

Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

and

Financial Statements

June 30, 2021 and 2020



Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

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Financial Statements

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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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

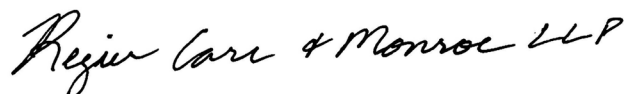
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2021 and 2020, 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.

November 16, 2021
Wichita, Kansas



Kansas Public Telecommunications Service, Inc.
Statements of Financial Position
June 30, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,825,880	\$ 1,039,385
Certificates of deposit, short-term	1,708,664	1,151,659
Accounts receivable, net	25,688	21,176
Trade receivables	44,272	33,902
Other receivables	91,810	16,164
Pledges receivable, current portion	52,500	-
Unamortized program rights	29,751	25,427
Other prepaids	69,639	23,919
Total current assets	<u>3,848,204</u>	<u>2,311,632</u>
Fixed Assets		
Property and equipment	5,907,258	5,863,483
Accumulated depreciation	(5,009,307)	(4,918,836)
Total fixed assets	<u>897,951</u>	<u>944,647</u>
Other Assets		
Pledges receivable, net	240,626	-
Certificates of deposit, long-term	316,504	479,277
Beneficial interest in Community Foundation	-	28,478
Beneficial interest in charitable remainder trust	20,938	19,449
Total other assets	<u>578,068</u>	<u>527,204</u>
Total assets	<u>\$ 5,324,223</u>	<u>\$ 3,783,483</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 35,217	\$ 28,802
Accrued payroll liabilities	43,456	34,871
Trade liabilities	44,272	33,902
Other liabilities	5,384	11,130
Deferred revenues	76,466	8,392
Total current liabilities	<u>204,795</u>	<u>117,097</u>
Net Assets		
Without donor restrictions		
Undesignated	4,467,535	3,489,886
Board designated	-	28,478
Total net assets without donor restrictions	<u>4,467,535</u>	<u>3,518,364</u>
With donor restrictions	651,893	148,022
Total net assets	<u>5,119,428</u>	<u>3,666,386</u>
Total liabilities and net assets	<u>\$ 5,324,223</u>	<u>\$ 3,783,483</u>

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

Kansas Public Telecommunications Service, Inc.
Statement of Activities
For the Year Ended June 30, 2021

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues			
Public support			
Memberships and donations	\$ 1,634,517	\$ 516,396	\$2,150,913
Underwriting	446,287	1,750	448,037
In-kind donations	500,486		500,486
Corporation for Public Broadcasting	1,406,150	-	1,406,150
State of Kansas	62,252	-	62,252
Total public support	<u>4,049,692</u>	<u>518,146</u>	<u>4,567,838</u>
Revenues			
Lease and rental income	35,487	-	35,487
Other revenue	106,337	53,850	160,187
Interest income	23,173	-	23,173
Change in beneficial interests	8,139	-	8,139
Total revenue	<u>173,136</u>	<u>53,850</u>	<u>226,986</u>
Total public support and revenues	<u>4,222,828</u>	<u>571,996</u>	<u>4,794,824</u>
Net Assets Released from Restrictions			
Satisfaction of underwriting restrictions	68,125	(68,125)	-
Total net assets released from restrictions	<u>68,125</u>	<u>(68,125)</u>	<u>-</u>
Expenses			
Technology	382,045	-	382,045
Content	1,279,532	-	1,279,532
Total program services	<u>1,661,577</u>	<u>-</u>	<u>1,661,577</u>
Management & General	1,040,324	-	1,040,324
Fundraising	639,881	-	639,881
Total support services	<u>1,680,205</u>	<u>-</u>	<u>1,680,205</u>
Total expenses	<u>3,341,782</u>	<u>-</u>	<u>3,341,782</u>
Change in net assets	949,171	503,871	1,453,042
Net Assets - Beginning of Year	<u>3,518,364</u>	<u>148,022</u>	<u>3,666,386</u>
Net Assets - End of Year	<u>\$ 4,467,535</u>	<u>\$ 651,893</u>	<u>\$5,119,428</u>

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

Kansas Public Telecommunications Service, Inc.
Statement of Activities
For the Year Ended June 30, 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Public Support and Revenues			
Public support			
Memberships and donations	\$ 1,742,206	\$ 25,237	\$ 1,767,443
Underwriting	416,622	36,375	452,997
In-kind donations	165,948	-	165,948
Corporation for Public Broadcasting	1,096,364	-	1,096,364
State of Kansas	50,000	-	50,000
Total public support	<u>3,471,140</u>	<u>61,612</u>	<u>3,532,752</u>
Revenues			
Lease and rental income	34,999	-	34,999
Paycheck Protection Program Revenue	261,400	-	261,400
Other revenue	105,895	31,750	137,645
Interest income	29,674	-	29,674
Change in beneficial interests	1,297	-	1,297
Total revenue	<u>433,265</u>	<u>31,750</u>	<u>465,015</u>
Total public support and revenues	<u>3,904,405</u>	<u>93,362</u>	<u>3,997,767</u>
Net Assets Released from Restrictions			
Acquisition of property and equipment	57,230	(57,230)	
Satisfaction of Kid's Channel Restrictions	28,532	(28,532)	
Satisfaction of underwriting restrictions	60,500	(60,500)	-
Total net assets released from restrictions	<u>146,262</u>	<u>(146,262)</u>	<u>-</u>
Expenses			
Technology	480,267	-	480,267
Content	1,267,124	-	1,267,124
Total program services	<u>1,747,391</u>	<u>-</u>	<u>1,747,391</u>
Management & General	633,873	-	633,873
Fundraising	590,612	-	590,612
Total support services	<u>1,224,485</u>	<u>-</u>	<u>1,224,485</u>
Total expenses	<u>2,971,876</u>	<u>-</u>	<u>2,971,876</u>
Change in net assets	1,078,791	(52,900)	1,025,891
Net Assets - Beginning of Year	<u>2,439,573</u>	<u>200,922</u>	<u>2,640,495</u>
Net Assets - End of Year	<u><u>\$ 3,518,364</u></u>	<u><u>\$ 148,022</u></u>	<u><u>\$ 3,666,386</u></u>

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

Kansas Public Telecommunications Service, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	2021						
	Program Services			Support Services			
	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 183,788	\$ 427,052	\$ 610,840	\$ 256,985	\$ 290,706	\$ 547,691	\$ 1,158,531
Payroll taxes	14,402	34,344	48,746	16,164	22,333	38,497	87,243
Employee benefits	43,010	96,447	139,457	40,150	75,750	115,900	255,357
Total salaries and related benefits	241,200	557,843	799,043	313,299	388,789	702,088	1,501,131
Advertising and promotion	-	3,040	3,040	141,618	16,186	157,804	160,844
Recruitment and training	-	-	-	63	-	63	63
Software and small equipment	4,554	14,411	18,965	315	13,854	14,169	33,134
Equipment lease and rent	2,952	-	2,952	10,015	-	10,015	12,967
Program fees	-	639,017	639,017	-	-	-	639,017
Postage and freight	9	14,122	14,131	1,891	97,120	99,011	113,142
Insurance	-	-	-	37,697	-	37,697	37,697
Interest	-	-	-	437	-	437	437
Licenses and fees	2,284	12,610	14,894	15,212	26,072	41,284	56,178
Dues and subscriptions	20	1,289	1,309	20,461	75	20,536	21,845
Professional services	2,785	27,289	30,074	97,552	9,308	106,860	136,934
Repairs and maintenance	7,510	10	7,520	1,505	-	1,505	9,025
Printing and duplication	931	3,457	4,388	1,001	10,680	11,681	16,069
Travel and auto expense	-	163	163	1,709	-	1,709	1,872
Meals and entertainment	2	52	54	860	139	999	1,053
Supplies	1,624	1,978	3,602	330,084	72,726	402,810	406,412
Telephone and internet	3,864	900	4,764	5,549	825	6,374	11,138
Utilities	35,481	-	35,481	33,110	-	33,110	68,591
Bad debt expense	-	-	-	976	-	976	976
Miscellaneous	1,117	1,994	3,111	6,245	4,107	10,352	13,463
Total before depreciation	304,333	1,278,175	1,582,508	1,019,599	639,881	1,659,480	3,241,988
Depreciation	77,712	1,357	79,069	20,725	-	20,725	99,794
Total expenses 2019	<u>\$ 382,045</u>	<u>\$ 1,279,532</u>	<u>\$ 1,661,577</u>	<u>\$ 1,040,324</u>	<u>\$ 639,881</u>	<u>\$ 1,680,205</u>	<u>\$ 3,341,782</u>

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

Kansas Public Telecommunications Service, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	2020						
	Program Services			Support Services			
	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 197,541	\$ 379,824	\$ 577,365	\$ 252,790	\$ 261,227	\$ 514,017	\$ 1,091,382
Payroll taxes	13,068	29,246	42,314	20,682	17,193	37,875	80,189
Employee benefits	48,142	81,203	129,345	34,650	65,269	99,919	229,264
Total salaries and related benefits	258,751	490,273	749,024	308,122	343,689	651,811	1,400,835
Advertising and promotion	-	72,976	72,976	48,010	8,949	56,959	129,935
Recruitment and training	-	-	-	395	-	395	395
Software and small equipment	27,223	5,441	32,664	86	7,116	7,202	39,866
Equipment lease and rent	3,279	-	3,279	7,668	-	7,668	10,947
Program fees	-	624,029	624,029	-	-	-	624,029
Postage and freight	353	13,138	13,491	968	111,622	112,590	126,081
Insurance	-	-	-	33,369	-	33,369	33,369
Interest	-	-	-	1,061	-	1,061	1,061
Licenses and fees	2,234	12,266	14,500	7,903	28,803	36,706	51,206
Dues and subscriptions	50	927	977	20,297	240	20,537	21,514
Professional services	3,243	37,808	41,051	104,457	6,258	110,715	151,766
Repairs and maintenance	25,783	36	25,819	253	-	253	26,072
Printing and duplication	89	962	1,051	677	3,219	3,896	4,947
Travel and auto expense	1,203	3,266	4,469	3,777	2,165	5,942	10,411
Meals and entertainment	-	187	187	3,223	9,349	12,572	12,759
Supplies	1,444	2,997	4,441	13,829	65,753	79,582	84,023
Telephone and internet	3,943	888	4,831	5,923	725	6,648	11,479
Utilities	35,595	107	35,702	39,221	-	39,221	74,923
Bad debt expense	-	-	-	2,695	-	2,695	2,695
Miscellaneous	3,259	816	4,075	8,877	2,724	11,601	15,676
Total before depreciation	366,449	1,266,117	1,632,566	610,811	590,612	1,201,423	2,833,989
Depreciation	113,818	1,007	114,825	23,062	-	23,062	137,887
Total expenses 2018	<u>\$ 480,267</u>	<u>\$ 1,267,124</u>	<u>\$ 1,747,391</u>	<u>\$ 633,873</u>	<u>\$ 590,612</u>	<u>\$ 1,224,485</u>	<u>\$ 2,971,876</u>

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

Kansas Public Telecommunications Service, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,453,042	\$ 1,025,891
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	99,794	137,887
Contributions restricted for property assets	-	(238)
(Increase)/Decrease in operating assets		
Accounts receivable	(4,512)	5,649
Other receivables	(75,646)	(12,589)
Pledges receivable, net	(293,126)	45,000
Unamortized program rights	(4,324)	(12,069)
Other prepaids	(45,720)	15,185
Increase/(Decrease) in operating liabilities		
Accounts payable	6,415	15,931
Accrued and withheld payroll liabilities	8,585	4,863
Other liabilities	(5,746)	5,554
Deferred revenues	68,074	(43,950)
Net cash provided by operating activities	<u>1,206,836</u>	<u>1,187,114</u>
Cash flows from investing activities		
Net change in beneficial interest in Community Foundation	28,478	132
Net change in beneficial interest in charitable remainder trusts	(1,489)	2,242
Proceeds from certificates of deposit	1,489,323	856,973
Payments for certificates of deposit	(1,883,555)	(1,639,855)
Payments for property and equipment	(53,098)	(78,633)
Net cash used by investing activities	<u>(420,341)</u>	<u>(859,141)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in property assets	-	238
Net cash provided by financing activities	<u>-</u>	<u>238</u>
Change in cash and cash equivalents	786,495	328,211
Cash and cash equivalents, beginning of year	<u>1,039,385</u>	<u>711,174</u>
Cash and cash equivalents, end of year	<u>\$ 1,825,880</u>	<u>\$ 1,039,385</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	<u>\$ 437</u>	<u>\$ 1,061</u>

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

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2021 and 2020

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Memberships and donations	45%	44%
Corporation for Public Broadcasting	29%	27%
State of Kansas	1%	1%
Underwriting	9%	11%
Other sources	16%	16%
	<u>100%</u>	<u>100%</u>

Basis of Presentation

KPTS reports gifts of cash and other assets as support with donor restrictions 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, 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 restrictions. Donor restricted funds represent operating funds that have been restricted by the donor.

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.

Change in Accounting Principle

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures for revenue. KPTS has implemented Topic 606 as of July 1, 2020 and has adjusted the presentation in these basic financial statements accordingly. The amendments have been applied prospectively to the periods presented, with no net effect on net assets.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for KPTS's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

KPTS has not yet determined the effect of applying the requirements of the new standards on the financial statements.

Cash and cash equivalents

Cash and cash equivalents include all investments in money market accounts, various checking accounts and certificates of deposit with maturities of 90 days or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable arose from underwriting and other contract services and are stated at the unpaid balances. 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 accounts receivable that will actually be collected. As of June 30, 2021 and 2020, no allowance was recorded. Uncollectible receivables are charged off to bad debt expense when the account is determined to be uncollectible.

Pledges Receivable and Allowance for Doubtful Accounts

Contributions, including unconditional promises to give, in relation to various campaigns are recorded throughout the year. 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.

Management determines the need for an allowance for doubtful accounts based on its estimate of the amount of pledges receivable that will actually be collected. As of June 30, 2021 and 2020, there was an allowance of \$29,000 and \$29,000, respectively. Uncollectible receivables are charged off against the allowance when the account is determined to be uncollectible.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of donation. KPTS's capitalization policy is to capitalize assets costing \$2,500 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

Donations and grants including Corporation for Public Broadcasting and State of Kansas among others are recognized when the donor makes a promise to give to KPTS that is, in substance, unconditional. Memberships are considered donations. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Underwriting is considered an exchange transaction that is recognized over the period that the production is aired. 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.

KPTS 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 support with donor restrictions.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, KPTS 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.

Contributed Services and Non-Cash Assets

KPTS 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.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Interest Income

Interest is recognized as earned.

Fair Value Measurements

FASB ASC 820-10, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, Level 2 inputs include quoted prices for similar assets in active markets, and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. As described in Note 6, KPTS measures fair value of beneficial interests in the Community Foundation and remainder trusts and estates based on net asset values of the underlying assets.

Generally accepted accounting principles allows entities to measure certain investments at net asset value (NAV) of the underlying assets as a practical expedient for estimating fair value. Net asset value (NAV) is the fair value of net assets attributable to each ownership unit outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

Classification of Net Assets

For financial reporting purposes, KPTS follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with core activities of KPTS.
- With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of KPTS or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The cost of providing the KPTS's programs and other activities is summarized on a functional basis in the statements of functional expenses. Expenses that can be identified specifically to program or support services are charged directly to that function. Costs common to multiple functions have been allocated among the various functions benefited.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of KPTS.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. When KPTS conducts its fundraising activities in conjunction with its other activities, the joint costs have been allocated to fundraising, program, and management and general functions.

Income Taxes

KPTS 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). KPTS 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). KPTS is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, KPTS is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. KPTS has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

KPTS 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. KPTS 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.

Advertising

KPTS expenses advertising and promotion costs as they are incurred. Advertising and promotion costs were \$ 160,844 and \$129,935 for the years ended June 30, 2021 and 2020, respectively.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	2021	2020
Total pledges receivable	336,500	\$ 29,000
Less: unamortized discount	(14,374)	-
Less: allowance for uncollectible pledges	(29,000)	(29,000)
Net pledges receivable	293,126	-
Less: pledges receivable, current portion - net	(52,500)	-
Pledges receivable, long-term - net	\$ 240,626	\$ -
	2021	2020
Amounts due in:		
Less than one year	\$ 81,500	\$ 29,000
One to five years	255,000	-
	\$ 336,500	\$ 29,000

The allowance for uncollectible pledges is based on an analysis of the collectability of individual promises to give.

Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 475,826	\$ 475,826
Building and improvements	571,802	571,802
Broadcast equipment	4,566,831	4,563,732
Office equipment	151,799	161,123
Intangibles - station logo and music	91,000	91,000
Assets in progress	50,000	0.00
	5,907,258	5,863,483
Less accumulated depreciation	5,009,307	4,918,836
Total	\$ 897,951	\$ 944,647

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2021 and 2020

Note 4. Beneficial Interest in Community Foundation

KPTS 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 KPTS. Distributions are subject to the spending policies of the Foundation.

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 estimated to be equal to 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, 2021 and 2020 was \$0 and \$28,478 respectively.

Note 5. Beneficial Interest in Remainder Trusts and Estates

KPTS 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, 2021 and 2020 is \$20,938 and \$19,449 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.

Note 6. Fair Value Measures

The beneficial interest in funds held by the Foundation and remainder trusts and estates are presented at fair value measured at net asset value as provided by the Foundation and trusts and estates.

The following assets measured at fair value based on net asset value (NAV) per share are reviewed and adjusted on a recurring basis.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
June 30, 2021:				
Beneficial Interest in Community Foundation	\$ -	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 20,938	\$ -	See Note 5	See Note 5
June 30, 2020:				
Beneficial Interest in Community Foundation	\$ 28,478	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 19,449	\$ -	See Note 5	See Note 5

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2021 and 2020

Note 7. Liquidity and Availability

The following schedule reflects KPTS's financial assets available for general expenditure as of June 30, 2021 and 2020, reduced by amounts that are not available for general use due to board designations and donor-imposed restrictions within one year of the statement of financial position date:

	2021	2020
Financial Assets:		
Cash and cash equivalents	\$ 1,825,880	\$ 1,039,385
Certificates of deposit, short-term	1,708,664	1,151,659
Accounts receivable, net	25,688	21,176
Trade receivables	44,272	33,902
Other receivables	91,810	16,164
Pledges receivable, net	293,126	-
	3,989,440	2,262,286
Less those unavailable for general expenditures within one year, due to:		
Board designations		
Wichita Community Foundation	-	28,478
Restricted by donor with purpose restrictions		
Property and equipment	616,293	28,429
Underwriting	35,600	68,125
Kids Channel	-	51,468
Total financial assets available for general expenditures within one year	\$ 3,337,547	\$ 2,085,786

As part of KPTS's liquidity plan, the financial assets are structured to be available as general expenditure, liabilities, and other obligations become due. Cash in excess of daily requirements is invested in various money market and certificates of deposit. The receivables are subject to implied time restrictions but accounts are expected to be collected within one year.

Note 8. Deferred Revenue

The following table provides information about significant changes in the deferred revenue for underwriting contracts for the year ended June 30:

	2021	2020
Deferred revenue, beginning of the year	\$ 8,392	\$ 52,342
Revenue recognized that was included in deferred at the beginning of the year.	(8,392)	(52,342)
Increase in deferred revenue due to cash received during the year	76,466	8,392
Deferred revenue, end of the year	\$ 76,466	\$ 8,392

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 9. Board Designated Net Assets

Board designated net assets at June 30, 2021 and 2020, are designated for the following purposes:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Wichita Community Foundation (Note 4)	\$ -	\$ 28,478

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020, are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Property and equipment	\$ 616,293	\$ 28,429
Underwriting	35,600	68,125
Kids Channel	-	51,468
Total net assets with donor restrictions	<u>\$ 651,893</u>	<u>\$ 148,022</u>

Note 11. Defined Benefit Pension Plan

Plan Description

KTPS 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' financial 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.

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.

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2021 and 2020

Note 11. Defined Benefit Pension Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, 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 1.0% contribution rate for Death and Disability Program, which had a moratorium from July 1, 2020 to June 30, 2021) and the statutory contribution rate was 8.87% and 8.61% for the calendar years ended December 31, 2021 and 2020, respectively. Contributions to the pension plan from KPTS were \$99,706 and \$93,415 for the years ended June 30, 2021 and 2020, respectively. Contributions to the plan are less than 5% of total contributions.

KPTS is included in the Local subgroup within KPERS. At December 31, 2020 and 2019, the market value of the assets for Local subgroup within KPERS was \$4,699,700,683 and \$4,323,027,610, respectively. The total actuarial liability for the Local subgroup within KPERS was \$5,928,449,959 and \$5,704,514,304 at December 31, 2020 and 2019, respectively. The plan was between 70% and 80% funded for both years. KPTS's proportion of the net pension liability is based on the ratio of KPTS's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. This liability is not reported in the financial statements.

Note 12. Operating Leases

Lessor

KPTS's lessor operations consist principally of the leasing of land, various towers, and related facilities in Kansas. The leases are operating leases that expire within the next 5 years with options to renew. The renewal options include rate increases from 3% to 15%, if exercised.

The following schedule provides an analysis of KPTS's investment in property on the operating leases by major classes at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 167,163	\$ 167,163
Building and improvements	91,789	91,789
Broadcast equipment	866,694	866,694
Total	<u>1,125,646</u>	<u>1,125,646</u>
Less: Accumulated depreciation	800,767	781,928
Net book value	<u>\$ 324,879</u>	<u>\$ 343,718</u>

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2021 and 2020

Note 12. Operating Leases (Continued)

The following is a schedule by years of future minimum rental receipts under operating leases covering land, various towers, and related facilities for the years ended June 30:

Year Ending June 30:	Total
2022	\$ 18,038
2023	2,053
Total	<u>\$ 20,091</u>

Lessee

KPTS leases copiers, printers, a postage meter, and vehicles 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:

2022	\$ 20,699
2023	13,895
2024	13,895
2025	10,691
2026	3,556
Total	<u>\$ 62,736</u>

KPTS occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$22,959 and \$17,707 for the years ended June 30, 2021 and 2020, respectively.

Note 13. Concentration of Credit Risk

KPTS maintains cash accounts at local bank, some of which retain a balance of more than the maximum federally insured amount of \$250,000 throughout the year. KPTS has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash accounts.

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Note 14. Contingencies

Paycheck Protection Program

On April 17, 2020, KPTS qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$261,400 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon KPTS's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by KPTS. KPTS intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. Accordingly, KPTS considers the PPP funds a conditional contribution in accordance FASB ASC 958-605. Revenue is recognized as conditions are met by incurring the covered costs.

For the year ended June 30, 2020, the covered costs had been incurred and the respective conditional revenue was recognized in the statement of activities in the amount of \$261,400. The PPP funds were fully utilized by June 30, 2020. KPTS received forgiveness for the full loan amount on December 14, 2020.

Note 15. Subsequent Events

Subsequent to June 30, 2021, KPTS purchased a new office located in east Wichita. The facilities will be renovated, and KPTS plans to move in during the next fiscal year.

Management of KPTS has evaluated events subsequent to the statement of financial position date (June 30, 2021) through November 16, 2021, the date the financial statements were available and issued.

EL DORADO	PO BOX 847	EL DORADO, KS 67042-0847	316-321-1150
McALESTER	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
WAGONER	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335