

KBCS 91.3 FM

(A Service of Bellevue College)

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

To the Management of
KBCS 91.3 FM

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of KBCS 91.3 FM (a service of Bellevue College) (“the Station”), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KBCS 91.3 FM as of June 30, 2023 and 2022, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 KBCS 91.3 FM 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.

Responsibilities of Management 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, 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 KBCS 91.3 FM’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted 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 generally accepted 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 the Station'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 the Station'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.

Smith Bunday Berman Britton, P.S.

January 12, 2024

KBCS 91.3 FM**STATEMENT OF FINANCIAL POSITION****Assets**

	June 30,	
	2023	2022
Assets:		
Cash and cash equivalents	\$977,633	\$767,873
Interest in endowment held by Bellevue College Foundation - Note 12	50,200	50,200
Donations receivable - Note 2	18,201	34,908
Prepaid expenses	23,526	59,685
Capital improvements and construction in progress, net of accumulated depreciation - Note 3	142,687	151,852
Right of use asset - financing lease	652,829	-
Total assets	<u>\$1,865,076</u>	<u>\$1,064,518</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$1,072	\$2,391
Accrued payroll and related liabilities	22,376	39,842
Right of use liability - financing lease	642,176	-
Total liabilities	<u>665,624</u>	<u>42,233</u>

Commitment and contingencies - Notes 11, 13 and 14

Net assets:		
Without donor restrictions	1,141,438	969,906
With donor restrictions	58,014	52,379
Total net assets	<u>1,199,452</u>	<u>1,022,285</u>
Total liabilities and net assets	<u>\$1,865,076</u>	<u>\$1,064,518</u>

See auditor's report and accompanying notes to financial statements

KBCS 91.3 FM

STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS

	For the year ended June 30,	
	2023	2022
Changes in net assets without donor restrictions:		
Revenues and support:		
KBCS listener support	\$642,192	\$659,879
Corporation for Public Broadcasting - Note 7	90,017	95,727
Bellevue College appropriations and other support - Note 4	208,514	183,867
Underwriter contributions - Note 8	41,505	72,513
Business and Industry	7,804	-
Foundations, non-profit and local government support - Note 9	196,106	170,411
Major donors	75,672	100,968
Interest and dividends	1,898	1,914
Net realized and unrealized loss on interest in endowment - Note 12	2,662	(7,235)
Total revenues and support without donor restrictions	1,266,370	1,278,044
Net assets released from restrictions - Note 5	26,307	197,119
	1,292,677	1,475,163
Expenses:		
Program services	517,002	615,442
Management and general	283,395	246,716
Fundraising	254,614	182,165
Underwriting	62,512	89,821
Total expenses	1,117,523	1,134,144
Increase in net assets without donor restrictions	175,154	341,019
Changes in net assets with donor restrictions:		
Corporation for Public Broadcasting - Note 7	31,942	-
Net assets released from restrictions - Note 5	(26,307)	(197,119)
Increase (decrease) in net assets with donor restrictions	5,635	(197,119)
Increase in total net assets	180,789	143,900
Net assets at beginning of year	1,022,285	874,763
Transfer - Note 12	(3,622)	3,622
Net assets at end of year	\$1,199,452	\$1,022,285

See auditor's report and accompanying notes to financial statements

KBCS 91.3 FM

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services							
	Programming and production	Broadcasting	Program information and promotion	Total Program Services	Management and general	Fundraising	Underwriting	Total
Salaries and wages	\$145,215	\$65,602	\$32,306	\$243,123	\$97,654	\$57,362	\$37,661	\$435,800
College facilities and services	61,627	37,237	10,257	109,121	56,721	59,357	11,971	237,170
Benefits	52,035	20,640	10,998	83,673	32,252	19,148	12,880	147,953
Purchased services	968	1,632	-	2,600	10,614	59,742	-	72,956
Amortization	-	-	-	-	40,571	-	-	40,571
Software licenses and maintenance	-	4,084	-	4,084	-	25,208	-	29,292
Communication and telecommunications	11,352	14,019	-	25,371	-	-	-	25,371
Memberships and subscriptions	16,617	2,597	-	19,214	4,374	1,724	-	25,312
Other, advertising and miscellaneous	17,151	3,840	-	20,991	415	3,151	-	24,557
Bank charges	-	-	-	-	-	21,539	-	21,539
Depreciation	-	-	-	-	20,629	-	-	20,629
Minor equipment	-	8,394	-	8,394	6,598	822	-	15,814
Interest	-	-	-	-	8,469	-	-	8,469
Postage and shipping	-	-	-	-	-	5,350	-	5,350
Professional fees	-	-	-	-	3,083	-	-	3,083
Supplies and materials	-	431	-	431	1,912	701	-	3,044
Bad debts	-	-	-	-	-	510	-	510
Printing and reproduction	-	-	-	-	103	-	-	103
Rentals and leases	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-
Employee professional development	-	-	-	-	-	-	-	-
Total expenses	<u>\$304,965</u>	<u>\$158,476</u>	<u>\$53,561</u>	<u>\$517,002</u>	<u>\$283,395</u>	<u>\$254,614</u>	<u>\$62,512</u>	<u>\$1,117,523</u>

See auditor's report and accompanying notes to financial statements

KBCS 91.3 FM

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services							
	Programming and production	Broadcasting	Program information and promotion	Total Program Services	Management and general	Fundraising	Underwriting	Total
Salaries and wages	\$185,901	\$73,152	\$56,154	\$315,207	\$104,282	\$62,673	\$55,790	\$537,952
College facilities and services	63,429	35,570	16,880	115,879	46,874	33,878	16,912	213,543
Benefits	59,255	21,455	16,617	97,327	31,510	17,890	17,119	163,846
Purchased services	1,999	3,600	-	5,599	2,049	40,011	-	47,659
Amortization	-	-	-	-	-	-	-	-
Software licenses and maintenance	1,724	1,971	-	3,695	-	14,432	-	18,127
Communication and telecommunications	4,850	-	-	4,850	-	-	-	4,850
Memberships and subscriptions	18,583	3,763	-	22,346	4,507	2,200	-	29,053
Other, advertising and miscellaneous	-	-	-	-	-	292	-	292
Bank charges	-	-	-	-	25,042	-	-	25,042
Depreciation	-	-	-	-	16,285	-	-	16,285
Minor equipment	-	2,727	-	2,727	-	-	-	2,727
Interest	-	-	-	-	-	-	-	-
Postage and shipping	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	16,098	-	-	16,098
Supplies and materials	1,135	-	-	1,135	-	5,790	-	6,925
Bad debts	-	-	-	-	-	2,238	-	2,238
Printing and reproduction	-	-	-	-	-	2,761	-	2,761
Rentals and leases	-	42,223	-	42,223	-	-	-	42,223
Repairs and maintenance	-	4,454	-	4,454	-	-	-	4,454
Employee professional development	-	-	-	-	69	-	-	69
Total expenses	<u>\$336,876</u>	<u>\$188,915</u>	<u>\$89,651</u>	<u>\$615,442</u>	<u>\$246,716</u>	<u>\$182,165</u>	<u>\$89,821</u>	<u>\$1,134,144</u>

See auditor's report and accompanying notes to financial statements

KBCS 91.3 FM

STATEMENT OF CASH FLOWS

	For the year ended June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$180,789	\$143,900
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,629	16,285
Amortization	40,571	-
Decrease in allowance on pledges receivable	(49)	-
Realized loss (gain) on sale of interest in endowment	655	(206)
Unrealized loss (gain) on interest in endowment	(3,317)	7,441
Interest expense - finance lease	8,469	-
Changes in operating assets and liabilities:		
Receivables	-	1,386
Donations receivable	16,756	(15,226)
Prepaid expenses	36,159	(33,174)
Accounts payable	(1,319)	(11,012)
Accrued payroll and related liabilities	(17,466)	14,373
Net cash provided by operating activities	<u>281,877</u>	<u>123,767</u>
Cash flows from investing activities:		
Reinvested interest in endowment	(960)	(1,914)
Capital expenditures	(11,464)	(114,010)
Net cash used in investing activities	<u>(12,424)</u>	<u>(115,924)</u>
Cash flows from financing activities:		
Finance lease minimum fixed rent payments	(59,693)	-
Net cash used in investing activities	<u>(59,693)</u>	<u>-</u>
Net increase in cash and cash equivalents	209,760	7,843
Cash and cash equivalents at beginning of year	<u>767,873</u>	<u>760,030</u>
Cash and cash equivalents at end of year	<u><u>\$977,633</u></u>	<u><u>\$767,873</u></u>

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KBCS 91.3 FM

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations -

KBCS 91.3 FM (the “Station”) is a non-commercial radio station in the Seattle metropolitan market, licensed to 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.

Recently Adopted Accounting Pronouncements -

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and liabilities for operating leases on the statement of financial position.

The Station elected to adopt these ASUs effective July 1, 2022 and utilize all of the available practical expedients. The adoption had a material impact on the Station’s financial statements. The most significant impact was the recognition of right-of-use (ROU) asset and lease liability for the lease that is further described in Note 11. Adoption of the standard resulted in an increase in the ROU financing lease asset and the ROU financing lease liability of \$693,400 at July 1, 2022.

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.

NOTE 1 - continued:

Basis of Presentation -

In conformity with not-for-profit accounting, the Station's net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Station and changes therein are classified and reported as follows:

- Net assets without Donor Restrictions - Net assets that are not subject to or no longer subject to donor-imposed restrictions.
- Net assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Net assets with donor restrictions include pledges and contributions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When a restriction expires, (this is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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 Bellevue College.

Community Support Receivable -

The Station engages in on-going appeals to encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offers and other operating expenses. Community support includes listener support, underwriter contributions and gifts from major donors, foundations, non-profits and local government. A portion of community support consists of unconditional pledges to give over a finite period of time. As uncollected pledges are not enforceable against contributors, the Station calculates an allowance for uncollectable amounts based on management's judgment. Amounts receivable within one year are recorded at net realizable value. Any such pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts, if any, are computed using a risk-free interest rate. Amortization of the discounts, if any, is included in contribution revenue. Conditional pledges, if any, are recognized only when the conditions on which they depend are substantially met.

Capital Improvements and Construction in Progress -

Capital improvements and construction in progress consist of investments in durable resources including broadcast facilities, equipment and software, signal relay systems and transmission systems. Capital improvements and construction in progress expenses in excess of \$5,000 are recorded at cost if purchased, and if donated, at fair market value at the date of donation. See Note 3.

NOTE 1 - continued:

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.

Leases -

In accordance with ASC 842, the Station determines if an arrangement is a lease at inception. Lease liabilities are calculated using the effective interest method, regardless of classification, while the amortization of ROU assets varies depending upon classification. Finance lease classification results in a front-loaded expense recognition pattern over the lease term which amortizes the ROU asset by recognizing interest expense and amortization expense as separate components of lease expense and calculates the amortization expense component on a straight-line basis. Conversely, operating lease classification results in a straight-line expense recognition pattern over the lease term and recognizes lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Station's leases generally do not provide an implicit rate, the Station uses a risk-free discount rate for a comparable lease term to determine the present value of lease payments.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

For fiscal 2022, the Station evaluated and classified its leases as either operating or capital leases for financial reporting purposes, in accordance with ASC 840.

Cash Contributions -

Contributions are recognized in the period received, including unconditional promises to give when made, at their fair value. Contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. However, if the restrictions expire in the fiscal year in which the contributions are recognized, they are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

In accordance with ASC Sub-Topic 958, the Station must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists.

NOTE 1 - continued:

Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

Revenue -

Listener support represents amounts given or pledged primarily by individuals and is recognized in the period received or pledged. Listener support pledges may be canceled by the donor. To the extent pledged payments are not fulfilled, unpaid amounts are reported as bad debt in the same or subsequent periods.

Underwriting support represents amounts pledged primarily by businesses and other organizations with expectation that this support will be recognized with on-air acknowledgements. Underwriting is recognized in the period during which it is pledged. To the extent pledged payments are not fulfilled, unpaid amounts are reported as bad debt in the same or subsequent periods.

Additional support comes from foundations, non-for-profit agencies, local governments and from license holder, Bellevue College. An endowment for the Station provides dividends and interest and realized and unrealized capital gains or losses.

Community Service Grant revenue from the Corporation for Public Broadcasting (CPB) is received as an 'Unrestricted Community Service Grant' and as a 'Restricted Community Service Grant.' The unrestricted portion can be used for a variety of purposes, including local content development, community outreach, infrastructure maintenance, and other station needs. The restricted portion can be used for acquiring programming from independent producers or other stations or for producing programming shared with other stations. See Note 7.

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 increases in net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as increases in net assets without donor restrictions.

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 financial statements report certain categories of expenses allocated across several services. Payroll, its-related taxes and benefits expenses are allocated based on the program or function benefitted using percentage rates reviewed and adjusted each year. An indirect overhead fee is calculated by the Bellevue College using CPB's guidance for Indirect Administrative Support. Per the

NOTE 1 - continued:

CPB guidance, this expense for facilities and administrative costs and occupancy value is allocated to program and other support services. Allocation is based on total expenses for each function.

Fundraising -

Fundraising costs are recorded as they are incurred. In some instances, expenses in one period may result in contributions received in subsequent periods.

The Station receives 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 gross auction sale. During 2023 and 2022, the Station recognized as contributions \$66,325 and \$46,49, respectively in vehicle donations, which are reported as contributions in the statement of activities and changes in net assets. The Station's interest in contributed vehicles not yet 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.

Fair Value Measurements -

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Certain investments and the interest in funds held by the Foundation are presented at fair value in these financial statements.

NOTE 2 - DONATIONS RECEIVABLE

The Station has received donations and pledges from individuals, businesses and other organizations throughout the Puget Sound area. Donations and pledges outstanding at June 30, 2023 and 2022 are comprised of the following:

NOTE 2 - continued:

	2023	2022
Receivable in one year or less	\$19,239	\$35,995
Less allowance for uncollectible pledges	(1,038)	(1,087)
	<u>\$18,201</u>	<u>\$34,908</u>

NOTE 3 - CAPITAL IMPROVEMENTS AND CONSTRUCTION IN PROGRESS

Capital improvements and construction in progress are comprised of the following as of June 30, 2023 and 2022:

	2023	2022
Capital improvements	\$332,474	\$332,474
Equipment	434,995	423,531
	<u>767,469</u>	<u>756,005</u>
Less: accumulated depreciation	(661,380)	(640,751)
	<u>106,089</u>	<u>115,254</u>
Construction in progress	36,598	36,598
	<u>\$142,687</u>	<u>\$151,852</u>

Depreciation expense was \$20,629 and \$16,285, respectively, for the years ended June 30, 2023 and 2022.

NOTE 4 - RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

The Station receives support from BC in the form of in-kind contributions of occupancy and centrally provided goods and services. The Station has recognized \$208,514 and \$183,867 during the fiscal years 2023 and 2022, respectively, using the CPB's standard method worksheet on Schedule B to calculate values which has been included in the "College appropriations and other support" caption in the statement of activities.

BC processes payroll and certain operating expenses for the Station on a cost reimbursement basis. BC charged the Station \$583,753 and \$701,798 for payroll, taxes and benefits for the years ended June 30, 2023 and 2022, respectively. The Station additionally paid BC \$109,705 and \$127,307 for overhead and for pass-through operating expenses (including broadcast tower leasing and professional fees for accounting and legal services) for the years ended June 30, 2023 and 2022, respectively.

The Station receives community contributions from individuals, businesses, foundations and other nonprofit organizations through the Bellevue College Foundation (Foundation). To comply with the State of Washington Charitable Solicitations Act, the Station's community fundraising activities are conducted through the Foundation. For the fiscal years ended June 30, 2023 and 2022, the Station received operating cash support of \$500,000 and \$870,775, respectively, through the Foundation after expenses. The Station uses proceeds from the Foundation for general operations and equipment purchases.

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

The net assets released from donor restrictions during the years ended June 30, 2023 and 2022 were expended primarily for capital projects and certain operating expenses of the Station.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for future periods or for specific programs, and consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose -		
Capital Projects – Transmitter and Console Board Replacement	\$2,179	\$2,179
Corporation for Public Broadcasting - Community Service Grant	5,635	-
Subject to donor restrictions -		
Interest in endowment held by Foundation	50,200	50,200
	<u>\$58,014</u>	<u>\$52,379</u>

Net assets with endowment restrictions consist of a portion of a pool of various investments. The investment is accounted for at the fair value of the underlying investments and is considered Level 3 in the fair value hierarchy described in Note 1. The income is to be used to support the operations of the Station.

The value of Level 3 assets is provided by the Foundation. The change in value year over year is a result of changes in fair value of the underlying assets. See Note 12.

NOTE 7 - CORPORATION FOR PUBLIC BROADCASTING

Grant revenue from the Corporation for Public Broadcasting consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Community Service Grant	<u>\$121,959</u>	<u>\$95,727</u>

NOTE 8 - UNDERWRITER CONTRIBUTIONS

Underwriter contributions were from the following sources for the years ended June 30:

	2023	2022
Local government agencies	\$27,258	\$16,632
Foundations and non-profit associations	6,398	8,618
Business and industry	7,849	47,263
	<u>\$41,505</u>	<u>\$72,513</u>

NOTE 9 - FOUNDATIONS, NON-PROFIT AND LOCAL GOVERNMENT SUPPORT

Foundations, non-profit and local government support contributions other than underwriter contributions were from the following sources for the years ended June 30:

	2023	2022
Local government agencies	\$35,579	\$7,000
Foundations and non-profit associations	160,527	163,411
	<u>\$196,106</u>	<u>\$170,411</u>

Foundations and non-profit associations' contributions are reflected in the statement of activities as follows:

Without donor restrictions	\$196,106	\$170,411
With donor restrictions	<u>-</u>	<u>-</u>
	<u>\$196,106</u>	<u>\$170,411</u>

NOTE 10 - LIQUIDITY AND AVAILABILITY

The Station's financial assets available within one year to meet general expenditures include the following as of June 30:

	2023	2022
Cash and cash equivalents	\$977,633	\$767,873
Funds held as endowment (excluding earnings)	50,200	50,200
Donations receivable	18,201	34,908
Available financial assets	<u>1,046,034</u>	<u>852,981</u>
Less: financial assets unavailable for general expenditures due to designations		
Donor imposed time/purpose restrictions	(7,814)	(2,179)
Funds held as endowment, excluding earnings	<u>(50,200)</u>	<u>(50,200)</u>
Available financial assets, net	<u>\$988,020</u>	<u>\$800,602</u>

NOTE 11 - LEASE COMMITMENT

The Station leases space for an FM broadcast system which has been extended through February 28, 2028 and contains two additional extension options of five years each. The exercise of lease renewal options is at the Station's sole discretion. The lease calls for monthly payments of \$3,262 plus an annual 3% adjustment.

The lease was reassessed upon the implementation of ASC 842, *Leases* and was determined to be a financing lease as of July 1, 2022.

The future minimum lease payments required under the Station's financing lease as of June 30, 2023 were as follows:

<u>Year Ending June 30,</u>	
2024	\$20,562
2025	41,942
2026	43,200
2027	44,496
2028	45,831
Thereafter	520,228
	<u>\$716,259</u>
Less: interest (a)	(74,083)
Present value of lease liability (b)	<u>\$642,176</u>

(a) The Station's lease does not provide a readily determinable implicit rate. Therefore, it must estimate the discount rate for the lease to determine the present value of lease payments at lease commencement date.

(b) The weighted average remaining lease term and weighted average discount rate used in calculating the lease liability were 14.7 years and 0.79%, respectively, at June 30, 2023. The discount rate reflects the risk free rate adjusted to ensure that the present value of minimum lease payments did not exceed the fair value of leased asset at the implementation date.

The following summarizes the line item in the statement of activities which include components of finance lease expense for the year ended June 30, 2023:

Finance lease costs:	
Amortization of lease assets included in management and general expenses	\$40,571
Interest on lease liabilities included in interest expense	<u>8,469</u>
Total lease costs	<u>\$49,040</u>

The following summarizes supplemental cash flow information related to the lease for the year ended June 30, 2023:

Cash paid for amounts included in measurement of lease liability:	
Cash flows for financing lease – in substance fixed minimum rent payment	<u>\$59,693</u>

NOTE 11 - continued:

Lease asset obtained in exchange for lease
obligation on July 1, 2022:

Financing lease	<u>\$693,400</u>
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Rental expense charged to operations during the year ended June 30, 2022 was \$42,223.

NOTE 12 - FUNDS HELD AS ENDOWMENT

As discussed in Note 1, the Station has an interest in an endowment held by the Bellevue College Foundation (“the Foundation”). This endowment consists of a donor-designated fund established in 2021 to provide long-term stability and support for the programs, operations, and activities of the Station. As this endowment is restricted by outside donors, it is included with the net assets with donor restrictions.

As required by generally accepted accounting principles, the endowment funds comprise donor restricted net assets related to the corpus of endowment funds that have been contributed with donor-specified restrictions that the principal be invested in perpetuity and the net assets that are earnings are available for operations, equipment, facilities or as directed by the donors or the Board.

As of June 30, 2023, endowment fund net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	<u>\$427</u>	<u>\$50,200</u>	<u>\$50,627</u>

As of June 30, 2022, endowment fund net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	<u>\$-</u>	<u>\$50,200</u>	<u>\$50,200</u>

NOTE 12 - continued:

Changes to endowment fund's net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds, June 30, 2022	\$-	\$50,200	\$50,200
Interest and dividends	1,898	-	1,898
Realized and unrealized loss	2,662	-	2,662
Fund administration fee	(511)		(511)
Transfer	(3,622)	-	(3,622)
Donor restricted endowment funds, June 30, 2023	<u>\$427</u>	<u>\$50,200</u>	<u>\$50,627</u>

Changes to endowment fund's net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds, June 30, 2021	\$1,699	\$50,200	\$51,899
Interest and dividends	1,914	-	1,914
Realized and unrealized loss	(7,235)	-	(7,235)
Transfer	3,622	-	3,622
Donor restricted endowment funds, June 30, 2022	<u>\$-</u>	<u>\$50,200</u>	<u>\$50,200</u>

Return Objectives and Risk Parameters -

The Foundation adopted investment and spending policies for endowment fund assets that attempt to provide a predictable stream of funding for the Foundation, the College and the Station while seeking to achieve growth of principal and income over time in order to preserve or increase the purchasing power of the Foundation's assets. Endowments include those assets of donor-restricted funds the Foundation must hold in perpetuity. Under this policy, as approved by the Foundation Board, the Foundation assets are invested in a manner that is intended to achieve investment returns above the broad market indices over a typical market cycle of five to ten years. The endowment assets portfolio is managed by investment managers with the approval of the Finance Committee and the Board of Directors to achieve the above return objectives.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives

NOTE 12 - continued:

within prudent risk constraints. Equity and bond mutual fund investments are diversified in terms of industry, market capitalization and domestic/foreign origin.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has a policy of appropriating for distribution annually as directed by the Foundation Board. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment fund assets to grow. This is consistent with the Foundation's objective to sustain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 13 - 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 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 12, 2024 the date these financial statements were available to be issued.