

C. MARC MARTIN *CERTIFIED PUBLIC ACCOUNTANT*

Permian Basin Public Telecommunications, Inc.

Financial Statements

August 31, 2024

(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, 2024 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, 2024 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

We have previously audited Permian Basin Public Telecommunications, Inc.'s 2023 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Marc Martin

Midland, Texas
February 4, 2025

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Financial Position

August 31, 2024

(With Comparative Totals for August 31, 2023)

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,958,704	1,880,176
Restricted cash and cash equivalents	167,006	175,536
Accounts receivable	31,228	47,993
Grants receivable	14,750	6,875
Prepaid expenses	<u>46,550</u>	<u>47,434</u>
Total Current Assets	2,218,238	2,158,014
Operating lease right-of-use asset	1,083,427	1,145,399
Property and equipment, net	<u>4,158,148</u>	<u>4,455,777</u>
Total Assets	\$ <u><u>7,459,813</u></u>	<u><u>7,759,190</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and other liabilities	\$ 37,795	27,607
Deferred revenue	<u>51,950</u>	<u>29,000</u>
Total current liabilities	89,745	56,607
Operating lease liability	<u>1,109,956</u>	<u>1,159,556</u>
Total Liabilities	<u>1,199,701</u>	<u>1,216,163</u>
Net assets:		
Without Donor Restrictions:		
Undesignated	1,934,958	1,911,715
Invested in property and equipment	<u>4,158,148</u>	<u>4,455,776</u>
	6,093,106	6,367,491
With Donor Restrictions:		
Restricted for specific purpose	<u>167,006</u>	<u>175,536</u>
	167,006	175,536
Total net assets	<u>6,260,112</u>	<u>6,543,027</u>
	\$ <u><u>7,459,813</u></u>	<u><u>7,759,190</u></u>

See accompanying notes to combined financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Activities
For the Year Ended August 31, 2024
(With Comparative Totals for the Year Ended August 31, 2023)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2024</u>	<u>2023</u>
Changes in net assets from:				
Revenues and gains:				
Corporation for public broadcasting grants	\$ 902,533	-	902,533	825,393
Other grants	380,500	-	380,500	343,000
Corporate and individual memberships	243,505	-	243,505	222,187
Production revenue	75,000	-	75,000	57,900
Special events	208,930	-	208,930	197,292
Interest income	71,756	-	71,756	24,362
In-kind contributions	14,146	-	14,146	15,270
Other income	<u>25,512</u>	<u>-</u>	<u>25,512</u>	<u>132,148</u>
Total	<u>1,921,882</u>	<u>-</u>	<u>1,921,882</u>	<u>1,817,552</u>
Assets released from restrictions:				
Satisfaction as to time period and purpose	<u>8,530</u>	(<u>8,530</u>)	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,930,412</u>	(<u>8,530</u>)	<u>1,921,882</u>	<u>1,817,552</u>
Expenses:				
Program services:				
Programming	496,840	-	496,840	483,341
Education	155,689	-	155,689	159,706
Community engagement	167,958	-	167,958	102,930
Production	190,691	-	190,691	190,516
Broadcast operations	471,233	-	471,233	477,657
Support Services:				
Management and general	531,552	-	531,552	472,638
Special events	126,388	-	126,388	107,206
In-kind expenses	14,146	-	14,146	15,270
Development and fundraising	<u>50,300</u>	<u>-</u>	<u>50,300</u>	<u>117,498</u>
Total expenses	<u>2,204,797</u>	<u>-</u>	<u>2,204,797</u>	<u>2,126,762</u>
Increase (decrease) in net assets	(274,385)	(8,530)	(282,915)	(309,210)
Net assets:				
Beginning of year	<u>6,367,491</u>	<u>175,536</u>	<u>6,543,027</u>	<u>6,852,237</u>
End of year	\$ <u>6,093,106</u>	<u>167,006</u>	<u>6,260,112</u>	<u>6,543,027</u>

See accompanying notes to combined financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Functional Expenses
 For the Year Ended August 31, 2024
 (With Comparative Totals for the Year Ended August 31, 2023)

	<u>Program Services</u>				
	<u>Programming</u>	<u>Education</u>	<u>Community Engagement</u>	<u>Production</u>	<u>Broadcast Operations</u>
Personnel costs:					
Salaries	\$ 39,576	104,595	59,593	78,298	130,167
Benefits	11,301	11,515	10,019	6,393	20,219
Payroll taxes	<u>2,993</u>	<u>7,891</u>	<u>4,300</u>	<u>5,838</u>	<u>9,394</u>
Total personnel costs	53,870	124,001	73,912	90,529	159,780
Program costs	390,719	-	-	-	-
Production costs	-	395	37,125	32,583	-
Tower lease	-	-	-	-	103,366
Utilities	-	-	-	-	35,580
Insurance	-	300	4,968	-	-
Repairs and maintenance	-	270	-	76	11,419
Rentals	-	8,839	12,783	141	225
Service contracts	10,255	4,000	-	-	22,064
Professional fees	-	-	-	-	-
Consultants	36,000	-	-	-	4,000
Hospitality	97	802	3,693	4,879	-
Travel and training	-	879	2,362	1,368	694
Information technology	-	1,099	2,759	2,892	1,829
Printing	1,885	1,232	8,669	1,221	162
Telephone	1,569	1,200	1,200	1,800	1,100
Postage and shipping	1,645	2,815	752	107	-
Bank fees	7	-	6	-	30
Professional memberships	-	95	100	-	-
Premiums	-	-	-	-	-
In-kind expenses	-	-	-	-	-
Supplies and other	-	<u>5,098</u>	<u>19,629</u>	<u>5,424</u>	<u>3,094</u>
Total expenses before depreciation	496,047	151,025	167,958	141,020	343,343
Depreciation	<u>793</u>	<u>4,664</u>	<u>-</u>	<u>49,671</u>	<u>127,890</u>
Total expenses	\$ <u>496,840</u>	<u>155,689</u>	<u>167,958</u>	<u>190,691</u>	<u>471,233</u>

See accompanying notes to combined financial statements

Supporting Services

<u>Total Program Services</u>	<u>Management And General</u>	<u>Development Fund Raising</u>	<u>Special Events</u>	<u>Totals Supporting Services</u>	<u>2024</u>	<u>2023</u>
412,229	168,206	25,171	-	193,377	605,606	607,605
59,447	22,764	3,826	-	26,590	86,037	92,317
<u>30,416</u>	<u>12,374</u>	<u>1,598</u>	<u>-</u>	<u>13,972</u>	<u>44,388</u>	<u>43,972</u>
502,092	203,344	30,595	-	233,939	736,031	743,894
390,719	-	-	-	-	390,719	378,933
70,103	30	30	87,193	87,253	157,356	133,880
103,366	-	-	-	-	103,366	103,366
35,580	19,886	-	-	19,886	55,466	43,718
5,268	51,603	-	2,082	53,685	58,953	43,084
11,765	35,855	-	-	35,855	47,620	41,454
21,988	14,435	-	5,407	19,842	41,830	41,258
36,319	-	4,776	-	4,776	41,095	41,142
-	55,980	-	-	55,980	55,980	40,068
40,000	-	-	-	-	40,000	36,145
9,471	4,217	104	12,460	16,781	26,252	32,208
5,303	1,101	30	621	1,752	7,055	19,357
8,579	2,467	1,216	-	3,683	12,262	17,725
13,169	305	3,835	2,989	7,129	20,298	17,017
6,869	8,288	100	230	8,618	15,487	14,002
5,319	653	1,918	562	3,133	8,452	8,539
43	254	4,057	1,637	5,948	5,991	7,227
195	1,750	-	-	1,750	1,945	3,305
-	-	2,494	-	2,494	2,494	2,551
-	14,146	-	-	14,146	14,146	15,270
<u>33,245</u>	<u>9,553</u>	<u>1,145</u>	<u>13,207</u>	<u>23,905</u>	<u>57,150</u>	<u>45,204</u>
1,299,393	423,867	50,300	126,388	600,555	1,899,948	1,829,347
<u>183,018</u>	<u>121,831</u>	<u>-</u>	<u>-</u>	<u>121,831</u>	<u>304,849</u>	<u>297,415</u>
<u>1,482,411</u>	<u>545,698</u>	<u>50,300</u>	<u>126,388</u>	<u>722,386</u>	<u>2,204,797</u>	<u>2,126,762</u>

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Statement of Cash Flows
 For the Year Ended August 31, 2024
 (With Comparative Totals for the Year Ended August 31, 2023)

	<u>2024</u>	<u>2023</u>
Cash flow from operating and support activities:		
Increase (decrease) in net assets	\$ (282,915)	(309,210)
Non-cash items:		
Depreciation	304,849	297,415
Non-cash lease expense on right-of-use assets	12,372	14,157
(Increase) decrease in operating assets:		
Receivables	8,890	(9,514)
Prepaid expenses	884	1,018
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	10,188	(46,994)
Deferred revenue	<u>22,950</u>	<u>7,667</u>
Net cash provided (used) by operating activities	<u>77,218</u>	<u>(45,461)</u>
Cash flow from investing activities:		
Purchase of property and equipment	<u>(7,220)</u>	<u>(109,679)</u>
Net cash (used) by investing activities	<u>(7,220)</u>	<u>(109,679)</u>
Cash flow from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	69,998	(155,140)
Cash and equivalents at beginning of year	<u>2,055,712</u>	<u>2,210,852</u>
Cash and equivalents at end of year	\$ <u>2,125,710</u>	<u>2,055,712</u>
<u>Non-cash investing and financing activities:</u>		
Right-of-use assets obtained in exchange for new operating lease liability	\$ <u>-</u>	<u>1,209,293</u>

See accompanying notes to combined financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

(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, 2024

(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 2023 were derived from KPBT's 2023 audited financial statements and are intended to provide comparative totals only and are not intended to present the 2023 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, 2024

(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, 2024. 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, 2024

(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, 2024

(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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2024</u>
Cash and cash equivalents	\$ 1,958,704
Restricted cash and cash equivalents	<u>167,006</u>
	\$ <u>2,125,710</u>

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, 2024. KPBT believes it is no longer subject to income tax examinations for years prior to 2021.

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.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

(2) Summary of Significant Accounting Policies, continued

Accounts Receivable

KPBT has tracked historical loss information for its accounts receivable and believes this information is a reasonable base on which to determine expected credit losses for accounts receivable held at August 31, 2024, because the composition of the accounts receivable at that date is consistent with that used in developing historical credit losses.

Management considers the accounts to be fully collectible based on historical experience; accordingly, no allowance for credit losses is provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

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.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

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

Reclassification

Certain 2023 amounts have been reclassified to conform to the presentation adopted in 2024.

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.

Change in Accounting Principle

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the use of an "expected loss" model for instruments measured at amortized cost. Allowances are to be measured using a current expected credit loss model as of the reporting date which is based on historical experience, current conditions and reasonable and supportable forecasts, resulting in a net presentation of the amount expected to be collected on the financial asset. The effective date for KPBT for this standard is for annual reporting periods beginning after December 15, 2022. We have adopted the provisions of this standard with no effect on the accompanying financial statements at August 31, 2024.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

(3) 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, 2024, 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 at August 31, 2024.

	<u>2024</u>
Cash and cash equivalents	\$ 2,125,710
Accounts receivable	31,228
Grants receivable	<u>14,750</u>
Total financial assets	2,171,688
Board designated net assets	-
Donor restricted net assets	<u>167,006</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,004,682</u>

(4) 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, 2024

(5) 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.

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.

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, 2024 was 3.64%.

For the year ended August 31, 2024, total operating lease cost was \$103,366. As of August 31, 2024, the weighted-average remaining lease term for KPBT's operating lease was approximately 13.5 years including the renewal option.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

(5) Leases, continued

Cash paid for operating leases for the year ended August 31, 2024, was \$90,994. There were no noncash investing and financing transactions related to leasing during the year.

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

2025	\$	92,814
2026		94,670
2027		96,563
2028		98,495
2029		100,465
Thereafter		<u>938,968</u>
Total lease payments		1,421,975
Less present value discount		<u>312,019</u>
Total lease liability	\$	<u><u>1,109,956</u></u>

(6) 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.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

(6) Corporation for Public Broadcasting Grants, continued

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.

(7) 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.

(8) Property and Equipment

At August 31, 2024, property and equipment cost and related depreciation are summarized as follows:

	<u>2024</u>		
	<u>Asset</u>	<u>Accumulated</u>	
	<u>Costs</u>	<u>Depreciation</u>	<u>Net</u>
Building and improvements	\$ 3,161,283	782,635	2,378,648
Broadcast equipment	2,116,643	725,882	1,390,761
Office equipment	153,070	82,963	70,107
Furniture and fixtures	94,981	44,979	50,002
Production equipment	<u>418,486</u>	<u>149,856</u>	<u>268,630</u>
Total cost	<u>\$ 5,944,463</u>	<u>1,786,315</u>	<u>4,158,148</u>

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

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(9) 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, rentals, 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.

(10) Net Assets With Donor Restrictions

At August 31, 2024, 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.

(11) 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, 2024.

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

Notes to Financial Statements

August 31, 2024

(12) Subsequent Events

Subsequent events have been evaluated by management through February 4, 2025, 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.

