

Permian Basin Public Telecommunications, Inc.

Financial Statements

August 31, 2023

(With Auditors' Report Thereon)

---

Independent Auditor's Report

The Board of Directors  
Permian Basin Public Telecommunications, Inc.

**Opinion**

We have audited the accompanying financial statements of Permian Basin Public Telecommunications, Inc. which comprise the statement of financial position as of August 31, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Permian Basin Public Telecommunications, Inc. at August 31, 2023 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Permian Basin Public Telecommunications, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report, continued

**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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Permian Basin Public Telecommunications, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditors' Report, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Permian Basin Public Telecommunications, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Permian Basin Public Telecommunications, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Independent Auditors' Report, continued

**Report on Summarized Comparative Information**

Permian Basin Public Telecommunications, Inc.'s 2022 financial statements were audited by another auditor who expressed an unmodified audit opinion on those audited financial statements in their report dated December 19, 2022. In their opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. Grace Mante*

Midland, Texas  
February 6, 2024

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Financial Position  
August 31, 2023

(With Comparative Totals for August 31, 2022)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,055,712	2,210,852
Accounts receivable	47,993	45,354
Grants receivable	6,875	-
Prepaid expenses	47,434	48,452
Total Current Assets	<u>2,158,014</u>	<u>2,304,658</u>
Operating lease right-of-use asset	1,145,399	-
Property and equipment, net	<u>4,455,777</u>	<u>4,643,513</u>
Total Assets	<u>\$ 7,759,190</u>	<u>6,948,171</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and other liabilities	\$ 27,607	74,601
Deferred revenue	<u>29,000</u>	<u>21,333</u>
Total current liabilities	56,607	95,934
Operating lease liability	<u>1,159,556</u>	<u>-</u>
Total Liabilities	<u>1,216,163</u>	<u>95,934</u>
Net assets:		
Without Donor Restrictions:		
Undesignated	1,911,715	2,000,991
Invested in property and equipment	<u>4,455,776</u>	<u>4,643,513</u>
	6,367,491	6,644,504
With Donor Restrictions:		
Time restricted for future periods	<u>175,536</u>	<u>207,733</u>
	175,536	207,733
Total net assets	<u>6,543,027</u>	<u>6,852,237</u>
	<u>\$ 7,759,190</u>	<u>6,948,171</u>

See accompanying notes to combined financial statements

## PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Activities  
For the Year Ended August 31, 2023  
(With Comparative Totals for the Year Ended August 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	<u>2023</u>	<u>2022</u>
Changes in net assets from:				
Revenues and gains:				
Corporation for public broadcasting grants	\$ 825,393	-	825,393	840,180
Other grants	343,000	-	343,000	516,700
Corporate and individual memberships	222,187	-	222,187	265,598
Production revenue	57,900	-	57,900	58,500
Special events	197,292	-	197,292	130,240
Interest income	24,362	-	24,362	286
In-kind contributions	15,270	-	15,270	18,354
Other income	<u>132,148</u>	<u>-</u>	<u>132,148</u>	<u>115,907</u>
Total	<u>1,817,552</u>	<u>-</u>	<u>1,817,552</u>	<u>1,945,765</u>
Assets released from restrictions:				
Satisfaction as to time period and purpose	<u>32,197</u>	<u>( 32,197)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,849,749</u>	<u>( 32,197)</u>	<u>1,817,552</u>	<u>1,945,765</u>
Expenses:				
Program services:				
Programming	483,341	-	483,341	492,718
Education	159,706	-	159,706	127,420
Community engagement	102,930	-	102,930	79,817
Production	190,516	-	190,516	237,956
Broadcasting	477,657	-	477,657	421,190
Support Services:				
Management and general	472,638	-	472,638	451,359
Special events	107,206	-	107,206	62,015
In-kind expenses	15,270	-	15,270	18,354
Fundraising and development	<u>117,498</u>	<u>-</u>	<u>117,498</u>	<u>120,748</u>
Total expenses	<u>2,126,762</u>	<u>-</u>	<u>2,126,762</u>	<u>2,011,577</u>
Increase (decrease) in net assets	( 277,013)	( 32,197)	( 309,210)	( 65,812)
Net assets:				
Beginning of year	6,644,504	207,733	6,852,237	6,918,049
End of year	\$ <u>6,367,491</u>	<u>175,536</u>	<u>6,543,027</u>	<u>6,852,237</u>

See accompanying notes to combined financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Functional Expenses  
 For the Year Ended August 31, 2023  
 (With Comparative Totals for the Year Ended August 31, 2022)

	<u>Program Services</u>				
	<u>Programming</u>	<u>Education</u>	<u>Community Engagement</u>	<u>Production</u>	<u>Broadcast Operations</u>
Personnel costs:					
Salaries	\$ 39,820	99,403	37,089	54,336	137,874
Benefits	10,681	11,196	9,260	4,439	24,798
Payroll taxes	<u>2,877</u>	<u>7,425</u>	<u>4,171</u>	<u>4,117</u>	<u>9,485</u>
Total personnel costs	53,378	118,024	70,520	62,892	172,157
Program costs	378,933	-	-	-	-
Production costs	-	1,580	16,425	47,316	-
Tower lease	-	-	-	-	103,366
Utilities	-	-	-	-	29,511
Insurance	-	932	-	-	-
Repairs and maintenance	-	-	-	1,518	11,811
Rentals	-	7,941	4,240	5,150	-
Service contracts	11,130	5,333	-	-	19,903
Professional fees	-	-	-	-	-
Consultants	36,000	-	-	-	145
Hospitality	30	1,871	606	10,745	82
Travel and training	-	4,189	1,919	6,390	536
Information technology	350	1,801	1,189	2,974	6,727
Printing	418	3,409	1,777	106	114
Telephone	750	1,200	1,200	1,215	1,940
Postage and shipping	1,560	2,307	138	-	191
Bank fees	-	-	5	6	-
Professional memberships	-	880	81	-	-
Premiums	-	-	-	-	-
In-kind expenses	-	-	-	-	-
Supplies and other	-	8,344	4,830	8,461	3,175
Total expenses before depreciation	482,549	160,361	100,380	146,773	349,658
Depreciation	792	1,895	-	43,743	127,999
Total expenses	\$ <u>483,341</u>	<u>159,706</u>	<u>102,930</u>	<u>190,516</u>	<u>477,657</u>

See accompanying notes to combined financial statements



Supporting Services

Total Program Services	Management And General	Development Fund Raising	Special Events	Totals Supporting Services	2023	2022
388,522	146,285	72,798	-	219,083	607,605	564,122
60,374	24,952	6,991	-	31,943	92,317	91,082
<u>28,075</u>	<u>10,915</u>	<u>4,982</u>	<u>-</u>	<u>15,897</u>	<u>43,972</u>	<u>41,114</u>
476,971	182,152	84,771	-	266,923	743,894	696,318
378,933	-	-	-	-	378,933	393,539
65,321	-	180	68,379	68,559	133,880	122,423
103,366	-	-	-	-	103,366	87,461
29,511	14,207	-	-	14,207	43,718	39,183
932	39,970	-	2,182	42,152	43,084	36,223
13,329	28,125	-	-	28,125	41,454	37,257
17,331	15,012	-	8,915	23,927	41,258	26,577
36,366	-	4,776	-	4,776	41,142	36,132
-	40,068	-	-	40,068	40,068	41,367
36,145	-	-	-	-	36,145	39,594
13,334	5,398	113	13,363	18,874	32,208	25,703
13,034	1,629	4,048	646	6,323	19,357	7,147
13,041	2,867	1,817	-	4,684	17,725	5,054
5,824	1,495	6,038	3,660	11,193	17,017	23,400
6,305	6,797	900	-	7,697	14,002	14,036
4,196	734	2,788	821	4,343	8,539	5,886
11	174	4,238	2,804	7,216	7,227	5,574
961	2,145	199	-	2,344	3,305	2,313
-	-	2,551	-	2,551	2,551	1,804
-	15,270	-	-	15,270	15,270	18,354
<u>24,810</u>	<u>10,034</u>	<u>3,924</u>	<u>6,436</u>	<u>20,394</u>	<u>45,204</u>	<u>87,155</u>
1,239,721	366,077	116,343	107,206	589,626	1,829,347	1,752,500
174,429	121,831	1,155	-	122,986	297,415	259,077
<u>1,414,150</u>	<u>487,908</u>	<u>117,498</u>	<u>107,206</u>	<u>712,612</u>	<u>2,126,762</u>	<u>2,011,577</u>

## PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Cash Flows  
For the Year Ended August 31, 2023  
(With Comparative Totals for the Year Ended August 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash flow from operating and support activities:		
Increase (decrease) in net assets	\$ ( 309,210)	( 65,812)
Non-cash items:		
Depreciation	297,415	259,078
Non-cash lease expense on right-of-use assets	14,157	-
(Increase) decrease in operating assets:		
Receivables	( 9,514)	( 23,242)
Prepaid expenses	1,018	( 11,275)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	( 46,994)	19,755
Deferred revenue	<u>7,667</u>	<u>9,333</u>
Net cash provided (used) by operating activities	<u>( 45,461)</u>	<u>187,837</u>
Cash flow from investing activities:		
Purchase of property and equipment	<u>( 109,679)</u>	<u>( 251,246)</u>
Net cash (used) by investing activities	<u>( 109,679)</u>	<u>( 251,246)</u>
Cash flow from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	( 155,140)	( 63,409)
Cash and equivalents at beginning of year	<u>2,210,852</u>	<u>2,274,261</u>
Cash and equivalents at end of year	\$ <u>2,055,712</u>	<u>2,210,852</u>
<u>Non-cash investing and financing activities:</u>		
Right-of-use assets obtained in exchange for new operating lease liability	\$ <u>1,209,293</u>	<u>-</u>

See accompanying notes to combined financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(1) **Organization and Activity**

Permian Basin Public Telecommunications, Inc. ("KPBT") is a non-profit organization and was formed on July 19, 2005 for the purpose of providing quality programs and services which advance education and culture and through the building of public television into a broadcast and community service leader in the Permian Basin. The Organization is recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Texas franchise tax and sales and use tax as a 501(c)(3) organization.

(2) **Summary of Significant Accounting Policies**

Basis of Presentation

KPBT prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by KPBT are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

KPBT uses the accrual method of accounting whereby revenue and support are recognized when earned or committed and expenses are recognized when incurred.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(2) Summary of Significant Accounting Policies, continued

Net Asset Classification

Financial statement presentation follows accounting standards that require KPBT to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions:

- \* Resources without donor restrictions represent the portion of expendable funds that is available for support of operations.

With donor restrictions:

- \* Donor restricted resources received for use for designated purposes or for use in future periods.
- \* Resources that are subject to donor restrictions in which the principal is invested in perpetuity and the income from which is available for use. Income earned but not used at the financial statement date, if any, is available for use by KPBT in its operations.

Memorandum Totals

Memorandum totals for 2022 were derived from KPBT's 2022 audited financial statements and are intended to provide comparative totals only and are not intended to present the 2022 financial statements in accordance with generally accepted accounting principles since complete financial statement are not presented.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(2) **Summary of Significant Accounting Policies, continued**

Revenue and Revenue Recognition

Production revenue is recognized as an exchange transaction upon completion of a production. All goods and service are transferred at a point in time.

Grants are recognized when a grantor makes a promise to give to KPBT that is, in substance, unconditional and non-reciprocal. Conditional promises to give, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. KPBT had no conditional promises to give at August 31, 2023. KPBT records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Contributions received are recorded as support without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be without donor restriction and available for operating use unless specifically restricted by the donor. Amounts received are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class.

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.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(2) **Summary of Significant Accounting Policies, continued**

Revenue and Revenue Recognition, continued

KPBT reports in-kind gifts as support without donor restrictions 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 donor restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, KPBT reports expirations of donor restrictions when the donated or required assets are placed in service or the gifts of cash are expended for the purpose intended.

Memberships consist of amounts that families, individuals and companies pay to participate in KPBT's activities and programs. Members join for one year at a time and pay a one-time amount in advance or incur monthly payments. Memberships are a varying levels and provide free access to PBS' streaming service, Passport, as well as other perks including facility rental discounts, educational program discounts, and invitations or tickets for special events. KPBT offers a variety of educational programming for both adults and youth. Cancellation provisions vary by program, but most transactions are cancellable upon management discretion. Refunds may be available for services not provided. Memberships are recognized upon receipt due to high membership turnover and all terms shorter than one year. Memberships paid to KPBT in advance are recorded as deferred revenue, if any.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(2) **Summary of Significant Accounting Policies, continued**

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, KPBT considers all cash, money market accounts and other highly liquid financial instruments available for current use with an initial maturity of three months or less when purchased, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents. Cash, cash equivalents and other highly liquid financial instruments that represent donor restricted resources or that are held in investment brokerage accounts that are not expected to be disbursed for operations during the next year are excluded from this definition. There was no donor restricted cash at August 31, 2023.

Income Taxes

KPBT is a charitable organization as defined under Section 501(c)(3) of the Internal Revenue Code. As such, it is exempt from Federal income taxes on all income except income earned from unrelated business activities. There was no unrelated business income during the year ended August 31, 2023. KPBT believes it is no longer subject to income tax examinations for years prior to 2020.

KPBT follows accounting standards that clarify accounting for uncertain income tax positions which could require additional disclosure. KPBT believes there are no material uncertain tax positions that require recognition in the accompanying financial statements.

Accounts Receivable

KPBT uses the direct write-off method to account for bad debts. The Board considers the accounts to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(2) Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at historical cost. Cost is determined by the actual purchase price or estimated fair market value for contributed assets.

Depreciation of property and equipment is provided over the estimated useful lives (3 years to 30 years) of the respective assets on the straight line basis.

Maintenance and repairs which do not materially add to the value of the property or appreciably prolong its useful life are charged to expense as incurred. Significant renewals and betterments in excess of \$2,000 are capitalized.

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.

Reclassification

Certain 2022 amounts have been reclassified to conform to the presentation adopted in 2023.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist KPBT as office/administrative assistance, fundraising, special events and other services. No amounts have been reflected in the accompanying financial statements for the donated services since they do not meet the criteria for recognition under authoritative literature.



PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(2) **Summary of Significant Accounting Policies, continued**

Change in Accounting Principle

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard established a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for KPBT for this standard is for annual reporting periods beginning after December 15, 2021. We have adopted the provisions of this standard as of September 1, 2022, using the transition method that allowed us to initially apply Topic 842 as of September 1, 2022 and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, if any.

(3) **Contingencies and Concentrations**

KPBT receives a substantial amount of support from Corporation for Public Broadcasting grants and other grants. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on KPBT's ability to carry out its program objectives.

KPBT maintains its cash and cash equivalents in multiple bank deposit accounts which, at times, could exceed the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. There were no deposit balances in excess of insured limits at August 31, 2023.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(4) Information Regarding Liquidity and Availability

KPBT strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. Financial assets in excess of daily cash requirements are maintained in an interest bearing sweep account and may be invested in certificates of deposit, money market funds and/or U.S. Treasury Bills.

The following table reflects KPBT's financial assets as of August 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations, if any. Amounts not available may include board designated funds, if any, that are intended to fund future budget short falls should they occur. In the event the need arises to utilize any board designated funds for liquidity purposes, the funds could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions. There were no net assets with board designations or donor restrictions at August 31, 2023.

	<u>2023</u>
Cash and cash equivalents	\$ 2,055,712
Accounts receivable	47,993
Grants receivable	<u>6,875</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,110,580</u>

(5) Prepayments

Prepayments received for future years' productions or sponsorships are reflected as deferred income in the accompanying statement of financial position.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(6) **Leases**

KPBT determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. KPBT does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Upon adoption of ASU No. 2016-02, *Leases*, KPBT elected not to restate the comparative period (2022). It also elected not to reassess at adoption (a) expired or existing contracts to determine whether they are or contain a lease, (b) the lease classification of any existing leases, or (c) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, KPBT recognized a right-of-use asset of \$1,209,293 and lease liability of \$1,201,933 in its statement of financial position as of September 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended August 31, 2023.

KPBT evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents KPBT's right to use a tower for the lease term, and the lease liability represents KPBT's obligation to make lease payments arising from this lease at variable monthly rates ranging from \$7,658 - \$9,906.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

(6) **Leases, continued**

The ROU asset and lease liability, which arise from the operating lease, were calculated based on the present value of future lease payments over the lease term of ten years plus the extended renewal option of ten years that management is reasonably certain will be exercised. KPBT uses the discount rate implicit in the lease if one is determinable. If the implicit rate is not readily determinable from the lease, we elect to use a risk free rate as allowed in the standard. The risk free rate is determined by using the U.S. Treasury yield for a Treasury maturity consistent with the overall lease term. The weighted-average discount rate applied to calculate the lease liability as of August 31, 2023 was 3.64%.

For the year ended August 31, 2023, total operating lease cost was \$103,366. As of August 31, 2023, the weighted-average remaining lease term for KPBT's operating lease was approximately 14.5 years including the renewal option.

Cash paid for operating leases for the year ended August 31, 2023, was \$89,209. There were no noncash investing and financing transactions related to leasing other than the entry described above at lease inception.

Future maturities of lease liabilities are presented in the following table, for the years ending August 31:

2024	\$	90,994
2025		92,814
2026		94,670
2027		96,563
2028		98,495
Thereafter		<u>1,039,433</u>
Total lease payments		1,512,969
Less present value discount		<u>353,413</u>
Total lease liability	\$	<u>1,159,556</u>

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

**(7) Corporation for Public Broadcasting Grants**

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual community service grants and other grants to qualifying public broadcasting entities. Community service grants are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each community service grant may be expended over one or two federal fiscal years. According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any donor restricted grants are reported on the accompanying financial statements as increases in donor restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from donor restricted net assets and an increase in net assets without donor restriction.

**(8) In-Kind Contributions**

KPBT recognized in-kind contributions within revenue including contributed advertising, storage rental and professional fees, among others. The in-kind contributions did not have donor imposed restrictions. In exchange for the in-kind contributions, KPBT awarded sponsorships or allowed advertising in its programs. KPBT valued the in-kind contributions at the fair value of the related expenses as provided by the donors.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

**(9) Property and Equipment**

At August 31, 2023, property and equipment cost and related depreciation are summarized as follows:

	2023		
	Asset Costs	Accumulated Depreciation	Net
Building and improvements	\$ 3,161,283	672,685	2,488,598
Broadcast equipment	2,109,423	610,093	1,499,330
Office equipment	147,702	58,588	89,114
Furniture and fixtures	94,981	32,642	62,339
Production equipment	423,854	107,459	316,395
Total cost	\$ 5,937,243	1,481,467	4,455,776

**(10) Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, insurance and depreciation, which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes, printing, postage and shipping, supplies and other, production costs, repairs and maintenance, professional memberships, service contracts, travel and training, consultants, hospitality, information technology, telephone and bank fees, which are allocated on the basis of estimates of time and effort or usage.

**(11) Net Assets With Donor Restrictions**

At August 31, 2023, net assets with donor restrictions were available to be used to maintain KPBT's public media station's programming and services impacted by the corona virus and attendant loss of revenue through the American Rescue Act Stabilization Grant awarded by the Corporation of Public Broadcasting.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2023

**(12) Subsequent Events**

Subsequent events have been evaluated by management through February 6, 2024, which is the date the financial statement were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the combined financial statements.

