PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
AUGUST 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Permian Basin Telecommunications, Inc.
Midland, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of Permian Basin Telecommunications, Inc. (a nonprofit organization),which comprise the statement of financial position as of August 31, 2018 and the related statements of activities, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization, as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the Organization's financial statements and our report dated December 28, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ron Kirk

Odessa, Texas
December 14, 2018

CPA

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and Cash Equivalents	$1,271,760	$2,155,341
Restricted Cash	180,000	-
Accounts Receivable	14,086	26,470
Prepaid Expenses	25,052	24,847
Unconditional Promises to Give	-	625,000
TOTAL CURRENT ASSETS	1,490,898	2,831,658
PROPERTY AND EQUIPMENT	7,573,940	5,062,300
Less: Accumulated Depreciation	(2,837,265)	(2,786,531)
	4,736,675	2,275,769
Unconditional Promises to Give	-	-
TOTAL ASSETS	$ 6,227,573	$5,107,427
LIABILITIES AND NET ASSETS		
Accounts payable	$ 666,785	$ 83,394
Deferred revenue	6,500	361,690
TOTAL CURRENT LIABILITIES	673,285	445,084
LONG TERM LIABILITIES COMMITMENT	-	-
TOTAL LIABILITIES	673,285	445,084
NET ASSETS		
Unrestricted	5,554,288	4,662,343
TOTAL NET ASSETS	5,554,288	4,662,343
TOTAL LIABILITIES AND NET ASSETS	$ 6,227,573	$5,107,427

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

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018
(with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total all classes 2018	Total all classes 2017
PUBLIC SUPPORT AND REVENUES:					
Corporation for Public Broadcasting Grants	$ 710,441	$ -	$ -	$ 710,441	$ 720,543
Other Grants	222,100	-	-	222,100	129,000
PBS	2,000	-	-	2,000	4,000
FCC Repack	711,483	-	-	711,483	-
Corporate and Individual Memberships	280,183	-	-	280,183	279,167
Capital Campaign	364,782	-	-	364,782	1,727,703
Interest Income	947	-	-	947	850
In-kind Contributions	75,171	-	-	75,171	80,527
Special Events	-	-	-	-	-
Other Revenue	5,872	-	-	5,872	18,772
TOTAL REVENUE AND OTHER SUPPORT	2,372,979	-	-	2,372,979	2,960,562
EXPENSES					
Program Services:					
Programming	398,259	-	-	398,259	400,905
Community engagement	5,325	-	-	5,325	10,518
Production	-	-	-	-	82
Broadcasting	483,540	-	-	483,540	300,841
Support Services:					
Management and General Expenses	371,470	-	-	371,470	359,504
Special events	-	-	-	-	-
In-kind Expenses	75,171	-	-	75,171	80,527
Fundraising and Development	147,269	-	-	147,269	232,597
TOTAL EXPENSES	1,481,034	-	-	1,481,034	1,384,972
CHANGE IN NET ASSETS:	891,945	-	-	891,945	1,575,590
NET ASSETS, beginning of year	4,662,343	-	-	4,662,343	3,086,753
NET ASSETS, end of year	$ 5,554,288	$ -	$ -	$5,554,288	$4,662,343

The accompanying notes are an integral part of these financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018
(with comparative totals for 2017)

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Cash collected from revenue and other support	$ 2,579,055	$ 2,833,325
Cash paid for operating expenses	(663,698)	(1,155,275)
Investment Income	947	850
NET CASH PROVIDED BY OPERATIONS	1,916,304	1,678,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,672,652)	(1,410,998)
Loss from sale of Assets	(52,767)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,619,885)	(1,410,998)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from borrowings	-	-
Repayments of debt	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
Net increase (decrease) in cash	(703,581)	267,902
CASH at beginning of year	2,155,341	1,887,439
CASH at end of year	$ 1,451,760	$ 2,155,341
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	$ 891,945	$ 1,575,590
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	158,979	118,725
Accounts Receivable	12,384	16,706
Pledge Receivables	625,000	27,250
Prepaid Expenses	(204)	8,173
Accounts Payable	583,390	22,273
Deferred Revenue	(355,190)	(89,818)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,916,304	$ 1,678,900

The accompanying notes are an integral part of these financial statements

PERMIAN BASIN PUBLIC TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Permian Basin Public Telecommunications, Inc. ("KPBT") is a non-profit, 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 Corporation 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary source of funding to the Corporation is through grant awards from the Corporation for Public Broadcasting (CPB).

Basis of Reporting

The financial statements of the Permian Basin Public Telecommunications, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the readers.

Basis of Presentation

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. The significant accounting and reporting policies used by the organization are described subsequently to enhance the useful and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into on the course of its operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the organization is limited by donor–imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

All revenues and net gains are reported as increase in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Fair Value

Cash, cash equivalents; the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, KPBT considers demand deposits and money market accounts to be cash equivalents.

Property and Equipment

Property and Equipment are recorded at historical cost or in the case of donated property, at the estimated value on the date donated. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of the assets range from three to thirty years. Expenses for repairs and maintenance are charged to operating expense as incurred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounts Receivable

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

Revenue and Expense Recognition

Revenues are reported as increases in unrestricted net assets unless uses of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are classified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional that is when the conditions are on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets class.

In-Kind Contributions

In-Kind Contributions are recorded as revenue and expense in the statement of activities at estimated fair value.

Income Taxes

KPBT is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

Management is required to evaluate the tax positions taken by the Organization and recognize a tax liability if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions of the Organization and has concluded that as of August 31, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization Forms 990, are subject to examination by the IRS, generally for the three years after they were filed. Management believes it is no longer subject to income tax examination for years prior to 2015.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

NOTE 3: DONATED LONG-LIVED ASSETS

On September 1, 2005, KPBT assumed operation of the previously owned and operated KOCV-TV, a public television station, from Ector County Independent School District. Transfer of the station ownership to KPBT took place upon the transfer of the FCC license to KPBT. This transfer was effective on September 1, 2005, and was formally approved by the FCC on November 22, 2005. In conjunction with the station ownership, station programming and production equipment was transferred KPBT as well. This transfer of assets is recorded as a contribution in the statement of activities. Gifts of assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated assets or acquired long-lived assets are placed in service.

In the case of the donated assets to KPBT, there were no donor imposed restrictions and it is therefore reported as unrestricted support in the accompanying statements of activities.

NOTE 4: 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 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

NOTE 4: CORPORATION FOR PUBLIC BROADCASTING GRANTS (CONT'D)

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.

The restricted grants are reported on the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

NOTE 5: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject KPBT to concentrations of credit risk are cash and cash equivalents. KPBT maintains cash balances at a financial institution in Midland, Texas. Accounts are insured under the Federal Depository Insurance Corporation (the FDIC) up to $250,000. KPBT had uninsured balances in excess of the limit as of August 31, 2018 and 2017 and bear some risk since they are not collateralized. There have been no losses encountered in these accounts to date, and KPBT does not believe it is exposed to any significant credit risk.

NOTE 6: SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to the date of the statement of net assets (August 31, 2018) through December 14, 2018 the date these financial statements were suitable to be issued.

NOTE 7: PROMISES TO GIVE

Contributions receivable at August 31, 2018, are due as follows:

Less than 1 year	$ -
1 year to 5 years	-
	-
Less:	
Allowance for uncollectable pledges	-
	$ -

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2018 consisted of the following:

Building	$ 125,145
Renovations	2,978,050
Furniture & Fixture	28,998
Broadcast Equipment	4,398,831
Office Equipment	42,916
Total	7,573,940
Less accumulated Deprecation	(2,837,265)
NET	$ 4,736,675

NOTE 9 - LEASES

KPBT leases certain office and tower space under lease agreements classified as operating leases. Lease expense recognized in 2018 under these agreements was approximately $62,940. A new lease agreement was entered on March 19, 2018 with Subcarrier Communications. Future minimum lease payments required under these agreements are as follows:

	ICA	Subcarrier Communications	Total
2019	$ 29,087	$ 82,008	$ 111,095
2020	29,960	83,648	113,608
2021	30,858	85,321	116,179
2022	15,567	87,027	102,684
2023	-	88,768	88,768
Thereafter	-	446,323	446,323
	$ 105,562	$ 873,095	$ 978,657

NOTE 10 – RENOVATIONS

During 2014 KPBT purchased the Ritz Theatre in Midland, Texas. In 2013 KPBT began a Capital Campaign to renovate the building so that all personnel and equipment could be located in the facility. The estimated cost to renovate is approximately $3,800,000 for the first and second floor. Renovation has been completed in 2018.

NOTE 11 – LINE OF CREDIT

A line of credit was created at First Capital Bank for repack costs incurred. The line of credit was created to cover the hard costs of the required upgrades. An amount of $180,000 was withdrawn from First Capital Bank to secure the line of credit. As of year end, August 31, 2018, no amount was borrowed against the line of credit.