

SMITH BUNDAY BERMAN BRITTON, P.S.

KBCS 91.3 FM COMMUNITY RADIO

(A Service of Bellevue Community College)

FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

February 27, 2009

To the management of
KBCS 91.3 FM Community Radio

Independent Auditor's Report

We have audited the accompanying statement of financial position of KBCS 91.3 FM Community Radio (a service of Bellevue Community College) ("the Station") as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007 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,	
	2008	2007
Assets:		
Cash and cash equivalents	\$243,487	\$106,113
Grants receivable	116,374	69,948
Member pledges receivable, less allowance for uncollectible pledges of \$25,000 and \$20,000, respectively	23,419	52,624
Due from Bellevue Community College Foundation - Note 4	61,001	9,426
Prepaid expenses	4,314	-
Equipment and other media, net of accumulated depreciation	208,538	149,523
 Total assets	 \$657,133	 \$387,634

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$2,110	\$976
Due to Bellevue Community College - Note 4	46,426	-
Accrued payroll and related liabilities	15,927	10,667
Total liabilities	64,463	11,643
 Contingency - Note 5		
 Unrestricted net assets	 592,670	 375,991
 Total liabilities and net assets	 \$657,133	 \$387,634

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

	<u>For the year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenues and other support:		
Pledges and contributions	\$551,206	\$509,812
Grant revenue	180,392	89,948
In-kind contributions	123,358	134,900
Underwriting contributions	66,082	60,570
University appropriations	55,000	25,000
Investment (losses) gains	(3,523)	1,985
Total revenues and support	<u>972,515</u>	<u>822,215</u>
Expenses:		
Program services:		
Programming and production	230,264	305,007
Broadcasting	70,765	49,951
Program information and promotion	21,196	-
Total program services	<u>322,225</u>	<u>354,958</u>
Supporting services:		
Management and general	283,239	275,862
Fundraising	97,380	87,343
Underwriting	52,992	53,596
Total expenses	<u>755,836</u>	<u>771,759</u>
Increase in unrestricted net assets	216,679	50,456
Net assets at beginning of year	<u>375,991</u>	<u>325,535</u>
Net assets at end of year	<u><u>\$592,670</u></u>	<u><u>\$375,991</u></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,	
	2008	2007
<i>Cash flows from operating activities:</i>		
<i>Change in net assets</i>	\$216,679	\$50,456
<i>Adjustments to reconcile net cash used in operations:</i>		
Allowance for uncollectible pledges	5,000	-
Gifts of equipment and other	(95,552)	(76,250)
Depreciation	51,524	35,379
<i>Change in related asset and liability accounts:</i>		
Grants receivable	(46,426)	(69,948)
Promises to give	24,205	(6,165)
Due from Bellevue Community College Foundation	(51,575)	20,631
Prepaid expense	(4,314)	-
Accounts payable	1,134	40
Due to Bellevue Community College	46,426	-
Accrued payroll and related liabilities	5,260	155
Net cash provided by (used in) operating activities	152,361	(45,702)
 <i>Cash flows from investing activities:</i>		
Capital expenditures	(14,987)	(3,638)
 Net increase (decrease) in cash and cash equivalents	137,374	(49,340)
 Cash and cash equivalents at beginning of year	106,113	155,453
 Cash and cash equivalents at end of year	\$243,487	\$106,113

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 Community College in Bellevue, Washington (BCC). The Station began broadcasting in 1973 as a public service of Bellevue Community 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 BCC which does not meet the definition of a component unit of BCC. 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) Statement No. 117, *Financial Statements of 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. 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, 2008 and 2007, 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 Community 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, and receipts are recognized as revenue in the period received. However, uncollected pledges are not enforceable against contributors. Accordingly, an allowance for uncollectible member pledges receivable is provided based on management's judgment.

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.

Equipment and Other Media -

Equipment and other media 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:

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 under SFAS No. 116 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.

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 – 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, 2008 and 2007 are comprised of the following:

	<u>2008</u>	<u>2007</u>
Receivable in one year or less	\$48,419	\$72,624
Less: allowance for uncollectible pledges	<u>(25,000)</u>	<u>(20,000)</u>
Total	<u>\$23,419</u>	<u>\$52,624</u>

NOTE 3 – EQUIPMENT AND OTHER MEDIA

Equipment and other media are comprised of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Equipment	\$344,506	\$411,596
Other media	50,800	50,800
Construction in progress	<u>95,522</u>	<u> </u>
	490,828	462,396
Less: accumulated depreciation	<u>(282,290)</u>	<u>(312,873)</u>
Total	<u>\$208,538</u>	<u>\$149,523</u>

Depreciation expense was \$51,524 and \$35,379 for the years ended June 30, 2008 and 2007, respectively.

NOTE 4 – RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

The Station receives in-kind contributions of rent and certain utilities from BCC. The Station has recognized in-kind contributions for use of facilities and utilities in the amount of \$58,653 and \$58,650 during the fiscal years 2008 and 2007, respectively, which approximates the fair market value of the use of office space.

During the fiscal year, 2008 the Station begun construction for a new broadcast studio. Funding for the construction project was provided in part from a Federal grant, with a match provision. For the year ended June 30, 2008, the Station recognized \$95,522 in construction costs, which were provided for \$46,426 by a Federal grant and \$49,126 by an in-kind donation from the College. As of June 30, 2008, the Station recorded the \$46,426 as a payable to the College for the upfront costs associated with the Federal grant reimbursement.

BCC processes payroll and certain operating expenses for the Station on a cost reimbursement basis. The Station paid BCC approximately \$68,948 and \$36,679 for operating expenses for the years ended June 30, 2008 and 2007, respectively. BCC charged the Station \$382,539 and \$368,306 for payroll, taxes and benefits for the years ended June 30, 2008 and 2007, respectively.

NOTE 4 – continued:

The Station receives contributions from private individuals, foundations and other nonprofit organizations through the Bellevue Community College Foundation (Foundation). For the fiscal year ended June 30, 2008 and 2007, the Station received contributions of \$96,073 and \$23,349, respectively through the Foundation. The Station uses proceeds from the Foundation for equipment purchases and general operations. For the year ended June 30, 2008 and 2007 the remaining receivable held by the Foundation was \$61,001 and \$9,426, respectively.

The Foundation administers funds of various departments of BCC, including the Station's. The investments relative to these funds are commingled with other investments of the Foundation. Investment earnings are allocated to these accounts quarterly based upon their net asset balances at the end of the quarter. The Station's portion of the net investment earnings (losses) for the years ended June 30, 2008 and 2007 was (\$3,523) and \$1,985, respectively.

NOTE 5 – 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.

Questions?

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