

Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

And

Financial Statements

June 30, 2016

(With Summarized Comparative Information for June 30, 2015)

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Independent Auditor's Report

Board of Trustees
Kansas Public Telecommunications Service, Inc.
Wichita, Kansas

We have audited the accompanying financial statements of Kansas Public Telecommunications Service, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

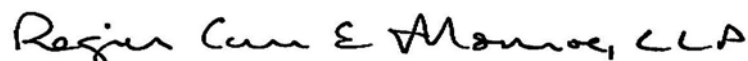
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Public Telecommunications Service, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Kansas Public Telecommunications Service, Inc.'s 2015 financial statements, and our report dated November 3, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wichita, Kansas
September 22, 2016

Kansas Public Telecommunications Service, Inc.
Statements of Financial Position
As of June 30, 2016 with Summarized Comparative Information for June 30, 2015

ASSETS

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 292,510	\$ 379,863
Accounts receivable, net	34,636	41,601
Other receivables	19,510	20,744
Pledges receivable, current portion	89,070	79,895
Unamortized program rights	20,514	28,121
Other prepaids	38,163	54,855
Total current assets	494,403	605,079
Fixed Assets		
Property and equipment	6,102,238	6,042,428
Accumulated depreciation	(4,958,292)	(4,722,088)
Total fixed assets	1,143,946	1,320,340
Other Assets		
Pledges receivable	952	57,361
Beneficial interest in Community Foundation	2,162	12,744
Beneficial interest in charitable remainder trust	22,761	25,146
Other assets	300	300
Total other assets	26,175	95,551
Total assets	\$ 1,664,524	\$ 2,020,970

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 30,744	\$ 30,489
Accrued payroll liabilities	28,010	50,446
Other liabilities	11,631	4,527
Deferred revenues	37,624	66,700
Current portion of notes payable	47,743	48,059
Total current liabilities	155,752	200,221
Long-Term Liabilities		
Notes payable	52,232	65,599
Total long-term liabilities	52,232	65,599
Total liabilities	207,984	265,820
Net Assets		
Unrestricted		
Undesignated	1,207,019	1,476,965
Board designated	2,162	12,744
Total unrestricted net assets	1,209,181	1,489,709
Temporarily restricted	247,359	265,441
Total net assets	1,456,540	1,755,150
Total liabilities and net assets	\$ 1,664,524	\$ 2,020,970

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

Kansas Public Telecommunications Service, Inc.
Statements of Activities
For the Year Ended June 30, 2016
With Summarized Comparative Information for the Year Ended June 30, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Public Support and Revenues				
Public support				
Memberships and donations	\$ 1,004,876	\$ 45,533	\$ 1,050,409	\$ 1,131,399
Underwriting	218,492	-	218,492	328,914
In-kind donations	60,887	-	60,887	38,737
Corporation for Public Broadcasting	744,555	-	744,555	760,377
Young Authors	-	-	-	500
State of Kansas	54,448	-	54,448	64,458
Total public support	<u>2,083,258</u>	<u>45,533</u>	<u>2,128,791</u>	<u>2,324,385</u>
Revenues				
Lease and rental income	20,807	-	20,807	25,083
Other revenue	63,813	-	63,813	39,206
Loss on sale of land	-	-	-	(5,942)
Change in beneficial interests	(2,926)	-	(2,926)	(1,638)
Total revenue	<u>81,694</u>	<u>-</u>	<u>81,694</u>	<u>56,709</u>
Total public support and revenues	<u>2,164,952</u>	<u>45,533</u>	<u>2,210,485</u>	<u>2,381,094</u>
Net Assets released from restrictions:				
Satisfaction of donor restrictions as to purpose and time	63,615	(63,615)	-	-
Expenses				
Program services	1,564,386	-	1,564,386	1,667,645
Support services	944,709	-	944,709	1,043,474
Total expenses	<u>2,509,095</u>	<u>-</u>	<u>2,509,095</u>	<u>2,711,119</u>
Change in net assets	(280,528)	(18,082)	(298,610)	(330,025)
Net assets - beginning of year	<u>1,489,709</u>	<u>265,441</u>	<u>1,755,150</u>	<u>2,085,175</u>
Net assets - end of year	<u>\$ 1,209,181</u>	<u>\$ 247,359</u>	<u>\$ 1,456,540</u>	<u>\$ 1,755,150</u>

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

Kansas Public Telecommunications Service, Inc.
Statements of Functional Expenses
For the Year Ended June 30, 2016 with Summarized Comparative Information for the Year Ended June 30, 2015

	2016								2015
	Program Services				Support Services				
	Education	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total	
Salaries	\$ -	\$ 223,039	\$ 272,121	\$ 495,160	\$ 99,178	\$ 209,495	\$ 308,673	\$ 803,833	\$ 949,340
Payroll taxes	-	17,855	20,941	38,796	6,354	16,076	22,430	61,226	80,162
Employee benefits	-	48,082	70,887	118,969	23,700	49,183	72,883	191,852	219,951
Total salaries and related benefits	-	288,976	363,949	652,925	129,232	274,754	403,986	1,056,911	1,249,453
Advertising and promotion	-	-	569	569	22,178	11,668	33,846	34,415	45,412
Recruitment and training	-	98	-	98	10,894	-	10,894	10,992	183
Software and small equipment	-	583	-	583	-	6,478	6,478	7,061	8,307
Equipment lease and rent	-	2,307	-	2,307	9,012	1,500	10,512	12,819	20,111
Program fees	-	-	559,050	559,050	-	-	-	559,050	546,538
Postage and freight	2	215	9,623	9,840	1,289	106,339	107,628	117,468	118,503
Insurance	-	-	-	-	34,575	-	34,575	34,575	38,942
Interest	-	-	-	-	138	1,763	1,901	1,901	3,460
Licenses and fees	-	5,199	8,369	13,568	6,501	15,838	22,339	35,907	33,538
Dues and subscriptions	-	-	1,120	1,120	19,370	440	19,810	20,930	20,776
Professional services	-	4,571	22,973	27,544	72,523	295	72,818	100,362	74,802
Repairs and maintenance	-	48,281	72	48,353	2,102	-	2,102	50,455	49,682
Printing and duplication	-	-	219	219	386	2,266	2,652	2,871	6,635
Travel and auto expense	-	911	1,026	1,937	6,148	3,568	9,716	11,653	17,146
Meals and entertainment	-	55	23	78	849	316	1,165	1,243	3,352
Supplies	-	774	379	1,153	5,218	98,069	103,287	104,440	62,698
Telephone and internet	-	275	1,075	1,350	11,058	425	11,483	12,833	11,548
Utilities	-	29,067	-	29,067	40,368	-	40,368	69,435	70,466
Bad debt expense	-	-	-	-	22,828	28	22,856	22,856	26,553
Miscellaneous	-	-	54	54	2,787	1,873	4,660	4,714	2,613
Total before depreciation	2	381,312	968,501	1,349,815	397,456	525,620	923,076	2,272,891	2,410,718
Depreciation	-	214,571	-	214,571	21,633	-	21,633	236,204	300,401
Total expenses 2016	<u>\$ 2</u>	<u>\$ 595,883</u>	<u>\$ 968,501</u>	<u>\$ 1,564,386</u>	<u>\$ 419,089</u>	<u>\$ 525,620</u>	<u>\$ 944,709</u>	<u>\$ 2,509,095</u>	<u>\$ 2,711,119</u>
Total expenses 2015	<u>\$ 1,502</u>	<u>\$ 696,099</u>	<u>\$ 970,044</u>	<u>\$ 1,667,645</u>	<u>\$ 465,730</u>	<u>\$ 577,744</u>	<u>\$ 1,043,474</u>	<u>\$ 2,711,119</u>	

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

Kansas Public Telecommunications Service, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2016
With Summarized Comparative Information for the Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (298,610)	\$ (330,025)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	236,204	300,401
Contributions restricted for property assets	(63,361)	(75,954)
Loss on disposition of property assets	-	5,942
(Increase)Decrease in operating assets		
Accounts receivable	6,965	(14,505)
Other receivables	1,234	(1,719)
Pledges receivable, net	47,234	130,948
Unamortized program rights	7,607	(16,777)
Other prepaids	16,692	25,806
Increase(Decrease) in operating liabilities		
Accounts payable	255	(9,920)
Accrued and withheld payroll liabilities	(22,436)	6,892
Other liabilities	7,104	(9,566)
Deferred revenues	(29,076)	5,111
Net cash provided/(used) by operating activities	<u>(90,188)</u>	<u>16,634</u>
Cash flows from investing activities		
Net change in beneficial interest in Community Foundation	10,582	35
Net change in beneficial interest in charitable remainder trusts	2,385	1,764
Payments for property and equipment	<u>(59,810)</u>	<u>(98,103)</u>
Net cash used by investing activities	<u>(46,843)</u>	<u>(96,304)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for property assets	63,361	75,954
Proceeds from notes payable	34,336	-
Principal payments on notes payable	<u>(48,019)</u>	<u>(46,663)</u>
Net cash provided by financing activities	<u>49,678</u>	<u>29,291</u>
Change in cash and cash equivalents	(87,353)	(50,379)
Cash and cash equivalents, beginning of year	379,863	430,242
Cash and cash equivalents, end of year	<u>\$ 292,510</u>	<u>\$ 379,863</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	<u>\$ 1,901</u>	<u>\$ 3,460</u>

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

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Kansas Public Telecommunications Service, Inc. (KPTS) is a publicly owned television station that educates, engages, entertains and enriches Kansans through quality programming and civic leadership.

Sources of support and revenue were as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Memberships and donations	48%	47%
Corporation for Public Broadcasting	34%	32%
State of Kansas	2%	3%
Underwriting	10%	14%
Other sources	6%	4%
	100%	100%

Basis of Presentation

KPTS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted funds represent operating funds that have been restricted by the donor.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies from a money market account and various checking and savings accounts.

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

June 30, 2016

With Summarized Comparative Information for June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable arose from underwriting and other contract services and is stated at the unpaid balance. Payment terms for accounts receivable are generally monthly. No interest is charged on accounts receivable.

Management determines the need for an allowance for doubtful accounts based on its estimate of the amount of receivables that will actually be collected. As of June 30, 2016, there was an allowance of \$3,000. No such allowance was deemed necessary by management at June 30, 2015. Uncollectible accounts receivable are charged off to bad debt expense when the account is determined to be uncollectible.

Pledges Receivable

Contributions, including unconditional promises to give, in relation to the Comprehensive Campaign are recorded at year-end. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value.

An allowance for uncollectible pledges was not considered necessary by management at June 30, 2016 or 2015.

Fixed Assets and Depreciation

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of donation. The Organization's capitalization policy is to capitalize assets costing \$1,000 or more. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Building and improvements	5 to 25 years
Broadcast equipment	3 to 20 years
Office equipment	3 to 15 years
Vehicles	7 to 10 years
Station logo and music	5 years

Income Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Deferred revenues represent services received in trade for underwriting contracts given to sponsors which relate to programs which begin after the applicable fiscal year end.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Gifts-in-kind are recorded at fair market value as of the date received.

Fair Value Measurements

Accounting guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the short maturity of these instruments. The fair value of pledges receivable are not materially different than carrying value.

Contributed Services and Non-Cash Assets

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are recorded at their fair values in the period received.

Interest Income

Interest is recognized as earned.

Functional Allocation of Expenses

The costs of providing the various programs are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the program services, management and general, and fundraising expenses.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The Organization is qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Organization's Forms 990-T and other income tax filings required by the state are no longer subject to tax examination for years before 2013.

Advertising

The Organization expenses advertising and promotion costs as they are incurred. Advertising and promotion costs were \$34,415 and \$45,412 for the years ended June 30, 2016 and 2015, respectively.

Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	2016	2015
Total pledges receivable	\$ 93,400	\$ 145,429
Less: unamortized discount	(3,378)	(8,173)
Net pledges receivable	90,022	137,256
Less: pledges receivable, current portion - net	(89,070)	(79,895)
Pledges receivable, long-term - net	\$ 952	\$ 57,361
	2016	2015
Amounts due in:		
Less than one year	\$ 89,070	\$ 79,895
One to five years	4,330	65,534
	\$ 93,400	\$ 145,429

An imputed discount rate of 4% was used in discounting long-term pledges receivable.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 475,825	\$ 475,825
Building and improvements	565,356	565,356
Broadcast equipment	4,808,111	4,748,301
Office equipment	161,946	161,946
Intangibles - station logo and music	91,000	91,000
	<u>6,102,238</u>	<u>6,042,428</u>
Less accumulated depreciation	<u>4,958,292</u>	<u>4,722,088</u>
Total	<u>\$ 1,143,946</u>	<u>\$ 1,320,340</u>

Note 4. Beneficial Interest in Community Foundation

The Organization has a beneficial interest in an investment fund held by The Wichita Community Foundation (Foundation). The beneficial interest was created in prior years by contributions to the Foundation in which the contribution, and related earnings, were designated for the Organization.

The investment funds are in the possession of the Foundation. The Foundation administers and manages the investment fund. The beneficial interest in the investment fund is recorded at the estimated present value of the expected future cash flows from the Foundation. The present value is estimated to equal the fair market value of the beneficial interest of the associated investments held by the Foundation.

The approximate fair value of the beneficial interest in the Foundation at June 30, 2016 and 2015 was \$2,162 and \$12,744, respectively.

Note 5. Beneficial Interest in Remainder Trusts and Estates

The Organization is the beneficiary of a charitable remainder trust. Under the terms of the trust agreement, KPTS is one of nine beneficiaries of a charitable remainder trust established in December 2005. Under the terms of the trust, KPTS is entitled to receive 3% of the trust's annual income each year for twenty years. In 2026, the remaining trust estate is to be distributed to the beneficiaries according to their respective percentages. The estimated value of the beneficial interest in the charitable remainder trust as of June 30, 2016 and 2015 is \$22,761 and \$25,146, respectively, based on 3% of the trust's total reported fair market value on those dates. The investments held in the trust are equity securities with readily determinable fair values.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 6. Fair Value Measures

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1—Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2—Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3—Fair value is determined using inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Beneficial interest in Community Foundation	\$ -	\$ 2,162	\$ -	\$ 2,162
Beneficial interest in charitable remainder trust	-	22,761	-	22,761
	\$ -	\$ 24,923	\$ -	\$ 24,923

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in Community Foundation	\$ -	\$ 12,744	\$ -	\$ 12,744
Beneficial interest in charitable remainder trust	-	25,146	-	25,146
	\$ -	\$ 37,890	\$ -	\$ 37,890

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 7. Notes Payable

Notes payable consist of the following at June 30, 2016 and 2015:

	2016	2015
<p>Note payable to the State of Kansas - The note is payable in annual principal payments of \$15,000 plus interest, which is reset annually on February 1st. Interest is based upon the highest rate at which state moneys can be invested on the open market in investments authorized by subsection (a) of K.S.A. 75-4209, and amendments thereto for maturities of one year. The loan matures on July 31, 2018. The note is secured by digital equipment.</p>	\$ 45,000	\$ 60,000
<p>Bridge loan - The loan is payable with monthly principal and interest payments of \$2,911.67. Interest rate is 4.9%. The loan matures on November 15, 2018. The note is secured by the tower and related assets. This loan was revised subsequent to year end. See Note 12.</p>	54,975	53,658
	99,975	113,658
Less current portion - due within one year	47,743	48,059
Long-term portion - due after one year	\$ 52,232	\$ 65,599

The notes payable are scheduled to mature in the following amounts payable for the years ending June 30:

	State of Kansas	Bridge Loan	Total
2017	\$ 15,000	\$ 32,743	\$ 47,743
2018	15,000	22,232	37,232
2019	15,000	-	15,000
	\$ 45,000	\$ 54,975	\$ 99,975

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
June 30, 2016
With Summarized Comparative Information for June 30, 2015

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015, are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Purpose restrictions		
Property and equipment	\$ 237,359	\$ 215,441
Underwriting	5,000	7,500
Young authors	-	1,500
Broadcast rights	-	10,000
Veterans Coming Home	5,000	31,000
Total temporarily restricted net assets	<u>\$ 247,359</u>	<u>\$ 265,441</u>

Temporarily restricted net assets are released from donor restrictions by either the expirations of time restrictions or by incurring expenses satisfying the restricted purpose or occurrence of other events specified by the donor. Releases during the year ended June 30, 2016 and 2015 included:

	<u>2016</u>	<u>2015</u>
Purpose restrictions		
Property and equipment	\$ 23,615	\$ 101,782
Underwriting	2,500	17,500
Young authors	1,500	5,000
Broadcast rights	10,000	5,000
Veterans Coming Home	26,000	7,000
Education	-	1,386
Total temporarily restricted net assets	<u>\$ 63,615</u>	<u>\$ 137,668</u>

Note 9. Defined Benefit Pension Plan

Plan Description

The Organization participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. KPERs' financials statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at www.kpers.org or by writing to KPERs (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
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Note 9. Defined Benefit Pension Plan (Continued)

Contributions

K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.18% and 9.48% for the calendar years ended December 31, 2016 and 2015, respectively. Contributions to the pension plan from Organization were \$74,113 and \$86,548 for the years ended June 30, 2016 and 2015, respectively.

Note 10. Operating Leases

The Organization leases a copiers, printers and a postage meter under operating leases.

The following is a schedule by years of future minimum rental payments required under operating leases covering equipment for the years ended June 30:

2017	\$ 10,080
2018	7,117
2019	4,885
2020	3,805
2021	3,445
Thereafter	<u>287</u>
Total	<u><u>\$ 29,619</u></u>

The Organization also occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$12,819 and \$20,110 for the years ended June 30, 2016 and 2015, respectively.

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Note 11. Contingent Liabilities

Equipment in the amount of \$2,169,840 has been purchased under NTIA grants from the U.S. Department of Commerce. The Department has retained liens on equipment until dates expiring during the following years ended June 30:

2017	\$ -
2018	<u>405,450</u>
Total	<u><u>\$ 405,450</u></u>

Note 12. Subsequent Events

The Organization advanced additional funds of \$69,000 on their bridge loan as of July 15, 2016. The loan is payable with monthly principal and interest payments of \$2,997. Interest rate is 4.9%. The loan will now mature on March 15, 2019. The note is still secured by the tower and related assets.

Management of the Organization has evaluated events subsequent to the balance sheet date (June 30, 2016) through September 22, 2016, the date the financial statements were available and issued.