HAWAII PUBLIC RADIO

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 Radio:

<u>Report on the Audit of the Financial Statements</u>

Opinion

We have audited the financial statements of Hawaii Public Radio (HPR), 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 HPR 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 HPR 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, HPR 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.

Topa Financial Center
700 Bishop St., Suite 1040
Honolulu, HI 96813

cwa.cpa

PHONE (808) 531-1040
FAX (808) 531-1041
EMAIL info@cwa.cpa

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 HPR'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 HPR'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 HPR'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.

<u>Report on Prior Year Summarized Comparative Information</u>

We have previously audited HPR's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2023. 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

CW Associates, CPAs
Honolulu, Hawaii
December 11, 2024

HAWAII PUBLIC RADIO

STATEMENT OF FINANCIAL POSITION

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

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	$ 4,007,080	$ 4,450,649
Accounts receivable – net	199,141	100,344
Pledges receivable – net	168,845	192,154
Prepaid expenses and other current assets	205,568	187,979
Beneficial interest in charitable lead trust – current	-	2,246
Total current assets	4,580,634	4,933,372
NONCURRENT ASSETS		
Investments in marketable securities – net	14,007,994	13,005,136
Property and equipment – net	1,403,548	1,463,478
Operating lease right of use assets – net	1,984,486	2,157,322
Station licenses – net	93,417	99,917
Total noncurrent assets	17,489,445	16,725,853
TOTAL ASSETS	$ 22,070,079	$ 21,659,225
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 494,802	$ 366,807
Accrued liabilities	340,265	217,167
Operating lease liabilities – current	144,108	134,040
Total current liabilities	979,175	718,014
OPERATING LEASE LIABILTIES – Noncurrent	1,922,597	2,066,705
TOTAL LIABILITIES	2,901,772	2,784,719
NET ASSETS		
Net assets without donor restrictions		
Undesignated	16,297,837	15,934,852
Invested in property and equipment	1,403,548	1,463,478
Total net assets without donor restrictions	17,701,385	17,398,330
Net assets with donor restrictions	1,466,922	1,476,176
Total net assets	19,168,307	18,874,506
TOTAL LIABILITIES AND NET ASSETS	$ 22,070,079	$ 21,659,225

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO

STATEMENT OF ACTIVITIES

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

	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Membership	$ 3,932,819	$ 4,079,137
Underwriting	2,022,916	2,106,841
Investment income – net	929,530	616,981
Net assets released from donor restrictions	373,164	386,848
Grant from the Corporation for Public Broadcasting	309,072	295,708
Contributions without donor restrictions	171,309	766,651
In-kind contributions	32,506	14,822
Program event revenue	29,592	31,103
Other income	61,763	64,365
Total revenue and support	7,862,671	8,362,456
Expenses		
Program services		
Programming and production	3,249,686	2,972,626
Broadcasting	1,577,351	1,469,716
Program information	469,991	400,853
Total program services	5,297,028	4,843,195
Supporting services		
Fundraising and development	1,536,261	1,449,982
Management and general	726,327	485,889
Total supporting services	2,262,588	1,935,871
Total expenses	7,559,616	6,779,066
Increase in net assets without donor restrictions	303,055	1,583,390
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	49,125	1,017,830
Investment income with donor restrictions	104,377	42,114
Grant from the Corporation for Public Broadcasting	210,408	104,927
Net assets released from donor restrictions	(373,164)	(386,848)
Increase (decrease) in net assets with donor restrictions	(9,254)	778,023
INCREASE IN NET ASSETS	293,801	2,361,413
NET ASSETS – Beginning of the year	18,874,506	16,513,093
NET ASSETS – Ending of the year	$ 19,168,307	$ 18,874,506

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO

STATEMENT OF FUNCTIONAL EXPENSES

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

	Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising and Development	Management and General	Total Supporting Services	2024 Total	2023 Total
Salaries, wages, and benefits	$ 1,812,634	$ 531,319	$ 329,481	$ 2,673,434	$ 958,245	$ 591,959	$ 1,550,204	$ 4,223,638	$ 3,735,250
Programming NPR/PRI/PRX/APM	770,589	-	-	770,589	-	-	-	770,589	714,409
Occupancy	55,468	423,825	3,501	482,794	27,122	21,079	48,201	530,995	557,672
Professional and contract services	165,723	122,005	35,726	323,454	80,650	45,259	125,909	449,363	312,973
Depreciation and amortization	37,993	191,666	10,444	240,103	16,302	5,656	21,958	262,061	258,388
Repairs and maintenance	71,958	54,597	10,717	137,272	44,463	16,347	60,810	198,082	189,440
Telephone/Communications	8,017	135,010	1,118	144,145	12,477	3,650	16,127	160,272	162,487
Supplies	8,632	41,332	5,237	55,201	95,166	3,511	98,677	153,878	161,166
Merchant fees	-	-	-	-	122,135	-	122,135	122,135	127,294
Printing and publications	13,223	3,138	16,540	32,901	78,249	4,840	83,089	115,990	97,871
Insurance	25,756	48,891	4,743	79,390	12,498	14,519	27,017	106,407	90,876
Membership dues	86,235	-	120	86,355	9,257	1,464	10,721	97,076	93,900
Programming and production	82,998	-	-	82,998	-	-	-	82,998	82,729
Travel	32,175	17,116	7,811	57,102	8,621	677	9,298	66,400	22,387
Program events	39,578	-	-	39,578	-	-	-	39,578	28,019
Parking, mileage, and fuel	20,523	2,024	3,678	26,225	9,558	2,997	12,555	38,780	33,730
Postage and shipping	145	308	654	1,107	33,507	677	34,184	35,291	35,769
Donated services	2,540	1,630	15,736	19,906	9,460	140	9,600	29,506	14,822
Conferences and meetings	7,719	1,037	12,497	21,253	2,093	1,795	3,888	25,141	11,852
Bad debts	-	-	-	-	10,009	2,246	12,255	12,255	3,658
Miscellaneous	7,780	3,453	11,988	23,221	6,449	9,511	15,960	39,181	44,374
Total expenses	$ 3,249,686	$ 1,577,351	$ 469,991	$ 5,297,028	$ 1,536,261	$ 726,327	$ 2,262,588	$ 7,559,616	$ 6,779,066

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO

STATEMENT OF CASH FLOWS

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 293,801	$ 2,361,413
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities		
Operating lease payments less straight-line expenses	38,796	43,423
Depreciation	255,561	251,888
Amortization	6,500	6,500
Gains on investments in marketable securities	(715,264)	(398,744)
Contribution of marketable securities	(90,606)	(14,695)
(Increase) decrease in		
Accounts receivable – net	(98,797)	87,452
Pledges receivable – net	23,309	27,073
Prepaid expenses and other current assets	(17,589)	(30,388)
Beneficial interest in charitable lead trust	2,246	30,000
Increase (decrease) in		
Accounts payable	127,995	19,191
Accrued liabilities	123,098	36,875
Cash provided by operating activities	(50,950)	2,419,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments in marketable securities	2,894,562	15,824,658
Purchases of investments in marketable securities	(3,091,550)	(17,664,007)
Additions to property and equipment	(195,631)	(443,797)
Net cash used by investing activities	(392,619)	(2,283,146)
NET INCREASE (DECREASE) IN CASH	(443,569)	136,842
CASH – Beginning of the year	4,450,649	4,313,807
CASH – Ending of the year	$ 4,007,080	$ 4,450,649
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash operating and investing activity – Contribution of marketable securities	$ 90,606	$ 14,695
Noncash investing activity – Addition of operating lease right of use assets	$ -	$ 2,157,322
Noncash financing activity – Addition of operating lease liabilities	$ -	$ 2,200,745

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO

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 Radio (HPR) was incorporated in the State of Hawaii on April 10, 1984 to provide non-commercial, cultural, and informational programming in the State of Hawaii, the nation, and international community. HPR is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to HPR are tax deductible.

HPR provides statewide coverage over two discrete programming streams: HPR-1 provides news, talk, jazz, blues, and world music; and HPR-2 provides classical music. The radio station and all operations are conducted from facilities in Honolulu, Hawaii. Broadcasting for HPR-1 and HPR-2 is from Honolulu on 88.1 FM (KHPR) and 89.3 FM (KIPO), respectively. HPR's signals extend across the eight main Hawaiian Islands with 16 additional stations under the following call signs and frequencies:

Island(s)	HPR-1	HPR-2
Hawaii	KANO 89.1	KAHU 91.3
	KHPH 88.7	K239BV 95.7
	K235CN 94.9	K283CR 104.5
Maui, Molokai, Lanai	KKUA 90.7	KIPM 89.7
	KJHF 103.1	KIPH 88.3
Oahu	KHPR 88.1	KIPO 89.3
	K203EL 88.5	K264BL 100.7
Kauai	KIPL 89.9	K269GD 101.7

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 HPR 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 HPR. These net assets may be used at the discretion of HPR's management and board of directors.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

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 HPR or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity ($313,672 and $312,672 as of June 30, 2024 and 2023, respectively).

The accompanying financial statements include prior year comparative information that does not constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with HPR's financial statements 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 reported 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.

Concentrations of Credit Risk

Financial instruments that potentially subject HPR to credit risk include cash, accounts receivable, pledges receivable, and investments in marketable securities. At June 30, 2024 and 2023, HPR's cash on deposit exceeded the related federal deposit insurance by approximately $3,847,700 and $4,300,200, respectively. Management evaluates the credit standings of the financial institution to ensure that such deposits are adequately safeguarded. Accounts receivable, which have been reduced by estimated allowances for credit losses, 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. The estimated allowance for credit losses receivable amounted to $5,000 at June 30, 2024 and 2023. Investments in marketable securities are insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Unconditional promises to give are recorded at net realizable value if expected to be collected in one year. When material, unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows. The cash flows are discounted at a discount rate commensurate with the risks involved, at the date the promise was made. When considered necessary, an allowance is recorded based on management's estimate of collectability including factors such as prior collection history, type of contribution, and the nature of the fundraising activity. The estimated allowance for uncollectible pledges receivable amounted to $9,000 and $10,150 at June 30, 2024 and 2023, respectively.

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. Investments in marketable securities are classified as current or noncurrent based on their intended use.

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 estimated useful lives of three to 39 years for building and improvements and broadcast equipment; and five years for furniture, fixtures, and office equipment, and other 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. Additions, betterments, and improvements over $1,000 are capitalized.

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, HPR 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. HPR assesses whether a contract is or contains a lease at inception of the contract. See Note I for summary of leases.

HPR accounts for its leases in accordance with 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. HPR recognizes the right-of-use asset and operating lease liability if such amounts are material to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The lease term used to calculate the right-of-use asset and 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 rate implicit in the lease is not readily determinable. Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased assets are generally obligations of HPR. 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 having 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 HPR do not contain any material residual value guarantees or material restrictive covenants.

Revenue and Expense Recognition

Revenue is recognized when the services are provided to the customer. Revenue from performance obligations satisfied at a point in time consisted of program event revenue of $29,592 and $31,103 for the years ended June 30, 2024 and 2023, respectively. Revenue from performance obligations satisfied over time consisted of other income of $61,763 and $65,713 for the years ended June 30, 2024 and 2023, respectively. Revenue from other than performance obligations consisted of investment income of $1,033,907 and $659,095, respectively.

Expenses are recognized when the related liability is incurred. HPR allocates its expenses on a functional basis among its programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Other expenses that are common to several functions are allocated to the programs and supporting services based on estimates by management, including level of effort for salaries, wages, and benefits and usage for other costs.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts

HPR's revenue from grants is primarily based on agreements with the Corporation for Public Broadcasting (CPB) and other entities such as private foundations, and organizations and individuals for membership and underwriting. HPR recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. CPB may restrict all grants or a portion of the grants for specific purposes, such as for the acquisition, production, promotion and/or distribution of national programming. For grants and contracts classified as conditional contributions, revenue is recognized when the conditions are met. Grant and contract agreements may contain a right of return or a right of release from obligation provision and HPR may have limited discretion over how funds transferred should be spent. As such, HPR recognizes revenue for those conditional contributions when the related barriers have been overcome. HPR considers all revenue from membership and underwriting to be contributions as the members and sponsors receive minimal direct benefits.

Amounts received prior to incurring qualified expenditures are reported as refundable advances in the statement of financial position (none in 2024 and 2023). Qualifying expenditures incurred, but for which reimbursement has not yet been received, are reported as accounts receivable. Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Donor Contributions

HPR recognized 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, which are those with 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 restriction depending on the existence and/or nature of any donor restrictions. Support is 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 restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Donated Goods and Services

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 goods ($3,000 in 2024 and $0 in 2023, respectively) are recognized at fair value, which is the amount that HPR would have paid for identical or similar goods.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (continued)

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 HPR. The services are valued at the standard rates charged by the donor. A number of unpaid volunteers have made significant contributions of their time to HPR. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

For the year ended June 30, 2024 and 2023, donated services amounted to $29,506 and $14,822, respectively.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on certain gross receipts of HPR within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax is included in various expense accounts. For the years ended June 30, 2024 and 2023, Hawaii general excise tax amounted to $120 and $76, respectively.

Income Taxes

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 HPR's tax positions as of June 30, 2024 and 2023 and for the years then ended, and determined that HPR had no uncertain tax positions required to be reported in accordance with U.S. GAAP. HPR is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board 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 are 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement (continued)

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.

HPR 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 the Association consists of accounts receivable due in one year or less.

NOTE B – LIQUIDITY

HPR monitors the liquidity required to meet its operating and capital needs for the 12-month period following the statement of financial position date. HPR has various sources of liquidity including cash, accounts and pledges receivables, and investments in marketable securities. Accounts and pledges receivables are subject to implied time restrictions, but are expected to be collected within one year. Investments in marketable securities are not included in the financial assets available to meet cash needs for general expenditures within one year as HPR does not intend to use investments in marketable securities for general operating purposes, except for a variable allocation of investment income allocated annually by the HPR Board of Directors.

The following reflects the financial assets of HPR 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:

	2024	2023
Cash (including interest-bearing accounts)	$4,007,080	$4,450,649
Accounts receivable – net	199,141	100,344
Pledges receivable – net	168,845	192,154
Total financial assets	4,375,066	4,743,147
Net assets with donor restrictions	(1,466,922)	(1,476,176)
Financial assets available to meet cash needs for general expenditures within one year	$2,908,144	$3,266,971

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES

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

	2024	2023
Mutual funds	$ 8,689,014	$ 7,667,349
Cash management accounts	4,273,651	4,408,688
Exchange traded funds	1,043,860	916,591
Common stock	1,469	12,508
Total investments in marketable securities	$ 14,007,994	$ 13,005,136

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

	2024	2023
Interest and dividends	$ 387,865	$ 333,382
Net realized gains from sales of investments	143,212	(727,241)
Net unrealized gains from holding investments	572,052	1,125,985
Investment income	1,103,129	732,126
Investment fees	(69,222)	(73,031)
Investment income – net	$ 1,033,907	$ 659,095

The Finance Committee of the HPR Board of Directors is responsible for overseeing HPR's investment activities. This includes developing a spending policy, selecting appropriate service providers, establishing asset class ranges, reviewing performance, reviewing current funding levels, and recommending changes to HPR's Investment Policy Statement. The primary objective is to obtain a return sufficient for HPR to achieve its spending policy goals. The investment approach and allocation strategy is to take a long-term view of building value in quality investments, while minimizing risk and preserving the investments.

NOTE D – FAIR VALUE MEASUREMENTS

U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs of the valuation methodology consist of unadjusted quoted prices for identical assets or liabilities in active markets that HPR 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.

At June 30, 2024 and 2023, the fair value measurements reportable by HPR (see Note C) consisted of mutual funds, exchange-traded funds, and common stock valued at quoted market prices, and cash management accounts valued at stated value (Level 1 measurements). There were no investments requiring the use of Level 2 or Level 3 measurements. 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, HPR's investments at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	$ 5,122,073	$ -	$ -	$ 5,122,073
Fixed income	3,566,941	-	-	3,566,941
Total mutual funds	8,689,014	-	-	8,689,014
Cash management accounts				
Money market instruments	1,286,419	-	-	1,286,419
Money market funds	2,442,016	-	-	2,442,016
Certificates of deposit	280,193	-	-	280,193
Cash	265,023	-	-	265,023
Total cash management accounts	4,273,651	-	-	4,273,651
Exchange traded funds				
Equities	642,670	-	-	642,670
Fixed income	401,190	-	-	401,190
Total exchange traded funds	1,043,860	-	-	1,043,860
Common stock	1,469	-	-	1,469
Total investments at fair value	$ 14,007,994	$ -	$ -	$ 14,007,994

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, HPR's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	$ 4,457,735	$ -	$ -	$ 4,457,735
Fixed income	3,209,614	-	-	3,209,614
Total mutual funds	7,667,349	-	-	7,667,349
Cash management accounts				
Money market instruments	1,266,016	-	-	1,266,016
Money market funds	2,511,686	-	-	2,511,686
Certificates of deposit	338,435	-	-	338,435
Total cash management accounts	4,408,688	-	-	4,408,688
Exchange traded funds				
Equities	527,828	-	-	527,828
Fixed income	388,763	-	-	388,763
Total exchange traded funds	916,591	-	-	916,591
Common stock	12,508	-	-	12,508
Total investments at fair value	$ 13,005,136	$ -	$ -	$ 13,005,136

NOTE E – PROPERTY AND EQUIPMENT

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

	2024	2023
Building and improvements	$ 2,740,542	$ 2,730,019
Broadcast equipment	2,734,442	2,681,285
Furniture, fixtures, and office equipment	637,533	583,284
Other equipment	76,311	76,311
Total depreciable assets	6,188,828	6,070,899
Accumulated depreciation	(4,906,307)	(4,728,448)
Total depreciable assets – net	1,282,521	1,342,451
Land	121,027	121,027
Property and equipment – net	$ 1,403,548	$ 1,463,478

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

NOTE F – BENEFICIAL INTEREST IN CHARITABLE LEAD TRUST

HPR was the beneficiary of a charitable lead trust, the terms of which provided that HPR was entitled to receive twenty annual payments of $105,000 through 2028, discounted using an 8% annual rate, if funds are available in the trust. The charitable lead trust was unable to continue payments through the original term and HPR wrote off the remaining balance as uncollectible as of June 30, 2024. At June 30, 2024 and 2023, the discounted present value of the remaining funds in the trust, recognized in the statement of financial position amounted to the following:

	2024	2023
Beneficial interest in charitable lead trust – current	$ -	$ 2,246
Beneficial interest in charitable lead trust – noncurrent	-	-
Beneficial interest in charitable lead trust	$ -	$ 2,246

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Net assets with donor restrictions for		
Innovation fund	$ 993,194	$ 1,038,161
Endowment fund	313,672	312,672
Eblen – building fund	109,856	104,143
JAF Internship fund	35,510	-
Local program support	12,954	-
Studio renovation	-	14,246
Beneficial interest in charitable lead trust	-	2,246
Other activities	1,736	4,708
Total net assets with donor restrictions	$ 1,466,922	$ 1,476,176

NOTE H – DONOR RESTRICTED ENDOWMENT

At June 30, 2024 and 2023, HPR maintained a general endowment fund to which donors may make contributions that are restricted in perpetuity. The earnings of the endowment fund are for the benefit of HPR unless such earnings are related to contributions that are restricted by the donor (none to date). Donor restricted contributions to the endowment amounted to $1,000 for the years ended June 30, 2024 and 2023. At June 30, 2024 and 2023, net assets restricted for the endowment fund amounted to $313,672 and $312,672, respectively.

U.S. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an amended version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted in the State of Hawaii on July 1, 2009. The Board of Directors of HPR has interpreted the Act as requiring the preservation of the original gift of donor-restricted endowment funds as net assets with donor restriction, absent explicit donor stipulations to the contrary. The policy adopted by HPR for such endowment contributions classifies general endowment gifts as net assets with donor restrictions.

Changes in donor restricted endowments for the year ended June 30, 2024 and 2023 were as follows:

Balance as of June 30, 2022	$ 311,672
Contributions	1,000
Realized and unrealized losses	(27,025)
Interest and dividends	27,025
Balance as of June 30, 2023	312,672
Realized and unrealized losses	37,243
Interest and dividends	4,807
Contributions	1,000
Interest and dividends	(42,050)
Balance as of June 30, 2024	$ 313,672

NOTE I – LEASES

HPR leases land, office space, and office equipment under various operating lease agreements expiring through February 2051. For the years ended June 30, 2024 and 2023, land and office equipment rent expense, which is recorded in various expense accounts, amounted to $270,400 and $278,148, respectively.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

NOTE I – LEASES (Continued)

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

	2024	2023
Operating lease costs	$ 234,000	$ 234,000
Variable lease costs	26,983	33,826
Short term lease costs	9,417	10,322
Total rental expense	$ 270,400	$ 278,148
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 195,205	$ 190,577
Weighted-average remaining lease term for operating leases	19.62 years	19.77 years
Weighted-average discount rate for operating leases based on risk free rate	2.88%	2.88%

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	$ 201,277
2026	192,109
2027	165,136
2028	168,295
2029	155,814
Thereafter	1,951,310
Total minimum lease payments	2,833,941
Amount of lease payments representing interest	(767,236)
Present value of future lease payments	2,066,705
Operating lease liabilities – current	(144,108)
Operating lease liabilities – noncurrent	$ 1,922,597

NOTE J – RETIREMENT PLAN

HPR sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employees who complete a minimum of 1,000 hours of service within a continuous 12-month period are eligible to participate in the plan. The plan provides for eligible participants to receive an employer contribution of 5% of eligible wages. A supplemental retirement annuity option allows employees to make contributions upon hire up to statutory limits. For the years ended June 30, 2024 and 2023, employer contributions amounted to $131,717 and $118,303, respectively.

NOTE K – CONTINGENCIES

HPR 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.

Amounts received 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, not to be material to the financial statements. The loss of grants from CPB could have a material adverse effect on HPR.

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

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2024, which is the date the financial statements were available to be issued, and determined that HPR did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.