$ 2,934,873</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from CPB grant	\$ 782,694	\$ 819,939
Cash received from subscriptions and memberships	2,930,905	2,764,052
Cash received from telecasting, production and broadcasting	688,700	567,748
Cash payments for compensation and benefits	(2,763,505)	(2,576,213)
Cash payments to suppliers	<u>(1,408,282)</u>	<u>(1,341,625)</u>
<b>Net Cash Provided by Operating Activities</b>	230,512	233,901
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principle payments on finance lease liability	<u>(11,100)</u>	<u>(9,121)</u>
<b>Net Cash Used by Financing Activities</b>	(11,100)	(9,121)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(219,412)</u>	<u>(224,780)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(219,412)</u>	<u>(224,780)</u>
<b>CHANGE IN CASH</b>		
<b>Cash at Beginning of Year</b>	_____	_____
<b>CASH AT END OF YEAR</b>	\$ <u>_____</u>	\$ <u>_____</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 (Continued)**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>RECONCILIATION OF NET DECREASE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Decrease in net position	\$ (592,678)	\$ (105,166)
Adjustments to reconcile decrease in net position to net cash provided by operating activities		
Depreciation and amortization	267,397	258,127
Donated equipment	(6,301)	(113,450)
(Increase) decrease in assets		
KBTC fund balance held by Bates Technical College	653,677	179,365
Accounts, grants and contributions receivable	(118,559)	8,268
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	28,719	6,707
Deferred revenue	<u>(1,743)</u>	<u>50</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u>230,512</u></b>	<b>\$ <u>233,901</u></b>

**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, 2023 and 2022

#### **NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### ***Organization***

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

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

##### ***KBTC Fund Balance Held by Bates Technical College***

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

##### ***Accounts, Grants and Contributions Receivable***

Receivables are recorded when invoices are issued or when amounts on underwriting agreements have been earned, but not yet received, or a promise to give has been made as of the statements of net position date. Receivables are written off when they are determined to be uncollectible. An allowance for doubtful accounts has not been established as management believes that essentially all receivables are collectible at June 30, 2023 and 2022, 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 and amortization 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, 2023 and 2022

#### **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, 2023 or 2022, 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, 2023 or 2022, 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, 2023 and 2022

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

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

###### ***Restricted Resources***

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

###### ***Donated Volunteer Services***

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

###### ***In-kind Contributions***

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

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

### **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.

#### ***Adoption of Governmental Accounting Standards Board No. 87, Leases***

GASB issued guidance Statement No. 87, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of net position for contracts greater than 12 months. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases with terms greater than 12 months. Finance lease costs are recognized in two components, interest expense and amortization expense. Disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

KBTC adopted the standard effective July 1, 2021, and recognized and measured leases existing at, or entered into after, July 1, 2021 (the beginning of the period of adoption) through a cumulative effect adjustment that is not material.

As a result of the adoption of the new lease accounting guidance, KBTC recognized on July 1, 2021, the beginning of the adoption period, a finance lease liability of \$84,736 and a finance right-of-use asset of \$84,736. The adoption of the new standard did not materially impact KBTC's statements of revenue, expenses and changes in net position or statements of cash flows.

KBTC determines if an arrangement is a lease at inception. Finance leases are included in finance lease right-of-use assets, current liabilities and finance lease liabilities on the statement of net position.

ROU assets represent KBTC's right to use an underlying asset for the lease's term, and lease liabilities represent KBTC's obligation to make lease payments arising from the leases. Finance lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, KBTC uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The finance lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

KBTC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

# BATES TECHNICAL COLLEGE, KBTC-TV

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

#### *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 \$108,167 in 2023 and \$73,718 in 2022.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Reclassifications*

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation.

#### *Subsequent Events*

KBTC evaluated for subsequent events through November 21, 2023, 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, 2023</u>					
Broadcast equipment	\$ 19,119,148	\$ 219,412			\$ 19,338,560
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	963,000	6,301			969,301
Automobiles	112,993				112,993
Finance right-of-use assets	<u>126,220</u>				<u>126,220</u>
	20,863,766	225,713			21,089,479

**BATES TECHNICAL COLLEGE, KBTC-TV**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 2 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation	\$ 19,456,900	\$ 255,890			\$ 19,712,790
Less accumulated amortization	<u>41,484</u>	<u>11,507</u>			<u>52,991</u>
	<u>19,498,384</u>	<u>267,397</u>			<u>19,765,781</u>
	<u>\$ 1,365,382</u>	<u>\$ (41,684)</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,323,698</u>
<u>June 30, 2022</u>					
Broadcast equipment	\$ 18,803,971	\$ 315,177			\$ 19,119,148
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	939,947	23,053			963,000
Automobiles	112,993				112,993
Finance right-of-use assets	<u>115,422</u>	<u>10,798</u>			<u>126,220</u>
	20,514,738	349,028			20,863,766
Less accumulated depreciation	19,207,894	249,006			19,456,900
Less accumulated amortization	<u>32,363</u>	<u>9,121</u>			<u>41,484</u>
	<u>19,240,257</u>	<u>258,127</u>			<u>19,498,384</u>
	<u>\$ 1,274,481</u>	<u>\$ 90,901</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,365,382</u>

**NOTE 3 - LEASES**

KBTC leases land for terms under long-term, non-cancelable lease agreements. The leases expire on various dates through March 2029. KBTC included in the determination of the right-of-use asset and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments.

KBTC entered into a lease agreement to lease land for a communication site. The lease commenced on March 28, 2019 and will expire in March 2029. Lease payments are \$12,949 per month.

KBTC entered into a lease agreement to lease land for a communication site. The lease commenced in June 2012 and expired June 2022 with an option to extend for an additional five years to May 2027. Lease payments are \$2,254 per year. The lease calls for annual increases through the end of the lease.

**BATES TECHNICAL COLLEGE, KBTC-TV**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 3 - LEASES (Continued)**

Total lease costs for the year ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense	\$ 3,779	\$ 3,809
Amortization of right-of-use	<u>11,507</u>	<u>9,121</u>
Total Finance Lease Costs	\$ <u>15,286</u>	\$ <u>12,930</u>

The following summarizes the supplemental cash flow information for the year ended June 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ <u>15,205</u>	\$ <u>15,118</u>
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$ <u>8,629</u>	\$ <u>84,736</u>

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of June 30, 2023:

	<u>Finance</u>
2024	\$ 15,295
2025	15,389
2026	15,522
2027	12,949
2028	12,949
2029	<u>12,949</u>
Total Lease Payments	85,053
Less amounts representing interest	(11,417)
Present Value of Lease Liabilities	73,636
Less current portion of finance lease liability	(12,015)
Long-term Portion of Finance Lease Liability	\$ <u>61,621</u>

KBTC has operating lease commitments that do not qualify under GASB No. 87 and are not material; total rental and lease expense for 2023 and 2022 is less than 2% of revenues.

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **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, 2023 and 2022, KBTC contributed \$156,368 and \$147,804, respectively, under these plans.

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

GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB") requires KBTC to recognize its proportionate share of the state's actuarially determined OPEB liability, net of any assets segregated and restricted in a qualified trust, together with any associated deferred inflows and deferred outflows of resources and benefit expense related to the plan. The OPEB information and related disclosures are not currently available at KBTC's fund level and, therefore, KBTC is unable to record its proportionate share of the total OPEB liability. This is a departure from U.S. GAAP, the amount by which this departure 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, 2023, the cost would be \$91,602.

SUPPLEMENTARY INFORMATION

**BATES TECHNICAL COLLEGE, KBTC-TV**

**SCHEDULES OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2023 and 2022

	Program Services								Supporting Services				Total Expenses			
	Programming and Production		Broadcasting		Program Information		Total Program Services		Management and General		Fundraising				Total Supporting Services	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022		
Salaries, payroll taxes and employee benefits	\$ 1,082,977	\$ 1,055,311	\$ 477,991	\$ 462,852	\$ 162,221	\$ 79,836	\$ 1,723,189	\$ 1,597,999	\$ 1,058,412	\$ 979,026	\$ 526,472	\$ 476,130	\$ 1,584,884	\$ 1,455,156	\$ 3,308,073	\$ 3,053,155
Rents and maintenance	19,305	18,619	56,114	63,518			75,419	82,137	30	24	35,056	26,006	35,086	26,030	110,505	108,167
Professional services	155,351	84,084	92,031	98,612	5,651	4,728	253,033	187,424	48,850	50,500	175,848	136,301	224,698	186,801	477,731	374,225
Dues and fees	14,500	3,052	1,123	151			15,623	3,203	27,865	27,430	96,978	96,493	124,843	123,923	140,466	127,126
Supplies	21,454	12,677	22,865	31,150	33		44,352	43,827	7,156	3,933	20,725	11,509	27,881	15,442	72,233	59,269
Utilities	98,510	100,518	49,538	54,769	14,646	9,758	162,694	165,045	65,215	65,186	104,738	111,629	169,953	176,815	332,647	341,860
Advertising and marketing	4,000	7,700			100,567	66,018	104,567	73,718	3,600				3,600		108,167	73,718
Occupancy	95,555	79,981	68,721	66,558			164,276	146,539	48,595	45,203	7,458	6,734	56,053	51,937	220,329	198,476
Postage and shipping	3,265		540	159	25,000	29,000	28,805	29,159	284	289	75,668	84,227	75,952	84,516	104,757	113,675
Ground care, security and maintenance of plant	85,682	62,670	43,087	34,146	12,738	6,084	141,507	102,900	52,806	37,884	53,160	39,297	105,966	77,181	247,473	180,081
Travel	7,714	289		330			7,714	619	2,178		8,940	1,518	11,118	1,518	18,832	2,137
Broadcast supplies			13,884	29,567			13,884	29,567							13,884	29,567
Interest expense			3,779	3,809			3,779	3,809							3,779	3,809
Other indirect allocated supplies and services	52,658	49,677	26,480	27,068	7,829	4,823	86,967	81,568	32,453	30,031	32,672	31,151	65,125	61,182	152,092	142,750
Program acquisition	564,549	587,443					564,549	587,443			12,043	12,193	12,043	12,193	576,592	599,636
Premiums											221,785	260,307	221,785	260,307	221,785	260,307
Miscellaneous	5,313	781					5,313	781	3,300	594	138		3,438	594	8,751	1,375
Depreciation and amortization			255,610	251,259			255,610	251,259	11,787	6,868			11,787	6,868	267,397	258,127
	<u>\$ 2,210,833</u>	<u>\$ 2,062,802</u>	<u>\$ 1,111,763</u>	<u>\$ 1,123,948</u>	<u>\$ 328,685</u>	<u>\$ 200,247</u>	<u>\$ 3,651,281</u>	<u>\$ 3,386,997</u>	<u>\$ 1,362,531</u>	<u>\$ 1,246,968</u>	<u>\$ 1,371,681</u>	<u>\$ 1,293,495</u>	<u>\$ 2,734,212</u>	<u>\$ 2,540,463</u>	<u>\$ 6,385,493</u>	<u>\$ 5,927,460</u>

See independent auditor's report.