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February 11, 2021

To the Board of Directors
and Management
KANZA Society, Inc.

We have audited the financial statements of KANZA Society, Inc. for the year ended September 30, 2020 and have issued our report thereon dated February 11, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 17, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the KANZA Society, Inc are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of depreciation expense is based on estimated lives assigned to the individual assets. We evaluated the key factors and assumptions used to develop the estimated lives in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of expenses by function is based on estimates of time spent by various personnel on each function and estimates of other expenses allocable to each function. We evaluated the key factors used to develop the allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure regarding economic dependency on grants and state appropriations in Note J to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following misstatements detected as a result of audit procedures were corrected by management:

- To record depreciation expense for the year of $158,821.
- To record in-kind underwriting of $38,992.
- To increase the allowance for uncollectible memberships by $7,675.
- To reclassify $70,304 to equipment additions recorded as equipment expense.
- To record in-kind services of $167,800.
- To record asset dispositions of $36,305.
- To reclassify $112,136 of CPB grants recorded as interfund borrowing in the operating fund.
- To record capital credit allocations of $9,681 from electric cooperatives.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of KANZA Society, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kennedy McKee & Company LLP

KANZA SOCIETY, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

KANZA SOCIETY, INC.

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INDEPENDENT AUDITOR'S REPORT

KANZA Society, Inc.
Garden City, Kansas 67846

We have audited the accompanying financial statements of KANZA Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, 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.

Auditor's 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 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 KANZA Society, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kennedy McKee & Company LLP

February 11, 2021

KANZA SOCIETY, INC

STATEMENTS OF FINANCIAL POSITION

	September 30, 2020			
	Operating fund	Restricted fund	Board designated reserve fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 59,699	$ 71,511	$ 578,851	$ 710,061
Certificates of deposit	-	-	63,459	63,459
Accounts receivable net of allowance for doubtful accounts of $4,500 at 9-30-20 and 9-30-19	16,409	-	-	16,409
Pledges receivable net of allowance for uncollectible pledges of $10,965 and $17,845 at 9-30-20 and 9-30-19	54,744	-	65,000	119,744
Grants receivable	8,116	-	-	8,116
Total current assets	138,968	71,511	707,310	917,789
Property and equipment:				
Buildings and leasehold improvements	-	700,052	-	700,052
Equipment	-	3,798,366	-	3,798,366
	-	4,498,418	-	4,498,418
Less accumulated depreciation	-	(3,056,639)	-	(3,056,639)
	-	1,441,779	-	1,441,779
Other assets:				
Investments	-	-	6,700	6,700
Beneficial interest in Community Foundation	-	-	144,678	144,678
Broadcast license/goodwill	-	1,182,200	-	1,182,200
Capital credits	158,307	-	-	158,307
	158,307	1,182,200	151,378	1,491,885
	$ 297,275	$ 2,695,490	$ 858,688	$ 3,851,453
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 99,915	$ -	$ -	$ 99,915
Unearned underwriting	18,935	-	-	18,935
Accrued vacation	14,399	-	-	14,399
Deferred grants	-	29,304	-	29,304
Notes payable - current portion	44,589	-	-	44,589
Payroll protection plan loan	111,400	-	-	111,400
Total current liabilities	289,238	29,304	-	318,542
Long-term liabilities				
Notes payable	68,020	-	-	68,020
Interfund borrowings:				
Due to restricted fund	402,288	-	-	402,288
Due to board designated reserve	117,414	-	-	117,414
Due from operating fund	-	(402,288)	(117,414)	(519,702)
	519,702	(402,288)	(117,414)	-
Net assets:				
Without donor restriction (deficit)	(579,685)	1,789,090	826,009	2,035,414
With donor restriction	-	1,279,384	150,093	1,429,477
	(579,685)	3,068,474	976,102	3,464,891
	$ 297,275	$ 2,695,490	$ 858,688	$ 3,851,453

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

September 30, 2019			
Operating fund	Restricted fund	Board designated reserve fund	Total
$ 24,436	$ 148,429	$ 71,559	$ 244,424
-	-	448,177	448,177
20,929	-	-	20,929
50,289	-	65,000	115,289
929	-	-	929
96,583	148,429	584,736	829,748
-	700,052	-	700,052
-	3,763,597	-	3,763,597
-	4,463,649	-	4,463,649
-	(2,933,352)	-	(2,933,352)
-	1,530,297	-	1,530,297
-	-	6,700	6,700
-	-	140,167	140,167
-	1,182,200	-	1,182,200
159,546	-	-	159,546
159,546	1,182,200	146,867	1,488,613
$ 256,129	$ 2,860,926	$ 731,603	$ 3,848,658
$ 249,531	$ -	$ -	$ 249,531
30,865	-	-	30,865
8,695	-	-	8,695
-	29,305	-	29,305
-	-	-	-
-	-	-	-
289,091	29,305	-	318,396
-	-	-	-
336,369	-	-	336,369
229,550	-	-	229,550
-	(336,369)	(229,550)	(565,919)
565,919	(336,369)	(229,550)	-
(598,881)	1,867,806	811,060	2,079,985
-	1,300,184	150,093	1,450,277
(598,881)	3,167,990	961,153	3,530,262
$ 256,129	$ 2,860,926	$ 731,603	$ 3,848,658

KANZA SOCIETY, INC

STATEMENTS OF ACTIVITIES

	Year ended September 30, 2020					
	Operating fund	Restricted fund fund		Board designated reserve fund		
	Without donor restrictions	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:						
Memberships	$ 453,232	$ -	$ -	$ -	$ -	$ 453,232
In-kind contributions	240,292	-	-	-	-	240,292
Foundation contributions	189,793	35,120	-	-	-	224,913
Other contributions	45,438	500	-	-	-	45,938
Community service grants	289,279	10,000	-	-	-	299,279
State appropriations	77,602	-	-	-	-	77,602
Federal and state grants	-	-	-	-	-	-
Underwriting	133,422	-	-	-	-	133,422
Tower lease income	38,121	-	-	-	-	38,121
Investment income	26	85	-	14,949	-	15,060
Gain on disposition of equipment	-	769	-	-	-	769
Other	25,453	-	-	-	-	25,453
Net assets released from restrictions:						
Satisfaction of payment restrictions	-	20,800	(20,800)	-	-	-
Total revenues, gains and other support	1,492,658	67,274	(20,800)	14,949	-	1,554,081
Expenses:						
Program services:						
Programming and production	454,966	-	-	-	-	454,966
Engineering	435,266	136,598	-	-	-	571,864
Promotion	3,489	-	-	-	-	3,489
Total program services expense	893,721	136,598	-	-	-	1,030,319
Supporting activities:						
Management and general	363,203	27,023	-	-	-	390,226
Fund-raising and membership	197,790	1,117	-	-	-	198,907
Total supporting activities expense	560,993	28,140	-	-	-	589,133
Total expenses	1,454,714	164,738	-	-	-	1,619,452
Change in net assets	37,944	(97,464)	(20,800)	14,949	-	(65,371)
Net assets at beginning of year, as previously stated	(598,881)	1,867,806	1,300,184	811,060	150,093	3,530,262
Prior period adjustment	-	-	-	-	-	-
Transfers	(18,748)	18,748	-	-	-	-
Net assets at end of year	$ (579,685)	$ 1,789,090	$ 1,279,384	$ 826,009	$ 150,093	$ 3,464,891

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

Year ended September 30, 2019					
Operating fund	Restricted fund		Board designated reserve fund		
Without donor restrictions	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	Total
$ 321,185	$ -	$ -	$ -	$ -	$ 321,185
197,480	-	-	-	-	197,480
146,245	149,750	-	-	-	295,995
7,110	2,330	-	6,229	-	15,669
193,642	-	-	-	-	193,642
83,487	-	-	-	-	83,487
-	-	20,800	-	-	20,800
164,562	-	-	-	-	164,562
35,168	-	-	-	-	35,168
102	279	-	17,032	-	17,413
-	-	-	-	-	-
3,273	-	-	-	-	3,273
-	-	-	-	-	-
1,152,254	152,359	20,800	23,261	-	1,348,674
474,862	-	-	-	-	474,862
416,440	135,677	-	-	-	552,117
1,779	-	-	-	-	1,779
893,081	135,677	-	-	-	1,028,758
447,141	22,942	-	-	-	470,083
160,772	-	-	-	-	160,772
607,913	22,942	-	-	-	630,855
1,500,994	158,619	-	-	-	1,659,613
(348,740)	(6,260)	20,800	23,261	-	(310,939)
(310,554)	1,933,110	1,279,384	872,655	150,093	3,924,688
(83,487)	-	-	-	-	(83,487)
143,900	(59,044)	-	(84,856)	-	-
$ (598,881)	$ 1,867,806	$ 1,300,184	$ 811,060	$ 150,093	$ 3,530,262

KANZA SOCIETY, INC

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

	PROGRAM SERVICES				SUPPORTING ACTIVITIES			
	Programming and production	Engineering	Promotion	Total program services	Management and general	Fund-raising and membership	Total supporting activities	Total
Salaries and benefits	$ 263,262	$ 78,914	$ -	$ 342,176	$ 140,851	$ 118,262	$ 259,113	$ 601,289
Professional services	17,718	-	2,151	19,869	160,134	47,100	207,234	227,103
Occupancy	3,598	275,680	-	279,278	-	3,598	3,598	282,876
Programming	167,953	-	-	167,953	-	-	-	167,953
Depreciation	-	136,598	-	136,598	22,223	-	22,223	158,821
Maintenance and repairs	381	23,699	-	24,080	2,752	13,110	15,862	39,942
Telephone	-	24,132	-	24,132	7,078	-	7,078	31,210
Printing, publications and dues	(755)	-	715	(40)	3,352	5,307	8,659	8,619
Postage and handling	-	262	-	262	247	3,530	3,777	4,039
Insurance	-	31,492	-	31,492	2,987	-	2,987	34,479
Supplies	-	-	-	-	11,947	(428)	11,519	11,519
Publicity/advertising	-	-	623	623	11,220	4,827	16,047	16,670
Conferences, travel and training	2,551	799	-	3,350	6,707	3,432	10,139	13,489
Bad debts	-	-	-	-	11,431	-	11,431	11,431
Other	258	288	-	546	9,297	169	9,466	10,012
	$ 454,966	$ 571,864	$ 3,489	$ 1,030,319	$ 390,226	$ 198,907	$ 589,133	$ 1,619,452

Year Ended September 30, 2019

	PROGRAM SERVICES				SUPPORTING ACTIVITIES			
	Programming and production	Engineering	Promotion	Total program services	Management and general	Fund-raising and membership	Total supporting activities	Total
Salaries and benefits	$ 241,240	$ 71,387	$ -	$ 312,627	$ 141,931	$ 118,329	$ 260,260	$ 572,887
Professional services	20,769	35,309	-	56,078	130,893	21,305	152,198	208,276
Occupancy	3,254	224,420	-	227,674	42,630	3,254	45,884	273,558
Programming	141,662	-	-	141,662	-	-	-	141,662
Depreciation	-	135,677	-	135,677	22,942	-	22,942	158,619
Maintenance and repairs	10,603	26,129	15	36,747	4,250	794	5,044	41,791
Telephone	240	7,400	-	7,640	25,512	-	25,512	33,152
Printing, publications and dues	34,352	-	813	35,165	8,117	5,328	13,445	48,610
Postage and handling	-	230	-	230	234	4,459	4,693	4,923
Insurance	-	51,065	-	51,065	20,027	-	20,027	71,092
Supplies	780	61	155	996	10,883	1,218	12,101	13,097
Publicity/advertising	30	-	579	609	11,374	2,004	13,378	13,987
Conferences, travel and training	2,452	439	217	3,108	13,287	4,081	17,368	20,476
Bad debts	-	-	-	-	26,536	-	26,536	26,536
Other	19,480	-	-	19,480	11,467	-	11,467	30,947
	$ 474,862	$ 552,117	$ 1,779	$ 1,028,758	$ 470,083	$ 160,772	$ 630,855	$ 1,659,613

KANZA SOCIETY, INC

STATEMENTS OF CASH FLOWS

	Year ended September 30, 2020	Year ended September 30, 2019
Cash flows from operating activities:		
Cash received from members	$ 437,344	$ 326,214
Cash received from underwriters	126,012	183,316
Cash received from grantors and contributions	640,546	612,544
Cash received from special events	834	2,000
Cash received from others	62,740	36,441
Investment income received	5,329	11,174
Cash paid to suppliers and employees	(1,227,970)	(1,205,933)
Net cash provided (used) by operating activities	44,835	(34,244)
Cash flows from investing activities:		
Payments for property and equipment	(69,534)	(10,755)
Proceeds from sale of investments	384,718	146,309
Transferred from Western Kansas Community Foundation	5,220	-
Capital credit refunds received	10,169	1,827
Net cash provided (used) by investing activities	330,573	137,381
Cash flows from financing activities:		
Proceeds of notes payable	111,400	-
Repayment of notes payable	(21,171)	-
Net cash provided (used) by financing activities	90,229	-
Net increase (decrease) in cash and cash equivalents	465,637	103,137
Cash and cash equivalents, beginning of year	244,424	141,287
Cash and cash equivalents, end of year	$ 710,061	$ 244,424
Reconciliation of change in net assets to cash used by operating activities:		
Change in net assets	$ (65,371)	$ (310,939)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Gain) loss on disposition of assets	(769)	-
Depreciation	158,821	158,619
Capital credits	(8,930)	(8,028)
Change in beneficial interest in Community Foundation	(9,731)	(6,239)
Decrease (increase) in:		
Accounts receivable	4,520	(28,328)
Pledges receivable	(4,455)	31,565
Prepaid expense	-	1,799
Grants receivable	(7,187)	40,752
Increase (decrease) in:		
Accounts payable	(15,836)	83,387
Unearned underwriting	(11,930)	9,281
Accrued vacation	5,703	(6,113)
	110,206	276,695
Net cash provided (used) by operating activities	$ 44,835	$ (34,244)
Supplemental disclosures:		
Noncash financing transaction:		
Accounts payable converted to notes payable	$ 133,780	$ -

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of KANZA Society, Inc. (the Society) is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Society's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

1. Nature of business

   KANZA Society, Inc. was established as a not-for-profit Kansas corporation which operates noncommercial public radio stations with studios in Garden City, Kansas and Amarillo, Texas. The Society is supported primarily through funding from the Corporation for Public Broadcasting, state appropriations, memberships, and underwriting.

2. Basis of presentation

   The Society reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

   Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

   Net assets with donor restrictions are resources that are 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 the resources be maintained in perpetuity.

   The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions

3. Cash and cash equivalents

   For purposes of the Statement of Cash Flows, the Society considers all unrestricted highly liquid instruments with maturities of three months or less to be cash equivalents.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of underwriters to meet their obligations. Receivables are considered to be impaired if full principal payments are not received in accordance with the contractual terms. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

5. Pledges receivable

Operating fund - The Society engages in fund-raising campaigns manifested by on-air and mail fund-raising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Society for enhancement of the program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. However, uncollected pledges that are not enforceable against contributors are not shown as assets on the Statement of Financial Position. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Society. This usage is consistent with appeals for contributions and pledges. The pledges are all due in the following fiscal year.

Board designated reserve fund - unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The pledges are due in the following fiscal year.

6. Fair value measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Property and equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

8. Broadcast license/goodwill

Broadcast license/goodwill is tested for impairment on an annual basis. No impairment was recognized for the years ended September 30, 2020 and 2019.

9. Unearned underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the periods to which the underwriting relates.

10. Deferred grants

Grant proceeds received for construction and other projects are deferred and recognized as the related costs are incurred.

11. Revenue recognition

Unrestricted contributions, pledges, and grants are recognized as revenue in the Statement of Activities upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or accrual. State appropriation support is reported as unrestricted revenue.

12. Restricted support

The Society 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

13. Gifts of long-lived assets

The Society reports gifts of land, buildings, and 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 Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Donated materials, facilities, and services

Significant materials, facilities and services are donated to the Society by various individuals and organizations. Donated materials and facilities were $33,500 and $33,500 at September 30, 2020 and 2019, recorded at fair value at the date of donation, and have been included in revenue and expenses. The Society received donated services for the years ended September 30, 2020 and 2019 totaling $167,800 and $132,845 for research, planning, filing and related follow-ups on FCC applications; web initiative; researching expansion, enhancements; and development. In addition, the Society receives significant amounts of donated services that were not recognized in the financial statements because they did not meet the criteria for recognition.

15. Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

16. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

17. Income tax status

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Society has not identified any uncertainties in federal or state income taxes for any open tax years as of September 30, 2020. The Society is no longer subject to examinations by tax authorities for years before September 30, 2018. No authorities have commenced income tax examinations as of September 30, 2020.

B. CONCENTRATION OF CREDIT RISK

At September 30, 2020, the Society's balances were fully insured by the FDIC. The Society had a concentration of credit risk in excess of federal deposit insurance coverage at one financial institution of $136,843 at September 30, 2019.

C. INVESTMENTS

Investments consist of a stamp collection which is carried at the estimated fair value at the date of the contribution to the Society (Level 3 inputs).

D. BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

The Organization transferred its Endowment investments to the Western Kansas Community Foundation to be held in an agency endowment fund for the benefit of KANZA Society, Inc. As of September 30, 2020, and 2019 the amounts are $144,678 and $140,167, respectively. The Community Foundation was granted variance power such that the Board of the Community Foundation has the power and the duty to vary the terms of any gift if continued adherence to any condition or restriction is in the judgment of the Foundation's Board unnecessary, incapable of fulfillment, or inconsistent with the charitable or other exempt needs.

Fair value for the beneficial interest in Community Foundation was obtained from a statement provided by the Community Foundation (Level 2 inputs).

E. BROADCAST LICENSE/GOODWILL

During the year ended September 30, 2005, the Society acquired a broadcast license and goodwill in the Amarillo area. The cost of the broadcast license and goodwill totaled $1,182,200. Reductions to the value of the purchased broadcast license/goodwill are recorded upon impairment. No impairment was recognized for the years ended September 30, 2020 and 2019.

F. NOTES PAYABLE

On April 7, 2020, the Organization obtained a loan in the amount of $111,400 from the Small Business Administration through a local bank pursuant to the Payroll Protection Plan (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated April 7, 2020 issued by the Borrower, matures on April 7, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 7, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intends to use the entire loan amount for qualifying expenses.

Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1.00%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP terms. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

On July 14, 2020, the Organization entered into a loan agreement with the America Public Media in the amount of $34,860 bearing a zero percent interest rate for past due accounts payable. The loan is payable in monthly payments of $968 for 36 months.

On April 23, 2020, the Organization entered into a loan agreement with National Public Radio in the amount of $97,920 bearing a zero percent interest rate for past due program license, program interconnection, digital services, and other arrangements covering the period October 1, 2015 through September 30, 2020. The loan is payable in monthly installments of $2,748 for 36 months.

F. NOTES PAYABLE (CONTINUED)

The future scheduled maturities of the notes are as follows:

Years ending September 30:

2021	$ 44,589
2022	44,589
2023	23,431
	112,609
Less: Current portion	44,589
Long-term notes payable	$ 68,020

G. RESTRICTIONS/LIMITATIONS ON NET ASSETS

The governing board of the Organization has designated net assets without donor restrictions for the following purposes:

	September 30,	
	2020	2019
Subject to expenditures for specified purpose:		
Acquisition of equipment and improvements to facilities	$ 134,496	$ 155,296
Amarillo station restricted to use as public radio station (any sale of the station for use as other than public radio requires repayment of these grant funds)	1,144,888	1,144,888
Subject to the passage of time:		
Investment earnings available for operations	31,089	31,089
Endowments:		
Not subject to appropriation	119,004	119,004
	$ 1,429,477	$ 1,450,477

H. COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

H. COMMUNITY SERVICE GRANTS (CONTINUED)

According to the Communications Act, funds may be used at the discretion of recipients. The Society uses these funds for purposes relating primarily to production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The Grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communication Commission.

The Society received $299,279 and $193,642 in Community Service Grants during the fiscal years ended September 30, 2020 and 2019, respectively.

I. STATE APPROPRIATIONS

This classification includes financial resources provided to the Society through budgetary authorizations of the State Assembly. State appropriations totaled $83,487 and $77,602 for the years ended September 30, 2020 and 2019, respectively.

J. ECONOMIC DEPENDENCY

The Society depends in large part on its funding from Community Service Grants and state appropriations. If this funding were to cease or be greatly reduced, the Society would have to arrange another source of funding to remain in operation. State appropriations have declined significantly over the past few years, and the Society is seeking alternative sources of revenue and public support.

Community Service Grants accounted for 19% and 14% of the Society's support for the years ended September 30, 2020 and 2019.

K. LEASES - LESSEE

The Society leases tower space for its transmitters under various operating leases. The future minimum rental payments under the existing leases at September 30, 2020, are as follows:

Year ended September 30,	
2021	$ 76,188
2022	70,714
2023	23,259
2024	8,221
2025	3,800
Thereafter	43,900
	$ 226,082

Expenses under these leases for the years ended September 30, 2020 and 2019 were $78,746 and $73,929, respectively.

K. LEASES – LESSEE (CONTINUED)

The Society also leases studio space under an operating lease. The future minimum rental payments under the lease at September 30, 2020 are as follows:

Year ended September 30,	
2020	$ 6,958

Rent expense under this lease for the years ended September 30, 2020 and 2019, was $8,996 and $8,136, respectively.

L. LEASES - LESSOR

The Society has entered into agreements to lease out or sublease space on their towers. The following is a schedule by years of future minimum rentals to be received under the leases at September 30, 2020:

Year ended September 30,	
2021	$ 28,253
2022	20,453
2023	20,238
2024	4,500
2025	3,600
Thereafter	13,320
	$ 90,364

Lease income recognized on these leases for the years ended September 30, 2020 and 2019 was $38,121 and $35,168 respectively.

M. ADVERTISING

The Society uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended September 30, 2020 and 2019, advertising costs totaled $10,858 and $11,421, respectively.

N. TAX-DEFERRED ANNUITY PLAN

During the year ended September 30, 2020, the Society participated in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Society. The Society may match employees' contributions to the plan up to 4% of their salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were $0 for the years ended September 30, 2020 and 2019. No match was made for either year.

O. ENDOWMENT

The Society's endowment consists of one fund established for the principal benefit and use of KANZA Society, Inc. Its endowment includes donor-restricted funds to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Society has adopted investment and informal spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the fair value of the original gift. Endowment assets are invested in certificates of deposit and a beneficial interest in a Community Foundation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Society does not have a formal spending policy for appropriating for distribution each year the net investment income, including the appreciation on the investments, from the endowment fund assets. They have generally transferred endowment donor restricted net assets as needed. In establishing this informal policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Society expects the current informal spending policy to allow its endowment funds to preserve the fair value of the original gift.

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	Without donor restrictions	With donor restrictions	Total net endowment assets
Donor-restricted endowment funds	$ -	$ 150,093	$ 150,093

O. ENDOWMENT (CONTINUED)

Changes in endowment net assets as of September, 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total net endowment assets
Endowment net assets, beginning of year	$ -	$ 150,093	$ 150,093
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	$ -	$ 150,093	$ 150,093

Endowment net asset composition by type of fund as of September 30, 2019 is as follows:

	Without donor restrictions	With donor restrictions	Total net endowment assets
Donor-restricted endowment funds	$ -	$ 150,093	$ 150,093

Changes in endowment net assets as of September, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total net endowment assets
Endowment net assets, beginning of year	$ -	$ 150,093	$ 150,093
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	$ -	$ 153,093	$ 150,093

Net Asset With Donor Restrictions (Endowment Only)

	2020
Endowment funds with donor restrictions:	
The portion of perpetual endowment funds that is required to be retained perpetually either by explicit donor stipulation or by SPMIFA and classified as net assets with donor restrictions	$ 119,004

P. LIQUIDITY

	Year ending June 30, 2020	Year ending June 30, 2019
Financial assets at year-end	$1,227,474	$1,136,161
Less those unavailable for general expenditures within one year, due to:		
Board designated for long-term investment	31,089	31,089
Stamp collection held as investment	6,700	6,700
Beneficial interest in Western Kansas Community Foundation	144,678	140,167
Capital credits	158,307	159,546
Deposits in board designated reserve	642,310	519,736
Financial assets available to meet cash needs for general expenditure within one year	$ 244,390	$ 278,923

Q. PRIOR PERIOD ADJUSTMENT

State appropriations were awarded by the State of Kansas directly to the Organization in prior years based on a funding formula for public radio and television stations within the State. In recent years, the State now passes the appropriation through another government and relies on that government to complete the funding formula calculations. A prior period adjustment was made to remove the state grant receivable at September 30, 2019 since the operating grant funding formula is no longer calculated by year end. This resulting in grants receivable decreasing by $83,487.

R. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2021, the date on which the financial statements were available to be issued. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.