

KNCT-FM

**OPERATING SEGMENTS OF THE
CENTRAL TEXAS COLLEGE DISTRICT**

COMBINED FINANCIAL STATEMENTS

August 31, 2023 and August 31, 2022

KNCT-TV AND KNCT-FM
OPERATING SEGMENTS OF THE
CENTRAL TEXAS COLLEGE DISTRICT
COMBINED FINANCIAL STATEMENTS
August 31, 2023 and August 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Texas College District
Killeen, Texas

Opinions

We have audited the accompanying financial statements of KNCT-FM (operating segment of the Central Texas College District), as of and for the year ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the KNCT-FM (operating segment of the Central Texas College District)'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KNCT-FM (operating segment of the Central Texas College District), as of August 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 the KNCT-FM (operating segment of the Central Texas College District), 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the KNCT-FM (operating segment of the Central Texas College District)'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 KNCT-FM (operating segment of the Central Texas College District)'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 KNCT-FM (operating segment of the Central Texas College District)'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink that reads "Jatt, Vernon & Co. P.C." The signature is written in a cursive, flowing style.

Temple, Texas
December 8, 2023

KNCT Public Broadcasting

Management's Discussion and Analysis

Introduction and Reporting Entity

The following discussion and analysis is an overview of the financial position and activities of KNCT Public Telecommunications for the years ended August 31, 2023 and 2022. Management of the station prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KNCT formally broadcasted on both a full-powered public television station and a full-power FM non-commercial radio station. In the year of 2018 the College Board of Trustees voted to not participate in Federal Communications Commission mandate to move the station from UHF Channel 46 to Channel 17. The Board then decided to cease over the air television broadcasting effective August 31, 2018. During Fiscal Year 2019 KNCT sold TV Licenses rights for \$485,250.90 recorded as other Income.

KNCT, under licensee owner Central Texas College District, now operates solely as a full power FM non-commercial radio station.

KNCT-FM, a full power FM non-commercial radio station is owned and operated by Central Texas College District, a political subdivision of the state of Texas. The college is governed by a Board of Trustees who are elected by voters in the college district. The station began operation in November 1970 to serve central Texas residents with quality non-commercial educational programming.

KNCT-FM operates with an effective radiated power of 50,000 watts with an antenna height of 1,000 feet. The radio service enjoys a large coverage area of an approximate 100 mile radius with internet streaming of its programming for worldwide coverage.

The radio station provides programming for persons over age 50. It is the only local radio station to do so and has enjoyed success and membership support for its efforts. The station produces a weekly 6 hour big band music show. The station carries a weekly program for local news information for senior citizens. In addition the station is the only station under local ownership in the Killeen-Temple market.

KNCT-FM is committed to local program production which includes news and information on prevention and safety warnings for listeners as well as community events for non-profit organizations in local areas. The station is committed to serving the military community as Killeen, Texas is home to Ft. Cavazos, one of the largest military installations in the United States. KNCT-FM partners with the Center Director of Fort Cavazos's USO to inform our listeners of weekly events and programs designed to assist soldiers, veterans, and their family members. The station promotes wellness clinics that

offer free healthcare for children in the area and animal shelters that need help finding homes for our four-legged friends. When commercial radio stations ceased broadcast of local high school sports, KNCT became the only outlet to provide live play by play of all Killeen High Schools. This will mark the 43th year the station has broadcast local KISD games.

The radio station installed a new digital transmitter and has begun HD radio broadcasts. A second full time channel was added in mid-2015 and provides a 24 hour classical music service.

The station operates within a modest budget structure. The radio station is supported by membership contributions and corporate funding and an annual grant from Corporation for Public Broadcasting (CPB).

The station relies on a variety of revenue sources which include tower facilities rental, production services and use of its facilities for academic activities and an annual grant from the Corporation for Public Broadcasting.

Overview of the Financial Statements

The financial statements of KNCT consist of the Combined Statement of Net Position, the Combined Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities.

The Combined Statement of Net Position includes Assets, Liabilities and Net Position as of August 31, 2023 and 2022. This statement is classified into Current and Non-Current Assets and Current Liabilities, with Net Position classified in the categories as noted below in the Condensed Combined Statement Of Net Position. The Combined Statement of Revenues, Expenses and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Income (Loss), which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Position. The Statement of Cash Flows shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

For fiscal year 2023 and forward, since KNCT-TV is no longer a grantee, separate audited financial information for KNCT-FM is required. This can be done by submitting only annual financial statements for KNCT-FM or including a supplemental schedule of combined Statement of Revenues, Expenses and Changes in Net Position with a breakdown of TV and Radio, per CPB Financial Reporting Guidelines (Part I, Section I, para. D, page 5). The Independent Accountant will be required to perform necessary

procedures to provide opinion that the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Financial Highlights

The financial position of KNCT remains stable as of August 31, 2023. Combined Net Position totaled \$1,128,191 for the year ended August 31, 2023 (FY 2023) and \$516,411 for the year ended August 31, 2022 (FY 2022). KNCT's Combined Net Position increased by \$611,780 in FY 2023 compared to an increased in Combined Net Position for FY 2022 of \$92,305. Operating Revenues totaled \$1,217,425 in FY 2023 compared to \$724,568 in FY 2022. Operating and Support Service Expenses totaled \$248,280 and \$357,365 in FY2023 compared to \$231,042 and \$401,221 in FY 2022. The Combined Net Operating Gain for FY 2023 was \$611,780 which included non-cash depreciation expense of \$20,094 and amortization of \$19,076 while the Combined Net Operating income for FY 2022 was \$92,305 which included non-cash depreciation expense of \$25,010 and amortization of \$4,747.

Financial Analysis of Statements

KNCT condensed financial statements are presented below for FY 2023 and 2022.

Condensed Combined Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	609,386	403,434
Property and equipment, net	1,328,175	1,186,566
Other Non-Current	<u>0</u>	<u>0</u>
Total Assets	<u>1,937,561</u>	<u>1,590,900</u>
Liabilities		
Current Liabilities	<u>809,370</u>	<u>1,073,589</u>
Total Liabilities	<u>809,370</u>	<u>1,073,589</u>
Net Position		
Unrestricted	(199,984)	(670,155)
Invested In Capital	<u>1,328,175</u>	<u>1,186,566</u>
Total Net Position	<u>1,128,191</u>	<u>516,411</u>

Condensed Combined Statement of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues	1,217,425	724,568
Operating Expenses	(248,280)	(231,042)
Support Services Expenses	<u>(357,365)</u>	<u>(401,221)</u>

	<u>2023</u>	<u>2022</u>
Decrease in net Position	611,780	92,305
Net Position-Beginning of Year	<u>516,411</u>	<u>424,106</u>
Net Position-End of Year	<u>1,128,191</u>	<u>516,411</u>

Condensed Statement of Cash Flows

	<u>2023</u>	<u>2022</u>
Net cash flows from operating activities	449,406	85,180
Net cash flows from investing activities	<u>0</u>	<u>0</u>
Net increase (decrease) in cash	<u>449,406</u>	<u>85,180</u>
Cash at beginning of year	<u>(156,288)</u>	<u>(241,468)</u>
Cash at end of year	<u>293,118</u>	<u>(156,288)</u>

Current Assets consist primarily of cash, account receivable, and prepaid expenses. Non-Current Assets consist primarily of property and equipment. Property and equipment presented net of accumulated depreciation of \$1,328,175 and \$1,186,566 at August 31, 2023 and 2022, respectively. Current liabilities consist of a cash overdraft, accounts payable and accrued expenses, and deferred lease revenue.

Operating Revenues consist of contributions, subscription and membership income and grants from CPB. Expenses consist of operating expenses which are programming, production and broadcasting and from support services which consist of fundraising, management and depreciation.

Request for Information

This financial report is designed to provide donors, members and taxpayers with a general overview of KNCT Public Telecommunications finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

KNCT Public Telecommunications
6200 West Central Texas Expressway
Killeen, TX 76540

KNCT-FM
(OPERATING SEGMENTS OF THE CENTRAL TEXAS COLLEGE DISTRICT)
Combined Statement of Net Position
August 31, 2023 and August 31, 2022

	Current Year Primary Institution	Prior Year Primary Institution
Assets		
Current Assets		
Cash	\$ 293,118	\$ -
Accounts Receivable(Net of Allowance)	316,268	403,434
Broadcasting Rights-Short Term	-	-
Prepaid Expenses	-	-
Total Current Assets	<u>609,386</u>	<u>403,434</u>
Noncurrent Assets		
Building	2,272,019	2,272,019
Broadcasting Rights-Long Term	-	-
Leased Assets	660,318	335,677
Capital Assets	3,854,106	3,844,563
Accumulated Depreciation	<u>(5,458,268)</u>	<u>(5,265,693)</u>
Total Noncurrent Assets	<u>1,328,175</u>	<u>1,186,566</u>
Total Assets	<u>\$ 1,937,561</u>	<u>\$ 1,590,000</u>
Liabilities		
Current Liabilities		
Cash Overdraft		156,288
Accounts Payable & Accrued Expenses	33,565	29,598
Lease Liability	461,567	308,929
Deferred Support & Revenues	314,238	578,774
Total Current Liabilities	<u>809,370</u>	<u>1,073,589</u>
Total Liabilities	<u>\$ 809,370</u>	<u>\$ 1,073,589</u>
Net Position		
Unrestricted	(199,984)	(670,155)
Invested in Capital Assets	1,328,175	1,186,566
Total Net Position	<u>\$ 1,128,191</u>	<u>\$ 516,411</u>

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

KNCT-FM
(OPERATING SEGMENTS OF THE CENTRAL TEXAS COLLEGE DISTRICT)
Combined Statement of Revenues, Expenses and Changes in Net Position
For the year ended August 31, 2023 and August 31, 2022

	Current Year Primary Institution	Prior Year Primary Institution
Revenues		
Operating Revenues		
Contributions	\$ 223,902	\$ 232,837
Gifts & Donations	-	-
Subscription and Membership Income	176,341	177,142
Auction	-	-
Community Service Grants from Corporation for Public Broadcasting	257,272	118,736
State Grant	-	-
Local Grant	-	-
Federal Grant	-	-
Telecasting, Production and Other Income	559,910	195,853
Total Operating Revenues	<u>1,217,425</u>	<u>724,568</u>
Expenses		
Operating Expenses		
Program Services -		
Programming and Production	97,115	71,803
Broadcasting	151,165	159,239
Program Information	-	-
	<u>248,280</u>	<u>231,042</u>
Supporting Services -		
Fund Raising and Membership Development:		
Fund Raising	61,480	59,277
Management and General	256,715	312,186
Gain/Loss on Disposal	-	-
Depreciation/Amortization Expense	39,170	29,758
Other non-operating	-	-
	<u>357,365</u>	<u>401,221</u>
Total Expenses	<u>605,645</u>	<u>632,263</u>
Increase(Decrease) in Net Position	611,780	92,305
Net Position - Beginning of Year	<u>516,411</u>	<u>424,106</u>
Net Position - End of Year	<u>\$ 1,128,191</u>	<u>\$ 516,411</u>

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

KNCT-FM
(OPERATING SEGMENTS OF THE CENTRAL TEXAS COLLEGE DISTRICT)
Statement of Cash Flows
For the year ended August 31, 2023 and August 31, 2022

	Current Year Primary Institution	Prior Year Primary Institution
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Excess of support and revenues over(under) expenditures	\$ 611,780	\$ 92,305
Adjustments to reconcile excess of support and revenues over(under) expenditures		
Changes in assets and liabilities affected by operating activities:		
Accounts receivable	87,166	(399,420)
Prepaid expense	-	-
Broadcasting rights-Current	-	-
Broadcasting rights-Long Term	-	-
Depreciation Expense	39,170	40,980
Charges in Property, Equipment and Leases	(180,779)	(324,900)
Accounts payable and accrued expenses	156,605	326,283
Deferred Revenue	(264,536)	349,932
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	<u>449,406</u>	<u>85,180</u>
Cash flows from investing activities:		
Acquisition of property and equipment	-	-
	<u> </u>	<u> </u>
Net cash provided by investing activities	<u> </u>	<u> </u>
Increase in cash	449,406	85,180
Cash at beginning of year	(156,288)	(241,468)
Cash at end of year	<u>\$ 293,118</u>	<u>\$ (156,288)</u>

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

KNCT-FM
(Operating Segments of the Central Texas College District)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Central Texas College District (the District) maintains two operating segments which function as non-commercial public FM radio (KNCT-FM) stations in Killeen, Texas. The Stations maintain their accounting records in conformity with the Principles of Accounting and Financial Reporting for Public Telecommunications Entities mandated by the Corporation for Public Broadcasting.

The District adopted two new GASB statements in fiscal year 2013. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which was effective for financial statement periods beginning after December 15, 2011, established reporting standards for deferred outflows and inflows and changed the presentation and titles of the financial statements accordingly.

For fiscal year 2013 the District adopted GASB 65, Items Previously Reported as Assets and Liabilities, which is effective for financial statement periods beginning after December 15, 2012. This statement established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows and deferred inflows.

Basis of Accounting

The Financial Statements are recorded on an accrual basis.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Revenue Recognition

Unrestricted contributions and pledges are recorded as revenue in the financial statements when received. Contributions restricted for the acquisition of property and equipment or other capital improvements are reported on the balance sheet as deferred support until the funds are expended.

Restricted Grants

KNCT recognized restricted Grants Coronavirus Aid, Relief, and Economic Security (CARES) \$154,207.00 and CPB \$20,187.12

Broadcast Facilities and Equipment

Broadcast facilities and equipment are recorded at cost or, in the case of donated facilities and equipment, at their appraised value as of the date of receipt.

Broadcasting Rights

Expenses are recognized over a three year period using an allocation formula based on estimated replacement cost of the programs.

Indirect Administrative Support

Indirect administrative support totaling \$102,083 and \$143,547 as of August 31, 2023 and August 31, 2022 has been included in both contribution revenue and management and general expenses. This amount represents allocations of cost incurred by the District which have been derived in accordance with the guidelines established by the Corporation for Public Broadcasting in its Handbook of Instructions.

Contributions

This amount represents indirect cost recoveries and cash contributed by the College in support of this public service.

KNCT-FM
(Operating Segments of the Central Texas College District)

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The KNCT FM reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years

Capital assets activity for the year ended August 31, 2023 and August 31, 2022 was as follows:

	Balance as of <u>September 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance as of <u>August 31, 2023</u>
Building & Leasehold Improvements	\$ 2,272,019			\$ 2,272,019
Capital Assets	3,844,563	9,543		3,854,106
Leased Assets	335,677	324,642		660,318
Accumulated Depreciation & Amortization	<u>(5,265,693)</u>	(192,575)		<u>(5,458,268)</u>
Net Capital Assets	<u>\$ 1,186,565</u>			<u>\$ 1,328,175</u>

	Balance as of <u>September 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance as of <u>August 31, 2022</u>
Building & Leasehold Improvements	\$ 2,272,019	\$ -	\$ -	\$ 2,272,019
Capital Assets	3,855,340		(10,777)	3,844,563
Leased Assets		335,677		335,677
Accumulated Depreciation	<u>(5,224,713)</u>	(51,757)	10,777	<u>(5,265,693)</u>
Net Capital Assets	<u>\$ 902,646</u>			<u>\$ 1,186,566</u>

Going concern

The accompanying Financial Statements have been prepared assuming KNCT will continue as a going concern.

Subsequent Event (s)

None