

Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

and

Financial Statements

June 30, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Kansas Public Telecommunications Service, Inc. adopted new accounting guidance related to not-for-profit financial statement presentation, Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Rejiv Carr & Monroe LLP

November 5, 2019
Wichita, Kansas

Kansas Public Telecommunications Service, Inc.
Statements of Financial Position
June 30, 2019 and 2018

ASSETS

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 711,174	\$ 867,404
Certificates of deposit, short-term	546,941	110,000
Accounts receivable, net	26,825	44,363
Trade receivables	575	85,065
Other receivables	3,575	10,743
Pledges receivable, current portion	45,000	660
Unamortized program rights	13,358	17,817
Other prepaids	39,104	33,396
Total current assets	1,386,552	1,169,448
Fixed Assets		
Property and equipment	5,784,851	5,684,425
Accumulated depreciation	(4,780,950)	(4,658,867)
Total fixed assets	1,003,901	1,025,558
Other Assets		
Certificates of deposit, long-term	301,113	200,000
Beneficial interest in Community Foundation	28,610	28,018
Beneficial interest in charitable remainder trust	21,691	23,015
Total other assets	351,414	251,033
Total assets	\$ 2,741,867	\$ 2,446,039

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 12,871	\$ 10,952
Accrued payroll liabilities	30,008	36,748
Trade liabilities	575	85,065
Other liabilities	5,576	5,318
Deferred revenues	52,342	26,250
Total current liabilities	101,372	164,333
Net Assets		
Without donor restrictions		
Undesignated	2,410,963	2,091,002
Board designated	28,610	48,018
Total net assets without donor restrictions	2,439,573	2,139,020
With donor restrictions	200,922	142,686
Total net assets	2,640,495	2,281,706
Total liabilities and net assets	\$ 2,741,867	\$ 2,446,039

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>
Public Support and Revenues			
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	3,047,116	188,781	3,235,897
Net Assets Released from Restrictions			
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>
Expenses			
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
Net Assets - Beginning of Year	<u>2,139,020</u>	<u>142,686</u>	<u>2,281,706</u>
Net Assets - End of Year	<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 Activities
For the Year Ended June 30, 2018

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues			
Public support			
Memberships and donations	\$ 1,445,724	\$ 67,602	\$ 1,513,326
Underwriting	314,712	-	314,712
In-kind donations	213,933	-	213,933
Corporation for Public Broadcasting	755,050	-	755,050
State of Kansas	51,281	-	51,281
Total public support	<u>2,780,700</u>	<u>67,602</u>	<u>2,848,302</u>
Revenues			
Lease and rental income	31,633	-	31,633
Other revenue	44,990	49,000	93,990
Gain/(Loss) on sale of assets	(7,080)	-	(7,080)
Interest income	386	-	386
Change in beneficial interests	744	-	744
Total revenue	<u>70,673</u>	<u>49,000</u>	<u>119,673</u>
Total public support and revenues	<u>2,851,373</u>	<u>116,602</u>	<u>2,967,975</u>
Net Assets Released from Restrictions			
Acquisition of property and equipment	151,274	(151,274)	
Satisfaction of underwriting restrictions	20,500	(20,500)	-
Total net assets released from restrictions	<u>171,774</u>	<u>(171,774)</u>	<u>-</u>
Expenses			
Technology	501,968	-	501,968
Content	931,506	-	931,506
Total program services	<u>1,433,474</u>	<u>-</u>	<u>1,433,474</u>
Management & General	598,764	-	598,764
Fundraising	605,725	-	605,725
Total support services	<u>1,204,489</u>	<u>-</u>	<u>1,204,489</u>
Total expenses	<u>2,637,963</u>	<u>-</u>	<u>2,637,963</u>
Change in net assets	385,184	(55,172)	330,012
Net Assets - Beginning of Year	<u>1,753,836</u>	<u>197,858</u>	<u>1,951,694</u>
Net Assets - End of Year	<u>\$ 2,139,020</u>	<u>\$ 142,686</u>	<u>\$ 2,281,706</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 2019	<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.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	2018						
	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
Payroll taxes	16,765	21,945	38,710	13,610	20,154	33,764	72,474
Employee benefits	57,654	62,263	119,917	26,367	57,523	83,890	203,807
Total salaries and related benefits	293,729	369,429	663,158	209,764	349,787	559,551	1,222,709
Advertising and promotion	-	1,019	1,019	125,409	9,326	134,735	135,754
Recruitment and training	-	-	-	186	60	246	246
Software and small equipment	9,072	723	9,795	347	8,395	8,742	18,537
Equipment lease and rent	-	-	-	8,083	150	8,233	8,233
Program fees	-	523,268	523,268	-	-	-	523,268
Postage and freight	415	12,466	12,881	1,148	99,257	100,405	113,286
Insurance	-	-	-	29,355	-	29,355	29,355
Interest	-	-	-	238	-	238	238
Licenses and fees	5,208	9,437	14,645	4,138	26,673	30,811	45,456
Dues and subscriptions	-	562	562	19,509	275	19,784	20,346
Professional services	8,068	7,488	15,556	59,262	13,307	72,569	88,125
Repairs and maintenance	34,175	-	34,175	337	-	337	34,512
Printing and duplication	-	2,217	2,217	16	5,615	5,631	7,848
Travel and auto expense	1,274	2,291	3,565	2,376	5,632	8,008	11,573
Meals and entertainment	-	177	177	2,995	4,261	7,256	7,433
Supplies	1,302	1,515	2,817	64,865	76,350	141,215	144,032
Telephone and internet	1,108	650	1,758	6,331	925	7,256	9,014
Utilities	33,418	-	33,418	37,416	-	37,416	70,834
Bad debt expense	-	-	-	3,437	-	3,437	3,437
Miscellaneous	54	264	318	1,090	5,712	6,802	7,120
Total before depreciation	387,823	931,506	1,319,329	576,302	605,725	1,182,027	2,501,356
Depreciation	114,145	-	114,145	22,462	-	22,462	136,607
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>

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 358,789	\$ 330,012
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	132,592	136,607
Contributions restricted for property assets	(128,281)	(86,032)
(Gain)/Loss on sale of assets	(14,723)	7,080
(Increase)/Decrease in operating assets		
Accounts receivable	17,538	(14,142)
Trade receivables	84,490	(74,454)
Other receivables	7,168	(7,555)
Pledges receivable, net	(44,340)	18,430
Unamortized program rights	4,459	957
Other prepaids	(5,708)	16,436
Increase/(Decrease) in operating liabilities		
Accounts payable	1,919	(9,448)
Accrued and withheld payroll liabilities	(6,740)	9,304
Trade liabilities	(84,490)	74,454
Other liabilities	258	3,679
Deferred revenues	26,092	5,061
Net cash provided/(used) by operating activities	349,023	410,389
Cash flows from investing activities		
Net change in beneficial interest in Community Foundation	(592)	(15,661)
Net change in beneficial interest in charitable remainder trusts	1,324	2,958
Proceeds from certificates of deposit	416,283	-
Payments for certificates of deposit	(954,337)	(310,000)
Proceeds from sale of assets	14,723	-
Payments for property and equipment	(110,935)	(149,642)
Net cash used by investing activities	(633,534)	(472,345)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in property assets	128,281	86,032
Principal payments on notes payable	-	(30,000)
Net cash provided by financing activities	128,281	56,032
Change in cash and cash equivalents	(156,230)	(5,924)
Cash and cash equivalents, beginning of year	867,404	873,328
Cash and cash equivalents, end of year	\$ 711,174	\$ 867,404
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 28	\$ 238

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, 2019 and 2018

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Memberships and donations	49%	51%
Corporation for Public Broadcasting	26%	25%
State of Kansas	2%	2%
Underwriting	11%	11%
Other sources	12%	11%
	<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.

Change in Accounting Principles

KPTS has implemented amendments contained in ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the presentation of financial statements and notes for not-for-profit entities. The main provisions of this guidance include: presentation of two classes of net assets; presentation of expenses by both natural and functional allocations; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets with and without donor restrictions, liquidity, cost allocation methods and underwater endowments. KPTS adopted the amendments for the fiscal year beginning July 1, 2018. Upon adoption, the ASU requires the amendments to be applied on a retrospective basis. Accordingly, 2018 has been restated to apply the amendments of ASU No. 2016-14.

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, 2019 and 2018

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, 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.

Contributions

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958), that will clarify the accounting for contributions received and contributions made. The ASU clarifies the evaluation of whether transactions are contributions (nonreciprocal transactions) or exchange (reciprocal) transactions. The ASU also provides guidance on the determination of whether the contribution is conditional. The presence of both a barrier and a right or return/release indicate the recipient is not entitled to the assets until the barriers are overcome. The new guidance for contributions received and contributions made will be effective for KPTS's year ending June 30, 2020 and 2021, respectively. The ASU prescribes application of the new revenue recognition guidance to be applied using a modified prospective application method, however retrospective application is permitted. 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.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

Leases (Continued)

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 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, 2019 and 2018, 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, 2019 and 2018, there was an allowance of \$29,000 and \$39,000, 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, 2019 and 2018

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

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.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2019 and 2018

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.

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.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 \$116,935 and \$135,754 for the years ended June 30, 2019 and 2018, respectively.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2019 and 2018

Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	2019	2018
Total pledges receivable	74,000	\$ 39,660
Less: allowance for uncollectible pledges	(29,000)	(39,000)
Net pledges receivable	45,000	660
Less: pledges receivable, current portion - net	(45,000)	(660)
Pledges receivable, long-term - net	\$ -	\$ -
	2019	2018

Amounts due in:

Less than one year	\$ 74,000	\$ 39,660
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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, 2019 and 2018:

	2019	2018
Land	\$ 475,826	\$ 475,826
Building and improvements	571,802	571,802
Broadcast equipment	4,497,699	4,400,840
Office equipment	148,524	144,957
Intangibles - station logo and music	91,000	91,000
	5,784,851	5,684,425
Less accumulated depreciation	4,780,950	4,658,867
Total	\$ 1,003,901	\$ 1,025,558

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, 2019 and 2018 was \$28,610 and \$28,018, respectively.

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2019 and 2018

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, 2019 and 2018 is \$21,691 and \$23,015, 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, 2019:				
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
June 30, 2018:				
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

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2019 and 2018

Note 7. Liquidity and Availability

The following schedule reflects KPTS's financial assets available for general expenditure as of June 30, 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>2019</u>
Financial Assets:	
Cash and cash equivalents	\$ 711,174
Certificates of deposit, short-term	546,941
Accounts receivable, net	26,825
Trade receivables	575
Other receivables	3,575
Pledges receivable, current portion	45,000
	<u>1,334,090</u>
Less those unavailable for general expenditures within one year, due to:	
Board designations	
Wichita Community Foundation	28,610
Restricted by donor with purpose restrictions	
Property and equipment	43,822
Underwriting	60,500
Kids Channel	96,600
	<u> </u>
Total financial assets available for general expenditures within one year	<u><u>\$ 1,104,558</u></u>

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 are expected to be collected within one year.

Note 8. Board Designated Net Assets

Board designated net assets at June 30, 2019 and 2018, are designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Purpose restrictions		
Wichita Community Foundation (Note 4)	\$ 28,610	\$ 28,018
Broadcasting equipment	-	20,000
	<u> </u>	<u> </u>
Total board designated net assets	<u><u>\$ 28,610</u></u>	<u><u>\$ 48,018</u></u>

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2019 and 2018

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018, are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Purpose restrictions		
Property and equipment	\$ 43,822	\$ 108,186
Underwriting	60,500	34,500
Kids Channel	96,600	-
Total net assets with donor restrictions	<u>\$ 200,922</u>	<u>\$ 142,686</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' financials statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

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 8.89% and 8.39% for the calendar years ended December 31, 2019 and 2018, respectively. Contributions to the pension plan from KPTS were \$88,131 and \$78,337 for the years ended June 30, 2019 and 2018, respectively. Contributions to the plan are less than 5% of total contributions.

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2019 and 2018

Note 10. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

KPTS is included in the Local subgroup within KPERS. At December 31, 2018 and 2017, the market value of the assets for Local subgroup within KPERS was \$3,752,043,860 and \$3,920,141,884, respectively. The total actuarial liability for the Local subgroup within KPERS was \$5,492,551,998 and \$5,299,548,013 at December 31, 2018 and 2017, 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.

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>2019</u>	<u>2018</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	756,545	731,162
Net book value	<u>\$ 369,101</u>	<u>\$ 394,484</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:

2020	\$ 33,844
2021	34,468
2022	18,038
2023	2,053
Total	<u>\$ 88,403</u>

Kansas Public Telecommunications Service, Inc.
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Note 11. Operating Leases (Continued)

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:

2020	\$ 11,077
2021	10,717
2022	7,272
2023	3,204
2024	3,204
Total	<u>\$ 35,474</u>

KPTS occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$8,766 and \$8,233 for the years ended June 30, 2019 and 2018, respectively.

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. Subsequent Events

Management of KPTS has evaluated events subsequent to the balance sheet date (June 30, 2019) through November 5, 2019, 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