Consolidated Financial Statements and Report of Independent Certified Public Accountants

Hispanic Information and Telecommunications Network, Inc. and Subsidiary

December 31, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Hispanic Information and Telecommunications Network, Inc. and Subsidiary

Report on the financial statements

Opinion
We have audited the consolidated financial statements of Hispanic Information and Telecommunications Network, Inc. and Subsidiary (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Grant Thornton LLP

New York, New York
June 27, 2024

Hispanic Information and Telecommunications Network, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2023	2022
ASSETS		
Cash and cash equivalents	$ 478,141	$ 977,934
Grants receivable	-	100,000
Accounts receivable	1,212,361	967,032
Airtime license access receivables, net	52,924,503	61,972,850
Investments	3,486,888	5,757,158
Airtime licenses	1,700,000	1,700,000
Operating lease right-of-use assets, net	3,230,830	4,001,595
Other assets	1,222,965	1,423,030
Fixed assets, net	2,973,191	3,480,214
Total assets	$ 67,228,879	$ 80,379,813
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,110,446	$ 2,349,395
Operating lease liabilities	1,853,340	2,355,605
Deferred compensation payable	524,810	544,688
Deferred revenue	-	228,528
Total liabilities	4,488,596	5,478,216
Contingencies		
Net assets without donor restrictions	62,740,283	74,901,597
Total liabilities and net assets	$ 67,228,879	$ 80,379,813

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

Hispanic Information and Telecommunications Network, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	2023	2022
Revenues, support and gains		
Airtime license access revenue	$ 2,463,951	$ 2,574,302
Affiliate distribution fees	1,801,519	1,928,085
Video on demand subscriber revenue	826,035	536,315
Grant revenue	392,832	71,472
Interest income	131,127	137,332
Net realized and unrealized gain (loss) on investments	643,054	(1,595,566)
Other	132,826	258,548
Total revenues, support and gains	6,391,344	3,910,488
Expenses		
Educational broadcasting	13,396,986	12,579,132
Management and general	5,057,971	5,048,385
Fundraising	97,701	93,795
Total expenses	18,552,658	17,721,312
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(12,161,314)	(13,810,824)
Net assets without donor restrictions - beginning of year	74,901,597	88,712,421
Net assets without donor restrictions - end of year	$ 62,740,283	$ 74,901,597

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

Hispanic Information and Telecommunications Network, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

	Educational Broadcasting	Management and General	Fundraising	Total
Salaries	$ 4,139,986	$ 1,531,881	$ 29,590	$ 5,701,457
Payroll taxes	439,083	166,257	3,212	608,552
Employee benefits	1,178,227	442,849	8,554	1,629,630
Total salaries and related expenses	5,757,296	2,140,987	41,356	7,939,639
Transmission expense	1,608,143	57,020	1,101	1,666,264
Occupancy	741,150	580,243	11,208	1,332,601
Depreciation and amortization	239,469	262,484	5,070	507,023
Outside services and professional services	3,170,590	1,104,768	21,340	4,296,698
Travel and transportation	298,454	207,558	4,009	510,021
Telephone and internet services	124,310	127,201	2,457	253,968
Advertising	194,682	26,792	518	221,992
Conferences and seminars	16,591	12,074	233	28,898
Insurance	72,957	79,969	1,545	154,471
Repairs and maintenance	132,003	141,718	2,738	276,459
Production supplies	22,932	20,886	403	44,221
Postage and shipping	9,177	5,659	109	14,945
Dues and subscriptions	740,854	102,844	1,987	845,685
Bank charges	16,295	17,861	345	34,501
Office expense	16,588	18,183	351	35,122
Office supplies	16,328	13,174	255	29,757
Interest expense	51,309	52,440	1,013	104,762
Other expenses	167,858	86,110	1,663	255,631
Total expense	$ 13,396,986	$ 5,057,971	$ 97,701	$ 18,552,658

The accompanying notes are an integral part of this consolidated financial statement.

Hispanic Information and Telecommunications Network, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	Educational Broadcasting	Management and General	Fundraising	Total
Salaries	$ 3,886,774	$ 1,603,581	$ 29,793	$ 5,520,148
Payroll taxes	409,050	177,907	3,305	590,262
Employee benefits	971,335	485,031	9,011	1,465,377
Total salaries and related expenses	5,267,159	2,266,519	42,109	7,575,787
Transmission expense	1,459,811	47,967	891	1,508,669
Occupancy	673,319	597,242	11,096	1,281,657
Depreciation and amortization	230,981	275,193	5,113	511,287
Outside services and professional services	2,886,408	819,251	15,221	3,720,880
Travel and transportation	329,500	158,549	2,946	490,995
Telephone and internet services	121,597	133,490	2,480	257,567
Advertising	257,789	36,266	674	294,729
Conferences and seminars	20,727	5,417	101	26,245
Insurance	64,885	77,305	1,436	143,626
Repairs and maintenance	267,629	270,498	5,026	543,153
Production supplies	29,388	17,725	329	47,442
Postage and shipping	22,029	5,333	99	27,461
Dues and subscriptions	677,404	100,021	1,858	779,283
Bank charges	23,402	27,881	518	51,801
Office expense	13,158	14,675	273	28,106
Office supplies	78,781	89,722	1,667	170,170
Interest expense	13,625	16,233	302	30,160
Other expenses	141,540	89,098	1,656	232,294
Total expense	$ 12,579,132	$ 5,048,385	$ 93,795	$ 17,721,312

The accompanying notes are an integral part of this consolidated financial statement.

Hispanic Information and Telecommunications Network, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (12,161,314)	$ (13,810,824)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	507,023	511,287
Realized and unrealized (gain) loss on investments	(643,054)	1,595,566
Change in discount on airtime access receivables	(2,463,951)	(2,574,302)
Amortization of right-of-use assets - operating leases	770,765	456,050
Changes in assets and liabilities:		
Grant receivable	100,000	(100,000)
Accounts receivable	(245,329)	(175,415)
Gross airtime access receivables	11,512,298	14,003,077
Other assets, excluding amortization	200,065	66,245
Accounts payable and accrued expenses	(238,949)	(686,459)
Deferred compensation payable	(19,878)	(182,577)
Deferred revenues	(228,528)	218,528
Operating lease liability	(502,265)	(481,420)
Net cash used in operating activities	(3,413,117)	(1,160,244)
Cash flows from investing activities:		
Fixed asset acquisitions	-	(170,668)
Purchase of investments	(6,214,885)	(1,602,804)
Proceeds from sale of investments	9,128,209	2,776,085
Net cash provided by investing activities	2,913,324	1,002,613
NET DECREASE IN CASH AND CASH EQUIVALENTS	(499,793)	(157,631)
Cash and cash equivalents - beginning of year	977,934	1,135,565
Cash and cash equivalents - end of year	$ 478,141	$ 977,934

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

NOTE 1 - NATURE OF ORGANIZATION

Hispanic Information and Telecommunications Network, Inc. ("HITN") was organized as a not-for-profit foundation under the laws of the State of New York in 1981. Its purpose is to promote educational and cultural programs and broadcasting for the Hispanic community.

HITN serves as the sole member of HITN-Puerto Rico LLC, which is a Delaware limited liability company, and was formed to hold a particular Educational Broadband Service ("EBS") license. HITN-Puerto Rico LLC is a disregarded entity for federal income tax purposes.

Additionally, HITN serves as the sole member of HITN Spectrum, LLC (formed November 24, 2004). HITN Spectrum, LLC was formed to acquire and hold additional EBS licenses. Currently, HITN Spectrum, LLC also serves as the sole member and manager of nine limited liability companies. As HITN is not deemed to control HITN Spectrum LLC or the nine limited liability companies, they are not included in the accompanying consolidated financial statements (Note 10). These limited liability companies are also disregarded entities for federal income tax purposes.

HITN's primary sources of support comes from revenue associated with agreements with third parties granting them access to use the commercial capacity on the EBS spectrum (called "Individual Use Agreements" or "IUAs" by the parties), grants to support its programs, fees from television cable operators and investment income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Hispanic Information Telecommunications Network, Inc. and its Subsidiary (collectively, the "Company") prepares its consolidated financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Accordingly, intercompany transactions, if any, are eliminated in consolidation.

Net Asset Classification

The Company's net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Company and changes therein are classified and reported as follows:

<u>Net Assets Without Donor Restrictions</u>

Net assets that are not subject to donor-imposed restrictions and can be expended for any purpose in performing the primary objectives of the Company.

<u>Net Assets With Donor Restrictions</u>

Net assets subject to donor-imposed restrictions that will be met either by actions of the Company or the passage of time.

Net assets subject to donor-imposed restrictions requiring that the corpus be maintained in perpetuity. Generally, the Company would be permitted to expend all or part of the income derived from such contributions.

At December 31, 2023 and 2022, the Company did not have any net assets with donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with US 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less at the date of acquisition.

Concentrations of Credit Risk

Cash and cash equivalents are exposed to various risks, such as interest rate, market and credit risk. The Company maintains its cash and cash equivalents in various bank deposit accounts with high credit quality financial institutions that, at times, may exceed federally insured limits; however, the Company does not anticipate any losses resulting from amounts exceeding insured limits. The Company regularly evaluates its depository arrangements, including performance thereof.

Revenue Recognition

The Company follows guidance whereby revenue is recognized when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

Affiliate Distribution Fees

The Company has entered into contracts and receives fees from television cable operators for allowing them to carry the Company’s non-commercial television network in the United States. The Company recognizes revenue when the service is provided to the television cable operators. The Company holds multiple affiliate agreements which culminate from 2024 to 2031. Each contract has a per subscriber fee rate with similar rates and terms in the agreements as those that were recognized as revenue in 2022 and 2023. These contracts may cover multi-year periods or are renewed annually.

Disaggregated affiliate distribution fees, follows:

	2023	2022
Linear cable television	$ 1,727,927	$ 1,858,165
OTT streaming video	73,922	69,920
	$ 1,801,519	$ 1,928,085

Grant and Contract Revenue

The Company recognizes revenue from grants and contracts by first evaluating whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Company applies applicable guidance. If the transfer of assets is determined to be a contribution, the Company evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Company is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Revenues from government grants and contracts are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Amounts received in advance are reported as deferred revenues.

Government grants and contracts under third-party payor agreements are subject to examination and contractual adjustment and amounts realizable may change due to periodic changes in the regulatory environment. Provisions for estimated settlements are provided in the period the related services are rendered. Differences between the amounts provided and subsequent settlements are recorded in operations in the period of settlement. No provision for any disallowance or settlement is reflected in the consolidated financial statements as it is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements. During the years ended December 31, 2023 and 2022, grant and contract revenue totaled $392,832 and $71,472, respectively.

Receivables and Allowance for Doubtful Accounts

The carrying value of accounts receivable, airtime license access receivables and grants receivable are reduced by an appropriate allowance for uncollectible accounts and, therefore, approximate net realizable value. The Company determines its allowance by considering a number of factors, including the length of time receivables are past due, the Company's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. The Company writes off receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received. The Company did not record an allowance for doubtful accounts as of December 31, 2023 or 2022. The due dates for the airtime license access receivables extend through 2042 with amounts due within the next five years disclosed in Note 9. Accounts receivable are comprised of $853,716 that is due within one year with the remaining $358,645 due by 2025.

Investments

Investments, which consist principally of mutual funds and money market funds, are carried at fair market value based on quoted market prices. Investments in hedge funds are carried at fair value based upon their stated net asset value ("NAV"). Purchases and sales of securities are reflected on a trade-date basis. Realized gains and losses on sales of securities are based on average costs and are recorded in the consolidated statements of activities in the period in which the securities are sold. The net change in unrealized appreciation or depreciation that results from market fluctuations is recognized in the period in which the change occurs. Interest and dividends are recognized in the period earned.

Investments are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their value could occur in the near term and such changes could materially affect the reported amounts in the accompanying consolidated financial statements.

Airtime Licenses

Airtime licenses represent EBS Spectrum licensed to the Company by the federal government and are considered to have indefinite lives. Indefinite lived spectrum licenses acquired are stated at cost and are not amortized. While these spectrum licenses are issued for a fixed time, renewals of these licenses have occurred routinely and at nominal cost. Additionally, management has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of the EBS Spectrum licenses and, therefore, the licenses are accounted for as intangible assets with indefinite lives. The impairment test for intangible assets with indefinite useful lives consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess. The fair value is determined by estimating the discounted future cash flows that are directly associated with, and that are expected to arise as a direct result of the use and eventual disposition of, the asset. Spectrum licenses with indefinite useful lives are assessed for impairment annually, or more frequently, if an event indicates that the asset might be impaired.

Airtime License Access Revenue

Airtime License Individual Use Agreement ("IUA") revenue from granting access to the commercial capacity on the EBS Spectrum under the Company's IUAs is recognized upon satisfaction of the Company's related performance obligation, which is determined to correspond with the execution of the respective agreements if the agreements are non-cancelable, the amounts are fixed and non-refundable and the ongoing obligations of HITN are deemed to be perfunctory. This includes up-front consideration as well as amounts due in subsequent periods, which are reflected at their net present value. Contingent consideration under the agreements is recognized in the period earned or received.

Television Production Revenue

The Company receives fees for the production of educational television programing. The Company recognizes revenue when the television production is completed and ready to be delivered. The Company did not have any television production revenue during the years ended December 31, 2023 or 2022.

Fixed Assets, Net

Fixed assets are stated at cost and are depreciated and amortized on the straight-line method over their estimated useful lives. When such assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any gain or loss is recognized in revenue.

HITN capitalizes all property and equipment having a cost of $5,000 or more and a useful life of at least two years. Amortization of leasehold improvements is provided on the straight-line method over the estimated useful life or remaining term of the lease, whichever is shorter.

Functional Allocation of Expenses

The costs of providing HITN's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. HITN allocates its indirect costs using direct labor costs as a base.

Income Taxes

HITN follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to consolidated financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

HITN is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. HITN has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. HITN has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. In addition, HITN has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities

Leases

HITN, as a lessee, accounts for all leases with a term of twelve months or greater at the commencement date and recognizes: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use ("ROU") asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. Leases are classified as either operating or finance leases. Recognition, measurement, and presentation of expenses and cash flows arising from a lease are determined by a lease's classification.

HITN determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. HITN determines these assets are leased because HITN has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because HITN does not have the right to control and direct the use of the identified asset. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. HITN determines lease classification as operating or finance at the lease commencement date. ROU assets and lease liabilities for operating leases are included in the consolidated statement of financial position and presented separately based on the classification of the underlying lease arrangement. ROU assets and lease liabilities for financing leases would be included within property, plant and equipment, and lease liabilities, respectively, in the consolidated statement of financial position. Currently, HITN does not have any finance leases.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. For the initial measurement of all lease liabilities, the discount rate used is the Risk-Free Treasury Par Yield Curve Rate. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related ROU, is recognized as rent expense. This rent expense is recognized on a straight-line basis over the term of the lease. The portion of payments on finance lease liabilities related to interest is recognized as interest expense. The amortization of the ROU assets under finance leases is recognized as part of depreciation expense.

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL"),* or ASU No. 2016-13, using the modified retrospective approach. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including customer accounts receivable. Following the adoption of the new standard, the Company's process of estimating expected credit losses remains materially consistent with its historical practice. Therefore, the adoption did not have a material effect on reported assets, liabilities, or net assets. Information prior to January 1, 2023, which was previously referred to as the allowance and provision for bad debt, has not been restated and continues to be reported under the accounting standards in effect for that period.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Company's main sources of liquidity come from Airtime License IUA payments, Affiliate Distribution Fees, and investments, none of which have any restriction on use. Both Airtime License IUAs and Affiliate Distribution Fee agreements provide for monthly payments from contract counterparties, which provide sufficient liquidity to run ongoing operations. Airtime License IUAs have terms ranging from 10 - 30 years and are typically renegotiated prior to the term expiration. Affiliate Distribution Fee agreements have terms ranging from one to ten years and are typically renegotiated at contract expiration. Airtime License IUA payments are typically made at the end of each monthly service period. Affiliate Distribution Fees are typically paid between 45 and 90 days after services have been provided.

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2023	2022
Financial assets due within one year		
Cash and cash equivalents	$ 478,141	$ 977,934
Accounts receivable, due within one year	853,716	608,386
Airtime license access receivables, due within one year	11,517,847	11,514,493
Investments	3,486,888	5,757,158
Total financial assets available for general expenditure within one year	$ 16,336,592	$ 18,857,971

Assets required for operations but not being used are invested in short-term and short-duration investment grade securities.

NOTE 4 - INVESTMENTS

The Company follows guidance that establishes a framework for measuring fair value. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The framework also provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. However, the determination of what constitutes observable requires judgment by the Company's management. The Company management considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Company management's perceived risk of that investment.

The Company follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Additionally, investments measured using the NAV practical expedient are exempt from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the required information for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

The Company's money market fund investments do not meet the definition of a security under U.S. GAAP, and as such, the disclosure requirements for fair value measurements are not applicable.

As of December 31, 2023 and 2022, the composition of the Company's investments was as follows:

	2023	
	Level 1	Total
Mutual funds	$ 1,709,529	$ 1,709,529
Fixed income	1,734,004	1,734,004
Sub-total	$ 3,443,533	3,443,533
Money market fund		43,355
Total investments		$ 3,486,888

	2022	
	Level 1	Total
Mutual funds	$ 3,802,385	$ 3,802,385
Fixed income	1,888,616	1,888,616
Sub-total	$ 5,691,001	5,691,001
Money market fund		66,157
Total investments		$ 5,757,158

NOTE 5 - FIXED ASSETS, NET

Fixed assets, net, at December 31, 2023 and 2022 consisted of the following:

	2023	2022	Estimated Useful Lives
Automobiles	$ 97,444	$ 97,444	5 years
Computer software	1,356,139	1,356,139	5 years
Internet equipment	130,735	130,735	5 years
Furniture and fixtures	664,688	664,688	7 years
Office equipment	435,822	435,822	5 - 7 years
Production equipment	713,785	713,785	5 - 7 years
Studio equipment	172,454	172,454	5 - 7 years
Tower and antenna systems	368,725	368,725	10 years
Leasehold improvements	4,022,414	4,022,414	15 years
	7,962,206	7,962,206	
Accumulated depreciation	(4,989,015)	(4,481,992)	
	$ 2,973,191	$ 3,480,214	

Depreciation expense for the years ended December 31, 2023 and 2022, totaled $507,023 and $511,287, respectively.

NOTE 6 - OTHER ASSETS

Other assets, net, at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Prepaid expenses	$ 36,153	$ 67,878
Prepaid program acquisitions	654,984	857,014
Prepaid insurance	88,529	75,370
Prepaid royalties	175,000	150,000
Deposits	134,529	138,998
Product inventory	133,770	133,770
	$ 1,222,965	$ 1,423,030

NOTE 7 - EMPLOYEE BENEFIT PLAN

The Company adopted a Safe Harbor 401(k) plan effective January 1, 2016. Prior to that date, the Company participated in a 401(k) defined contribution plan. Both plans were available to substantially all employees of the Company. Under the current Safe Harbor plan, the Company will make matching contributions of 100% of the first four percent (4%) and fifty percent (50%) of the next two percent (2%) contributed to the plan by employees. Employees are eligible to participate immediately and employee and employer contributions are 100% vested. During the years ended December 31, 2023 and 2022, employer contributions totaled $249,092 and $251,006, respectively.

NOTE 8 - DEFERRED COMPENSATION

The Company maintains a deferred compensation plan for key employees under section 457(b) of the Internal Revenue Code. Eligibility to participate in these plans is at the sole discretion of the independent members of the Board of Directors.

457(b) - The plan is funded solely by employer contributions. The assets of the plan are the legal assets of the Company until they are distributed to participants and, therefore, the plan assets and corresponding liability are reported in the consolidated statements of financial position. Plan assets, at fair value, at December 31, 2023 and 2022 totaled $524,810 and $544,688, respectively, and are classified as Level 1 within the fair value hierarchy. During the years ended December 31, 2023 and 2022, employer contributions totaled $45,000 and $61,500, respectively. The Company distributed a $100,000 payment during the year ended December 31, 2023.

457(f) - The plan was adopted in 2016 by the Board of Directors for the purpose of retaining a select group of key employees and rewarding longevity with the Company. The plan is unfunded and the values of the accounts are subject to risk of forfeiture until their respective vesting dates. The plan participants will acquire a vested interest in their accounts provided they continue to be employed by the Company. Employees are fully vested two years after the crediting dates per the plan document. During the years ended December 31, 2023 and 2022, there was no liability related to this plan. During the year ended December 31, 2023, there were no expenses and no employer payments. During the year ended December 31, 2022, expenses totaled $164,541 and employer payments totaled $438,777.

NOTE 9 - AGREEMENTS RELATED TO EBS SPECTRUM LICENSES

FCC regulations permit EBS Spectrum license holders such as the Company to permit the use of up to 95% of the capacity (the "excess capacity") represented by each license to commercial users. The Company is currently a party to various IUAs related to its EBS Spectrum as permitted under FCC regulations. The agreements have terms between 10 and 30 years. No new long-term IUA's were entered into in 2023 or 2022.

The Company reports airtime access receivables expected to be collected over a period of years at their estimated present value using a risk-adjusted rate (ranging from approximately 3% - 5%). Amortization of the discount on the receivables is recorded as additional airtime license access revenue. At December 31, 2023 and 2022, airtime access receivables were due as follows:

	2023	2022
Within one year	$ 11,517,847	$ 11,514,494
1 to 5 years	31,670,452	39,934,826
Thereafter	49,700,607	52,951,884
	92,888,906	104,401,204
Less: discount to present value	(39,964,403)	(42,428,354)
Airtime access receivables, net	$ 52,924,503	$ 61,972,850

In 2021, the Company entered into an agreement to sell certain of its EBS Spectrum licenses (the "Transaction") that are currently under the IUA's noted above. The consummation of the Transaction is subject to certain conditions precedent including approval by the New York State Attorney General's Office ("NYAG") pursuant to New York State law N-PCL §§ 510-511 where a transaction by a not-for-profit that is for the sale or lease of all or substantially all of its assets is subject to review by the NYAG or the Supreme Court of New York for the satisfaction of certain statutory requirements. The Company determined that the Transaction met the statutory threshold requiring approval in part because it is for the sale of more than half its EBS Spectrum licenses and submitted a petition for approval to the NYAG. The Company has not received a final determination concerning its petition. If this transaction is approved by the NYAG it will have a materially positive impact on net assets of the Company.

NOTE 10 - HITN SPECTRUM LLC

HITN Spectrum LLC and the nine limited liability companies (collectively, "Spectrum") for which it serves as the sole member acquired certain EBS Spectrum licenses between 2006 and 2009. The cost of these acquisitions was financed by a third-party spectrum operator and agreements were entered into with the third-party spectrum operator for their use of the excess capacity on the related EBS spectrum, thereby relieving Spectrum of all obligations to repay the financed amount. Although the Company is the sole member of HITN Spectrum LLC, its involvement and activities are deemed to be perfunctory with respect to the operations of Spectrum LLC. The assets and liabilities of these entities solely relate to this spectrum, which is primarily used by the third-party operator. As such, the Company was not deemed to control these entities and, therefore, neither Spectrum nor any of their associated assets or liabilities are recorded within the accompanying consolidated financial statements.

NOTE 11 - LEASES

Lease Commitments

The Company leases facilities in New York, Washington D.C. and Puerto Rico, which will expire at various times through December 2027. The ROU lease obligations for the Company's portfolio of operating leases is based on the present value of the lease payments over the term of each respective lease. The Company elected to use a risk-free discount rate for each lease to determine the present value of the lease payments. The Company recognizes lease expense on a straight-line basis over the lease term.

Supplemental balance sheet information related to operating leases at December 31, 2023 and 2022:

	2023	2022
ROU assets	$ 4,457,645	$ 4,457,645
Accumulated amortization	(1,226,815)	(456,050)
	$ 3,230,830	$ 4,001,595
Weighted-average remaining lease term (operating leases)	4.54 years	5.45 years
Weighted-average discount rate	1.37%	1.37%

Future minimum rent obligations under the Company's operating leases as of December 31, 2023, are as follows:

2024	$ 549,220
2025	564,345
2026	579,931
2027	203,662
2028	10,940
Thereafter	2,735
Total minimum lease payments	1,910,833
Less: present value discount	(57,493)
Total operating lease liability	$ 1,853,340

NOTE 12 - CONTINGENCIES

HITN may be involved in various other legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the consolidated financial statements of HITN.

NOTE 13 - SUBSEQUENT EVENTS

The Company evaluated its December 31, 2023 consolidated financial statements for subsequent events through June 27, 2024, the date the consolidated financial statements were available to be issued. The Company is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.