

SMITH BUNDAY BERMAN BRITTON, P.S.

KBCS 91.3 FM COMMUNITY RADIO

(A Service of Bellevue College)

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

January 12, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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,	
	2017	2016
Assets:		
Cash and cash equivalents	\$179,749	\$325,339
Donations receivable	1,519	3,385
Member pledges receivable - Note 2	391	1,000
Prepaid expenses	30,647	30,418
Capital improvements and equipment, net of accumulated depreciation - Note 3	43,291	71,083
Total assets	<u>\$255,597</u>	<u>\$431,225</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$4,362	\$10,772
Accrued payroll and related liabilities	40,832	27,476
Total liabilities	<u>45,194</u>	<u>38,248</u>
Commitment and contingencies - Notes 5 and 7		
Unrestricted net assets	<u>210,403</u>	<u>392,977</u>
Total liabilities and net assets	<u>\$255,597</u>	<u>\$431,225</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,	
	2017	2016
Unrestricted revenues and other support:		
Pledges and contributions	\$677,136	\$610,517
College appropriations and other support	468,913	408,268
Underwriting contributions	51,081	64,112
In-kind contributions	886	4,243
Total revenues and support	1,198,016	1,087,140
Expenses:		
Program services:		
Programming and production	458,134	350,287
Broadcasting	99,672	56,762
Program information and promotion	48,312	11,416
Total program services	606,118	418,465
Supporting services:		
Management and general	457,982	404,253
Fundraising	276,005	143,711
Underwriting	40,485	35,485
Total expenses	1,380,590	1,001,914
Increase (decrease) in unrestricted net assets	(182,574)	85,226
Net assets at beginning of year	392,977	307,751
Net assets at end of year	\$210,403	\$392,977

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, 2017**

	Program Services			Supporting Services			Total
	Programming and production	Broadcasting	Program information and promotion	Management and general	Fundraising	Underwriting	
Salaries and wages	\$292,220	\$48,807	\$30,360	\$76,894	\$165,385	\$35,546	\$649,212
Facilities - administrative indirect	-	-	-	240,913	-	-	240,913
Benefits	84,158	13,995	6,073	25,220	56,843	4,939	191,228
Depreciation	-	-	-	27,792	-	-	27,792
Memberships and subscriptions	52,043	-	2,258	11,611	2,141	-	68,053
Purchased services	11,709	-	6,999	12,333	1,563	-	32,604
Rentals and leases	-	36,870	-	1,107	-	-	37,977
Supplies and materials	-	-	2,622	11,081	22,474	-	36,177
Software licenses and maintenance	1,766	-	-	3,753	-	-	5,519
Other, advertising and miscellaneous	4,018	-	-	2,500	4,360	-	10,878
Fundraising expense	-	-	-	-	5,030	-	5,030
Travel	6,905	-	-	-	311	-	7,216
Communication and telecommunications	-	-	-	557	7,640	-	8,197
Printing and reproduction	-	-	-	3,493	9,749	-	13,242
Overhead	-	-	-	18,772	-	-	18,772
Employee professional development	5,315	-	-	2,138	509	-	7,962
Bank charges	-	-	-	16,710	-	-	16,710
Capital outlays	-	-	-	3,108	-	-	3,108
Repairs and maintenance	-	-	-	-	-	-	-
Hardware non-capital	-	-	-	-	-	-	-
Total expenses	\$458,134	\$99,672	\$48,312	\$457,982	\$276,005	\$40,485	\$1,380,590

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, 2016**

	Program Services			Supporting Services			Total
	Programming and production	Broadcasting	Program information and promotion	Management and general	Fundraising	Underwriting	
Salaries and wages	\$237,537	\$7,800	\$5,816	\$110,499	\$64,771	\$29,246	\$455,669
Facilities - administrative indirect	-	-	-	182,268	-	-	182,268
Benefits	62,604	654	2,186	35,150	17,681	6,239	124,514
Depreciation	-	-	-	27,794	-	-	27,794
Memberships and subscriptions	35,762	-	1,091	5,439	6,075	-	48,367
Purchased services	7,448	-	105	12,461	2,642	-	22,656
Rentals and leases	93	34,116	-	534	-	-	34,743
Supplies and materials	2,627	9,452	1,350	9,276	7,303	-	30,008
Software licenses and maintenance	-	4,358	-	2,858	-	-	7,216
Other, advertising and miscellaneous	782	-	838	1,044	2,833	-	5,497
Fundraising expense	-	-	-	-	15,897	-	15,897
Travel	3,194	-	-	-	1,065	-	4,259
Communication and telecommunications	-	-	-	2,019	2,701	-	4,720
Printing and reproduction	-	-	30	7,433	6,061	-	13,524
Overhead	-	-	-	-	-	-	-
Employee professional development	240	-	-	2,887	525	-	3,652
Bank charges	-	-	-	2,069	12,977	-	15,046
Capital outlays	-	-	-	2,522	-	-	2,522
Repairs and maintenance	-	382	-	-	3,180	-	3,562
Hardware non-capital	-	-	-	-	-	-	-
Total expenses	\$350,287	\$56,762	\$11,416	\$404,253	\$143,711	\$35,485	\$1,001,914

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,	
	2017	2016
<i>Cash flows from operating activities:</i>		
Change in net assets	(\$182,574)	\$85,226
<i>Adjustments to reconcile net cash used in operations:</i>		
Depreciation	27,792	27,794
<i>Change in related asset and liability accounts:</i>		
Donations receivable	1,866	6,133
Promises to give	609	7,253
Prepaid expenses	(229)	(9,884)
Accounts payable	(6,410)	(6,987)
Grants payable	-	(4,150)
Accrued payroll and related liabilities	13,356	7,023
Net cash provided by (used in) operating activities	(145,590)	112,408
 <i>Cash flows from investing activities:</i>		
Capital expenditures	-	-
Net increase (decrease) in cash and cash equivalents	(145,590)	112,408
Cash and cash equivalents at beginning of year	325,339	212,931
Cash and cash equivalents at end of year	<u>\$179,749</u>	<u>\$325,339</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, 2017 and 2016, 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 3. 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 2017 and 2016, the Station recognized as contributions \$18,960 and \$27,270, respectively in vehicle donations, which are reported as contributions in the statement of activities and changes in net assets. The Station's portion of unremitted proceeds from contributed vehicles sold at auction are recorded as donations receivable in the statement of financial position.

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:

Reclassification -

Certain amounts in the 2016 presentation have been reclassified to conform to the 2017 presentation.

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, 2017 and 2016 are comprised of the following:

	<u>2017</u>	<u>2016</u>
Receivable in one year or less	\$460	\$1,000
Less allowance for uncollectible pledges	<u>(69)</u>	<u>-</u>
	<u>\$391</u>	<u>\$1,000</u>

NOTE 3 - CAPITAL IMPROVEMENTS AND EQUIPMENT

Capital improvements and equipment are comprised of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital improvements	\$320,088	\$320,088
Equipment	<u>292,984</u>	<u>292,984</u>
	613,072	613,072
Less: accumulated depreciation	<u>(569,781)</u>	<u>(541,989)</u>
Total	<u>\$43,291</u>	<u>\$71,083</u>

Depreciation expense was \$27,792 and \$27,794 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

The Station receives support from BC in the form of in-kind contributions of rent and certain utilities. The Station has recognized in-kind contributions for use of facilities and utilities in the amount of \$240,913 and \$182,268 during the fiscal years 2017 and 2016, respectively, which approximates the fair market value of the use of the contribution.

In August 2015, the Station received a 3 year \$200,000 conditional annual commitment from BC to support expansion through fiscal year 2018. During the years ended June 30, 2017 and 2016, the Station received annual appropriations of \$200,000 against this commitment which has been included in the "College appropriations and other support" caption in the statement of activities. The Station will not receive a \$200,000 appropriation in FY 17/18 from BC in anticipation of the award of a Community Service Grant from the Corporation for Public Broadcasting in FY 17/18.

NOTE 4 - continued:

BC processes payroll and certain operating expenses for the Station on a cost reimbursement basis. BC charged the Station \$840,440 and \$580,894 for payroll, taxes and benefits for the years ended June 30, 2017 and 2016, respectively. The Station paid BC \$45,137 and \$17,838 for other operating expenses for the years ended June 30, 2017 and 2016, respectively.

The Station receives contributions from private individuals, foundations and other nonprofit organizations through the Bellevue College Foundation (Foundation). In addition, in order to comply with the State of Washington Charitable Solicitations Act, effective July 1, 2015, all of the Station's fundraising activities are conducted through the Foundation. For the fiscal years ended June 30, 2017 and 2016, the Station received contributions of \$685,000 and \$500,000, respectively through the Foundation. The Station uses proceeds from the Foundation for equipment purchases and general operations.

For the fiscal years ended June 30, 2017 and 2016, the Station received grant revenue in the amount of \$28,000 and \$26,000, respectively, through Bellevue College.

NOTE 5 - LEASE COMMITMENT

The Station leases space for a FM broadcast system under an operating a lease which has been extended through February 28, 2023. The lease calls for monthly payments of \$2,898 plus an annual 3% adjustment. The following is a schedule by year of future minimum rental payments under this operating lease as of June 30, 2017.

<u>Year Ending June 30,</u>	
2018	\$34,103
2019	35,300
2020	36,359
2021	37,450
2022	38,573
Thereafter	<u>26,292</u>
Total minimum lease payments	<u>\$208,076</u>

Rental expense charged to operations during the years ended June 30, 2017 and 2016 was \$36,870 and \$34,116, respectively.

NOTE 6 - CONCENTRATIONS

During 2017 and 2016, two and one donor(s) made contributions of \$158,712 and \$100,000 or 23% and 16% of pledge and contributions during these respective fiscal years.

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 January 12, 2018 the date these financial statements were available to be issued.