

SMOKY HILLS PUBLIC
TELEVISION CORPORATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2021 AND 2020

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Ward Elliott & Pfeifer L.C.

OFFICES IN HAYS AND GARDEN CITY



*CERTIFIED PUBLIC ACCOUNTANTS
and
BUSINESS ADVISORS*

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Smoky Hills Public Television Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Smoky Hills Public Television (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Smoky Hills Public Television Corporation as of June 30, 2021 and 2020, 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.

Breungardt Hower Ward Elliott + Pfeifer L.C.

Hays, Kansas
November 30, 2021

Smoky Hills Public Television Corporation

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents, including certificates of deposit of \$124,747 in 2021 and \$124,115 in 2020	\$ 2,764,073	\$ 2,003,414
Trade and grant receivables	47,097	91,210
Prepaid expenses	<u>7,682</u>	<u>639</u>
Total current assets	<u>2,818,852</u>	<u>2,095,263</u>
PROPERTY AND EQUIPMENT		
Land	25,767	25,767
Buildings	560,399	560,399
Station equipment	10,317,199	10,295,972
Automobiles	91,864	62,685
Office furniture and equipment	<u>170,283</u>	<u>172,462</u>
	11,165,512	11,117,285
Less accumulated depreciation	<u>9,647,160</u>	<u>9,373,375</u>
Net property and equipment	<u>1,518,352</u>	<u>1,743,910</u>
INTANGIBLE ASSETS		
Service agreements	976,508	976,508
Less accumulated amortization	<u>955,841</u>	<u>953,841</u>
Net intangible assets	<u>20,667</u>	<u>22,667</u>
TOTAL ASSETS	<u>\$ 4,357,871</u>	<u>\$ 3,861,840</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term obligations	\$ -	\$ 68,878
Accounts payable	6,804	6,256
Accrued compensated absences and other expenses	39,496	45,586
Deferred revenue	<u>1,650</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>47,950</u>	<u>120,720</u>
LONG-TERM OBLIGATIONS, less current maturities	<u>-</u>	<u>77,824</u>
TOTAL LIABILITIES	<u>47,950</u>	<u>198,544</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
NET ASSETS		
Without donor restrictions	3,373,719	3,485,073
With donor restrictions	<u>936,202</u>	<u>178,223</u>
TOTAL NET ASSETS	<u>4,309,921</u>	<u>3,663,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,357,871</u>	<u>\$ 3,861,840</u>

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

Smoky Hills Public Television Corporation

STATEMENTS OF ACTIVITIES

Year ended June 30,

	2021		
	<u>Without donor</u>	<u>With donor</u>	<u>Total</u>
	<u>restrictions</u>	<u>restrictions</u>	
OPERATING REVENUES			
Operating and other grants	\$ 193,804	\$ 1,525,796	\$ 1,719,600
Memberships	185,034	-	185,034
Underwriter fees	204,719	-	204,719
Rental income	34,784	-	34,784
Interest and investment income	1,439	-	1,439
Miscellaneous	106,083	-	106,083
Donated services	2,475	-	2,475
PBS income	22,565	-	22,565
PPP loan	146,702	-	146,702
	<u>897,605</u>	<u>1,525,796</u>	<u>2,423,401</u>
Total operating revenues			
Net assets released from restrictions	<u>1,028,022</u>	<u>(1,028,022)</u>	<u>-</u>
Total operating revenues and net assets released from restrictions	<u>1,925,627</u>	<u>497,774</u>	<u>2,423,401</u>
OPERATING EXPENSES			
General and administrative	349,741	-	349,741
Engineering	133,917	-	133,917
Programming	352,491	-	352,491
Depreciation and amortization	304,289	-	304,289
Educational services	40,436	-	40,436
Production	198,564	-	198,564
Marketing	48,518	-	48,518
Membership	69,667	-	69,667
Transmitters	197,467	-	197,467
Underwriting/Development	80,686	-	80,686
Special Events	1,000	-	1,000
	<u>1,776,776</u>	<u>-</u>	<u>1,776,776</u>
Total operating expenses			
CHANGE IN NET ASSETS	148,851	497,774	646,625
TRANSFER OF NET ASSETS	(260,205)	260,205	-
NET ASSETS AT BEGINNING OF YEAR	<u>3,485,073</u>	<u>178,223</u>	<u>3,663,296</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,373,719</u>	<u>\$ 936,202</u>	<u>\$ 4,309,921</u>

2020		
<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
\$ 487,953	\$ 989,975	\$ 1,477,928
191,795	-	191,795
226,448	-	226,448
34,736	-	34,736
2,103	-	2,103
14,203	-	14,203
2,625	-	2,625
-	-	-
-	-	-
959,863	989,975	1,949,838
<u>1,227,625</u>	<u>(1,227,625)</u>	<u>-</u>
<u>2,187,488</u>	<u>(237,650)</u>	<u>1,949,838</u>
329,113	-	329,113
194,881	-	194,881
363,176	-	363,176
292,239	-	292,239
38,297	-	38,297
182,605	-	182,605
50,933	-	50,933
127,923	-	127,923
219,614	-	219,614
54,854	-	54,854
<u>25,516</u>	<u>-</u>	<u>25,516</u>
<u>1,879,151</u>	<u>-</u>	<u>1,879,151</u>
308,337	(237,650)	70,687
-	-	-
<u>3,176,736</u>	<u>415,873</u>	<u>3,592,609</u>
<u>\$ 3,485,073</u>	<u>\$ 178,223</u>	<u>\$ 3,663,296</u>

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

Smoky Hills Public Television Corporation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	General and Adminis- trative	Engineering	Programming	Depreciation and Amortization	Educational Services	Production	Marketing	Membership	Transmitters	Underwriting	Special Events	Total
Advertising	\$ 177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,628	\$ -	\$ -	\$ -	\$ -	\$ 7,805
Amortization	-	-	-	2,000	-	-	-	-	-	-	-	2,000
Board liability insurance	3,338	-	-	-	-	-	-	-	-	-	-	3,338
Building repair and maintenance	10,465	-	-	-	-	-	-	-	3,463	-	-	13,928
Computer supplies	-	3,729	-	-	-	-	-	-	-	-	-	3,729
Depreciation	-	-	-	302,289	-	-	-	-	-	-	-	302,289
Donated professional services	2,475	-	-	-	-	-	-	-	-	-	-	2,475
Employee benefits	19,127	22,938	12,660	-	1,533	36,400	3,137	9,313	-	14,964	-	120,072
Equipment repair and maintenance	-	1,490	-	-	-	-	-	-	17,130	-	-	18,620
Meals	13	-	-	-	-	441	-	-	-	125	-	579
Membership dues	10,785	2,164	8,345	-	-	7,082	1,499	4,200	-	878	-	34,953
Miscellaneous	9,522	2,570	-	-	-	1,440	-	-	1,418	-	-	14,950
Office supplies	1,227	-	-	-	-	-	-	-	-	-	-	1,227
Outside professional services	24,804	1,036	-	-	-	4,735	-	4,776	5,276	-	-	40,627
Payroll taxes	8,581	6,786	3,680	-	1,208	9,844	2,467	2,421	-	4,426	-	39,413
Postage	935	302	-	-	464	164	34	2,323	-	119	-	4,341
Premiums	-	-	-	-	-	-	-	6,711	-	-	-	6,711
Printing	-	-	-	-	118	-	668	2,540	-	-	-	3,326
Program rights	-	-	277,701	-	-	-	-	-	-	-	-	277,701
Promotions	-	-	-	-	-	149	-	-	-	-	1,000	1,149
Property insurance	119,544	-	-	-	-	-	-	-	-	-	-	119,544
Rent	-	-	-	-	-	-	-	-	91,532	-	-	91,532
Salaries	109,940	88,614	50,105	-	15,783	131,211	33,085	37,154	-	58,503	-	524,395
Set production	-	-	-	-	-	552	-	-	-	-	-	552
Supplies	340	52	-	-	21,264	5,642	-	229	39	30	-	27,596
Telephone	8,080	-	-	-	-	-	-	-	1,266	-	-	9,346
Travel	102	1,210	-	-	66	745	-	-	-	1,641	-	3,764
Utilities	20,286	-	-	-	-	-	-	-	77,343	-	-	97,629
Vehicle repair	-	3,026	-	-	-	-	-	-	-	-	-	3,026
Video tapes	-	-	-	-	-	159	-	-	-	-	-	159
Total expenses	\$ 349,741	\$ 133,917	\$ 352,491	\$ 304,289	\$ 40,436	\$ 198,564	\$ 48,518	\$ 69,667	\$ 197,467	\$ 80,686	\$ 1,000	\$ 1,776,776

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

Smoky Hills Public Television Corporation

Statement of Functional Expenses

Year ended June 30, 2020

	General and Adminis- trative	Engineering	Programming	Depreciation and Amortization	Educational Services	Production	Marketing	Membership	Transmitters	Underwriting	Special Events	Total
Advertising	\$ 173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,158	\$ -	\$ -	\$ -	\$ -	\$ 10,331
Amortization	-	-	-	2,000	-	-	-	-	-	-	-	2,000
Board liability insurance	3,338	-	-	-	-	-	-	-	-	-	-	3,338
Building repair and maintenance	3,369	-	-	-	-	-	-	-	1,648	-	-	5,017
Computer supplies	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	290,239	-	-	-	-	-	-	-	290,239
Donated professional services	2,625	-	-	-	-	-	-	-	-	-	-	2,625
Employee benefits	23,957	30,045	12,433	-	-	35,920	2,583	23,098	-	4,920	4,495	137,451
Equipment repair and maintenance	-	7,136	-	-	-	227	-	-	19,810	-	-	27,173
Meals	169	133	-	-	-	478	-	-	-	-	47	827
Membership dues	8,700	2,165	8,345	-	-	6,018	3,612	3,935	-	873	1,095	34,743
Miscellaneous	577	2,408	-	-	-	1,440	-	-	1,419	-	-	5,844
Office supplies	382	-	-	-	-	-	-	-	-	-	-	382
Outside professional services	19,717	480	-	-	18,000	4,560	-	7,179	9,673	-	150	59,759
Payroll taxes	9,557	10,327	3,623	-	-	9,078	2,029	5,130	-	3,512	1,168	44,424
Postage	1,188	518	-	-	508	253	35	3,752	-	-	115	6,369
Premiums	-	-	-	-	-	-	-	6,438	-	-	-	6,438
Printing	-	-	-	-	148	-	3,818	2,280	-	-	503	6,749
Program rights	-	-	291,441	-	-	-	-	-	-	-	-	291,441
Promotions	-	-	-	-	-	-	2,081	-	-	-	1,500	3,581
Property insurance	99,566	-	-	-	-	-	-	-	-	-	-	99,566
Rent	-	-	-	-	-	-	-	-	76,657	-	250	76,907
Salaries	123,977	134,091	47,334	-	-	120,837	26,617	75,764	-	45,147	14,486	588,253
Set production	-	-	-	-	-	668	-	-	-	-	-	668
Supplies	592	2,987	-	-	18,886	621	-	107	286	-	1,548	25,027
Telephone	7,168	-	-	-	-	-	-	-	1,269	-	-	8,437
Travel	2,457	2,589	-	-	755	2,356	-	240	243	402	159	9,201
Utilities	21,601	-	-	-	-	-	-	-	108,609	-	-	130,210
Vehicle repair	-	2,002	-	-	-	-	-	-	-	-	-	2,002
Video tapes	-	-	-	-	-	149	-	-	-	-	-	149
Total expenses	\$ 329,113	\$ 194,881	\$ 363,176	\$ 292,239	\$ 38,297	\$ 182,605	\$ 50,933	\$ 127,923	\$ 219,614	\$ 54,854	\$ 25,516	\$ 1,879,151

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

Smoky Hills Public Television Corporation

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 646,625	\$ 70,687
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	304,289	292,239
Payroll protection program forgiveness	(146,702)	-
Changes in assets and liabilities:		
Promises to give receivables, net	-	6,125
Trade and grant receivables	44,113	39,469
Prepaid expenses	(7,043)	6,267
Accounts payable	548	(15,771)
Accrued compensated absences	(6,090)	2,903
Deferred revenue	<u>1,650</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>837,390</u>	<u>401,919</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	<u>(76,731)</u>	<u>(328,336)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(76,731)</u>	<u>(328,336)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from PPP Loan	<u>-</u>	<u>146,702</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>146,702</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	760,659	220,285
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,003,414</u>	<u>1,783,129</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,764,073</u>	<u>\$ 2,003,414</u>

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

NOTES TO FINANCIAL STATEMENTS

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Smoky Hills Public Television Corporation is a nonprofit organization established as part of a plan to extend public television to unserved areas of western Kansas, broadcasting educational television and providing quality programming and cultural telecommunication services to educate and inspire the social awareness of the broadcast area's communities and residents.

2. Financial reporting

(a) Accrual basis of accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

(b) Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents. The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. At June 30, 2021 and 2020, there were \$2,104,665 and \$1,408,001, respectively, of deposits at Sunflower and Southwind Banks in excess of the \$250,000 FDIC insurance limits that were secured by pledged securities held at the Federal Reserve Bank of Boston and Commerce Bank.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Net assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets. The net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Financial reporting - Continued

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes

3. Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

4. Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

5. Contributed services

During the year ended June 30, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements was \$2,475 and \$2,625, respectively. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Contributed services - continued

these services do not meet the criteria for recognition as contributed services. Only donated professional services for the years ended June 30, 2021 and 2020 are being reported as meeting the criteria for recognition under FASB ASC topic 958-205.

6. Property and equipment

Purchased property and equipment are capitalized at cost. Donated property and equipment are recorded at their estimated fair value. It is the Organization's policy to capitalize property and equipment over \$500.

Property and equipment are depreciated using the straight-line method. Estimated useful lives used in the computation of depreciation are as follows:

Buildings and improvements	15 - 31 years
Station equipment	3 - 20 years
Automobiles	5 years
Office furniture and equipment	3 - 7 years

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in revenue.

7. Functional allocation of expenses

The costs of providing the programs and activities of the Organization have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among program services and supporting services.

8. Subsequent events

Smoky Hills Public Television Corporation has evaluated subsequent events through November 30, 2021, which is the date the financial statements were available to be issued.

9. Reclassifications

Certain reclassifications have been made to conform to the 2021 presentation.

10. Income Taxes

Smoky Hills Public Television Corporation is a non-profit, non-stock corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is, however, subject to income taxes on any unrelated business income. The Organization adopted FASB Accounting Standards Codification ("FASB ASC"), ASC 740, Accounting for Uncertainty in Income Taxes on July 1, 2009. As a result of the adoption, management has

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Income Taxes - continued

determined that there were no unrecognized tax benefits or liabilities as of June 30, 2021 and June 30, 2020.

The Organization's federal exempt organization tax returns for the years ended June 30, 2021, 2020 and 2019 are subject to examination by the Internal Revenue Service, generally three years after they are filed.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash in bank - operating	\$2,042,031	\$1,254,667
Cash in bank - capital	103,224	131,030
Cash in bank - future fund	494,029	493,535
Certificates of deposit	124,747	124,115
Petty cash	<u>42</u>	<u>67</u>
	<u>\$2,764,073</u>	<u>\$2,003,414</u>

NOTE C - PROMISES TO GIVE RECEIVABLES

Promises to give receivables are as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ -	\$ -
Less allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net promises to give	<u>\$ -</u>	<u>\$ -</u>

NOTE D - TRADE AND GRANT RECEIVABLES

Trade and grant receivables at June 30, 2021 and 2020, consist of other receivables of \$47,097 and \$72,530, respectively, and governmental receivables of \$0 and \$18,680, respectively.

NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of restrictions within one year of the balance sheet date.

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - Continued

	<u>2021</u>	<u>2020</u>
Financial assets at June 30,	\$2,811,170	\$2,094,624
Less those not available for general expenditure within one year, due to:		
Donor imposed restrictions	<u>936,202</u>	<u>178,223</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,874,968</u>	<u>\$1,916,401</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in various short-term certificates of deposits.

NOTE F - INTANGIBLE ASSETS

In June 1999, Smoky Hills Public Television Corporation entered into a ten-year fiber optic transport service agreement with Cox Communications, Inc. to use their facilities for the purpose of transmitting and receiving digital and analog video, audio and data signals between specified sites within the State of Kansas. These costs of \$493,018 have been amortized into expense over the ten-year life of the service agreement. The Organization now pays a monthly access fee for use of the fiber optics line.

In November 2006, Smoky Hills Public Television Corporation entered into a ten-year fiber optic transport service agreement with Rural Telephone Service Company, Inc. to use their facilities for the purpose of transmitting and receiving digital and analog video, audio and data signals between specified sites within the State of Kansas. These costs of \$433,490 are being amortized into expense over the ten-year life of the service agreement. The Organization now pays a monthly access fee for use of the fiber optics line.

NOTE G - LONG-TERM OBLIGATIONS

Long-Term obligations consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
1.00% note payable to a bank (PPP loan) dated April 9, 2020, payable in monthly installments of \$7,818 including interest, through April 9, 2022.	<u>\$ -</u>	<u>\$ 146,702</u>
Less current portion	<u>-</u>	<u>68,878</u>
	<u>\$ -</u>	<u>\$ 77,824</u>

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H - ACCRUED COMPENSATED ABSENCES

The Organization's policy provides for the compensation of absences due to sick leave and vacation. Each employee is allowed to carryover a maximum total earned vacation of 40 hours each calendar year. Any hours accrued and not taken will be lost unless proper approval is obtained from administration. Only vacation pay is reimbursed at termination if not used, and is accrued for financial statement presentation. The liability for accumulated compensated absences at June 30, 2021 and 2020 was \$20,448 and \$27,268, respectively. These amounts were based on current salary costs and include all vacation leave accumulated but not taken by June 30, 2021 and 2020.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Operations	\$936,202	\$178,223
Capital improvements	-	-
	<u>\$936,202</u>	<u>\$178,223</u>

NOTE J - CONCENTRATION OF CREDIT RISK

Concentrations of credit risk with respect to promises to give receivable are limited due to the large number of contributions comprising Smoky Hills Public Television's contribution base and their dispersion across different industries and geographic areas.

NOTE K - DEFINED BENEFIT PENSION PLAN

Plan Description. Smoky Hills Public Television Corporation 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. 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. That 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 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions 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 rates established for the period ending June 30, 2021 range from 8.61% to 8.87%, and for the period ending June 30, 2020 range from 8.61% to 8.89%,. The employer contributions to KPERS for the years ending June 30, 2021 and 2020 were \$44,743 and \$50,452, respectively, equal to the required contributions for each year.

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE L - CAFETERIA PLAN

The Corporation established a cafeteria plan under Internal Revenue Code Section 125, effective July 1, 2000. The plan year is the twelve month period ending on June 30th. The purpose of the program is to allow employees, through a salary reduction agreement, to select their plan benefits within the guidelines of the Internal Revenue Code of 1986.

The benefits available include group health insurance premiums, unreimbursed medical expenses and dependent day care.

All employees who have satisfied all of the eligibility requirements as set forth in the plan documents may participate in the cafeteria plan.

NOTE M - OPERATING LEASES

The Corporation leases space on various towers for transmitting and receiving their broadcast signals. They also lease real property at the tower sites. The period of these leases range from two to twenty years of which most can be canceled with written notice of termination from either party within a specified period of days ranging from 30 to 180 days.

Management expects that in the normal course of business the leases will be renewed or renegotiated.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2021:

Year ending June 30,	
2022	\$ 84,713
2023	83,913
2024	29,913
2025	29,913
2026	5,540
Later	<u>-</u>
Total minimum payments required	<u>\$233,992</u>

Total rental expense for all operating leases for the years ended June 30, 2021 and June 30, 2020 was \$91,532 and \$76,907, respectively.

NOTE N - DIGITAL CONVERSION

To assist Smoky Hills Public Television Corporation in making the federally mandated conversion from analog to digital signal, \$3,090,376 of funding was obtained from the State of Kansas through the issuance of Kansas Development Finance Authority Series 2001L Bonds. The estimated total cost of the conversion is approximately 6 million dollars. The State of Kansas is paying for the bonds, and as a condition of the agreement, retains ownership of the digital conversion project until March 1, 2021, at which time, Smoky Hills Public Television Corporation can purchase the equipment for \$100. This transaction is being treated as a capital lease due to the bargain purchase

Smoky Hills Public Television Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE N - DIGITAL CONVERSION - Continued

option at the end of the term. The cost of the digital conversion project, because it is owned by the State of Kansas, is not available for use as collateral for any future borrowings.

During the year ended June 30, 2006, the Organization received a grant from the U.S. Department of Agriculture, for the construction of a new digital tower. The amount of the grant was \$2,000,000. The estimated cost of this project is approximately \$3,000,000. The remaining funding has been obtained from the State of Kansas from the Kansas Development Finance Authority Series 2001L Bonds used in the Digital Conversion funding noted above. The same terms apply. During the year ended June 30, 2007, the Organization completed the construction of this new digital tower. With the remaining grant monies, the Organization was granted permission to add digital production and editing equipment to this grant. These monies were expended during the year ended June 30, 2008.

NOTE O - CONTINUITY OF OPERATIONS

Smoky Hills Public Television Corporation relies on governmental and private grants and contributions for its continued existence. There is no assurance that such grants and contributions will continue.

NOTE P - PAYCHECK PROTECTION PROGRAM

The Organization received loan proceeds in the amount of \$146,702 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization used the proceeds for purposes consistent with the PPP. The Organization received full forgiveness on January 6, 2021. The full amount has been recognized as revenue in the current year.