

KBCS 91.3 FM COMMUNITY RADIO

(A Service of Bellevue College)

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

December 18, 2014

To the Management of
KBCS 91.3 FM Community Radio

Independent Auditor's Report

We have audited the accompanying financial statements of KBCS 91.3 FM Community Radio (a service of Bellevue College) ("the Station"), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KBCS 91.3 FM Community Radio as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith Bunday Berman Britton, P.S.

KBCS 91.3 FM COMMUNITY RADIO

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2014	2013
Assets:		
Cash and cash equivalents	\$204,529	\$179,052
Member pledges receivable - Note 3	3,545	1,405
Due from Bellevue College Foundation - Note 5	43,694	43,340
Prepaid expenses	16,652	15,900
Capital improvements and equipment, net of accumulated depreciation - Note 4	136,613	201,631
Total assets	<u>\$405,033</u>	<u>\$441,328</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$1,639	\$3,895
Accrued payroll and related liabilities	19,433	15,700
Total liabilities	<u>21,072</u>	<u>19,595</u>
Commitment and contingencies - Notes 2, 6 and 7		
Unrestricted net assets	<u>383,961</u>	<u>421,733</u>
Total liabilities and net assets	<u>\$405,033</u>	<u>\$441,328</u>

The accompanying notes are an integral part of these financial statements.

KBCS 91.3 FM COMMUNITY RADIO

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the year ended June 30,	
	2014	2013
Unrestricted revenues and other support:		
Pledges and contributions	\$535,145	\$501,603
Community service grant revenue	103,403	89,678
University appropriations and other support	175,301	154,431
Underwriting contributions	93,787	93,765
In-kind contributions	7,300	2,693
Total revenues and support	<u>914,936</u>	<u>842,170</u>
Expenses:		
Program services:		
Programming and production	288,630	254,345
Broadcasting	58,184	65,392
Program information and promotion	34,828	9,010
Total program services	<u>381,642</u>	<u>328,747</u>
Supporting services:		
Management and general	333,880	317,507
Fundraising	191,038	94,821
Underwriting	46,148	68,098
Total expenses	<u>952,708</u>	<u>809,173</u>
Increase (decrease) in unrestricted net assets	(37,772)	32,997
Net assets at beginning of year	<u>421,733</u>	<u>388,736</u>
Net assets at end of year	<u><u>\$383,961</u></u>	<u><u>\$421,733</u></u>

The accompanying notes are an integral part of these financial statements.

KBCS 91.3 FM COMMUNITY RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Services			Supporting Services			
	Programming and production	Broadcasting	Program information and promotion	Management and general	Fundraising	Underwriting	Total
Salaries and wages	\$197,131	\$14,310	\$12,176	\$55,016	\$90,203	\$34,493	\$403,329
Facilities - administrative indirect	-	-	-	146,833	-	-	146,833
Benefits	52,633	1,224	1,166	23,602	30,002	11,655	120,282
Depreciation	-	-	-	65,018	-	-	65,018
Memberships and subscriptions	29,575	54	3,163	2,305	20,459	-	55,556
Purchased services	3,708	-	1,716	25,475	11,515	-	42,414
Rentals and leases	-	31,200	-	-	-	-	31,200
Supplies and materials	38	6,446	-	2,469	8,916	-	17,869
Software licenses and maintenance	-	3,701	5,076	3,566	-	-	12,343
Other, advertising and miscellaneous	-	689	8,413	1,792	4,429	-	15,323
Fundraising expense	-	-	-	-	9,605	-	9,605
Travel	5,545	-	-	1,732	2,196	-	9,473
Communication and telecommunications	-	-	732	60	6,881	-	7,673
Printing and reproduction	-	-	1,861	349	4,502	-	6,712
Overhead	-	-	-	3,438	-	-	3,438
Employee professional development	-	-	525	510	2,233	-	3,268
Bank charges	-	-	-	1,515	97	-	1,612
Capital outlays	-	298	-	-	-	-	298
Repairs and maintenance	-	262	-	-	-	-	262
Hardware non-capital	-	-	-	200	-	-	200
Total expenses	<u>\$288,630</u>	<u>\$58,184</u>	<u>\$34,828</u>	<u>\$333,880</u>	<u>\$191,038</u>	<u>\$46,148</u>	<u>\$952,708</u>

The accompanying notes are an integral part of these financial statements.

KBCS 91.3 FM COMMUNITY RADIO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services			Supporting Services			
	Programming and production	Broadcasting	Program information and promotion	Management and general	Fundraising	Underwriting	Total
Salaries and wages	\$161,149	\$19,506	\$ -	\$63,689	\$43,374	\$45,996	\$333,714
Benefits	56,423	1,708	-	21,493	15,887	17,051	112,562
Facilities - administrative indirect	-	-	-	98,431	-	-	98,431
Depreciation	-	-	-	77,592	-	-	77,592
Memberships and subscriptions	26,136	-	7,704	7,065	8,233	2,641	51,779
Purchased services	-	12,310	125	14,381	6,222	-	33,038
Printing and reproduction	-	-	1,181	15,101	4,487	-	20,769
Overhead	-	-	-	15,031	-	-	15,031
Rentals and leases	-	14,100	-	299	-	-	14,399
Supplies and materials	118	7,762	-	2,187	668	-	10,735
Capital outlays	584	6,646	-	-	-	-	7,230
Software licenses and maintenance	6,773	-	-	250	11	-	7,034
Fundraising expense	-	-	-	-	6,998	-	6,998
Other, advertising and miscellaneous	129	1,059	-	349	4,110	-	5,647
Communication and telecommunications	-	-	-	781	4,762	-	5,543
Employee professional development	688	-	-	37	-	2,035	2,760
Repairs and maintenance	363	2,301	-	-	-	-	2,664
Hardware non-capital	1,982	-	-	309	-	-	2,291
Travel	-	-	-	473	69	375	917
Utilities	-	-	-	39	-	-	39
Total expenses	<u>\$254,345</u>	<u>\$65,392</u>	<u>\$9,010</u>	<u>\$317,507</u>	<u>\$94,821</u>	<u>\$68,098</u>	<u>\$809,173</u>

The accompanying notes are an integral part of these financial statements.

KBCS 91.3 FM COMMUNITY RADIO

STATEMENT OF CASH FLOWS

	For the year ended June 30,	
	2014	2013
<i>Cash flows from operating activities:</i>		
Change in net assets	(\$37,772)	\$32,997
<i>Adjustments to reconcile net cash used in operations:</i>		
Depreciation	65,018	77,592
Allowance for uncollectible accounts	-	(25,000)
<i>Change in related asset and liability accounts:</i>		
Promises to give	(2,140)	31,742
Due from Bellevue College Foundation	(354)	34,657
Prepaid expenses	(752)	(15,900)
Accounts payable	(2,256)	3,895
Accrued payroll and related liabilities	3,733	1,060
Net cash provided by operating activities	<u>25,477</u>	<u>141,043</u>
<i>Cash flows from investing activities:</i>		
Capital expenditures	<u>-</u>	<u>(103,540)</u>
Net increase in cash and cash equivalents	25,477	37,503
Cash and cash equivalents at beginning of year	<u>179,052</u>	<u>141,549</u>
Cash and cash equivalents at end of year	<u><u>\$204,529</u></u>	<u><u>\$179,052</u></u>

The accompanying notes are an integral part of these financial statements.

KBCS 91.3 FM COMMUNITY RADIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations -

KBCS 91.3 FM Community Radio (the “Station”) is a non-commercial radio station in the Seattle metropolitan market, licensed to the Bellevue College (BC) in Bellevue, Washington. The Station began broadcasting in 1973 as a public service of Bellevue College to entertain, educate and involve a diverse community of listeners with a variety of music, cultural and public affairs programs.

This summary of significant accounting policies of the Station is presented to assist in understanding the Station’s financial statements. The financial statements and notes are representations of the Station’s management, who are responsible for their integrity and objectivity.

Basis of Accounting -

The Station is not a distinct legal entity but rather a department of BC which does not meet the definition of a component unit of BC. The majority of the Station’s revenues are derived from non-governmental fundraising. Accordingly, management has prepared the accompanying financial statements in conformity with the disclosures and display requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Organizations*.

The financial statements of the Station have been presented on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation -

In conformity with not-for-profit accounting, the Station’s assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, all financial transactions have been recorded and reported as follows:

- Unrestricted net assets are net assets that are not subject to donor imposed restrictions and include expendable funds available for support of station operations.
- Temporarily restricted net assets include expendable funds available for support of specific station operations as directed by donors. Temporarily restricted net assets are transferred to unrestricted when they are expended for their restricted purpose and/or the passage of time restrictions are met.

NOTE 1 – continued:

- Permanently restricted net assets include endowment funds that are subject to restrictions by gift instruments requiring, in perpetuity, that the principal be invested and that only the earnings be expended.

Support and revenue are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. The Station reports temporarily restricted support and revenue whose restrictions have been met in the same reporting period as unrestricted. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. At June 30, 2014 and 2013, the Station did not have any temporarily or permanently restricted net assets.

Cash and Cash Equivalents -

Cash and cash equivalents as presented in the accompanying financial statements are defined as the budget equity balance held with and made available by the Bellevue College.

Member Pledges Receivable -

The Station engages in periodic on-air pledge drives which make appeals to encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Contributions, including unconditional membership pledges are recognized as revenue in the period received. However, uncollected pledges are not enforceable against contributors. Accordingly, an allowance for uncollectible member pledges receivable may be provided based on management's judgment.

Member pledges consist of unconditional promises to give over a finite period of time. Member pledges to give that are expected to be collected within one year are recorded at net realizable value. Member pledges to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate. Amortization of the discounts is included in contribution revenue. Conditional pledges are recognized only when the conditions on which they depend are substantially met.

Capital Improvements and Equipment -

Capital improvements consist of improvements made to its facilities for conversion from their original designed purpose (residential housing) to use as studios. See note 4. Capital improvements and equipment in excess of \$5,000 are recorded at cost if purchased and, if donated, at fair market value at the date of donation.

Depreciation is provided for in amounts sufficient to relate the cost or donated value of depreciable assets to operations over their estimated useful lives of five to seven years, on a straight-line basis. Expenditures for maintenance and repairs are expensed as incurred. Costs of renewals and betterments of a nature considered to materially extend the useful lives of assets are capitalized.

NOTE 1 – continued:**Cash Contributions -**

Contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Contributions Other Than Cash -

Contributed materials or property and equipment (gifts in kind) are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated Services -

The Station receives donated services from unpaid volunteers and students who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses -

The costs of providing the various programs and other activities of the Station have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Fundraising -

Fundraising costs incurred in one period may result in contributions that will be received in future periods. However, fundraising costs are expensed as incurred.

Beginning in fiscal year 2012, the Station received donations of resalable vehicles, contracting with a firm specializing in vehicle donations to receive, receipt, process and prepare vehicles for sale at auction. Donations of vehicles are recorded with values equal to the amount of the corresponding auction proceeds. During 2014 and 2013, the Station recognized as contributions \$26,050 and \$20,600, respectively in vehicle donations, which are reported as contributions in the statement of activities and changes in net assets.

Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – MANAGEMENT PLANS

For the fiscal years 2014 and 2013, the Station recognized \$103,403 and \$89,678, respectively, in Community Service Grant (CSG) revenue. In order for the Station to be eligible for the Corporation for Public Broadcasting's (CPB) CSG program, the Station must meet the CPB's Audience Service Criteria (ASC) Listening Index Goal or the Community Financial Service Goal. Based on data from fiscal year 2013, the Station did not meet the ASC criteria and has been placed in a transition plan that may lead to the Station's removal from the CSG program if the above criteria is not met by the third fiscal year. Under the transition plan, the Station will receive the full CSG in its fiscal year ending June 30, 2015; however, it will be required to set aside twenty-five percent of the grant to fund special projects designed to help return the Station to compliance with the ASC. If the Station is able to recover and meet the ASC prior to its fiscal year ending June 30, 2016, it will have its full CSG restored. If not, the Station will be removed from the CSG program.

In fiscal year 2013, the Station moved its broadcast antenna to Cougar Mountain, expanding the Station's potential audience by 40%. However, in expanding the Station's audience population, it disadvantaged the Station in its ASC assessment in the immediate term until the benefits of the larger audience population may be realized. In response, the Station is in the process of redesigning its programming plan, with the goal of a roll out by the summer of 2015. Although immediate gains in revenue or audience service are not expected to be realized as a result of this program change, the future benefits are expected to outweigh the immediate costs. In response, management has received indications that bridge funding may be obtained from the Bellevue College, and in addition, the Station is prepared to make cuts in other operational expenses to offset any revenue decreases arising from the loss of CSG funds.

NOTE 3 – MEMBER PLEDGES RECEIVABLE

The Station has received pledges from individuals, businesses and other organizations throughout the Puget Sound area. Member pledges outstanding at June 30, 2014 and 2013 are comprised of the following:

	2014	2013
Receivable in one year or less	<u>\$3,545</u>	<u>\$1,405</u>

NOTE 4 – CAPITAL IMPROVEMENTS AND EQUIPMENT

Capital improvements and equipment are comprised of the following as of June 30, 2014 and 2013:

	2014	2013
Capital improvements	<u>\$320,088</u>	<u>\$320,088</u>
Equipment	<u>292,984</u>	<u>292,984</u>
	613,072	613,072
Less: accumulated depreciation	<u>(476,459)</u>	<u>(411,441)</u>
Total	<u>\$136,613</u>	<u>\$201,631</u>

Depreciation expense was \$65,018 and \$77,592 for the years ended June 30, 2014 and 2013, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

The Station receives in-kind contributions of rent and certain utilities from BC. The Station has recognized in-kind contributions for use of facilities and utilities in the amount of \$133,693 and \$98,431 during the fiscal years 2014 and 2013, respectively, which approximates the fair market value of the use of the contribution. In addition, in fiscal year 2014, the Station recognized in-kind contributions for certain technology service fees in the amount of \$13,140.

BC processes payroll and certain operating expenses for the Station on a cost reimbursement basis. BC charged the Station \$523,610 and \$441,860 for payroll, taxes and benefits for the years ended June 30, 2014 and 2013, respectively. The Station paid BC approximately \$25,472 and \$46,535 for other operating expenses for the years ended June 30, 2014 and 2013, respectively.

The Station receives contributions from private individuals, foundations and other nonprofit organizations through the Bellevue College Foundation (Foundation). For the fiscal years ended June 30, 2014 and 2013, the Station received contributions of \$141,703 and \$148,768, respectively through the Foundation. The Station uses proceeds from the Foundation for equipment purchases and general operations. For the years ended June 30, 2014 and 2013, the remaining unremitted contributions held by the Foundation were \$43,694 and \$43,340, respectively.

For the fiscal years ended June 30, 2014 and 2013, the Station received grant revenue in the amount of \$28,468 and \$56,000, respectively, through Bellevue College.

NOTE 6 – LEASE COMMITMENT

The Station leases space for a FM broadcast system under operating a lease which expires on December 31, 2017. The lease calls for monthly payments of \$2,500 plus an annual 3% adjustment, and contains a renewal option for a second five-year term. The following is a schedule by year of future minimum rental payments under this operating lease as of June 30, 2014.

<u>Year Ending June 30,</u>	
2015	\$31,364
2016	32,304
2017	33,274
2018	16,883
Total minimum lease payments	<u>\$113,825</u>

Rental expense charged to operations during the years ended June 30, 2014 and 2013 was \$30,750 and \$15,000, respectively.

NOTE 7 – CONTINGENCIES

Expenses made pursuant to grants and contracts are subject to audit by the Corporation of Public Broadcasting and other governmental agencies or their representatives. Accordingly, adjustments of amounts received under grants and contracts could result if the grants and contracts are audited by such agencies.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2014, the date these financial statements were available to be issued.