

SMITH BUNDAY BERMAN BRITTON, P.S.

KBCS 91.3 FM COMMUNITY RADIO

(A Service of Bellevue College)

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

January 25, 2010

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 College) ("the Station") as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets 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, 2009 and 2008 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**

	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>
Assets:		
Cash and cash equivalents	\$150,501	\$243,487
Grants receivable	69,948	116,374
Member pledges receivable, less allowance for uncollectible pledges of \$30,000 and \$25,000, respectively - Note 2	29,724	23,419
Due from Bellevue College Foundation - Note 4	31,079	61,001
Prepaid expenses	-	4,314
Capital improvements and equipment, net of accumulated depreciation - Note 3	307,564	118,291
 Total assets	 \$588,816	 \$566,886

**Liabilities and Net Assets**

Liabilities:		
Accounts payable	\$7,033	\$2,110
Due to Bellevue College - Note 4	-	46,426
Accrued payroll and related liabilities	17,186	15,927
Total liabilities	24,219	64,463
 Contingencies - Note 5		
 Unrestricted net assets	 564,597	 502,423
 Total liabilities and net assets	 \$588,816	 \$566,886

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**

	<b>For the year ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Revenues and other support:		
Pledges and contributions	\$548,442	\$551,206
Grant revenue	131,432	180,392
In-kind contributions	136,725	123,358
Underwriting contributions	47,888	66,082
University appropriations	104,973	55,000
Investment losses	(4,392)	(3,523)
Total revenues and support	965,068	972,515
Expenses:		
Program services:		
Programming and production	220,758	230,264
Broadcasting	116,037	70,765
Program information and promotion	46,157	21,196
Total program services	382,952	322,225
Supporting services:		
Management and general	345,066	231,715
Fundraising	120,736	97,380
Underwriting	54,140	52,992
Total expenses	902,894	704,312
Increase in unrestricted net assets	62,174	268,203
Net assets at beginning of year	502,423	234,220
Net assets at end of year	\$564,597	\$502,423

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

KBCS 91.3 FM COMMUNITY RADIO

STATEMENT OF CASH FLOWS

	<u>For the year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<i>Cash flows from operating activities:</i>		
<i>Change in net assets</i>	\$62,174	\$268,203
<i>Adjustments to reconcile net cash used in operations:</i>		
Allowance for uncollectible pledges	5,000	5,000
Gifts of equipment and other	-	(95,552)
Depreciation	35,293	-
<i>Change in related asset and liability accounts:</i>		
Grants receivable	46,426	(46,426)
Promises to give	(11,305)	24,205
Due from Bellevue College Foundation	29,922	(51,575)
Prepaid expense	4,314	(4,314)
Accounts payable	4,923	1,134
Due to Bellevue College	(46,426)	46,426
Accrued payroll and related liabilities	1,259	5,260
Net cash provided by operating activities	<u>131,580</u>	<u>152,361</u>
 <i>Cash flows from investing activities:</i>		
Capital expenditures	<u>(224,566)</u>	<u>(14,987)</u>
 Net increase (decrease) in cash and cash equivalents	(92,986)	137,374
 Cash and cash equivalents at beginning of year	<u>243,487</u>	<u>106,113</u>
 Cash and cash equivalents at end of year	<u><u>\$150,501</u></u>	<u><u>\$243,487</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) 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, 2009 and 2008, 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, 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.

**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:**

**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 1 – continued:**

**Change in Accounting Principle -**

During the fiscal year 2009, the Station elected to change its capitalization policy in regards to fixed asset purchases from \$500 to \$5,000 in order to align its policy with the Bellevue College. Because this policy change is in accordance with the Corporation for Public Broadcasting accounting guidelines it is deemed to be a more preferable policy. The change has been reported as a retrospective change in accounting principle. As a result of this change, fixed assets and accumulated depreciated were reduced by \$270,831 and \$180,584, respectively, as of July 1, 2007. For the fiscal year ended June 30, 2008, depreciation expense was reduced by \$51,524 for a combined net decrease in net assets of \$141,771 as of July 1, 2008 from amounts previously reported.

**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, 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Receivable in one year or less	\$59,724	\$48,419
Less: allowance for uncollectible pledges	<u>(30,000)</u>	<u>(25,000)</u>
Total	<u>\$29,724</u>	<u>\$23,419</u>

**NOTE 3 -- CAPITAL IMPROVEMENTS AND EQUIPMENT**

Capital improvements and equipment are comprised of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Capital improvements	\$320,088	\$ -
Equipment	124,444	124,444
Construction in progress	<u>-</u>	<u>95,522</u>
	444,532	219,966
Less: accumulated depreciation	<u>(136,968)</u>	<u>(101,675)</u>
Total	<u>\$307,564</u>	<u>\$118,291</u>

Depreciation expense was \$35,293 and \$0 for the years ended June 30, 2009 and 2008, respectively.

#### **NOTE 4 – 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 \$131,181 and \$58,653 during the fiscal years 2009 and 2008, respectively, which approximates the fair market value of the use of office space.

During the fiscal year 2008, the Station began 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 by a \$46,426 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. During the fiscal year 2009, the Station completed the construction project for a total capitalized construction cost of \$320,088. In relation to this construction project, the Station recorded a contribution in 2009 from the College in the amount of \$78,973.

BC processes payroll and certain operating expenses for the Station on a cost reimbursement basis. The Station paid BC approximately \$68,240 and \$68,948 for operating expenses for the years ended June 30, 2009 and 2008, respectively. BC charged the Station \$312,338 and \$292,669 for payroll, taxes and benefits for the years ended June 30, 2009 and 2008, respectively.

The Station receives contributions from private individuals, foundations and other nonprofit organizations through the Bellevue College Foundation (Foundation). For the fiscal year ended June 30, 2009 and 2008, the Station received contributions of \$43,692 and \$96,073, respectively through the Foundation. The Station uses proceeds from the Foundation for equipment purchases and general operations. For the year ended June 30, 2009 and 2008 the remaining receivable held by the Foundation was \$31,079 and \$61,001, respectively.

The Foundation administers funds of various departments of BC, including the Station's. The investments relative to these funds are commingled with other investments of the Foundation. Investment earnings (losses) 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 losses for the years ended June 30, 2009 and 2008 was \$4,392 and \$3,523, 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.