

Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

and

Financial Statements

June 30, 2022 and 2021



Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

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Financial Statements

June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kansas Public Telecommunications Service, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kansas Public Telecommunications Service, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas Public Telecommunications Service, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kansas Public Telecommunications Service, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas Public Telecommunications Service, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

November 28, 2022
Wichita, Kansas

Rejiv Carr & Monroe LLP

Kansas Public Telecommunications Service, Inc.
Statements of Financial Position
June 30, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 930,348	\$ 1,825,880
Certificates of deposit, short-term	1,820,287	1,708,664
Accounts receivable, net	12,071	25,688
Trade receivables	28,225	44,272
Other receivables	26,710	91,810
Pledges receivable, current portion	226,683	52,500
Unamortized program rights	34,143	29,751
Other prepaids	63,018	69,639
Total current assets	3,141,485	3,848,204
Fixed Assets		
Property and equipment	7,476,992	5,907,258
Accumulated depreciation	(3,045,688)	(5,009,307)
Total fixed assets	4,431,304	897,951
Other Assets		
Pledges receivable, net	496,263	240,626
Certificates of deposit, long-term	211,606	316,504
Beneficial interest in charitable remainder trust	13,591	20,938
Total other assets	721,460	578,068
Total assets	\$ 8,294,249	\$ 5,324,223

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 97,525	\$ 35,217
Accrued payroll liabilities	61,322	43,456
Trade liabilities	28,225	44,272
Other liabilities	55,470	5,384
Deferred revenues	61,496	76,466
Note payable, current portion	51,646	-
Total current liabilities	355,684	204,795
Long-Term Liabilities		
Note payable, long term	1,402,875	-
Total liabilities	1,758,559	204,795
Net Assets		
Without donor restrictions	6,497,280	4,467,535
With donor restrictions	38,410	651,893
Total net assets	6,535,690	5,119,428
Total liabilities and net assets	\$ 8,294,249	\$ 5,324,223

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, 2022

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues			
Public support			
Memberships and donations	\$ 3,028,469	\$ 38,410	\$3,066,879
Underwriting	426,768	-	426,768
In-kind donations	380,400	-	380,400
Corporation for Public Broadcasting	1,008,176	-	1,008,176
State of Kansas	62,196	-	62,196
Total public support	<u>4,906,009</u>	<u>38,410</u>	<u>4,944,419</u>
Revenues			
Lease and rental income	31,541	-	31,541
Other revenue	181,026	-	181,026
Gain (Loss) on sale of assets	429,236	-	429,236
Interest income	10,158	-	10,158
Change in beneficial interests	(3,033)	-	(3,033)
Total revenue	<u>648,928</u>	<u>-</u>	<u>648,928</u>
Total public support and revenues	5,554,937	38,410	5,593,347
Net Assets Released from Restrictions			
Acquisition of property and equipment	616,293	(616,293)	-
Satisfaction of underwriting restrictions	35,600	(35,600)	-
Total net assets released from restrictions	<u>651,893</u>	<u>(651,893)</u>	<u>-</u>
Expenses			
Technology	687,276	-	687,276
Content	1,488,350	-	1,488,350
Total program services	<u>2,175,626</u>	<u>-</u>	<u>2,175,626</u>
Management & General	1,197,132	-	1,197,132
Fundraising	804,327	-	804,327
Total support services	<u>2,001,459</u>	<u>-</u>	<u>2,001,459</u>
Total expenses	<u>4,177,085</u>	<u>-</u>	<u>4,177,085</u>
Change in net assets	2,029,745	(613,483)	1,416,262
Net Assets - Beginning of Year	<u>4,467,535</u>	<u>651,893</u>	<u>5,119,428</u>
Net Assets - End of Year	<u>\$ 6,497,280</u>	<u>\$ 38,410</u>	<u>\$6,535,690</u>

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

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

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

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

Kansas Public Telecommunications Service, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	2022						
	Program Services			Support Services			
	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 244,580	\$ 484,907	\$ 729,487	\$ 342,358	\$ 434,189	\$ 776,547	\$ 1,506,034
Payroll taxes	19,919	38,172	58,091	19,214	34,233	53,447	111,538
Employee benefits	46,582	116,277	162,859	56,606	87,783	144,389	307,248
Total salaries and related benefits	311,081	639,356	950,437	418,178	556,205	974,383	1,924,820
Advertising and promotion	-	265	265	37,791	5,952	43,743	44,008
Recruitment and training	-	-	-	1,026	-	1,026	1,026
Software and small equipment	177,501	16,216	193,717	1,945	14,379	16,324	210,041
Equipment lease and rent	9,117	-	9,117	876	-	876	9,993
Program fees	-	706,298	706,298	-	-	-	706,298
Postage and freight	528	15,619	16,147	4,651	47,609	52,260	68,407
Insurance	-	-	-	56,246	-	56,246	56,246
Interest	-	-	-	57,390	-	57,390	57,390
Licenses and fees	1,893	36,373	38,266	10,723	32,315	43,038	81,304
Dues and subscriptions	-	1,276	1,276	22,417	65	22,482	23,758
Professional services	19,842	30,344	50,186	84,488	7,593	92,081	142,267
Repairs and maintenance	33,564	36	33,600	8,653	7	8,660	42,260
Printing and duplication	184	1,173	1,357	20,245	40,200	60,445	61,802
Travel and auto expense	110	431	541	4,127	-	4,127	4,668
Meals and entertainment	38	88	126	2,809	10,847	13,656	13,782
Supplies	1,764	33,609	35,373	230,697	66,946	297,643	333,016
Telephone and internet	13,199	875	14,074	384	851	1,235	15,309
Utilities	38,603	-	38,603	80,682	-	80,682	119,285
Bad debt expense	-	-	-	89,353	-	89,353	89,353
Legal settlement	-	-	-	25,000	-	25,000	25,000
Miscellaneous	6,076	1,711	7,787	4,527	21,358	25,885	33,672
Total before depreciation	613,500	1,483,670	2,097,170	1,162,208	804,327	1,966,535	4,063,705
Depreciation	73,776	4,680	78,456	34,924	-	34,924	113,380
Total expenses	<u>\$ 687,276</u>	<u>\$ 1,488,350</u>	<u>\$ 2,175,626</u>	<u>\$ 1,197,132</u>	<u>\$ 804,327</u>	<u>\$ 2,001,459</u>	<u>\$ 4,177,085</u>

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

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

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

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

Kansas Public Telecommunications Service, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 1,416,262	\$ 1,453,042
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	113,380	99,794
Contributions restricted for property assets	(57,800)	-
(Gain)/Loss on sale of assets	(429,236)	-
(Increase)/Decrease in operating assets		
Accounts receivable	13,617	(4,512)
Other receivables	65,100	(75,646)
Pledges receivable, net	(429,820)	(293,126)
Unamortized program rights	(4,392)	(4,324)
Other prepaids	6,621	(45,720)
Increase/(Decrease) in operating liabilities		
Accounts payable	62,308	6,415
Accrued and withheld payroll liabilities	17,866	8,585
Other liabilities	50,086	(5,746)
Deferred revenues	(14,970)	68,074
Net cash provided by operating activities	809,022	1,206,836
Cash flows from investing activities		
Net change in beneficial interest in Community Foundation	-	28,478
Net change in beneficial interest in charitable remainder trusts	7,347	(1,489)
Proceeds from certificates of deposit	1,707,593	1,489,323
Payments for certificates of deposit	(1,714,318)	(1,883,555)
Proceeds from sale of assets	692,776	-
Payments for property and equipment	(3,852,473)	(53,098)
Net cash used by investing activities	(3,159,075)	(420,341)
Cash flows from financing activities:		
Proceeds from notes payable	1,500,000	-
Principal payments on notes payable	(45,479)	-
Net cash provided by financing activities	1,454,521	-
Change in cash and cash equivalents	(895,532)	786,495
Cash and cash equivalents, beginning of year	1,825,880	1,039,385
Cash and cash equivalents, end of year	\$ 930,348	\$ 1,825,880
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 57,390	\$ 437

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, 2022 and 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Memberships and donations	55%	45%
Corporation for Public Broadcasting	18%	29%
State of Kansas	1%	1%
Underwriting	8%	9%
Other sources	18%	16%
	<u>100%</u>	<u>100%</u>

Basis of Presentation

KPTS reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted funds represent operating funds that have been restricted by the donor.

Use of Estimates

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

Change in Accounting Principle

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively. The standard did not have a material impact on the financial statements. KPTS has updated disclosures as necessary (see Note 10 In-kind Donations).

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Leases

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

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

Cash and cash equivalents

Cash and cash equivalents include all investments in money market accounts, various checking accounts and certificates of deposit with purchase 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, 2022 and 2021, 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 and historical data from previous campaigns. As of June 30, 2022 and 2021, there was an allowance of \$118,353 and \$29,000, respectively. Uncollectible receivables are charged off against the allowance when the account is determined to be uncollectible.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

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 39 years
Broadcast equipment	3 to 20 years
Office equipment	3 to 15 years
Vehicles	5 years
Station logo and music	5 years

Income Recognition

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

Underwriting is considered an exchange transaction that is recognized over the period that the production is aired. Deferred revenues represent services received in trade for underwriting contracts given to sponsors which relate to programs which begin after the applicable fiscal year end.

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

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

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

Contributed Services and Non-Cash Assets

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

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Interest Income

Interest is recognized as earned.

Fair Value Measurements

FASB ASC 820-10, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, Level 2 inputs include quoted prices for similar assets in active markets, and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. As described in Note 5, KPTS measures fair value of beneficial interests in 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. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

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

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

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

Income Taxes

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

KPTS believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. KPTS would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Advertising

KPTS expenses advertising and promotion costs as they are incurred. Advertising and promotion costs were \$44,008 and \$160,844 for the years ended June 30, 2022 and 2021, respectively.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	2022	2021
Total pledges receivable	879,700	\$ 336,500
Less: unamortized discount	(38,401)	(14,374)
Less: allowance for uncollectible pledges	(118,353)	(29,000)
Net pledges receivable	722,946	293,126
Less: pledges receivable, current portion - net	(226,683)	(52,500)
Pledges receivable, long-term - net	\$ 496,263	\$ 240,626
	2022	2021
Amounts due in:		
Less than one year	\$ 283,700	\$ 81,500
One to five years	596,000	255,000
	\$ 879,700	\$ 336,500

The allowance for uncollectible pledges is based on an analysis of the collectability of individual promises to give and historical data from previous campaigns. A general allowance of 11% was established on new pledges receivable as of June 30, 2022.

Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2022 and 2021:

	2022	2021
Land	559,336	475,826
Building and improvements	3,106,583	571,802
Broadcast equipment	3,645,667	4,566,831
Office equipment	37,995	151,799
Vehicles	36,411	-
Intangibles - station logo and music	91,000	91,000
Assets in progress	-	50,000
	7,476,992	5,907,258
Less accumulated depreciation	3,045,688	5,009,307
Total	\$ 4,431,304	\$ 897,951

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2022 and 2021

Note 4. 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, 2022 and 2021 is \$13,591 and \$20,938 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 5. Fair Value Measures

The beneficial interest in funds held by remainder trusts and estates are presented at fair value measured at net asset value as provided by 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, 2022:				
Beneficial Interest in charitable remainder trust	\$ 13,591	\$ -	See Note 4	See Note 4
June 30, 2021:				
Beneficial Interest in charitable remainder trust	\$ 20,938	\$ -	See Note 4	See Note 4

Note 6. Deferred Revenue

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

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of the year	\$ 76,466	\$ 8,392
Revenue recognized that was included in deferred at the beginning of the year for underwriting	(76,466)	(8,392)
Increase in deferred revenue due to cash received during the year for underwriting	61,496	76,466
Deferred revenue, end of the year	<u>\$ 61,496</u>	<u>\$ 76,466</u>

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2022 and 2021

Note 7. Liquidity and Availability

The following schedule reflects KPTS's financial assets available for general expenditure as of June 30, 2022 and 2021, 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:

	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 930,348	\$ 1,825,880
Certificates of deposit, short-term	1,820,287	1,708,664
Accounts receivable, net	12,071	25,688
Trade receivables	28,225	44,272
Other receivables	26,710	91,810
Pledges receivable, net	226,683	293,126
	3,044,324	3,989,440
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions		
Property and equipment	-	616,293
Discovery Station	3,560	-
Underwriting	34,850	35,600
Total financial assets available for general expenditures within one year	\$ 3,005,914	\$ 3,337,547

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. Note Payable

Note payable consists of the following as June 30:

	2022	2021
The note payable is secured by real estate, which requires monthly payments of \$9,128. The note payable matures on July 16, 2041. Interest is at a variable rate of 2.75% above the index for the term of the loan. Rate as of June 30, 2022 is 3.99%.	\$ 1,454,522	\$ -

For the year ended June 30, 2022 and 2021, KPTS recorded interest expense of \$57,390 and \$437, respectively.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 8. Note Payable (Continued)

Future minimum payments of note payable as of June 30, 2022 are as follows:

<u>Year Ended June 30</u>		
2023	\$	51,646
2024		53,622
2025		55,985
2026		58,292
2027		60,694
Thereafter		1,174,282
	<u>\$</u>	<u>1,454,521</u>

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Purpose restrictions		
Property and equipment	\$ -	\$ 616,293
Discovery Station	3,560	-
Underwriting	<u>34,850</u>	<u>35,600</u>
Total net assets with donor restrictions	<u>\$ 38,410</u>	<u>\$ 651,893</u>

Note 10. In-kind Donations

For the years ended June 30, in-kind donations recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 209,784	\$ 449,058
Building	57,800	-
Professional services	3,190	25,264
Rent	-	2,500
Supplies	<u>109,626</u>	<u>23,214</u>
	<u>\$ 380,400</u>	<u>\$ 500,036</u>

KPTS recognized contributed nonfinancial assets within revenue, including contributed advertising, building, professional services, rent and supplies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 10. In-kind Donations (Continued)

Advertising in-kind donations include digital, broadcast, and public service announcements. The value is determined by third-party estimates using billing rates in like circumstances.

The contributed building was in relation to the renovations on the new facilities. In valuing the contributed building, which is located in Wichita, Kansas, KPTS estimated the fair value on the basis of materials and labor required to complete the project.

Professional services recognized comprise professional services from attorneys advising KPTS on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

Rent was contributed for special event activities. Contributed rent is valued and is reported as the estimated fair value in the financial statements based on the comparable rental rates from the same or similar facilities.

Supplies include general office, production, education, and special event supplies, and small equipment. KPTS estimated the fair value on the basis of estimates of the values that would be spent for purchasing similar products in the United States.

Note 11. Defined Benefit Pension Plan

Plan Description

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

Contributions

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

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 11. Defined Benefit Pension Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate for Death and Disability Program, which had a moratorium from July 1, 2020 to June 30, 2021) and the statutory contribution rate was 8.90% and 8.87% for the calendar years ended December 31, 2022 and 2021, respectively. Contributions to the pension plan from KPTS were \$129,167 and \$99,706 for the years ended June 30, 2022 and 2021, respectively. Contributions to the plan are less than 5% of total contributions.

KPTS is included in the Local subgroup within KPERS. At December 31, 2021 and 2020, the market value of the assets for Local subgroup within KPERS was \$5,326,278,739 and \$4,699,700,683, respectively. The total actuarial liability for the Local subgroup within KPERS was \$6,683,865,360 and \$5,928,449,959 at December 31, 2021 and 2020, respectively. The plan was between 70% and 80% funded for both years. KPTS's proportion of the net pension liability is based on the ratio of KPTS's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. This liability is not reported in the financial statements.

Note 12. Operating Leases

Lessor

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

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

	<u>2022</u>	<u>2021</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>816,334</u>	<u>800,767</u>
Net book value	<u>\$ 309,312</u>	<u>\$ 324,879</u>

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2022 and 2021

Note 12. Operating Leases

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

Year Ending June 30:	Total
2023	\$ 11,958
2024	12,317
2025	12,686
2026	13,067
Thereafter	6,630
Total	<u><u>\$ 56,658</u></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:

2023	\$ 13,895
2024	13,895
2025	10,691
2026	3,556
Total	<u><u>\$ 42,037</u></u>

KPTS occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$26,411 and \$22,959 for the years ended June 30, 2022 and 2021, respectively.

Note 13. Concentration of Credit Risk

KPTS maintains cash accounts at local banks, 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 14. Contingencies

KPTS moved into new facilities during the year ending June 30, 2022 and is in the process of applying for exemption from property taxes. Property taxes have not been recognized since KPTS took possession of the property. Estimated liability if exemption is not granted would be \$90,603 for the year ended June 30, 2022.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
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Note 15. Commitments

During the year ended June 30, 2022, KPTS has a contract for the renovations to the new facilities for \$296,000. As of June 30, 2022, the retainer of \$12,040 will be due upon services rendered and final completion of project when the expenditure will be recorded.

Note 16. Subsequent Events

Management of KPTS has evaluated events subsequent to the statement of financial position date (June 30, 2022) through November 28, 2022, the date the financial statements were available to be issued and found no materially significant items.

EL DORADO	117 W. CENTRAL AVE	EL DORADO, KS 67042-0847	316-321-1150
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	509 S. MCQUARRIE AVE	WAGONER, OK 74467-6223	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335