

**Kansas Public Telecommunications Service, Inc.**

**Independent Auditor's Report**

**And**

**Financial Statements**

**June 30, 2017**

**(With Summarized Comparative Information for June 30, 2016)**



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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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

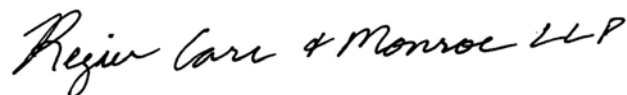
### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Public Telecommunications Service, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Kansas Public Telecommunications Service, Inc.'s 2016 financial statements, and our report dated September 22, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 23, 2017  
Wichita, Kansas



**Kansas Public Telecommunications Service, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2017 with Summarized Comparative Information for June 30, 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 873,328	\$ 292,510
Accounts receivable, net	30,221	34,636
Other receivables	13,799	19,510
Pledges receivable, current portion	17,268	89,070
Unamortized program rights	18,774	20,514
Other prepaids	49,832	38,163
Total current assets	1,003,222	494,403
<b>Fixed Assets</b>		
Property and equipment	5,975,515	6,102,238
Accumulated depreciation	(4,955,912)	(4,958,292)
Total fixed assets	1,019,603	1,143,946
<b>Other Assets</b>		
Pledges receivable, net	1,822	952
Beneficial interest in Community Foundation	12,357	2,162
Beneficial interest in charitable remainder trust	25,973	22,761
Other assets	-	300
Total other assets	40,152	26,175
Total assets	\$ 2,062,977	\$ 1,664,524

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 20,400	\$ 30,744
Accrued payroll liabilities	27,444	28,010
Other liabilities	12,250	11,631
Deferred revenues	21,189	37,624
Current portion of notes payable	15,000	47,743
Total current liabilities	96,283	155,752
<b>Long-Term Liabilities</b>		
Notes payable	15,000	52,232
Total long-term liabilities	15,000	52,232
Total liabilities	111,283	207,984
<b>Net Assets</b>		
Unrestricted		
Undesignated	1,741,479	1,207,019
Board designated	12,357	2,162
Total unrestricted net assets	1,753,836	1,209,181
Temporarily restricted	197,858	247,359
Total net assets	1,951,694	1,456,540
Total liabilities and net assets	\$ 2,062,977	\$ 1,664,524

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

**Kansas Public Telecommunications Service, Inc.**  
**Statements of Activities**  
**For the Year Ended June 30, 2017**  
**With Summarized Comparative Information for the Year Ended June 30, 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>Public Support and Revenues</b>				
Public support				
Memberships and donations	\$ 1,606,936	\$ 13,022	\$ 1,619,958	\$ 1,050,409
Underwriting	247,141	-	247,141	218,492
In-kind donations	103,563	-	103,563	60,887
Corporation for Public Broadcasting	793,315	-	793,315	744,555
State of Kansas	51,448	-	51,448	54,448
Total public support	<u>2,802,403</u>	<u>13,022</u>	<u>2,815,425</u>	<u>2,128,791</u>
Revenues				
Lease and rental income	29,686	-	29,686	20,807
Other revenue	65,065	-	65,065	63,813
Gain on sale of assets	1,038	-	1,038	-
Change in beneficial interests	3,330	-	3,330	(2,926)
Total revenue	<u>99,119</u>	<u>-</u>	<u>99,119</u>	<u>81,694</u>
Total public support and revenues	<u>2,901,522</u>	<u>13,022</u>	<u>2,914,544</u>	<u>2,210,485</u>
<b>Net Assets released from restrictions:</b>				
Satisfaction of donor restrictions as to purpose and time	62,523	(62,523)	-	-
<b>Expenses</b>				
Education	-	-	-	2
Technology	495,241	-	495,241	595,883
Content	912,200	-	912,200	968,501
Total program services	<u>1,407,441</u>	<u>-</u>	<u>1,407,441</u>	<u>1,564,386</u>
Management & General	452,076	-	452,076	419,089
Fundraising	559,873	-	559,873	525,620
Total support services	<u>1,011,949</u>	<u>-</u>	<u>1,011,949</u>	<u>944,709</u>
Total expenses	<u>2,419,390</u>	<u>-</u>	<u>2,419,390</u>	<u>2,509,095</u>
Change in net assets	544,655	(49,501)	495,154	(298,610)
<b>Net assets - beginning of year</b>	<u>1,209,181</u>	<u>247,359</u>	<u>1,456,540</u>	<u>1,755,150</u>
<b>Net assets - end of year</b>	<u>\$ 1,753,836</u>	<u>\$ 197,858</u>	<u>\$ 1,951,694</u>	<u>\$ 1,456,540</u>

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

**Kansas Public Telecommunications Service, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2017 with Summarized Comparative Information for the Year Ended June 30, 2016**

	2017								2016
	Program Services				Support Services				
	Education	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total	
Salaries	\$ -	\$ 201,726	\$ 245,347	\$ 447,073	\$ 118,693	\$ 235,329	\$ 354,022	\$ 801,095	\$ 803,833
Payroll taxes	-	15,910	19,144	35,054	8,852	19,203	28,055	63,109	61,226
Employee benefits	-	47,609	53,783	101,392	16,912	50,735	67,647	169,039	191,852
Total salaries and related benefits	-	265,245	318,274	583,519	144,457	305,267	449,724	1,033,243	1,056,911
Advertising and promotion	-	-	200	200	30,435	46,160	76,595	76,795	34,415
Recruitment and training	-	-	-	-	6,282	-	6,282	6,282	10,992
Software and small equipment	-	6,226	631	6,857	314	7,738	8,052	14,909	7,061
Equipment lease and rent	-	1,246	123	1,369	7,336	155	7,491	8,860	12,819
Program fees	-	-	556,151	556,151	-	-	-	556,151	559,050
Postage and freight	-	287	7,858	8,145	852	102,044	102,896	111,041	117,468
Insurance	-	-	-	-	30,156	-	30,156	30,156	34,575
Interest	-	-	-	-	546	1,460	2,006	2,006	1,901
Licenses and fees	-	3,403	9,219	12,622	5,837	18,663	24,500	37,122	35,907
Dues and subscriptions	-	-	409	409	18,822	2,773	21,595	22,004	20,930
Professional services	-	4,446	17,965	22,411	62,834	1,171	64,005	86,416	100,362
Repairs and maintenance	-	57,619	-	57,619	3,520	-	3,520	61,139	50,455
Printing and duplication	-	-	-	-	255	1,141	1,396	1,396	2,871
Travel and auto expense	-	1,145	566	1,711	2,200	3,666	5,866	7,577	11,653
Meals and entertainment	-	-	66	66	994	5,108	6,102	6,168	1,243
Supplies	-	1,347	180	1,527	21,130	61,904	83,034	84,561	104,440
Telephone and internet	-	475	275	750	6,725	600	7,325	8,075	12,833
Utilities	-	34,932	-	34,932	35,104	-	35,104	70,036	69,435
Bad debt expense	-	-	-	-	50,799	-	50,799	50,799	22,856
Miscellaneous	-	-	283	283	679	2,023	2,702	2,985	4,714
Total before depreciation	-	376,371	912,200	1,288,571	429,277	559,873	989,150	2,277,721	2,272,891
Depreciation	-	118,870	-	118,870	22,799	-	22,799	141,669	236,204
Total expenses 2017	<u>\$ -</u>	<u>\$ 495,241</u>	<u>\$ 912,200</u>	<u>\$ 1,407,441</u>	<u>\$ 452,076</u>	<u>\$ 559,873</u>	<u>\$ 1,011,949</u>	<u>\$ 2,419,390</u>	<u>\$ 2,509,095</u>
Total expenses 2016	<u>\$ 2</u>	<u>\$ 595,883</u>	<u>\$ 968,501</u>	<u>\$ 1,564,386</u>	<u>\$ 419,089</u>	<u>\$ 525,620</u>	<u>\$ 944,709</u>	<u>\$ 2,509,095</u>	

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

**Kansas Public Telecommunications Service, Inc.**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2017**  
**With Summarized Comparative Information for the Year Ended June 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 495,154	\$ (298,610)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	141,669	236,204
Contributions restricted for property assets	(77,953)	(63,361)
Gain on sale of assets	(1,038)	-
(Increase)Decrease in operating assets		
Accounts receivable	4,415	6,965
Other receivables	5,711	1,234
Pledges receivable, net	70,932	47,234
Unamortized program rights	1,740	7,607
Other prepaids	(11,669)	16,692
Increase(Decrease) in operating liabilities		
Accounts payable	(10,344)	255
Accrued and withheld payroll liabilities	(566)	(22,436)
Other liabilities	619	7,104
Deferred revenues	(16,435)	(29,076)
Net cash provided/(used) by operating activities	<u>602,235</u>	<u>(90,188)</u>
<b>Cash flows from investing activities</b>		
Net change in beneficial interest in Community Foundation	(10,195)	10,582
Net change in beneficial interest in charitable remainder trusts	(3,212)	2,385
Payments for property and equipment	(15,988)	(59,810)
Net cash used by investing activities	<u>(29,395)</u>	<u>(46,843)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for property assets	77,953	63,361
Proceeds from notes payable	-	34,336
Principal payments on notes payable	(69,975)	(48,019)
Net cash provided by financing activities	<u>7,978</u>	<u>49,678</u>
<b>Change in cash and cash equivalents</b>	580,818	(87,353)
<b>Cash and cash equivalents, beginning of year</b>	292,510	379,863
<b>Cash and cash equivalents, end of year</b>	<u>\$ 873,328</u>	<u>\$ 292,510</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for interest	<u>\$ 2,006</u>	<u>\$ 1,901</u>

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

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

**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, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Memberships and donations	56%	48%
Corporation for Public Broadcasting	27%	34%
State of Kansas	2%	2%
Underwriting	8%	10%
Other sources	7%	6%
	100%	100%

*Basis of Presentation*

KPTS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted funds represent operating funds that have been restricted by the donor.

*Summarized Comparative Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

*Use of Estimates*

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

*Recent Accounting Pronouncements*

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



**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

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

*Recent Accounting Pronouncements (Continued)*

The significant changes are:

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

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

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

The Organization has not yet determined the effect of applying the requirements of the new standard on the financial statements.

*Cash and cash equivalents*

Cash and cash equivalents include all monies from a money market account and various checking and savings accounts.

*Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable arose from underwriting and other contract services and is stated at the unpaid balance. Payment terms for accounts receivable are generally monthly. No interest is charged on accounts receivable.

Management determines the need for an allowance for doubtful accounts based on its estimate of the amount of accounts receivable that will actually be collected. As of June 30, 2017 and 2016, there was an allowance of \$0 and \$3,000, respectively. Uncollectible receivables are charged off to bad debt expense when the account is determined to be uncollectible.

*Pledges Receivable and Allowance for Doubtful Accounts*

Contributions, including unconditional promises to give, in relation to the Comprehensive Campaign are recorded at year-end. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

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

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

Management determines the need for an allowance for doubtful accounts based on its estimate of the amount of pledges receivable that will actually be collected. As of June 30, 2017 and 2016, there was an allowance of \$43,000 and \$0, respectively. Uncollectible receivables are charged off to bad debt expense 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. The Organization's capitalization policy is to capitalize assets costing \$1,000 or more. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Building and improvements	5 to 25 years
Broadcast equipment	3 to 20 years
Office equipment	3 to 15 years
Vehicles	7 to 10 years
Station logo and music	5 years

*Income Recognition*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Deferred revenues represent services received in trade for underwriting contracts given to sponsors which relate to programs which begin after the applicable fiscal year end.

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

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

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

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

**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, the Organization measures fair value of beneficial interests in the Community Foundation and remainder trusts and estates based on net asset values of the underlying assets.

Generally accepted accounting principles allows entities to measure certain investments at net asset value (NAV) of the underlying assets as a practical expedient for estimating fair value. Net asset value (NAV) is the fair value of net assets attributable to each ownership unit outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

*Contributed Services and Non-Cash Assets*

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

*Interest Income*

Interest is recognized as earned.

*Functional Allocation of Expenses*

The costs of providing the various programs are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the program services, management and general, and fundraising expenses.

*Income Taxes*

The Organization 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). The Organization 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). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

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

*Income Taxes (Continued)*

The Organization 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. The Organization 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*

The Organization expenses advertising and promotion costs as they are incurred. Advertising and promotion costs were \$76,795 and \$34,415 for the years ended June 30, 2017 and 2016, respectively.

**Note 2. Pledges Receivable**

Unconditional pledges receivable at June 30 are summarized as follows:

	<b>2017</b>	<b>2016</b>
Total pledges receivable	\$ 62,238	\$ 93,400
Less: unamortized discount	(148)	(3,378)
Less: allowance for uncollectible pledges	(43,000)	-
Net pledges receivable	19,090	90,022
Less: pledges receivable, current portion - net	(17,268)	(89,070)
Pledges receivable, long-term - net	\$ 1,822	\$ 952
	<b>2017</b>	<b>2016</b>
Amounts due in:		
Less than one year	\$ 60,268	\$ 89,070
One to five years	1,970	4,330
	\$ 62,238	\$ 93,400

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

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

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

**Note 3. Property and Equipment**

Property and equipment consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 475,826	\$ 475,825
Building and improvements	571,802	565,356
Broadcast equipment	4,676,724	4,808,111
Office equipment	160,163	161,946
Intangibles - station logo and music	91,000	91,000
	<u>5,975,515</u>	<u>6,102,238</u>
Less accumulated depreciation	<u>4,955,912</u>	<u>4,958,292</u>
Total	<u>\$ 1,019,603</u>	<u>\$ 1,143,946</u>

**Note 4. Beneficial Interest in Community Foundation**

The Organization 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 the Organization. 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, 2017 and 2016 was \$12,357 and \$2,162, respectively.

**Note 5. Beneficial Interest in Remainder Trusts and Estates**

The Organization 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, 2017 and 2016 is \$25,973 and \$22,761, respectively, based on 3% of the trust's total reported fair market value on those dates. The investments held in the trust are equity securities with readily determinable fair values.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

**Note 6. Fair Value Measures**

The beneficial interest in funds held by the Foundation and remainder trusts and estates are presented at fair value measured at net asset value as provided by the Foundation and trusts and estates.

The following assets measured at fair value based on net asset value (NAV) per share are reviewed and adjusted on a recurring basis.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>June 30, 2017:</b>				
Beneficial Interest in Community Foundation	\$ 12,357	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 25,973	\$ -	See Note 5	See Note 5
<b>June 30, 2016:</b>				
Beneficial Interest in Community Foundation	\$ 2,162	\$ -	See Note 4	See Note 4
Beneficial Interest in charitable remainder trust	\$ 22,761	\$ -	See Note 5	See Note 5

**Note 7. Line-of-credit**

The Organization has a line of credit with a bank for \$76,353 with a maturity date of March 15, 2019 at an interest rate of 4.9%. The bank requires a security interest in the tower and related assets of the Organization. There was no outstanding balance of the line of credit at June 30, 2017. There was no line of credit during the year ended June 30, 2016.

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**  
**With Summarized Comparative Information for June 30, 2016**

**Note 8. Notes Payable**

Notes payable consist of the following at June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
<p><b>Note payable to the State of Kansas</b> - The note is payable in annual principal payments of \$15,000 plus interest, which is reset annually on February 1st. Interest is based upon the highest rate at which state moneys can be invested on the open market in investments authorized by subsection (a) of K.S.A. 75-4209, and amendments thereto for maturities of one year. The loan matures on July 31, 2018. The note is secured by digital equipment.</p>	\$ 30,000	\$ 45,000
<p><b>Bridge loan</b> - The loan is payable with monthly principal and interest payments of \$2,911.67. Interest rate is 4.9%. The loan was paid in full during the year ending June 30, 2017.</p>	-	54,975
	30,000	99,975
Less current portion - due within one year	15,000	47,743
Long-term portion - due after one year	\$ 15,000	\$ 52,232

The notes payable are scheduled to mature in the following amounts payable for the years ending June 30:

	State of Kansas
2018	\$ 15,000
2019	15,000
	\$ 30,000

Subsequent to June 30, 2017, the Organization paid off the note payable to the State of Kansas.

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**Note 9. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017 and 2016, are restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Purpose restrictions		
Property and equipment	\$ 191,858	\$ 237,359
Underwriting	-	5,000
Veterans Coming Home	6,000	5,000
Total temporarily restricted net assets	<u>\$ 197,858</u>	<u>\$ 247,359</u>

Temporarily restricted net assets are released from donor restrictions by either the expirations of time restrictions or by incurring expenses satisfying the restricted purpose or occurrence of other events specified by the donor. Releases during the year ended June 30, 2017 and 2016 included:

	<u>2017</u>	<u>2016</u>
Purpose restrictions		
Property and equipment	\$ 52,523	\$ 23,615
Underwriting	5,000	2,500
Young authors	-	1,500
Broadcast rights	-	10,000
Veterans Coming Home	5,000	26,000
Total temporarily restricted net assets	<u>\$ 62,523</u>	<u>\$ 63,615</u>

**Note 10. Defined Benefit Pension Plan**

*Plan Description*

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



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**Note 10. Defined Benefit Pension Plan (Continued)**

*Contributions*

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.46% and 9.18% for the calendar years ended December 31, 2017 and 2016, respectively. Contributions to the pension plan from Organization were \$70,066 and \$74,113 for the years ended June 30, 2017 and 2016, respectively.

**Note 11. Operating Leases**

*Lessor*

The Organization'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 the Organization's investment in property on the operating leases by major classes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 167,163	\$ 167,163
Building and improvements	91,789	91,789
Broadcast equipment	875,132	855,340
Total	<u>966,921</u>	<u>947,129</u>
Less: Accumulated depreciation	707,774	674,769
Net Book Value	<u>\$ 259,147</u>	<u>\$ 272,360</u>

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**Note 11. Operating Leases (Continued)**

*Lessor (Continued)*

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

2018	\$ 31,044
2019	22,705
2020	21,525
2021	22,148
2022	5,719
	<u>\$ 97,422</u>

*Lessee*

The Organization 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:

2018	\$ 6,232
2019	4,885
2020	3,805
2021	3,445
Total	<u>\$ 18,367</u>

The Organization also occasionally incurs lease expense related to miscellaneous facility and equipment leases that are not ongoing. Total equipment lease and rent expense was \$8,860 and \$12,819 for the years ended June 30, 2017 and 2016, respectively.

**Note 12. Contingent Liabilities**

Equipment in the amount of \$2,169,840 has been purchased under NTIA grants from the U.S. Department of Commerce. The Department has retained liens on equipment totaling \$388,067 that will expire during the year ended June 30, 2018.

**Note 13. Concentration of credit risk**

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

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**Note 14. Subsequent Events**

Management of the Organization has evaluated events subsequent to the balance sheet date (June 30, 2017) through October 23, 2017, the date the financial statements were available and issued.

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