

**BATES TECHNICAL COLLEGE,
KBTC-TV**

Audited Financial Statements and
Supplementary Information

June 30, 2024 and 2023

BATES TECHNICAL COLLEGE, KBTC-TV

**Audited Financial Statements and
Supplementary Information**

June 30, 2024 and 2023

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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 the business-type activities of Bates Technical College, KBTC-TV ("KBTC"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise KBTC's basic 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, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our 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 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, 2024 and 2023. 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only KBTC and do not purport to, and do not present fairly, the financial position of Bates Technical College, as of June 30, 2024 and 2023, 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.

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 of 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.

Required Supplementary Information

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.
Fircrest, Washington

November 26, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Bates Technical College, KBTC-TV
Management's Discussion and Analysis
For the Years Ended June 30, 2024 and 2023

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, 2024 and 2023.

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 is ranked #13 in the National TV Market and reaches nearly 2.1 million households in greater western Washington. The coverage stretches 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, 2024 and 2023.
- **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 \$270,445 and \$267,397 for 2024 and 2023, 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, 2024 and 2023. The total balance in KBTC fund balance held by Bates Technical College at June 30, 2024 is \$807,036, 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 \$1,299,290, net of accumulated depreciation at June 30, 2024. 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 2024, and operating expenses were higher than the prior year. Net position decreased during 2024 from \$2,342,195 to \$1,778,268.

A review of the net position at June 30, 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current	\$ 807,036	\$ 1,333,994
Capital assets, net	<u>1,299,290</u>	<u>1,323,698</u>
TOTAL ASSETS	<u>\$ 2,106,326</u>	<u>\$ 2,657,692</u>
<u>LIABILITIES</u>		
Current	\$ 279,087	\$ 253,876
Finance lease liability	<u>48,971</u>	<u>61,621</u>
Total Liability	328,058	315,497
<u>NET POSITION</u>		
Invested in capital assets	1,299,290	1,323,698
Unrestricted	<u>478,978</u>	<u>1,018,497</u>
Total Net Position	<u>1,778,268</u>	<u>2,342,195</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,106,326</u>	<u>\$ 2,657,692</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 increased approximately \$193,400 in comparison to 2023. Indirect facility and administrative support from the College increased \$21,600 in 2024. Instructional related expenses from the College increased approximately \$77,700. In-kind contributions increased approximately \$87,200 in comparison to the prior year. Membership income decreased by approximately \$37,000 in 2024, with an active membership of more than 16,865 at June 30, 2024.

	<u>2024</u>	<u>2023</u>
<u>OPERATING REVENUES</u>		
Community service grant from the Corporation for Public Broadcasting	\$ 835,576	\$ 782,694
Donated support	4,469,257	4,319,678
Telecasting, production and broadcast services	<u>681,374</u>	<u>690,443</u>
TOTAL OPERATING REVENUES	\$ <u>5,986,207</u>	\$ <u>5,792,815</u>
<u>OPERATING EXPENSES</u>		
Program services	\$ 3,890,974	\$ 3,651,281
Support services	<u>2,659,160</u>	<u>2,734,212</u>
TOTAL OPERATING EXPENSES	\$ <u>6,550,134</u>	\$ <u>6,385,493</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 2024.

Overall expenses increased approximately \$164,600 in 2024. Significant changes in expenses include an increase of \$305,100 for salaries, payroll taxes and employee benefits. There was an overall decrease of \$31,700 for advertising and marketing, \$121,100 for professional services and \$51,900 for rent and maintenance. There was an overall increase of \$67,700 for supplies and \$39,600 for broadcast supplies. Other items fluctuated by less significant amounts.

The Statements of Cash Flows identify the increases and decreases in cash from operating and investing and financing activities. In the current year, cash generated from operating activities was \$208,852, which is a decrease of \$21,660 from the prior year. In the prior year, cash generated from operating activities was \$230,512. 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>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Decrease in net position	\$ (563,927)	\$ (592,678)
Adjustments to reconcile decrease in net position to net cash provided by operating activities	221,245	261,096
Changes in current assets and liabilities	<u>551,534</u>	<u>562,094</u>
Net Cash Provided by Operating Activities	208,852	230,512
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principle payments on finance lease liability	<u>(12,015)</u>	<u>(11,100)</u>
Net Cash Used by Financing Activities	(12,015)	(11,100)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of equipment	<u>(196,837)</u>	<u>(219,412)</u>
Net Cash Used by Investing Activities	<u>(196,837)</u>	<u>(219,412)</u>
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.

Activities & Factors having Plausible Future Financial Implications

Fiscal Year 2023-2024 was a year of continued growth and services to the local community through partnerships for KBTC Public Television.

KBTC's Education team continued its efforts, working in partnership, with the Sumner-Bonney Lake School District. The Learning Neighborhood with the district and Spanish speaking families was a success and continued to grow. This service in East Pierce County has included providing bilingual educational activities after school, summer camp and family engagement events. This ongoing activity is supported through grant funds of up to \$150,000 from Ready To Learn.

The continuing partnership with the Federal Way Public Schools' Special Education and Employment Transition Program, enabled KBTC to produce three additional *Ability Awareness* short videos. This project supports neurodivergent youth and youth with disabilities to create videos that address life skills all young people need for transitioning to the workplace and independent living. Support for these activities began with a grant from Sesame Street Workshop and is now further supported by a grant from Best Starts Kids King County. The funding will enter its last year in the next fiscal year.

Other educational partnerships included working with Clover Park Schools providing family-oriented workshops utilizing PBS Learning Media. Professional development training of educators continued in partnership with the Washington State Office of the Superintendent of Public Instruction ("OSPI").

The KBTC Association, the 501(C)(3) organization that provides financial support for KBTC Public Television activities, continued backing KBTC's 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 kbtc.org.

KBTC applied for a grant from the Corporation for Public Broadcasting in support of the Next Generation Warning system. Our initial application was not successful however, a second application is now submitted. If awarded, the funding will allow for significant station upgrades and help 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 coverage area in Washington State.

Television viewing behavior continues shifting from over-the-air to one of increasing use of streaming services. While traditional viewership has changed, fundraising activities are also shifting to more direct mail in addition to over-the-air pledge drives.

AUDITED FINANCIAL STATEMENTS

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

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
KBTC fund balance held by Bates Technical College	\$ 752,707	\$ 1,186,021
Accounts, grants and contributions receivable	<u>54,329</u>	<u>147,973</u>
Total Current Assets	807,036	1,333,994
CAPITAL ASSETS		
Broadcast equipment	19,574,688	19,338,560
Building and leasehold improvements	542,405	542,405
Nonbroadcast equipment and furniture	979,210	969,301
Automobiles	112,993	112,993
Finance right-of-use asset	<u>126,220</u>	<u>126,220</u>
	21,335,516	21,089,479
Less accumulated depreciation	<u>20,036,226</u>	<u>19,765,781</u>
Total Capital Assets	<u>1,299,290</u>	<u>1,323,698</u>
TOTAL ASSETS	<u>\$ 2,106,326</u>	<u>\$ 2,657,692</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 266,437	\$ 241,861
Current portion of finance lease liability	<u>12,650</u>	<u>12,015</u>
Total Current Liabilities	279,087	253,876
FINANCE LEASE LIABILITY	48,971	61,621
NET POSITION		
Invested in capital assets	1,299,290	1,323,698
Unrestricted	<u>478,978</u>	<u>1,018,497</u>
	<u>1,778,268</u>	<u>2,342,195</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,106,326</u>	<u>\$ 2,657,692</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Operating and capital appropriations from Bates Technical College	\$ 580,835	\$ 503,104
Donated facilities and administrative support from Bates Technical College	1,283,151	1,261,509
Subscription and membership income	2,358,806	2,395,787
Telecasting, production and broadcast services	681,374	690,443
Community service grant from Corporation for Public Broadcasting	835,576	782,694
In-kind contributions	<u>246,465</u>	<u>159,278</u>
Total Operating Revenues	5,986,207	5,792,815
OPERATING EXPENSES		
Program services		
Programming and production	2,418,360	2,210,833
Broadcasting	1,236,741	1,111,763
Program information	<u>235,873</u>	<u>328,685</u>
	3,890,974	3,651,281
Supporting services		
Management and general	1,446,060	1,362,531
Fundraising	<u>1,213,100</u>	<u>1,371,681</u>
	2,659,160	2,734,212
Total Operating Expenses	<u>6,550,134</u>	<u>6,385,493</u>
NET DECREASE IN NET POSITION	(563,927)	(592,678)
Net Position at Beginning of Year	<u>2,342,195</u>	<u>2,934,873</u>
NET POSITION AT END OF YEAR	<u>\$ 1,778,268</u>	<u>\$ 2,342,195</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from CPB grant	\$ 835,576	\$ 782,694
Cash received from subscriptions and memberships	2,885,764	2,930,905
Cash received from telecasting, production and broadcasting	681,374	688,700
Cash payments for compensation and benefits	(3,009,147)	(2,763,505)
Cash payments to suppliers	<u>(1,184,715)</u>	<u>(1,408,282)</u>
Net Cash Provided by Operating Activities	208,852	230,512
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liability	<u>(12,015)</u>	<u>(11,100)</u>
Net Cash Used by Financing Activities	(12,015)	(11,100)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	<u>(196,837)</u>	<u>(219,412)</u>
Net Cash Used by Investing Activities	<u>(196,837)</u>	<u>(219,412)</u>
CHANGE IN CASH		
Cash at Beginning of Year	<u> </u>	<u> </u>
CASH AT END OF YEAR	<u><u>\$</u></u>	<u><u>\$</u></u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF NET DECREASE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in net position	\$ (563,927)	\$ (592,678)
Adjustments to reconcile decrease in net position to net cash provided by operating activities		
Depreciation and amortization	270,445	267,397
Donated equipment	(49,200)	(6,301)
(Increase) decrease in assets		
KBTC fund balance held by Bates Technical College	433,314	653,677
Accounts, grants and contributions receivable	93,644	(118,559)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	24,576	28,719
Deferred revenue		<u>(1,743)</u>
Net Cash Provided by Operating Activities	<u>\$ 208,852</u>	<u>\$ 230,512</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, 2024 and 2023

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 Governmental 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 credit risk has not been established as management believes that essentially all receivables are collectible at June 30, 2024 and 2023, 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, 2024 and 2023

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, 2024 or 2023, 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, 2024 or 2023, 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, 2024 and 2023

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, 2024 and 2023

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 \$19,769 in 2024 and \$108,167 in 2023.

Use of Estimates

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

Subsequent Events

KBTC evaluated for subsequent events through November 26, 2024, 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, 2024</u>					
Broadcast equipment	\$ 19,338,560	\$ 236,128			\$ 19,574,688
Building and leasehold improvements	542,405				542,405
Nonbroadcast equipment and furniture	969,301	9,909			979,210
Automobiles	112,993				112,993
Finance right-of-use assets	<u>126,220</u>				<u>126,220</u>
	21,089,479	246,037			21,335,516

BATES TECHNICAL COLLEGE, KBTC-TV**NOTES TO FINANCIAL STATEMENTS**

June 30, 2024 and 2023

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	\$ 19,712,790	\$ 258,439			\$ 19,971,229
Less accumulated amortization	<u>52,991</u>	<u>12,006</u>	<u> </u>	<u> </u>	<u>64,997</u>
	<u>19,765,781</u>	<u>270,445</u>	<u> </u>	<u> </u>	<u>20,036,226</u>
	<u>\$ 1,323,698</u>	<u>\$ (24,408)</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 1,299,290</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> </u>	<u> </u>	<u> </u>	<u>126,220</u>
	<u>20,863,766</u>	<u>225,713</u>	<u> </u>	<u> </u>	<u>21,089,479</u>
Less accumulated depreciation	19,456,900	255,890			19,712,790
Less accumulated amortization	<u>41,484</u>	<u>11,507</u>	<u> </u>	<u> </u>	<u>52,991</u>
	<u>19,498,384</u>	<u>267,397</u>	<u> </u>	<u> </u>	<u>19,765,781</u>
	<u>\$ 1,365,382</u>	<u>\$ (41,684)</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 1,323,698</u>

NOTE 3 - 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 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.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 3 - LEASES (Continued)

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.

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 year.

KBTC entered into a lease agreement to lease land for a communication site. The lease commenced in June 2012 and will expire May 2027. Lease payments are \$2,346 per year. The lease calls for annual increases through the end of the lease.

Total lease costs for the year ended June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Interest expense	\$ 3,280	\$ 3,779
Amortization of right-of-use	<u>12,006</u>	<u>11,507</u>
Total Finance Lease Costs	<u>\$ 15,286</u>	<u>\$ 15,286</u>

BATES TECHNICAL COLLEGE, KBTC-TV**NOTES TO FINANCIAL STATEMENTS**

June 30, 2024 and 2023

NOTE 3 - LEASES (Continued)

The following summarizes the supplemental cash flow information for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from financing leases	\$ <u>15,295</u>	\$ <u>15,205</u>
Right-of-use assets obtained in exchange for lease liabilities		
Financing leases	\$ <u> </u>	\$ <u>8,629</u>

The following summarizes the weighted-average remaining lease term:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term		
Financing lease	4.77 years	5.72 years

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of June 30, 2024:

	<u>Finance</u>
2025	\$ 15,389
2026	15,522
2027	12,949
2028	12,949
2029	<u>12,949</u>
Total Lease Payments	69,758
Less amounts representing interest	<u>(8,137)</u>
Present Value of Lease Liabilities	61,621
Less current portion of finance lease liability	<u>(12,650)</u>
Long-term Portion of Finance Lease Liability	\$ <u>48,971</u>

KBTC has operating lease commitments that do not qualify under GASB No. 87 and are not material; total rental and lease expense for 2024 and 2023 is less than 2% of revenues.

BATES TECHNICAL COLLEGE, KBTC-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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, 2024 and 2023, KBTC contributed \$169,495 and \$156,368, 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, 2024, the cost would be \$102,731.

SUPPLEMENTARY INFORMATION

BATES TECHNICAL COLLEGE, KBTC-TV

SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended June 30, 2024 and 2023

	Program Services								Supporting Services							
	Programming and Production		Broadcasting		Program Information		Total Program Services		Management and General		Fundraising		Total Supporting Services		Total Expenses	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Salaries, payroll taxes and employee benefits	\$ 1,273,647	\$ 1,082,977	\$ 518,583	\$ 477,991	\$ 126,579	\$ 162,221	\$ 1,918,809	\$ 1,723,189	\$ 1,139,642	\$ 1,058,412	\$ 554,736	\$ 526,472	\$ 1,694,378	\$ 1,584,884	\$ 3,613,187	\$ 3,308,073
Rents and maintenance	18,647	19,305	16,706	56,114			35,353	75,419		30	23,276	35,056	23,276	35,086	58,629	110,505
Professional services	167,363	155,351	77,368	92,031		5,651	244,731	253,033	39,217	48,850	72,705	175,848	111,922	224,698	356,653	477,731
Dues and fees	13,828	14,500	361	1,123			14,189	15,623	24,392	27,865	82,669	96,978	107,061	124,843	121,250	140,466
Supplies	44,897	21,454	77,883	22,865	237	33	123,017	44,352	6,549	7,156	10,418	20,725	16,967	27,881	139,984	72,233
Utilities	113,326	98,510	57,702	49,538	11,000	14,646	182,028	162,694	72,223	65,215	100,982	104,738	173,205	169,953	355,233	332,647
Advertising and marketing	3,530	4,000			56,710	100,567	60,240	104,567	16,239	3,600			16,239	3,600	76,479	108,167
Occupancy	75,370	95,555	87,319	68,721			162,689	164,276	49,802	48,595	8,304	7,458	58,106	56,053	220,795	220,329
Postage and shipping	419	3,265	4,165	540	27,500	25,000	32,084	28,805	59	284	57,556	75,668	57,615	75,952	89,699	104,757
Ground care, security and maintenance of plant	84,693	85,682	43,331	43,087	8,260	12,738	136,284	141,507	50,679	52,806	42,484	53,160	93,163	105,966	229,447	247,473
Travel	14,994	7,714	6,394				21,388	7,714	1,810	2,178	5,501	8,940	7,311	11,118	28,699	18,832
Broadcast supplies			53,462	13,884			53,462	13,884							53,462	13,884
Interest expense			3,280	3,779			3,280	3,779							3,280	3,779
Other indirect allocated supplies and services	57,282	52,658	29,307	26,480	5,587	7,829	92,176	86,967	34,277	32,453	28,734	32,672	63,011	65,125	155,187	152,092
Program acquisition	544,397	564,549					544,397	564,549			8,100	12,043	8,100	12,043	552,497	576,592
Premiums											213,504	221,785	213,504	221,785	213,504	221,785
Miscellaneous	5,967	5,313					5,967	5,313	1,606	3,300	4,131	138	5,737	3,438	11,704	8,751
Depreciation and amortization			260,880	255,610			260,880	255,610	9,565	11,787			9,565	11,787	270,445	267,397
	<u>\$ 2,418,360</u>	<u>\$ 2,210,833</u>	<u>\$ 1,236,741</u>	<u>\$ 1,111,763</u>	<u>\$ 235,873</u>	<u>\$ 328,685</u>	<u>\$ 3,890,974</u>	<u>\$ 3,651,281</u>	<u>\$ 1,446,060</u>	<u>\$ 1,362,531</u>	<u>\$ 1,213,100</u>	<u>\$ 1,371,681</u>	<u>\$ 2,659,160</u>	<u>\$ 2,734,212</u>	<u>\$ 6,550,134</u>	<u>\$ 6,385,493</u>

See independent auditor's report.