

**Kansas Public Telecommunications Service, Inc.**

**Independent Auditor's Report**

**And**

**Financial Statements**

**June 30, 2018**

**(With Summarized Comparative Information for June 30, 2017)**



**Kansas Public Telecommunications Service, Inc.**

**Independent Auditor's Report**

**And**

**Financial Statements**

**June 30, 2018**

**(With Summarized Comparative Information for June 30, 2017)**

## 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	4
Statements of Cash Flows	5
Notes to Financial Statements	6

## 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 statement of financial position as of June 30, 2018, 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.

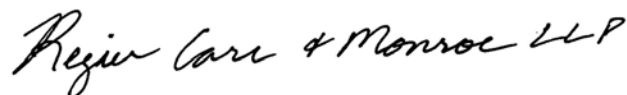
### Opinion

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, 2018, 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 2017 financial statements, and our report dated October 23, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 9, 2018  
Wichita, Kansas



**Kansas Public Telecommunications Service, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2018 with Summarized Comparative Information for June 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,177,404	\$ 873,328
Accounts receivable, net	44,363	30,221
Trade receivables	85,065	10,611
Other receivables	10,743	3,188
Pledges receivable, current portion	660	17,268
Unamortized program rights	17,817	18,774
Other prepaids	33,396	49,832
Total current assets	<u>1,369,448</u>	<u>1,003,222</u>
<b>Fixed Assets</b>		
Property and equipment	5,684,425	5,975,515
Accumulated depreciation	<u>(4,658,867)</u>	<u>(4,955,912)</u>
Total fixed assets	<u>1,025,558</u>	<u>1,019,603</u>
<b>Other Assets</b>		
Pledges receivable, net	-	1,822
Beneficial interest in Community Foundation	28,018	12,357
Beneficial interest in charitable remainder trust	<u>23,015</u>	<u>25,973</u>
Total other assets	<u>51,033</u>	<u>40,152</u>
Total assets	<u>\$ 2,446,039</u>	<u>\$ 2,062,977</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,952	\$ 20,400
Accrued payroll liabilities	36,748	27,444
Trade liabilities	85,065	10,611
Other liabilities	5,318	1,639
Deferred revenues	26,250	21,189
Current portion of notes payable	-	15,000
Total current liabilities	<u>164,333</u>	<u>96,283</u>
<b>Long-Term Liabilities</b>		
Notes payable	-	15,000
Total long-term liabilities	<u>-</u>	<u>15,000</u>
Total liabilities	<u>164,333</u>	<u>111,283</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,091,002	1,741,479
Board designated	48,018	12,357
Total unrestricted net assets	<u>2,139,020</u>	<u>1,753,836</u>
Temporarily restricted	142,686	197,858
Total net assets	<u>2,281,706</u>	<u>1,951,694</u>
Total liabilities and net assets	<u>\$ 2,446,039</u>	<u>\$ 2,062,977</u>

*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, 2018**  
**With Summarized Comparative Information for the Year Ended June 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>Public Support and Revenues</b>				
Public support				
Memberships and donations	\$ 1,445,724	\$ 67,602	\$ 1,513,326	\$ 1,619,958
Underwriting	314,712	-	314,712	247,141
In-kind donations	213,933	-	213,933	103,563
Corporation for Public Broadcasting	755,050	-	755,050	793,315
State of Kansas	51,281	-	51,281	51,448
Total public support	<u>2,780,700</u>	<u>67,602</u>	<u>2,848,302</u>	<u>2,815,425</u>
Revenues				
Lease and rental income	31,633	-	31,633	29,686
Other revenue	45,376	49,000	94,376	65,065
Gain/(Loss) on sale of assets	(7,080)	-	(7,080)	1,038
Change in beneficial interests	744	-	744	3,330
Total revenue	<u>70,673</u>	<u>49,000</u>	<u>119,673</u>	<u>99,119</u>
Total public support and revenues	<u>2,851,373</u>	<u>116,602</u>	<u>2,967,975</u>	<u>2,914,544</u>
<b>Net Assets released from restrictions:</b>				
Satisfaction of donor restrictions as to purpose and time	<u>171,774</u>	<u>(171,774)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Technology	501,968	-	501,968	495,241
Content	931,506	-	931,506	912,200
Total program services	<u>1,433,474</u>	<u>-</u>	<u>1,433,474</u>	<u>1,407,441</u>
Management & General	598,764	-	598,764	452,076
Fundraising	605,725	-	605,725	559,873
Total support services	<u>1,204,489</u>	<u>-</u>	<u>1,204,489</u>	<u>1,011,949</u>
Total expenses	<u>2,637,963</u>	<u>-</u>	<u>2,637,963</u>	<u>2,419,390</u>
Change in net assets	385,184	(55,172)	330,012	495,154
<b>Net assets - beginning of year</b>	<u>1,753,836</u>	<u>197,858</u>	<u>1,951,694</u>	<u>1,456,540</u>
<b>Net assets - end of year</b>	<u>\$ 2,139,020</u>	<u>\$ 142,686</u>	<u>\$ 2,281,706</u>	<u>\$ 1,951,694</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, 2018 with Summarized Comparative Information for the Year Ended June 30, 2017**

	2018							2017
	Program Services			Support Services				
	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total	
Salaries	\$ 219,310	\$ 285,221	\$ 504,531	\$ 169,787	\$ 272,110	\$ 441,897	\$ 946,428	\$ 801,095
Payroll taxes	16,765	21,945	38,710	13,610	20,154	33,764	72,474	63,109
Employee benefits	57,654	62,263	119,917	26,367	57,523	83,890	203,807	169,039
Total salaries and related benefits	293,729	369,429	663,158	209,764	349,787	559,551	1,222,709	1,033,243
Advertising and promotion	-	1,019	1,019	125,409	9,326	134,735	135,754	76,795
Recruitment and training	-	-	-	186	60	246	246	6,282
Software and small equipment	9,072	723	9,795	347	8,395	8,742	18,537	14,909
Equipment lease and rent	-	-	-	8,083	150	8,233	8,233	8,860
Program fees	-	523,268	523,268	-	-	-	523,268	556,151
Postage and freight	415	12,466	12,881	1,148	99,257	100,405	113,286	111,041
Insurance	-	-	-	29,355	-	29,355	29,355	30,156
Interest	-	-	-	238	-	238	238	2,006
Licenses and fees	5,208	9,437	14,645	4,138	26,673	30,811	45,456	37,122
Dues and subscriptions	-	562	562	19,509	275	19,784	20,346	22,004
Professional services	8,068	7,488	15,556	59,262	13,307	72,569	88,125	86,416
Repairs and maintenance	34,175	-	34,175	337	-	337	34,512	61,139
Printing and duplication	-	2,217	2,217	16	5,615	5,631	7,848	1,396
Travel and auto expense	1,274	2,291	3,565	2,376	5,632	8,008	11,573	7,577
Meals and entertainment	-	177	177	2,995	4,261	7,256	7,433	6,168
Supplies	1,302	1,515	2,817	64,865	76,350	141,215	144,032	84,561
Telephone and internet	1,108	650	1,758	6,331	925	7,256	9,014	8,075
Utilities	33,418	-	33,418	37,416	-	37,416	70,834	70,036
Bad debt expense	-	-	-	3,437	-	3,437	3,437	50,799
Miscellaneous	54	264	318	1,090	5,712	6,802	7,120	2,985
Total before depreciation	387,823	931,506	1,319,329	576,302	605,725	1,182,027	2,501,356	2,277,721
Depreciation	114,145	-	114,145	22,462	-	22,462	136,607	141,669
Total expenses 2018	<u>\$ 501,968</u>	<u>\$ 931,506</u>	<u>\$ 1,433,474</u>	<u>\$ 598,764</u>	<u>\$ 605,725</u>	<u>\$ 1,204,489</u>	<u>\$ 2,637,963</u>	<u>\$ 2,419,390</u>
Total expenses 2017	<u>\$ 495,241</u>	<u>\$ 912,200</u>	<u>\$ 1,407,441</u>	<u>\$ 452,076</u>	<u>\$ 559,873</u>	<u>\$ 1,011,949</u>	<u>\$ 2,419,390</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, 2018**  
**With Summarized Comparative Information for the Year Ended June 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 330,012	\$ 495,154
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	136,607	141,669
Contributions restricted for property assets	(86,032)	(77,953)
(Gain)/Loss on sale of assets	7,080	(1,038)
(Increase)/Decrease in operating assets		
Accounts receivable	(14,142)	4,415
Trade receivables	(74,454)	7,997
Other receivables	(7,555)	(2,286)
Pledges receivable, net	18,430	70,932
Unamortized program rights	957	1,740
Other prepaids	16,436	(11,669)
Increase/(Decrease) in operating liabilities		
Accounts payable	(9,448)	(10,344)
Accrued and withheld payroll liabilities	9,304	(566)
Trade liabilities	74,454	(7,997)
Other liabilities	3,679	619
Deferred revenues	5,061	(8,438)
Net cash provided/(used) by operating activities	<u>410,389</u>	<u>602,235</u>
<b>Cash flows from investing activities</b>		
Net change in beneficial interest in Community Foundation	(15,661)	(10,195)
Net change in beneficial interest in charitable remainder trusts	2,958	(3,212)
Payments for property and equipment	(149,642)	(15,988)
Net cash used by investing activities	<u>(162,345)</u>	<u>(29,395)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for property assets	86,032	77,953
Principal payments on notes payable	(30,000)	(69,975)
Net cash provided by financing activities	<u>56,032</u>	<u>7,978</u>
<b>Change in cash and cash equivalents</b>	304,076	580,818
<b>Cash and cash equivalents, beginning of year</b>	<u>873,328</u>	<u>292,510</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,177,404</u>	<u>\$ 873,328</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for interest	<u>\$ 238</u>	<u>\$ 2,006</u>

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



**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**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, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Memberships and donations	51%	56%
Corporation for Public Broadcasting	25%	27%
State of Kansas	2%	2%
Underwriting	11%	8%
Other sources	11%	7%
	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 KPTS's financial statements for the year ended June 30, 2017, 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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

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

*Recent Accounting Pronouncements*

Non-Profit Organizations

In August 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending June 30, 2019. The significant changes are:

Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”

All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).

Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

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, 2020. 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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

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

*Recent Accounting Pronouncements (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, 2021 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 monies from a money market account and various checking and savings accounts.

*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 accounts receivable that will actually be collected. As of June 30, 2018 and 2017, 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 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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

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

*Pledges Receivable and Allowance for Doubtful Accounts (Continued)*

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, 2018 and 2017, there was an allowance of \$39,000 and \$43,000, 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 \$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 KPTS 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.

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 restricted support.

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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

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

*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.

*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 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.

*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.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

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

*Income Taxes (Continued)*

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 \$135,754 and \$76,795 for the years ended June 30, 2018 and 2017, respectively.

**Note 2. Pledges Receivable**

Unconditional pledges receivable at June 30 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Total pledges receivable	\$ 39,660	\$ 62,238
Less: unamortized discount	-	(148)
Less: allowance for uncollectible pledges	(39,000)	(43,000)
Net pledges receivable	660	19,090
Less: pledges receivable, current portion - net	(660)	(17,268)
Pledges receivable, long-term - net	\$ -	\$ 1,822
	<b>2018</b>	<b>2017</b>
Amounts due in:		
Less than one year	\$ 39,660	\$ 60,268
One to five years	-	1,970
	\$ 39,660	\$ 62,238

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

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**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**Note 3. Property and Equipment**

Property and equipment consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 475,826	\$ 475,826
Building and improvements	571,802	571,802
Broadcast equipment	4,400,840	4,676,724
Office equipment	144,957	160,163
Intangibles - station logo and music	91,000	91,000
	<u>5,684,425</u>	<u>5,975,515</u>
Less accumulated depreciation	<u>4,658,867</u>	<u>4,955,912</u>
Total	<u>\$ 1,025,558</u>	<u>\$ 1,019,603</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, 2018 and 2017 was \$28,018 and \$12,357, 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, 2018 and 2017 is \$23,015 and \$25,973, 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, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**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, 2018:</b>				
Beneficial Interest in Community Foundation	\$ 28,018	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 23,015	\$ -	See Note 5	See Note 5
<b>June 30, 2017:</b>				
Beneficial Interest in Community Foundation	\$ 12,357	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 25,973	\$ -	See Note 5	See Note 5

**Note 7. Line-of-Credit**

KPTS has a line of credit with a bank for \$76,353 with a maturity date of March 15, 2019 at an interest rate of 4.9%. The bank requires a security interest in the tower and related assets of KPTS. There was no outstanding balance on the line of credit at June 30, 2018 and 2017.



**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**Note 8. Notes Payable**

Notes payable consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<b>Note payable to the State of Kansas</b> - The note was payable in annual principal payments of \$15,000 plus interest, which was reset annually on February 1st. Interest was 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 had an original maturity of July 31, 2018. The note is secured by digital equipment. The loan was paid in full during as of June 30, 2018.	\$ -	\$ 30,000
	-	30,000
Less current portion - due within one year	-	15,000
Long-term portion - due after one year	<u>\$ -</u>	<u>\$ 15,000</u>

**Note 9. Board Designated Net Assets**

Board designated net assets at June 30, 2018 and 2017, are designated for the following purposes:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
Wichita Community Foundation (Note 4)	\$ 28,018	\$ 12,357
Broadcasting equipment	20,000	-
Total board designated net assets	<u>\$ 48,018</u>	<u>\$ 12,357</u>

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**Note 10. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017, are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
Property and equipment	\$ 108,186	\$ 191,858
Underwriting	34,500	-
Veterans Coming Home	-	6,000
Total temporarily restricted net assets	<u>\$ 142,686</u>	<u>\$ 197,858</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, 2018 and 2017 included:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
Property and equipment	\$ 151,274	\$ 52,523
Underwriting	20,500	5,000
Veterans Coming Home	-	5,000
Total temporarily restricted net assets	<u>\$ 171,774</u>	<u>\$ 62,523</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' financials 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**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**Note 11. 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 8.39% and 8.46% for the calendar years ended December 31, 2018 and 2017, respectively. Contributions to the pension plan from KPTS were \$78,337 and \$70,066 for the years ended June 30, 2018 and 2017, respectively.

**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, 2018 and 2017:

	<u>2018</u>	<u>2017</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	<u>731,162</u>	<u>699,336</u>
Net Book Value	<u>\$ 394,484</u>	<u>\$ 426,310</u>

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**With Summarized Comparative Information for June 30, 2017**

**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:

2019	\$ 33,239
2020	33,844
2021	34,468
2022	18,038
2023	2,053
Total	<u>\$ 121,642</u>

*Lessee*

KPTS leases 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:

2019	\$ 4,885
2020	3,805
2021	3,445
Total	<u>\$ 12,135</u>

KPTS occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$8,233 and \$8,860 for the years ended June 30, 2018 and 2017, respectively.

**Note 13. Concentration of Credit Risk**

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

**Note 14. Reclassifications**

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

**Note 15. Subsequent Events**

Management of KPTS has evaluated events subsequent to the balance sheet date (June 30, 2018) through November 9, 2018, the date the financial statements were available and issued.

---

<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