

**Kansas Public Telecommunications Service, Inc.**

**Independent Auditor's Report**

**and**

**Financial Statements**

**June 30, 2020 and 2019**



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## CONTENTS

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

## 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, 2020 and 2019, 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*

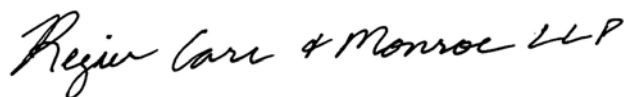
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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 6, 2020  
Wichita, Kansas

**Kansas Public Telecommunications Service, Inc.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,039,385	\$ 711,174
Certificates of deposit, short-term	1,151,659	546,941
Accounts receivable, net	21,176	26,825
Trade receivables	33,902	575
Other receivables	16,164	3,575
Pledges receivable, current portion	-	45,000
Unamortized program rights	25,427	13,358
Other prepaids	23,919	39,104
Total current assets	2,311,632	1,386,552
<b>Fixed Assets</b>		
Property and equipment	5,863,483	5,784,851
Accumulated depreciation	(4,918,836)	(4,780,950)
Total fixed assets	944,647	1,003,901
<b>Other Assets</b>		
Certificates of deposit, long-term	479,277	301,113
Beneficial interest in Community Foundation	28,478	28,610
Beneficial interest in charitable remainder trust	19,449	21,691
Total other assets	527,204	351,414
Total assets	\$ 3,783,483	\$ 2,741,867

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 28,802	\$ 12,871
Accrued payroll liabilities	34,871	30,008
Trade liabilities	33,902	575
Other liabilities	11,130	5,576
Deferred revenues	8,392	52,342
Total current liabilities	117,097	101,372
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	3,489,886	2,410,963
Board designated	28,478	28,610
Total net assets without donor restrictions	3,518,364	2,439,573
With donor restrictions	148,022	200,922
Total net assets	3,666,386	2,640,495
Total liabilities and net assets	\$ 3,783,483	\$ 2,741,867

*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		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenues</b>			
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>
<b>Net Assets Released from Restrictions</b>			
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>
<b>Expenses</b>			
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
<b>Net Assets - Beginning of Year</b>	<u>2,439,573</u>	<u>200,922</u>	<u>2,640,495</u>
<b>Net Assets - End of Year</b>	<u>\$ 3,518,364</u>	<u>\$ 148,022</u>	<u>\$ 3,666,386</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, 2019**

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenues</b>			
Public support			
Memberships and donations	\$ 1,423,124	\$ 128,281	\$ 1,551,405
Underwriting	342,671	23,000	365,671
In-kind donations	235,188	-	235,188
Corporation for Public Broadcasting	844,400	-	844,400
State of Kansas	49,462	-	49,462
Total public support	<u>2,894,845</u>	<u>151,281</u>	<u>3,046,126</u>
Revenues			
Lease and rental income	32,144	-	32,144
Other revenue	99,287	37,500	136,787
Gain/(Loss) on sale of assets	14,723	-	14,723
Interest income	6,367	-	6,367
Change in beneficial interests	(250)	-	(250)
Total revenue	<u>152,271</u>	<u>37,500</u>	<u>189,771</u>
Total public support and revenues	<u>3,047,116</u>	<u>188,781</u>	<u>3,235,897</u>
<b>Net Assets Released from Restrictions</b>			
Acquisition of property and equipment	96,045	(96,045)	
Satisfaction of underwriting restrictions	34,500	(34,500)	-
Total net assets released from restrictions	<u>130,545</u>	<u>(130,545)</u>	<u>-</u>
<b>Expenses</b>			
Technology	478,706	-	478,706
Content	1,101,744	-	1,101,744
Total program services	<u>1,580,450</u>	<u>-</u>	<u>1,580,450</u>
Management & General	656,362	-	656,362
Fundraising	640,296	-	640,296
Total support services	<u>1,296,658</u>	<u>-</u>	<u>1,296,658</u>
Total expenses	<u>2,877,108</u>	<u>-</u>	<u>2,877,108</u>
Change in net assets	300,553	58,236	358,789
<b>Net Assets - Beginning of Year</b>	<u>2,139,020</u>	<u>142,686</u>	<u>2,281,706</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,439,573</u>	<u>\$ 200,922</u>	<u>\$ 2,640,495</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 2019	<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.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	2019						
	Program Services			Support Services			
	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 224,911	\$ 319,051	\$ 543,962	\$ 182,279	\$ 297,047	\$ 479,326	\$ 1,023,288
Payroll taxes	16,053	24,722	40,775	14,537	21,531	36,068	76,843
Employee benefits	55,408	63,699	119,107	30,662	75,755	106,417	225,524
Total salaries and related benefits	296,372	407,472	703,844	227,478	394,333	621,811	1,325,655
Advertising and promotion	-	1,093	1,093	106,007	9,835	115,842	116,935
Recruitment and training	-	-	-	301	-	301	301
Software and small equipment	2,372	1,293	3,665	2,175	8,146	10,321	13,986
Equipment lease and rent	75	-	75	8,691	-	8,691	8,766
Program fees	-	614,538	614,538	-	-	-	614,538
Postage and freight	623	11,584	12,207	362	107,998	108,360	120,567
Insurance	-	-	-	30,645	-	30,645	30,645
Interest	-	-	-	28	-	28	28
Licenses and fees	3,383	17,637	21,020	7,086	31,268	38,354	59,374
Dues and subscriptions	-	1,017	1,017	19,271	235	19,506	20,523
Professional services	5,062	35,911	40,973	66,481	6,995	73,476	114,449
Repairs and maintenance	21,990	150	22,140	1,236	-	1,236	23,376
Printing and duplication	31	2,222	2,253	215	2,784	2,999	5,252
Travel and auto expense	1,098	3,741	4,839	2,072	4,534	6,606	11,445
Meals and entertainment	46	3,092	3,138	2,695	6,706	9,401	12,539
Supplies	1,426	1,000	2,426	117,127	66,143	183,270	185,696
Telephone and internet	2,150	600	2,750	8,788	1,100	9,888	12,638
Utilities	34,170	105	34,275	32,152	-	32,152	66,427
Miscellaneous	-	289	289	868	219	1,087	1,376
Total before depreciation	368,798	1,101,744	1,470,542	633,678	640,296	1,273,974	2,744,516
Depreciation	109,908	-	109,908	22,684	-	22,684	132,592
Total expenses 2018	<u>\$ 478,706</u>	<u>\$ 1,101,744</u>	<u>\$ 1,580,450</u>	<u>\$ 656,362</u>	<u>\$ 640,296</u>	<u>\$ 1,296,658</u>	<u>\$ 2,877,108</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,025,891	\$ 358,789
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	137,887	132,592
Contributions restricted for property assets	(238)	(128,281)
(Gain)/Loss on sale of assets	-	(14,723)
(Increase)/Decrease in operating assets		
Accounts receivable	5,649	17,538
Trade receivables	(33,327)	84,490
Other receivables	(12,589)	7,168
Pledges receivable, net	45,000	(44,340)
Unamortized program rights	(12,069)	4,459
Other prepaids	15,185	(5,708)
Increase/(Decrease) in operating liabilities		
Accounts payable	15,931	1,919
Accrued and withheld payroll liabilities	4,863	(6,740)
Trade liabilities	33,327	(84,490)
Other liabilities	5,554	258
Deferred revenues	(43,950)	26,092
Net cash provided by operating activities	<u>1,187,114</u>	<u>349,023</u>
<b>Cash flows from investing activities</b>		
Net change in beneficial interest in Community Foundation	132	(592)
Net change in beneficial interest in charitable remainder trusts	2,242	1,324
Proceeds from certificates of deposit	856,973	416,283
Payments for certificates of deposit	(1,639,855)	(954,337)
Proceeds from sale of assets	-	14,723
Payments for property and equipment	(78,633)	(110,935)
Net cash used by investing activities	<u>(859,141)</u>	<u>(633,534)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for investment in property assets	238	128,281
Net cash provided by financing activities	<u>238</u>	<u>128,281</u>
<b>Change in cash and cash equivalents</b>	328,211	(156,230)
<b>Cash and cash equivalents, beginning of year</b>	711,174	867,404
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,039,385</u>	<u>\$ 711,174</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for interest	<u>\$ 1,061</u>	<u>\$ 28</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, 2020 and 2019**

**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, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Memberships and donations	44%	49%
Corporation for Public Broadcasting	27%	26%
State of Kansas	1%	2%
Underwriting	11%	11%
Other sources	16%	12%
	100%	100%

*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.

*Change in Accounting Principles*

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

*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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

*Recent Accounting Pronouncements*

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for KPTS's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. KPTS has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

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, 2022 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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**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 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, 2020 and 2019, 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, 2020 and 2019, 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.

*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

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

*Income Recognition*

Contributions are recognized when the donor makes a promise to give to KPTS that is, in substance, unconditional. 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.

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.

*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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

*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.

*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.

*Interest Income*

Interest is recognized as earned.

*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.

# Kansas Public Telecommunications Service, Inc.

## Notes to Financial Statements

For the Years ended June 30, 2020 and 2019

### Note 1. Summary of Significant Accounting Policies (Continued)

#### *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 \$129,935 and \$116,935 for the years ended June 30, 2020 and 2019, respectively.

### Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Total pledges receivable	29,000	\$ 74,000
Less: allowance for uncollectible pledges	<u>(29,000)</u>	<u>(29,000)</u>
Net pledges receivable	-	45,000
Less: pledges receivable, current portion - net	<u>-</u>	<u>(45,000)</u>
Pledges receivable, long-term - net	<u>\$ -</u>	<u>\$ -</u>
	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 29,000	\$ 74,000

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



**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 3. Property and Equipment**

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 475,826	\$ 475,826
Building and improvements	571,802	571,802
Broadcast equipment	4,563,732	4,497,699
Office equipment	161,123	148,524
Intangibles - station logo and music	91,000	91,000
	<u>5,863,483</u>	<u>5,784,851</u>
Less accumulated depreciation	<u>4,918,836</u>	<u>4,780,950</u>
Total	<u>\$ 944,647</u>	<u>\$ 1,003,901</u>

**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, 2020 and 2019 was \$28,478 and \$28,610, 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, 2020 and 2019 is \$19,449 and \$21,691, 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**  
**For the Years ended June 30, 2020 and 2019**

**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>
<b>June 30, 2020:</b>				
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
<b>June 30, 2019:</b>				
Beneficial Interest in Community Foundation	\$ 28,610	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 21,691	\$ -	See Note 5	See Note 5

**Note 7. Liquidity and Availability**

The following schedule reflects KPTS's financial assets available for general expenditure as of June 30, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
<b>Financial Assets:</b>		
Cash and cash equivalents	\$ 1,039,385	\$ 711,174
Certificates of deposit, short-term	1,151,659	546,941
Accounts receivable, net	21,176	26,825
Trade receivables	33,902	575
Other receivables	16,164	3,575
Pledges receivable, current portion	-	45,000
	<u>2,262,286</u>	<u>1,334,090</u>
<b>Less those unavailable for general expenditures within one year, due to:</b>		
Board designations		
Wichita Community Foundation	28,478	28,610
Restricted by donor with purpose restrictions		
Property and equipment	28,429	43,822
Underwriting	68,125	60,500
Kids Channel	51,468	96,600
Total financial assets available for general expenditures within one year	<u>\$ 2,085,786</u>	<u>\$ 1,104,558</u>

# Kansas Public Telecommunications Service, Inc.

## Notes to Financial Statements

For the Years ended June 30, 2020 and 2019

### Note 7. Liquidity and Availability (Continued)

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. Board Designated Net Assets

Board designated net assets at June 30, 2020 and 2019, are designated for the following purposes:

	<u>2020</u>	<u>2019</u>
Purpose restrictions		
Wichita Community Foundation (Note 4)	<u>\$ 28,478</u>	<u>\$ 28,610</u>

### Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019, are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Purpose restrictions		
Property and equipment	\$ 28,429	\$ 43,822
Underwriting	68,125	60,500
Kids Channel	<u>51,468</u>	<u>96,600</u>
Total net assets with donor restrictions	<u>\$ 148,022</u>	<u>\$ 200,922</u>

### Note 10. 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](http://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**  
**For the Years ended June 30, 2020 and 2019**

**Note 10. 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, 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) and the statutory contribution rate was 8.61% and 8.89% for the calendar years ended December 31, 2020 and 2019, respectively. Contributions to the pension plan from KPTS were \$93,415 and \$88,131 for the years ended June 30, 2020 and 2019, respectively. Contributions to the plan are less than 5% of total contributions.

KPTS is included in the Local subgroup within KPERS. At December 31, 2019 and 2018, the market value of the assets for Local subgroup within KPERS was \$4,323,027,610 and \$3,752,043,860, respectively. The total actuarial liability for the Local subgroup within KPERS was \$5,704,514,304 and \$5,492,551,998 at December 31, 2019 and 2018, respectively. The plan was between 65% 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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 11. 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>2020</u>	<u>2019</u>
Land	\$ 167,163	\$ 167,163
Building and improvements	91,789	91,789
Broadcast equipment	<u>866,694</u>	<u>866,694</u>
Total	1,125,646	1,125,646
Less: Accumulated depreciation	<u>781,928</u>	<u>756,545</u>
Net book value	<u>\$ 343,718</u>	<u>\$ 369,101</u>

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:

2021	\$ 34,468
2022	18,038
2023	2,053
Total	<u>\$ 54,559</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:

2021	\$ 23,167
2022	20,723
2023	13,895
2024	13,895
2025	10,691
2026	3,564
Total	<u>\$ 85,935</u>

KPTS occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$17,707 and \$8,766 for the years ended June 30, 2020 and 2019, respectively.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 12. 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.

**Note 13. Contingencies**

*COVID -19*

The COVID-19 pandemic has impacted and could further impact KPTS's operations and the operations of KPTS's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts KPTS's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on KPTS's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, KPTS may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. KPTS continues to monitor evolving economic and general business conditions and the actual and potential impacts on the financial position, results of operations, and cash flows but cannot reasonably estimate the impact at this time.

*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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**For the Years ended June 30, 2020 and 2019**

**Note 13. Contingencies (Continued)**

*Paycheck Protection Program (Continued)*

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.

As noted above, KPTS intends to apply for forgiveness and believes the entire balance will be forgiven. However, in the event that the PPP loan is not forgiven, KPTS will be required to pay interest on the PPP Loan at a rate of 1.0% per annum.

**Note 14. Subsequent Events**

Management of KPTS has evaluated events subsequent to the statement of financial position date (June 30, 2020) through November 6, 2020, the date the financial statements were available and issued.

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