

HAWAII PUBLIC TELEVISION FOUNDATION
dba PBS Hawaii

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**
As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)





INDEPENDENT AUDITOR'S REPORT

Hawaii Public Television Foundation *dba* PBS Hawaii:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hawaii Public Television Foundation *dba* PBS Hawaii (PBS Hawaii), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of PBS Hawaii as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 PBS Hawaii 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.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended June 30, 2024, PBS Hawaii adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP; 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.

Responsibilities of Management for the Financial Statements (continued)

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 PBS Hawaii's ability to continue as a going concern for one year after the date that the financial statements are 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 U.S. GAAS 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.

In performing an audit in accordance with U.S. GAAS, 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 PBS Hawaii'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 PBS Hawaii'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.

Report on Prior Year Summarized Comparative Information

We have previously audited PBS Hawaii's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CW Associates, CPAs
Honolulu, Hawaii
January 2, 2025



HAWAII PUBLIC TELEVISION FOUNDATION dba PBS Hawaii

STATEMENT OF FINANCIAL POSITION

**As of June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 20,052,679	\$ 19,061,811
Accounts receivable – net	1,878	40,466
Investments in marketable securities	10,662,381	8,568,725
Contributions receivable – net, current	500,000	500,000
Total current assets	<u>31,216,938</u>	<u>28,171,002</u>
NONCURRENT ASSETS		
Property and equipment – net	20,840,679	21,102,395
Contributions receivable – net, noncurrent	315,554	736,652
Beneficial interest in assets held by others	135,317	123,663
Investment in limited liability company	1,616	262
Operating lease right of use assets – net	1,222,902	714,624
Other noncurrent assets	68,335	64,735
Total noncurrent assets	<u>22,584,403</u>	<u>22,742,331</u>
TOTAL ASSETS	<u><u>\$ 53,801,341</u></u>	<u><u>\$ 50,913,333</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 69,509	\$ 78,694
Accrued liabilities	4,472	4,327
Deferred revenue	125,867	68,864
Operating lease liabilities – current	98,433	71,263
Total current liabilities	<u>298,281</u>	<u>223,148</u>
OPERATING LEASE LIABILITIES – Noncurrent	<u>1,145,863</u>	<u>650,492</u>
TOTAL LIABILITIES	<u><u>1,444,144</u></u>	<u><u>873,640</u></u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	17,527,922	17,225,243
Net investment in property and equipment	20,840,679	21,102,395
Board designated	11,406,469	9,179,007
Net assets without donor restrictions	<u>49,775,070</u>	<u>47,506,645</u>
Net assets with donor restrictions	2,582,127	2,533,048
Total net assets	<u><u>52,357,197</u></u>	<u><u>50,039,693</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 53,801,341</u></u>	<u><u>\$ 50,913,333</u></u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Franchise fee revenue	\$ 3,599,391	\$ 3,687,835
Contributions without donor restrictions	3,291,932	4,037,608
CPB grants	1,681,474	1,432,373
Investment income – net	1,326,979	805,303
Net assets released from restrictions	631,037	1,172,778
Telecasting and underwriting revenue	353,000	234,864
Total revenue and support	<u>10,883,813</u>	<u>11,370,761</u>
Expenses		
Program services		
Programming and production	4,005,464	4,043,130
Broadcasting	1,593,914	1,645,806
Program information	820,277	840,354
Total program services	<u>6,419,655</u>	<u>6,529,290</u>
Supporting services		
Management and general	1,198,813	1,164,419
Fundraising and development	994,012	779,833
Total supporting services	<u>2,192,825</u>	<u>1,944,252</u>
Total expenses	<u>8,612,480</u>	<u>8,473,542</u>
Revenue and support in excess of expenses	2,271,333	2,897,219
Change in beneficial interest in assets held by others	11,653	6,671
Gain (loss) on investment in limited liability company	1,354	(19,291)
Loss on disposition of equipment	<u>(15,915)</u>	<u>(6,112)</u>
Increase in net assets without donor restrictions	<u>2,268,425</u>	<u>2,878,487</u>

(Continued)

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF ACTIVITIES (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Telecasting and underwriting contributions	\$ 601,214	\$ 299,904
Capital campaign contributions	78,902	69,764
Net assets released from donor restrictions	<u>(631,037)</u>	<u>(1,172,778)</u>
Increase (decrease) in net assets with donor restrictions	<u>49,079</u>	<u>(803,110)</u>
INCREASE IN NET ASSETS	2,317,504	2,075,377
NET ASSETS – Beginning of the year	<u>50,039,693</u>	<u>47,964,316</u>
NET ASSETS – Ending of the year	<u>\$ 52,357,197</u>	<u>\$ 50,039,693</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

	Program Services				Supporting Services				
	Programming and <u>Production</u>	<u>Broadcasting</u>	Program <u>Information</u>	<u>Total</u>	Management and <u>General</u>	Fundraising and <u>Development</u>	<u>Total</u>	2024 <u>Total</u>	2023 <u>Total</u>
Salaries and benefits	\$ 1,384,247	\$ 256,751	\$ 528,947	\$ 2,169,945	\$ 784,676	\$ 573,045	\$ 1,357,721	\$ 3,527,666	\$ 3,419,947
Program acquisition	1,399,511	-	-	1,399,511	-	-	-	1,399,511	1,198,135
Depreciation	467,913	401,380	56,855	926,148	88,168	70,302	158,470	1,084,618	1,136,185
Occupancy	225,976	585,026	34,546	845,548	73,537	49,578	123,115	968,663	989,951
Professional services	370,294	8,257	3,338	381,889	49,933	445	50,378	432,267	514,462
Information technology	31,056	301,026	18,101	350,183	19,667	57,651	77,318	427,501	404,676
Office and other supplies	17,315	15,709	25,472	58,496	72,130	147,988	220,118	278,614	266,315
Insurance	62,028	25,765	3,371	91,164	90,093	4,414	94,507	185,671	179,840
Advertising	1,320	-	147,193	148,513	3,414	13,937	17,351	165,864	201,869
Premiums	-	-	-	-	-	32,776	32,776	32,776	50,883
Transportation, travel and training	30,012	-	1,231	31,243	785	497	1,282	32,525	31,325
Taxes	-	-	-	-	1,217	5,739	6,956	6,956	4,609
Interest	-	-	-	-	-	-	-	-	654
Miscellaneous	15,792	-	1,223	17,015	15,193	37,640	52,833	69,848	74,691
Total expenses	<u>\$ 4,005,464</u>	<u>\$ 1,593,914</u>	<u>\$ 820,277</u>	<u>\$ 6,419,655</u>	<u>\$ 1,198,813</u>	<u>\$ 994,012</u>	<u>\$ 2,192,825</u>	<u>\$ 8,612,480</u>	<u>\$ 8,473,542</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF CASH FLOWS

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,317,504	\$ 2,075,377
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Operating lease payments less straight-line expenses	14,263	7,131
Depreciation	1,084,618	1,136,185
Net realized and unrealized gains on investments in marketable securities	(925,818)	(513,659)
Contributions of marketable securities	(82,992)	(2,137)
Loss on disposal of equipment	15,915	6,112
(Increase) decrease in		
Accounts receivable – net	38,588	(29,136)
Contributions receivable – net	421,098	430,235
Other noncurrent assets	(3,600)	5,223
Increase (decrease) in		
Accounts payable	(9,185)	(19,360)
Accrued liabilities	145	(28)
Deferred revenue	<u>57,003</u>	<u>32,614</u>
Net cash provided by operating activities	<u>2,927,539</u>	<u>3,128,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	4,727,632	3,454,674
Purchases of marketable securities	(5,812,478)	(5,372,874)
Purchases of property and equipment	(838,817)	(502,518)
Change in beneficial interest in assets held by others	(11,654)	(6,671)
Change in investment in limited liability company	<u>(1,354)</u>	<u>19,291</u>
Net cash used by investing activities	<u>(1,936,671)</u>	<u>(2,408,098)</u>
NET INCREASE IN CASH	990,868	720,459
CASH – Beginning of the year	<u>19,061,811</u>	<u>18,341,352</u>
CASH – Ending of the year	<u><u>\$ 20,052,679</u></u>	<u><u>\$ 19,061,811</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing activity for addition of operating lease right-of-use assets	\$ 597,314	\$ 714,624
Noncash financing activity for addition of operating lease liabilities	\$ 593,783	\$ 721,755

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Hawaii Public Television Foundation *dba* PBS Hawaii (PBS Hawaii), was incorporated in the State of Hawaii on December 31, 1997. PBS Hawaii operates a non-commercial public television network with two transmitters (KHET in Honolulu and KMEB on Maui) and a series of translators on Hawaii and Kauai. It is funded primarily by franchise fees, community service grants from the Corporation for Public Broadcasting (CPB), and contributions from individuals and organizations in Hawaii.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require PBS Hawaii to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of PBS Hawaii. These net assets may be used at the discretion of PBS Hawaii's management and board of directors.

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PBS Hawaii or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2024 and 2023).

The accompanying financial statements include certain prior year comparative information that is not in sufficient detail to constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements of PBS Hawaii as of and for the year ended June 30, 2023, from which the information was derived.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject PBS Hawaii to credit risk include cash, accounts and contributions receivable, and investments in marketable securities. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$19,225,500 and \$18,416,900 at June 30, 2024 and 2023, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded. Accounts and contributions receivable, which have been reduced by estimated allowances for doubtful accounts (none as of June 30, 2024 and 2023), are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of current and future economic conditions, and a review of subsequent collections. PBS Hawaii's investments in marketable securities are exposed to various risks, including interest rate, market, and credit risk. Future changes in market prices may make such investments less valuable.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in investment income.

Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the shorter of the lease term or estimated useful lives of three to 15 years for buildings, and three to 15 years for furniture, fixtures, and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. Expenditures for property and equipment over \$250 are capitalized.

Beneficial Interest in Assets Held By Others

PBS Hawaii is the beneficiary of assets held at Hawaii Community Foundation (HCF). PBS Hawaii accounts for its beneficial interest in assets held by others at fair value, which is based on the fair value of the underlying assets. Net realized and unrealized gains and losses, are included in change in beneficial interest in assets held by others. HCF has variance power over the assets and in the event that PBS Hawaii ceases to exist, HCF will have the power to redirect the funds to another beneficiary. PBS Hawaii receives the investment income from the funds at least annually.

HAWAII PUBLIC TELEVISION FOUNDATION dba PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are evaluated as operating or finance leases upon commencement, and are accounted for accordingly. Specifically, a lease contains an explicitly or implicitly identified asset, PBS Hawaii retains substantially all of the economic benefits from the use of the underlying asset, and directs how and for what purpose the asset is used during the term of the lease in exchange for consideration. PBS Hawaii assesses whether a contract is or contains a lease at inception of the contract. See Note K for a summary of leases.

PBS Hawaii accounts for its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842: *Leases*. In accordance with ASC 842, an operating lease right-of-use asset and operating lease liability are recognized at the present value of future lease payments. PBS Hawaii recognizes the right-of-use asset and operating lease liability if such amounts are material to the financial statements.

The lease term used to calculate the right-of-use asset and operating lease liability at the commencement of a lease includes the impacts of options to extend or terminate the lease. Existing economic conditions; the nature, length, and terms of the lease agreement; and the expected condition of the leased asset at the end of the lease term are factors in assessing the probability of an option to extend or terminate a lease.

The discount rate used to calculate the present value of lease payments is the rate implicit in the lease, when readily determinable, or a risk-free rate, when the implicit rate or a secured incremental borrowing rate is not readily determinable.

Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased assets are generally obligations of PBS Hawaii. When such payments are fixed, they are included in the measurement of the lease assets and liabilities and, when variable, are excluded and recognized in the period in which the obligation for those payments is incurred.

Leases that have a term of 12 months or less upon commencement are considered short-term in nature. Such leases are not included in the statement of financial position and are expensed on a straight-line basis over the lease term. The lease agreements of PBS Hawaii do not contain any material residual value guarantees or material restrictive covenants.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to the customer. Revenue from performance obligations satisfied over time include franchise fee revenue of \$3,599,390 and \$3,687,835 for the years ended June 30, 2024 and 2023, respectively. Revenue from sources other than performance obligations consists of investment income of \$1,326,979 and \$805,303, change in beneficial interest in assets held by others of \$11,653 and \$6,671, loss on disposition of equipment of \$15,915 and \$6,112, and gain (loss) on investment in limited liability company of \$1,354 and (\$19,291), for the years ended June 30, 2024 and 2023, respectively. Amounts received prior to the provision of the services are reported as deferred revenue (\$125,867 and \$68,864 at June 30, 2024 and 2023, respectively). PBS Hawaii considers telecasting and underwriting revenue to be contributions as the direct benefit received by the donor is not significant.

Expenses, including advertising expenses (approximately \$166,000 and \$202,000 at June 30, 2024 and 2023, respectively), are recorded when the related liability is incurred. PBS Hawaii allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases including management's estimates of the percentage of time spent by PBS Hawaii's personnel.

Grants and Contracts

PBS Hawaii's revenue from grants and contracts is based on agreements with CPB and other entities such as private foundations. PBS Hawaii recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. PBS Hawaii's grant with CPB is a cost-reimbursable grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Amounts received are recognized as revenue when PBS Hawaii has incurred expenditures in compliance with the grant provisions. Amounts received prior to incurring the qualifying expenses are reported as refundable advances in the statement of financial position (none in 2024 and 2023). Qualifying expenditures that have been incurred or services performed, but for which reimbursement has not yet been received, are reported in the statement of financial position as accounts receivable (\$1,878 and \$40,466 at June 30, 2024 and 2023, respectively). Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as revenue in net assets without donor restrictions.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor Contributions

PBS Hawaii recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a donor restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Retirement Savings Plan

PBS Hawaii sponsors a defined contribution, salary reduction retirement plan for the benefit of its eligible employees. PBS Hawaii elects annually to make either a non-elective contribution based on a percentage of the participant's compensation or a matching contribution. For the years ended June 30, 2024 and 2023, PBS Hawaii's contribution to the plan amounted to approximately \$115,000 and \$106,000, respectively.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on gross receipts within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax included in revenue and support and in expenses amounted to \$17,016 and \$13,127 for the years ended June 30, 2024 and 2023, respectively.

Income Taxes

PBS Hawaii is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code on exempt purpose income and is not a private foundation. Accordingly, qualifying contributions to PBS Hawaii are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated PBS Hawaii's tax positions as of and for the years ended June 30, 2024 and 2023, and determined that PBS Hawaii had no uncertain tax positions required to be reported in accordance with U.S. GAAP. PBS Hawaii is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

HAWAII PUBLIC TELEVISION FOUNDATION dba PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In June 2016, FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. This ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. This change is a shift from the current incurred loss model to the expected loss model. Expected credit losses are recognized at the time the financial asset is originated and adjusted each period for changes in expected lifetime credit losses. Previously, credit losses were recognized when the loss was incurred.

Under CECL, trade accounts receivable is analyzed in a similar fashion as legacy U.S. GAAP, using an aging methodology to estimate CECL, much like the existing methodology. If the selling entity determines collection is probable, the credit loss risk is not zero. The selling entity would apply Topic 326 to estimate CECL on the trade accounts receivable. CECL is different (and thus is accounted for differently) from losses due to other factors, such as the seller's nonperformance, volume rebates, trade allowances, or customer contract modifications. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

PBS Hawaii adopted this ASU during the year ended June 30, 2024. The impact of the adoption of this ASU was not material to the financial statements and primarily only resulted in enhanced disclosures, as the financial assets of PBS Hawaii consisted of accounts receivable due in one year or less and contributions receivable are not in the scope of this ASU.

NOTE B – LIQUIDITY

PBS Hawaii's policy is to maintain cash balances to provide for its general expenditures, liabilities, and other obligations as they come due. Accounts and contributions receivable are subject to implied time restrictions, but are expected to be collected within one year.

The following reflects PBS Hawaii's financial assets as of June 30, 2024 and 2023 available to meet cash needs for general expenditures within one year of the statement of financial position date:

	<u>2024</u>	<u>2023</u>
Cash (including interest-bearing accounts)	\$ 20,052,679	\$ 19,061,811
Accounts receivable – net	1,878	40,466
Investments in marketable securities	10,662,381	8,568,725
Contributions receivable – net, current	500,000	500,000
Total financial assets	31,216,938	28,171,002
Net assets with donor restrictions	(2,582,127)	(2,533,048)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,634,811</u>	<u>\$ 25,637,954</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2024 and 2023, investments in marketable securities consisted of the following:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange traded funds	\$ 3,574,367	\$ 5,170,084	\$ 2,976,453	\$ 4,126,742
Mutual funds	5,010,887	4,885,851	4,525,474	4,139,340
Brokered certificates of deposit	<u>600,000</u>	<u>606,446</u>	<u>300,000</u>	<u>302,643</u>
Investments in marketable securities	<u>\$ 9,185,254</u>	<u>\$ 10,662,381</u>	<u>\$ 7,801,927</u>	<u>\$ 8,568,725</u>

For the years ended June 30, 2024 and 2023, investment income consisted of the following:

	<u>2024</u>	<u>2023</u>
Net unrealized gains from holding marketable securities	\$ 710,329	\$ 513,659
Interest and dividends	437,162	227,686
Net realized gains from sales of marketable securities	215,489	91,456
Investment fees	<u>(36,001)</u>	<u>(27,498)</u>
Investment income – net	<u>\$ 1,326,979</u>	<u>\$ 805,303</u>

NOTE D – FAIR VALUE MEASUREMENTS

U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to the valuation methodology used to measure fair value. There are three levels of inputs to the valuation methodology. Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that PBS Hawaii has the ability to access. Level 2 inputs 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, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement.

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

HAWAII PUBLIC TELEVISION FOUNDATION dba PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

At June 30, 2024 and 2023, the fair value measurements reportable by PBS Hawaii consisted of exchange traded funds and mutual funds valued at quoted market prices, and brokered certificates of deposit valued at stated value (Level 1 measurements). There were no investments for which Level 2 or Level 3 valuation inputs were required. The fair value of the beneficial interest in assets held by others is based on PBS Hawaii's interest in the net assets. The net asset value is based on the underlying assets, at fair value, less any liabilities. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following sets forth by level, within the fair value hierarchy, PBS Hawaii's investments in marketable securities at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Blend	\$ 3,809,339	\$ -	\$ -	\$ 3,809,339
Foreign	985,006	-	-	985,006
Bonds	-	-	-	-
Emerging	375,739	-	-	375,739
Total exchange traded funds	<u>5,170,084</u>	<u>-</u>	<u>-</u>	<u>5,170,084</u>
Mutual funds				
Foreign	3,287,740	-	-	3,287,740
Bonds	592,251	-	-	592,251
Blend	398,593			398,593
Equity Market	406,632	-	-	406,632
Relative Value	200,635	-	-	200,635
Total mutual funds	<u>4,885,851</u>	<u>-</u>	<u>-</u>	<u>4,885,851</u>
Brokered certificates of deposit	<u>606,446</u>	<u>-</u>	<u>-</u>	<u>606,446</u>
Total marketable securities at fair value	<u>\$ 10,662,381</u>	<u>\$ -</u>	<u>\$ -</u>	10,662,381
Beneficial interest in assets held by others				<u>135,317</u>
Total assets at fair value				<u>\$ 10,797,698</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, PBS Hawaii's investments in marketable securities at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Blend	\$ 2,937,004	\$ -	\$ -	\$ 2,937,004
Foreign	812,817	-	-	812,817
Bonds	248,291	-	-	248,291
Value	<u>128,630</u>	<u>-</u>	<u>-</u>	<u>128,630</u>
Total exchange traded funds	<u>4,126,742</u>	<u>-</u>	<u>-</u>	<u>4,126,742</u>
Mutual funds				
Foreign	488,453	-	-	488,453
Bonds	2,730,685	-	-	2,730,685
Blend	588,354	-	-	588,354
Emerging	<u>331,848</u>	<u>-</u>	<u>-</u>	<u>331,848</u>
Total mutual funds	<u>4,139,340</u>	<u>-</u>	<u>-</u>	<u>4,139,340</u>
Brokered certificates of deposit	<u>302,643</u>	<u>-</u>	<u>-</u>	<u>302,643</u>
 Total marketable securities at fair value	 <u>\$ 8,568,725</u>	 <u>\$ -</u>	 <u>\$ -</u>	 8,568,725
 Beneficial interest in assets held by others				 <u>123,663</u>
 Total assets at fair value				 <u>\$ 8,692,388</u>

NOTE E – CONTRIBUTIONS RECEIVABLE

At June 30, 2024 and 2023, contributions receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Receivable in		
Less than one year	\$ 500,000	\$ 500,000
One to five years	<u>500,000</u>	<u>1,000,000</u>
Total	1,000,000	1,500,000
Less discounts to net present value at 2.17%	<u>(184,446)</u>	<u>(263,348)</u>
 Total contributions receivable – net	 <u>\$ 815,554</u>	 <u>\$ 1,236,652</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE F – INVESTMENT IN LIMITED LIABILITY COMPANY

PBS Hawaii has a 20% interest in Maui Television Broadcasters, LLC (Maui LLC) which was formed in September 2004. Its members consist of PBS Hawaii and four commercial television stations. The primary purpose of Maui LLC is to develop, operate, and maintain a tower site on the island of Maui, Hawaii. Maui LLC is not expected to earn revenue, and its expenditures are to be funded through the capital contributions of its members. PBS Hawaii accounts for its investment in Maui LLC using the equity method, whereby it recognizes its proportionate share of Maui LLC's equity and results of operations. For the years ended June 30, 2024 and 2023, PBS Hawaii recorded gain (loss) from Maui LLC of \$1,354 and (\$19,291), respectively.

NOTE G – PROPERTY AND EQUIPMENT

At June 30, 2024 and 2023, property and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 3,744,018	\$ 3,744,018
Buildings	18,973,149	18,973,149
Furniture, fixtures, and equipment	<u>10,302,235</u>	<u>10,086,058</u>
Total property and equipment	33,019,402	32,803,225
Accumulated depreciation	<u>(12,178,723)</u>	<u>(11,700,830)</u>
Property and equipment – net	<u>\$ 20,840,679</u>	<u>\$ 21,102,395</u>

NOTE H – BOARD DESIGNATED NET ASSETS

In 2017, PBS Hawaii's Board of Directors (Board) designated the balance of an investment account as a quasi endowment fund to be used to cover operational costs, capital expenses, or other projects as identified by the Board. The Board has full discretion over the use of the board designated net assets, which remain in net assets without donor restrictions. Such designations may be changed by the Board at any time.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE H – BOARD DESIGNATED NET ASSETS (Continued)

Changes in the board designated net assets for the years ended June 30, 2024 and 2023 were as follows:

Board designated net assets, June 30, 2022	\$ 6,619,769
Net realized and unrealized appreciation	602,476
Investment income	184,510
Contributions	1,679,575
Investment fees	(27,323)
Weinberg allocation	<u>120,000</u>
Board designated net assets, June 30, 2023	9,179,007
Net realized and unrealized appreciation	869,036
Investment income	235,409
Contributions	1,038,843
Investment fees	(35,826)
Weinberg allocation	<u>120,000</u>
Board designated net assets, June 30, 2024	<u>\$ 11,406,469</u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2024 and 2023, net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Hiki No	\$ 1,551,787	\$ 1,178,043
Capital campaign	815,554	1,236,651
Other	113,801	17,369
Beneficial interest in assets held by others	<u>100,985</u>	<u>100,985</u>
Total net assets with donor restrictions	<u>\$ 2,582,127</u>	<u>\$ 2,533,048</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE J – IN-KIND DONATIONS

In-kind contributions of goods and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by PBS Hawaii (none in 2024 and 2023). Services valued at approximately \$18,200 and \$17,600 have not been recognized in the accompanying statement of activities for the years ended June 30, 2024 and 2023, respectively, as they do not meet the requirements of recognition. A number of unpaid volunteers have made contributions of their time to PBS Hawaii. The value of this time is not reflected on these financial statements because it did not meet the criteria for recognition.

NOTE K – LEASES

PBS Hawaii leases land, buildings, and equipment under various operating lease agreements expiring through May 2039. Lease rent expense (including common area maintenance and other costs) reported in occupancy expense, for the years ended June 30, 2024 and 2023, amounted to \$199,404 and \$175,434, respectively.

Supplemental financial position and cash flow information related to the operating leases as of and for the years ended June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 144,952	\$ 96,345
Variable lease costs	<u>54,452</u>	<u>79,089</u>
Total lease rent expense	<u>\$ 199,404</u>	<u>\$ 175,434</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 130,689	\$ 892,114
Weighted-average remaining lease term for operating leases	11.28 years	9.08 years
Weighted-average discount rate for operating leases, based on a risk-free rate	3.38%	2.88%

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE K – LEASES (Continued)

The following table reconciles the undiscounted cash flows for the operating lease liabilities on the statement of financial position as of June 30, 2024:

Years Ending June 30th	
2025	\$ 138,200
2026	142,700
2027	143,700
2028	145,900
2029	148,100
Thereafter	<u>798,796</u>
Total minimum lease payments	1,517,396
Amount of lease payments representing interest	<u>(273,100)</u>
Present value of future lease payments	1,244,296
Operating lease liabilities – current	<u>(98,433)</u>
 Operating lease liabilities – noncurrent	 <u><u>\$ 1,145,863</u></u>

NOTE L – COMMITMENTS AND CONTINGENCIES

PBS Hawaii may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

Revenue derived from CPB grants may be subject to audit and adjustment by CPB. Any disallowed amounts, including amounts already collected, may constitute a liability. Management expects such amounts, if any, would not be material to the financial statements. The loss of grant revenue from CPB could have an adverse effect on PBS Hawaii.

PBS Hawaii operates in the State of Hawaii. Local, national, and international events can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if PBS Hawaii were to account for future losses or asset impairments, as the effects on the financial statements of PBS Hawaii from such changes in economic conditions are not presently determinable.

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 2, 2025, which is the date the financial statements were available to be issued, and determined that PBS Hawaii did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.