

Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

and

Financial Statements

June 30, 2023 and 2022



Kansas Public Telecommunications Service, Inc.

Independent Auditor's Report

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Financial Statements

June 30, 2023 and 2022

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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 financial statements of Kansas Public Telecommunications Service, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 9, 2023
Wichita, Kansas

Regina Carr & Monroe LLP

Kansas Public Telecommunications Service, Inc.
Statements of Financial Position
June 30, 2023 and 2022

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 795,462	\$ 930,348
Certificates of deposit, short-term	1,620,380	1,820,287
Accounts receivable, net	32,695	12,071
Trade receivables	11,495	28,225
Other receivables	21,026	26,710
Pledges receivable, current portion	224,814	226,683
Unamortized program rights	39,019	34,143
Other prepaids	40,519	63,018
Total current assets	<u>2,785,410</u>	<u>3,141,485</u>
Fixed Assets		
Property and equipment	7,636,478	7,476,992
Accumulated depreciation	<u>(3,285,213)</u>	<u>(3,045,688)</u>
Total fixed assets	<u>4,351,265</u>	<u>4,431,304</u>
Other Assets		
Pledges receivable, net	247,966	496,263
Certificates of deposit, long-term	425,812	211,606
Beneficial interest in charitable remainder trust	11,252	13,591
Other assets	<u>1,765</u>	<u>-</u>
Total other assets	<u>686,795</u>	<u>721,460</u>
Total assets	<u><u>\$ 7,823,470</u></u>	<u><u>\$ 8,294,249</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 19,370	\$ 97,525
Accrued payroll liabilities	72,280	61,322
Trade liabilities	11,495	28,225
Other liabilities	23,062	55,470
Deferred revenues	73,958	61,496
Note payable, current portion	<u>53,622</u>	<u>51,646</u>
Total current liabilities	<u>253,787</u>	<u>355,684</u>
Long-Term Liabilities		
Note payable, long term	<u>1,193,435</u>	<u>1,402,875</u>
Total liabilities	<u>1,447,222</u>	<u>1,758,559</u>
Net Assets		
Without donor restrictions	6,296,766	6,497,280
With donor restrictions	<u>79,482</u>	<u>38,410</u>
Total net assets	<u>6,376,248</u>	<u>6,535,690</u>
Total liabilities and net assets	<u><u>\$ 7,823,470</u></u>	<u><u>\$ 8,294,249</u></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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Public support			
Memberships and donations	\$ 1,739,191	\$ -	\$ 1,739,191
Underwriting	458,591	28,800	487,391
In-kind donations	357,955	-	357,955
Corporation for Public Broadcasting	1,018,302	-	1,018,302
State of Kansas	57,992	-	57,992
Total public support	<u>3,632,031</u>	<u>28,800</u>	<u>3,660,831</u>
Revenues			
Lease and rental income	22,485	-	22,485
Other revenue	172,886	50,682	223,568
Interest income	20,254	-	20,254
Change in beneficial interests	1,324	-	1,324
Total revenue	<u>216,949</u>	<u>50,682</u>	<u>267,631</u>
Total public support and revenues	<u>3,848,980</u>	<u>79,482</u>	<u>3,928,462</u>
Net Assets Released from Restrictions			
Satisfaction of Discovery Station restrictions	3,560	(3,560)	-
Satisfaction of underwriting restrictions	34,850	(34,850)	-
Total net assets released from restrictions	<u>38,410</u>	<u>(38,410)</u>	<u>-</u>
Expenses			
Education	8,690	-	8,690
Technology	620,201	-	620,201
Content	1,472,026	-	1,472,026
Total program services	<u>2,100,917</u>	<u>-</u>	<u>2,100,917</u>
Management & General	1,117,330	-	1,117,330
Fundraising	869,657	-	869,657
Total support services	<u>1,986,987</u>	<u>-</u>	<u>1,986,987</u>
Total expenses	<u>4,087,904</u>	<u>-</u>	<u>4,087,904</u>
Change in net assets	(200,514)	41,072	(159,442)
Net Assets - Beginning of Year	<u>6,497,280</u>	<u>38,410</u>	<u>6,535,690</u>
Net Assets - End of Year	<u><u>\$ 6,296,766</u></u>	<u><u>\$ 79,482</u></u>	<u><u>\$ 6,376,248</u></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, 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	<u>5,554,937</u>	<u>38,410</u>	<u>5,593,347</u>
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><u>\$ 6,497,280</u></u>	<u><u>\$ 38,410</u></u>	<u><u>\$ 6,535,690</u></u>

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

Kansas Public Telecommunications Service, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services				Support Services			
	Education	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,321	\$ 230,521	\$ 493,772	\$ 725,614	\$ 332,914	\$ 524,971	\$ 857,885	\$ 1,583,499
Payroll taxes	112	17,919	40,328	58,359	17,133.00	41,121	58,254	116,613
Employee benefits	-	55,778	108,260	164,038	50,787	101,084	151,871	315,909
Total salaries and related benefits	1,433	304,218	642,360	948,011	400,834	667,176	1,068,010	2,016,021
Advertising and promotion	-	-	863	863	298,259	6,226	304,485	305,348
Recruitment and training	-	-	-	-	681	-	681	681
Software and small equipment	-	12,183	7,061	19,244	376	17,304	17,680	36,924
Equipment lease and rent	-	7,456	-	7,456	876	-	876	8,332
Program fees	-	-	697,199	697,199	-	-	-	697,199
Postage and freight	-	14	12,308	12,322	1,586	46,703	48,289	60,611
Insurance	-	-	-	-	46,527	-	46,527	46,527
Interest	-	-	-	-	51,676	-	51,676	51,676
Licenses and fees	15	1,528	17,128	18,671	12,422	33,444	45,866	64,537
Dues and subscriptions	-	30	740	770	23,754	312	24,066	24,836
Professional services	2,770	36,415	28,669	67,854	72,096	1,726	73,822	141,676
Repairs and maintenance	-	63,828	23,850	87,678	1,093	-	1,093	88,771
Printing and duplication	3,297	55	114	3,466	6,611	46,600	53,211	56,677
Travel and auto expense	-	101	166	267	3,309	70	3,379	3,646
Meals and entertainment	-	20	96	116	5,274	12,174	17,448	17,564
Supplies	1,175	2,244	13,195	16,614	11,893	32,689	44,582	61,196
Telephone and internet	-	14,709	900	15,609	451	1,025	1,476	17,085
Utilities	-	46,604	-	46,604	79,752	-	79,752	126,356
Miscellaneous	-	3,000	13,812	16,812	1,696	4,208	5,904	22,716
Total before depreciation	8,690	492,405	1,458,461	1,959,556	1,019,166	869,657	1,888,823	3,848,379
Depreciation	-	127,796	13,565	141,361	98,164	-	98,164	239,525
Total expenses	<u>\$ 8,690</u>	<u>\$ 620,201</u>	<u>\$ 1,472,026</u>	<u>\$ 2,100,917</u>	<u>\$ 1,117,330</u>	<u>\$ 869,657</u>	<u>\$ 1,986,987</u>	<u>\$ 4,087,904</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

	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.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (159,442)	\$ 1,416,262
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	239,525	113,380
Contributions restricted for property assets	-	(57,800)
(Gain)/Loss on sale of assets	-	(429,236)
Donated securities	(1,765)	-
(Increase)/Decrease in operating assets		
Accounts receivable	(20,624)	13,617
Other receivables	5,684	65,100
Pledges receivable, net	250,166	(429,820)
Unamortized program rights	(4,876)	(4,392)
Other prepaids	22,500	6,621
Increase/(Decrease) in operating liabilities		
Accounts payable	(78,155)	62,308
Accrued payroll liabilities	10,958	17,866
Other liabilities	(32,408)	50,086
Deferred revenues	12,462	(14,970)
Net cash provided by operating activities	<u>244,025</u>	<u>809,022</u>
Cash flows from investing activities		
Net change in beneficial interest in charitable remainder trusts	2,339	7,347
Proceeds from certificates of deposit	1,512,585	1,707,593
Payments for certificates of deposit	(1,526,884)	(1,714,318)
Proceeds from sale of assets	-	692,776
Payments for property and equipment	(159,486)	(3,852,473)
Net cash used by investing activities	<u>(171,446)</u>	<u>(3,159,075)</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	1,500,000
Principal payments on notes payable	(207,465)	(45,479)
Net cash provided by financing activities	<u>(207,465)</u>	<u>1,454,521</u>
Change in cash and cash equivalents	(134,886)	(895,532)
Cash and cash equivalents, beginning of year	930,348	1,825,880
Cash and cash equivalents, end of year	<u>\$ 795,462</u>	<u>\$ 930,348</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	<u>\$ 51,676</u>	<u>\$ 57,390</u>

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

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2023 and 2022

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, 2023 and 2022:

	2023	2022
Memberships and donations	44%	55%
Corporation for Public Broadcasting	26%	18%
State of Kansas	1%	1%
Underwriting	12%	8%
Other sources	17%	18%
	<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.

Leases

Effective July 1, 2022, the KPTS adopted ASU No. 2016-02, *Leases (Topic 842)* and has elected to apply the changes retrospectively at the beginning of the period of adoption. 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 are required to be classified as either financing or operating, with the classifications affecting the pattern of expense recognition in the statement of activities.

Previously, leases were classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. KPTS has elected to adopt the package of practical expedients in relation to its contracts and leases existing at the transition date and has also elected to adopt the short-term lease exception.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

KPTS assessed its contracts under the terms of this ASU and determined there was no material impact to KPTS's financial statements as a result of adoption.

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.

Certificates of Deposit

Certificates of deposit are held at multiple local banks with maturities ranging from greater than 90 days to 24 months.

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, 2023 and 2022, 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, 2023 and 2022, there was an allowance of \$86,523 and \$118,353, respectively. Uncollectible receivables are charged off against the allowance when the account is determined to be uncollectible.

Fixed Assets and Depreciation

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

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation (Continued)

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.

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; it is not practical to estimate the value of these services. Contributions of donated non-cash assets are recorded at their fair values in the period received. KPTS did not monetize any of the contributions. 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.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

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 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. Satisfactions or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

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 based on time and effort.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation (Continued)

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 \$305,348 and \$44,008 for the years ended June 30, 2023 and 2022, respectively.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Total pledges receivable	\$ 575,400	\$ 879,700
Less: unamortized discount	(16,097)	(38,401)
Less: allowance for uncollectible pledges	(86,523)	(118,353)
Net pledges receivable	472,780	722,946
Less: pledges receivable, current portion - net	(224,814)	(226,683)
Pledges receivable, long-term - net	<u>\$ 247,966</u>	<u>\$ 496,263</u>
	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 252,600	\$ 283,700
One to five years	322,800	596,000
	<u>\$ 575,400</u>	<u>\$ 879,700</u>

The allowance for uncollectible pledges is based on an analysis of the collectability of individual promises to give and historical data from previous campaigns, which includes a general allowance of 11%.

Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 574,556	\$ 559,336
Building and improvements	3,121,849	3,106,583
Broadcast equipment	3,766,336	3,645,667
Office equipment	46,326	37,995
Vehicles	36,411	36,411
Intangibles - station logo and music	91,000	91,000
	7,636,478	7,476,992
Less accumulated depreciation	3,285,213	3,045,688
Total	<u>\$ 4,351,265</u>	<u>\$ 4,431,304</u>

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2023 and 2022

Note 4. Beneficial Interest in Charitable 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, 2023 and 2022 is \$11,252 and \$13,591 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	\$ 11,252	\$ -	See Note 4	See Note 4
June 30, 2021:				
Beneficial Interest in charitable remainder trust	\$ 13,591	\$ -	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>2023</u>	<u>2022</u>
Deferred revenue, beginning of the year	\$ 61,496	\$ 76,466
Revenue recognized that was included in deferred at the beginning of the year for underwriting	(61,496)	(76,466)
Increase in deferred revenue due to cash received during the year for underwriting	73,958	61,496
Deferred revenue, end of the year	<u>\$ 73,958</u>	<u>\$ 61,496</u>

Kansas Public Telecommunications Service, Inc.

Notes to Financial Statements

For the Years ended June 30, 2023 and 2022

Note 7. Liquidity and Availability

The following schedule reflects KPTS's financial assets available for general expenditure as of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 795,462	\$ 930,348
Certificates of deposit, short-term	1,620,380	1,820,287
Accounts receivable, net	32,695	12,071
Trade receivables	11,495	28,225
Other receivables	21,026	26,710
Pledges receivable, net	224,814	226,683
	<u>2,705,872</u>	<u>3,044,324</u>
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions		
Discovery Station	10,000	3,560
Senior Expo	28,800	-
Underwriting	40,682	34,850
	<u>79,482</u>	<u>38,410</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,626,390</u>	<u>\$ 3,005,914</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 accounts 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:

	<u>2023</u>	<u>2022</u>
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, 2023 is 3.99%.	\$ 1,247,057	\$ 1,454,522

For the year ended June 30, 2023 and 2022, KPTS recorded interest expense of \$51,676 and \$57,390, respectively.

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

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>	
2024	\$ 53,622
2025	55,985
2026	58,292
2027	60,694
2028	63,069
Thereafter	955,396
	<u>\$ 1,247,057</u>

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022, are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
Discovery Station	\$ 10,000	\$ 3,560
Senior Expo	28,800	-
Underwriting	<u>40,682</u>	<u>34,850</u>
Total net assets with donor restrictions	<u>\$ 79,482</u>	<u>\$ 38,410</u>

Note 10. In-kind Donations

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

	<u>2023</u>	<u>2022</u>
Advertising	\$ 298,259	\$ 209,784
Building	-	57,800
Professional services	31,903	3,190
Supplies	<u>27,793</u>	<u>109,626</u>
	<u>\$ 357,955</u>	<u>\$ 380,400</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, 2023 and 2022

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. These are used in program and fundraising activities.

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. Services are used in management and general activities.

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. Donations are used in program, management and general and fundraising.

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, 2023 and 2022

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, 2021 to June 30, 2022) and the statutory contribution rate was 8.43% and 8.90% for the calendar years ended December 31, 2023 and 2022, respectively. Contributions to the pension plan from KPTS were \$135,780 and \$129,167 for the years ended June 30, 2023 and 2022, respectively. Contributions to the plan are less than 5% of total contributions.

KPTS is included in the Local subgroup within KPERS. At December 31, 2022 and 2021, the market value of the assets for the Local subgroup within KPERS was \$4,696,616,653 and \$5,326,278,739, respectively. The total actuarial liability for the Local subgroup within KPERS was \$7,019,124,188 and \$6,683,865,360 at December 31, 2022 and 2021, 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 12. Leases

Lessor

KPTS leases a tower under an operating lease with an initial term of 5 years. Lease includes renewal options of 5 years at a time. The lease may be terminated with written 180 day notice prior to the end of the term. KPTS will continue to utilize the tower after the lease term.

Total tower lease income was \$14,045 and \$21,982 for the years ended June 30, 2023 and 2022, respectively.

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

	2023	2022
Land	\$ 167,163	\$ 167,163
Building and improvements	91,789	91,789
Broadcast equipment	866,694	866,694
Total	1,125,646	1,125,646
Less: Accumulated depreciation	831,901	816,334
Net book value	<u>\$ 293,745</u>	<u>\$ 309,312</u>

Kansas Public Telecommunications Service, Inc.
Notes to Financial Statements
For the Years ended June 30, 2023 and 2022

Note 12. Leases (continued)

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

Year Ending June 30:	Total
2024	\$ 11,400
2025	8,550
Total	<u>\$ 19,950</u>

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. Subsequent Events

Management of KPTS has evaluated events subsequent to the statement of financial position date (June 30, 2023) through November 9, 2023, 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