

**Kansas Public Telecommunications Service, Inc.**

**Financial Statements**

**June 30, 2011 and 2010**

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## Report of Independent Auditors'

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

We have audited the accompanying statement of financial position of Kansas Public Telecommunications Service, Inc. as of June 30, 2011, and the related statements of activity, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and in our report dated October 1, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Regier Carr & Monroe, CPA*

October 14, 2011  
Wichita, Kansas

**Kansas Public Telecommunications Service, Inc.**  
**Statements of Financial Position**  
**June 30, 2011 with Comparative Information for June 30, 2010**

**ASSETS**

	<b>2011</b>	<b>2010</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 449,969	\$ 313,588
Accounts receivable	26,585	28,118
Other receivables	24,091	31,937
Pledges receivable, current portion	27,000	-
Unamortized program rights	3,265	16,765
Other prepaids	13,330	12,915
Total current assets	544,240	403,323
<b>Fixed Assets</b>		
Property and equipment	5,970,211	5,955,216
Accumulated depreciation	(4,162,484)	(3,714,030)
Total fixed assets	1,807,727	2,241,186
<b>Other Assets</b>		
Pledges receivable	65,987	-
Beneficial interest in Community Foundation	10,656	8,688
Beneficial interest in charitable remainder trust	26,692	25,963
Beneficial interest in estate	91,942	
Prepaid equipment lease	-	7,996
Other assets	300	3,000
Total other assets	195,577	45,647
Total assets	\$ 2,547,544	\$ 2,690,156

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 20,579	\$ 53,030
Accrued payroll liabilities	36,623	52,193
Other liabilities	23,024	5,415
Deferred revenues	46,259	44,644
Current portion of notes payable	15,000	15,000
Total current liabilities	141,485	170,282
<b>Long-Term Liabilities</b>		
Notes payable	105,000	120,000
Total long-term liabilities	105,000	120,000
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,077,496	2,279,793
Board designated	10,656	18,751
Total unrestricted net assets	2,088,152	2,298,544
Temporarily restricted	212,907	101,330
Total net assets	2,301,059	2,399,874
Total liabilities and net assets	\$ 2,547,544	\$ 2,690,156

*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, 2011 with**  
**Comparative Information for the year ended June 30, 2010**

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
<b>Public Support and Revenues</b>				
Public support				
Memberships and donations	\$ 1,112,571	\$ 91,942	\$ 1,204,513	\$ 1,125,365
Underwriting	408,474	-	408,474	343,437
In-kind donations	35,664	-	35,664	76,037
Corporation for Public				
Broadcasting	756,536	-	756,536	846,395
Young Authors	-	13,500	13,500	12,000
State of Kansas	234,272	98,600	332,872	325,103
Comprehensive campaign	29,819	63,168	92,987	-
Total public support	<u>2,577,336</u>	<u>267,210</u>	<u>2,844,546</u>	<u>2,728,337</u>
Revenue				
Lease and rental income	49,204	-	49,204	49,734
Other revenue	33,259	-	33,259	23,847
Loss on obsolete equipment	-	-	-	(8,322)
Change in beneficial interests	1,646	-	1,646	3,519
Total revenue	<u>84,109</u>	<u>-</u>	<u>84,109</u>	<u>68,778</u>
Total public support and revenue	2,661,445	267,210	2,928,655	2,797,115
<b>Net Assets released from restrictions:</b>				
Satisfaction of donor restrictions as to purpose and time				
	<u>155,633</u>	<u>(155,633)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Program services	1,891,758	-	1,891,758	1,985,289
Support services	1,135,712	-	1,135,712	1,196,838
Total expenses	<u>3,027,470</u>	<u>-</u>	<u>3,027,470</u>	<u>3,182,127</u>
Change in net assets	(210,392)	111,577	(98,815)	(385,012)
Net assets - beginning of year	<u>2,298,544</u>	<u>101,330</u>	<u>2,399,874</u>	<u>2,784,886</u>
Net assets - end of year	<u>\$ 2,088,152</u>	<u>\$ 212,907</u>	<u>\$ 2,301,059</u>	<u>\$ 2,399,874</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, 2011 with Comparative Information for the year ended June 30, 2010**

	2011									2010 Total
	Program Services				Support Services					
	Education	Technology	Content	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total		
Salaries	\$ 22,765	\$ 239,098	\$ 256,762	\$ 518,625	\$ 214,837	\$ 249,266	\$ 464,102	\$ 982,727	\$ 1,053,036	
Payroll taxes	2,100	19,803	23,812	45,715	18,334	20,483	38,817	84,532	89,639	
Employee benefits	-	40,820	35,923	76,743	38,897	46,319	85,216	161,958	163,422	
Total salaries and related benefits	24,865	299,721	316,497	641,082	272,068	316,068	588,135	1,229,218	1,306,097	
Advertising and promotion	6,109	-	12,413	18,522	2,839	25,104	27,942	46,465	56,253	
Conferences	-	-	-	-	635	-	635	635	4,012	
Recruitment and training	-	-	32	32	942	-	942	974	1,505	
Software and small equipment	365	2,955	4,348	7,667	1,791	5,909	7,701	15,368	19,826	
Equipment lease and rent	540	9,000	1,200	10,740	14,195	-	14,195	24,935	27,897	
Program fees	-	-	423,313	423,313	-	-	-	423,313	394,041	
Postage and freight	700	638	4,158	5,496	2,966	105,905	108,872	114,368	134,809	
Insurance	-	-	-	-	42,711	-	42,711	42,711	41,089	
Interest	-	-	-	-	925	-	925	925	915	
Licenses and fees	-	40,010	6,225	46,235	6,507	15,699	22,206	68,441	91,046	
Dues and subscriptions	-	-	151,639	151,639	14,211	1,968	16,179	167,818	157,371	
Professional services	4,500	1,050	29,326	34,876	40,908	42,360	83,268	118,144	73,066	
Repairs and maintenance	-	46,300	187	46,487	7,200	-	7,200	53,687	58,776	
Printing and duplication	1,563	25	7,713	9,301	130	10,306	10,435	19,737	35,599	
Travel and auto expense	3,280	1,814	1,690	6,784	11,331	3,508	14,839	21,623	33,818	
Meals and entertainment	462	378	1,067	1,907	1,608	2,683	4,291	6,198	8,087	
Supplies	21,762	1,224	5,543	28,530	37,790	78,180	115,970	144,499	167,998	
Telephone and internet	-	-	48	48	11,278	1,500	12,778	12,826	15,890	
Utilities	-	17,274	-	17,274	28,899	-	28,899	46,173	45,288	
Bad debt expense	-	-	-	-	329	7,893	8,222	8,222	7,770	
Miscellaneous	(50)	693	7,891	8,534	776	3,426	4,202	12,736	16,349	
Total before depreciation	64,096	421,082	973,290	1,458,468	500,038	620,509	1,120,547	2,579,015	2,697,502	
Depreciation	-	433,290	-	433,290	15,165	-	15,165	448,455	484,625	
Total expenses 2011	<u>\$ 64,096</u>	<u>\$ 854,372</u>	<u>\$ 973,290</u>	<u>\$ 1,891,758</u>	<u>\$ 515,203</u>	<u>\$ 620,509</u>	<u>\$ 1,135,712</u>	<u>\$ 3,027,470</u>	<u>\$ 3,182,127</u>	
Total expenses 2010	<u>\$ 49,643</u>	<u>\$ 927,260</u>	<u>\$ 1,008,386</u>	<u>\$ 1,985,289</u>	<u>\$ 583,334</u>	<u>\$ 613,504</u>	<u>\$ 1,196,838</u>	<u>\$ 3,182,127</u>		

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

**Kansas Public Telecommunications Service, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011 with**  
**Comparative Information for the year ended June 30, 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (98,815)	\$ (385,012)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	448,455	484,625
Contributions restricted for property assets	(115,168)	(123,124)
Loss on disposition of property assets	-	9,640
(Increase)Decrease in operating assets		
Accounts receivable	1,533	11,543
Other receivables	7,846	23,488
Pledges receivable, net	(92,987)	-
Unamortized program rights	13,500	(14,175)
Prepaid expenses	7,581	15,403
Beneficial interest in estate	(91,942)	-
Other assets	2,700	-
Increase(Decrease) in operating liabilities		
Accounts payable	(32,451)	5,824
Other liabilities	17,609	2,858
Accrued and withheld payroll liabilities	(15,570)	2,970
Deferred revenues	1,615	(6,768)
Net cash provided/(used) by operating activities	<u>53,906</u>	<u>27,272</u>
<b>Cash flows from investing activities</b>		
Net change in beneficial interest in Community Foundation	(1,968)	(860)
Net change in beneficial interest in charitable remainder trusts	(729)	(2,927)
Payments for property and equipment	(14,996)	(61,587)
Net cash used by investing activities	<u>(17,693)</u>	<u>(65,374)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for property assets	115,168	123,124
Principal payments on notes payable	(15,000)	(15,000)
Net cash provided/(used) by financing activities	<u>100,168</u>	<u>108,124</u>
<b>Change in cash and cash equivalents</b>	136,381	70,022
<b>Cash and cash equivalents, beginning of year</b>	<u>313,588</u>	<u>243,566</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 449,969</u>	<u>\$ 313,588</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for interest	\$ 925	\$ 915
Cash paid during the period for income taxes	\$ 3,578	\$ 6,344

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

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Memberships and donations	41%	40%
Corporation for Public Broadcasting	26%	30%
State of Kansas	11%	12%
Underwriting	14%	12%
Campaign pledges	3%	0%
Other sources	5%	6%
	<u>100%</u>	<u>100%</u>

*Basis of Presentation*

The Organization 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.

*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.

*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.

# Kansas Public Telecommunications Service, Inc.

## Notes to Financial Statements

June 30, 2011 and 2010

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

#### *Accounts 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 receivables that will actually be collected. No such allowance was deemed necessary by management at June 30, 2011. An allowance of \$7,770 was recorded at June 30, 2010. Uncollectible accounts receivable are charged off to the allowance for doubtful accounts when the account is determined to be uncollectible.

#### *Pledges Receivable*

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.

An allowance for uncollectible pledges was not considered necessary by management at June 30, 2011.

#### *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, 2011 and 2010**

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

*Fair Value Measurements*

Accounting guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the short maturity of these instruments. The fair value of pledges receivable are not materially different than carrying value.

*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 has received a determination letter from the Internal Revenue Service that recognizes it as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. State authorities recognize the federal exemption from income tax.

The Organization files a Federal information return (Form 990) which includes information about its operations and exempt activities. A provision for Federal and state income taxes is included in the accompanying financial statements for income received from broadcast tower rentals, which is not tax-exempt income. Accordingly, it has filed Federal or Kansas income tax returns for the years ended June 30, 2011 and 2010. The Federal and Kansas information returns of the Company for 2010, 2009, and 2008 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. It is the Organization's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

*Advertising*

The Organization expenses advertising and promotion costs as they are incurred. Advertising and promotion costs were \$46,465 and \$56,253 at June 30, 2011 and 2010, respectively.

# Kansas Public Telecommunications Service, Inc.

## Notes to Financial Statements

June 30, 2011 and 2010

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

#### *Reclassifications*

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Total net assets and change in unrestricted net assets are unchanged due to these reclassifications.

### Note 2. Pledges Receivable

Unconditional pledges receivable at June 30 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Total pledges receivable	\$ 99,000	\$ -
Less: unamortized discount	<u>(6,013)</u>	<u>-</u>
Net pledges receivable	92,987	-
Less: pledges receivable, current portion - net	<u>(27,000)</u>	<u>-</u>
Pledges receivable, long-term - net	<u>\$ 65,987</u>	<u>\$ -</u>
	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 27,000	\$ -
One to five years	<u>72,000</u>	<u>-</u>
	<u>\$ 99,000</u>	<u>\$ -</u>

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

### Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 191,548	\$ 191,548
Building and improvements	503,314	503,314
Broadcast equipment	5,003,541	4,989,935
Office equipment	164,290	162,901
Vehicles	16,518	16,518
Intangibles - station logo and music	<u>91,000</u>	<u>91,000</u>
	5,970,211	5,955,216
Less accumulated depreciation	<u>4,162,484</u>	<u>3,714,030</u>
Total	<u>\$ 1,807,727</u>	<u>\$ 2,241,186</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.

# **Kansas Public Telecommunications Service, Inc.**

## **Notes to Financial Statements**

**June 30, 2011 and 2010**

### **Note 4. Beneficial interest in Community Foundation (Continued)**

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 recorded at the estimated present value of the expected future cash flows from the Foundation. The present value is estimated to equal the fair market value of the beneficial interest of the associated investments held by the Foundation (Level 2 measurements).

The approximate fair value of the beneficial interest in the Foundation at June 30, 2011 and 2010 was \$10,656 and \$8,688, 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, 2011 and 2010 is \$26,692 and \$25,963, 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.

The Organization is the beneficiary of an estate. Under the terms of the donor's will, KPTS is one of three beneficiaries of an estate. Under the terms of the donor's will, KPTS is entitled to receive 33% of the remaining estate. The estimated value of the beneficial interest in the estate as of June 30, 2011 is \$91,942 based on 33% of the estate's total estimated fair market value. The assets held in the estate include cash, real estate and other miscellaneous property.

### **Note 6. Fair value measures**

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1—Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2—Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

**Kansas Public Telecommunications Service, Inc.**

**Notes to Financial Statements**

**June 30, 2011 and 2010**

**Note 6. Fair value measures (Continued)**

Level 3—Fair value is determined using inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

	<b>Assets at Fair Value as of June 30, 2011</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Community Foundation	\$ -	\$ 10,656	\$ -	\$ 10,656
Beneficial interest in charitable remainder trust		26,692		26,692
Beneficial interest in estate		91,942		91,942
	<u>\$ -</u>	<u>\$ 129,290</u>	<u>\$ -</u>	<u>\$ 129,290</u>

	<b>Assets at Fair Value as of June 30, 2010</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Community Foundation	\$ -	\$ 8,688	\$ -	\$ 8,688
Beneficial interest in charitable remainder trust		25,963		25,963
	<u>\$ -</u>	<u>\$ 34,651</u>	<u>\$ -</u>	<u>\$ 34,651</u>

**Note 7. Notes Payable**

Notes payable consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Note payable to the State of Kansas with annual principle payments of \$15,000 plus interest, which is reset annually on February 1 <sup>st</sup> . 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.	\$ 120,000	\$ 135,000
	120,000	135,000
Less current portion - due within one year	<u>15,000</u>	<u>15,000</u>
Long-term portion - due after one year	<u>\$ 105,000</u>	<u>\$ 120,000</u>

**Kansas Public Telecommunications Service, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 7. Notes Payable (Continued)**

The note payable is schedule to mature in the following amounts payable for the years ending June 30:

2012	\$ 15,000
2013	15,000
2014	15,000
2015	15,000
2016	15,000
Thereafter	45,000
	<u>\$ 120,000</u>

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2011 and 2010, are restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
Purpose restrictions		
Property and equipment	\$ 98,383	\$ 77,650
Sid the Science Kid	-	3,769
Emergency Broadcast Initiative	16,391	-
Young Authors	6,191	14,791
	<u>120,965</u>	<u>96,210</u>
Timing restrictions		
Beneficial interest in estate	91,942	5,120
Total temporarily restricted net assets	<u>\$ 212,907</u>	<u>\$ 101,330</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, 2011 and 2010 included:

	<u>2011</u>	<u>2010</u>
Purpose restrictions		
Property and equipment	\$ 42,434	\$ 93,024
Ready to Learn Project	50,369	19,531
Sid the Science Kid	-	3,339
Emergency Broadcast Initiative	50,400	50,672
Hutchinson Community Foundation	-	3,492
Young Authors	12,430	6,879
Total	<u>\$ 155,633</u>	<u>\$ 176,937</u>

# Kansas Public Telecommunications Service, Inc.

## Notes to Financial Statements

June 30, 2011 and 2010

### Note 9. Defined Benefit Pension Plan

#### *Plan Description*

The Organization participates in the Kansas Public Employees Retirement System (KPERs), which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERs (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

#### *Funding Policy*

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar years 2011 and 2010 is 7.74% and 7.14%, respectively. KPTS employer contributions to KPERs for the years ended June 30, 2011 and 2010 were \$61,056 and \$60,166, respectively.

### Note 10. Operating Leases

The Organization leases office equipment consisting of a copier and postage meter under operating leases. The organization also leased a fiber optic transport service under a prepaid lease that had an initial expiration on May 31, 2011. The fiber optic transport lease contract provides for a service and maintenance charge for the first renewal term beginning June 1, 2011 for a term of five years. The Organization is now paying for the service throughout the year instead of prepaying for the whole term.

The following is a schedule by years of future minimum rental payments required under operating leases covering equipment for the years ended June 30:

2012	\$	7,204
2013		6,564
2014		2,188
Total	\$	<u>15,956</u>

The unamortized balance of the prepaid fiber optic transport service lease was \$0 and \$7,996 as of June 30, 2011 and 2010, respectively.

# Kansas Public Telecommunications Service, Inc.

## Notes to Financial Statements

June 30, 2011 and 2010

### Note 10. Operating Leases (Continued)

The future minimum service and maintenance charges required under the fiber optic transport service agreement for the years ended June 30:

2012	\$	6,024
2013		6,024
2014		6,024
2015		6,024
2016		5,522
Total	\$	<u>29,618</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 \$24,935 and \$27,897 for the years ended June 30, 2011 and 2010, respectively.

### Note 11. 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 until dates expiring during the following years ended June 30:

2013	\$	805,103
2014		238,086
2015		76,375
2016		14,385
2017		383,553
2018		<u>21,397</u>
Total	\$	<u>1,538,899</u>

### Note 12. Subsequent Events

Management of the Organization has evaluated events subsequent to the balance sheet date (June 30, 2011) through October 14, 2011, the date the financial statements were available and issued.