

HAWAII PUBLIC TELEVISION FOUNDATION
dba PBS Hawaii

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

**As of and for the Year Ended June 30, 2022
(With Prior Year Comparative Information)**





INDEPENDENT AUDITOR'S REPORT

Hawaii Public Television Foundation *dba* PBS Hawaii:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hawaii Public Television Foundation *dba* PBS Hawaii (PBS Hawaii), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PBS Hawaii as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of PBS Hawaii and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of PBS Hawaii for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on January 6, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PBS Hawaii's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PBS Hawaii's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CW ASSOCIATES, CPAs

CW Associates, CPAs
Honolulu, Hawaii
January 11, 2023



HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF FINANCIAL POSITION

**As of June 30, 2022
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 18,341,352	\$ 15,677,451
Accounts receivable – net	11,330	28,294
Investments in marketable securities	6,134,729	6,782,308
Contributions receivable – net	500,000	500,000
Total current assets	<u>24,987,411</u>	<u>22,988,053</u>
NONCURRENT ASSETS		
Property and equipment – net	21,742,174	22,491,741
Contributions receivable – net	1,166,887	1,606,459
Beneficial interest in assets held by others	116,992	143,052
Investment in limited liability company	19,553	17,944
Other noncurrent assets	69,958	66,014
Total noncurrent assets	<u>23,115,564</u>	<u>24,325,210</u>
TOTAL ASSETS	<u>\$48,102,975</u>	<u>\$47,313,263</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 98,054	\$ 103,248
Accrued liabilities	4,355	1,887
Deferred revenue	36,250	40,000
SBA PPP loan	-	536,294
Total current liabilities	<u>138,659</u>	<u>681,429</u>
TOTAL LIABILITIES	<u>138,659</u>	<u>681,429</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	16,266,215	13,523,960
Net investment in property and equipment	21,742,174	22,491,741
Board designated	<u>6,619,769</u>	<u>7,398,765</u>
Net assets without donor restrictions	44,628,158	43,414,466
Net assets with donor restrictions	<u>3,336,158</u>	<u>3,217,368</u>
Total net assets	<u>47,964,316</u>	<u>46,631,834</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$48,102,975</u>	<u>\$47,313,263</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Franchise fee revenue	\$ 3,560,502	\$ 3,552,902
Contributions without donor restrictions	2,680,442	2,472,477
Net assets released from restrictions	1,676,068	1,112,685
CPB grants	1,422,208	1,419,564
Investment income (loss) – net	(945,161)	1,403,304
In-kind donations	202,429	17,599
Telecasting and underwriting revenues	168,181	406,269
Total revenue and support	<u>8,764,669</u>	<u>10,384,800</u>
Expenses		
Program services		
Programming and production	3,747,308	3,542,621
Broadcasting	1,512,495	1,649,136
Program information	691,036	434,740
Total program services	<u>5,950,839</u>	<u>5,626,497</u>
Supporting services		
Management and general	1,058,073	980,541
Fundraising and development	704,230	626,955
Total supporting services	<u>1,762,303</u>	<u>1,607,496</u>
Total expenses	<u>7,713,142</u>	<u>7,233,993</u>
Revenue and support in excess of expenses	1,051,527	3,150,807
Loss on disposition of equipment	(223,386)	(84,837)
Gain on forgiveness of SBA PPP loan	536,294	-
Change in beneficial interest in assets held by others	(26,060)	27,999
Loss on investment in limited liability company	(124,683)	(128,745)
Increase in net assets without donor restrictions	<u>1,213,692</u>	<u>2,965,224</u>

(Continued)

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Telecasting and underwriting contributions	\$ 1,734,430	\$ 546,634
Government grants	-	502,380
Capital campaign contributions	60,428	55,890
Net assets released from donor restrictions	<u>(1,676,068)</u>	<u>(1,112,685)</u>
Increase (decrease) in net assets with donor restrictions	<u>118,790</u>	<u>(7,781)</u>
INCREASE IN NET ASSETS	1,332,482	2,957,443
NET ASSETS – Beginning of the year	<u>46,631,834</u>	<u>43,674,391</u>
NET ASSETS – Ending of the year	<u>\$47,964,316</u>	<u>\$46,631,834</u>

HAWAII PUBLIC TELEVISION FOUNDATION dba PBS Hawaii

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

	Program Services				Supporting Services			2022 Total	2021 Total
	Programming and Production	Broadcasting	Program Information	Total	Management and General	Fundraising and Development	Total		
Salaries and benefits	\$1,289,709	\$ 256,472	\$368,302	\$ 1,914,483	\$ 676,664	\$326,759	\$1,003,423	\$ 2,917,906	\$ 2,293,471
Program acquisition	1,275,346	-	-	1,275,346	-	-	-	1,275,346	1,307,094
Depreciation	466,108	427,964	46,886	940,958	97,988	67,513	165,501	1,106,459	1,211,046
Occupancy	205,168	517,918	32,067	755,153	51,748	46,023	97,771	852,924	842,567
Professional services	350,184	5,036	304	355,524	42,044	1,275	43,319	398,843	507,201
Information technology	35,441	265,963	22,259	323,663	15,121	45,958	61,079	384,742	378,277
Office and other supplies	17,216	17,118	17,712	52,046	65,386	121,576	186,962	239,008	230,028
Advertising	23,248	-	202,421	225,669	9,821	3,400	13,221	238,890	160,416
Insurance	50,308	22,024	669	73,001	80,273	941	81,214	154,215	147,753
Premiums	-	-	-	-	-	49,050	49,050	49,050	85,298
Transportation, travel and training	18,385	-	-	18,385	1,445	-	1,445	19,830	1,853
Taxes	-	-	-	-	1,210	6,054	7,264	7,264	10,841
Interest	-	-	-	-	60	-	60	60	57
Miscellaneous	16,195	-	416	16,611	16,313	35,681	51,994	68,605	58,091
Total expenses	<u>\$ 3,747,308</u>	<u>\$ 1,512,495</u>	<u>\$ 691,036</u>	<u>\$ 5,950,839</u>	<u>\$ 1,058,073</u>	<u>\$ 704,230</u>	<u>\$ 1,762,303</u>	<u>\$ 7,713,142</u>	<u>\$ 7,233,993</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF CASH FLOWS

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,332,482	\$ 2,957,443
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Gain on forgiveness of SBA PPP loan	(536,294)	-
Depreciation	1,106,459	1,211,046
(Gain) loss on investments in marketable securities	1,089,413	(1,184,093)
Contributions of marketable securities	(306,970)	-
Loss on disposal of equipment	223,386	84,837
(Increase) decrease in		
Accounts receivable – net	16,964	(21,292)
Contributions receivable – net	439,572	449,110
Other noncurrent assets	(3,944)	(179)
Increase (decrease) in		
Accounts payable	(5,194)	(58,634)
Accrued liabilities	2,468	(2,307)
Deferred revenue	(3,750)	40,000
Net cash provided by operating activities	<u>3,354,592</u>	<u>3,475,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	546,782	3,769,113
Purchases of marketable securities	(681,646)	(4,052,354)
Purchases of property and equipment	(580,278)	(393,628)
Change in beneficial interest in assets held by others	26,060	(27,999)
Change in investment in limited liability company	(1,609)	70,954
Net cash used by investing activities	<u>(690,691)</u>	<u>(633,914)</u>
NET INCREASE IN CASH	2,663,901	2,842,017
CASH – Beginning of the year	<u>15,677,451</u>	<u>12,835,434</u>
CASH – Ending of the year	<u>\$18,341,352</u>	<u>\$15,677,451</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

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

Basis of Presentation

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

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

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PBS Hawaii or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2022 and 2021).

The accompanying financial statements include certain prior year comparative information that is not in sufficient detail to constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements of PBS Hawaii as of and for the year ended June 30, 2021, from which the information was derived.

Certain amounts in the accompanying prior year comparative information have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the previously reported changes in net assets.

Use of Estimates

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject PBS Hawaii to credit risk include cash, accounts and contributions receivable, and investments in marketable securities. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$17,928,800 and \$15,008,000 at June 30, 2022 and 2021, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded. Accounts and contributions receivable, which have been reduced by estimated allowances for doubtful accounts (none as of June 30, 2022 and 2021), 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 economic conditions, and a review of subsequent collections. PBS Hawaii's investments in marketable securities are exposed to various risks, including interest rate, market, and credit risk. Future changes in market prices may make such investments less valuable.

Investments in Marketable Securities

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

Beneficial Interest in Assets Held By Others

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

Property and Equipment

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to the customer. Revenue from performance obligations satisfied over time include franchise fee revenue of \$3,560,502 and \$3,552,902 for the years ended June 30, 2022 and 2021, respectively. Revenue from sources other than performance obligations consists of investment income (loss) of (\$945,161) and \$1,403,304, loss on disposition of equipment of \$223,386 and \$84,837, gain on forgiveness of SBA PPP loan of \$536,294 and \$0, change in beneficial interest in assets held by others of (\$26,060) and \$27,999, and loss on investment in limited liability company of \$124,683 and \$128,745, for the years ended June 30, 2022 and 2021, respectively. Amounts received prior to the provision of the services are reported as deferred revenue (\$36,250 and \$40,000 at June 30, 2022 and 2021, respectively).

Expenses, including advertising expenses (approximately \$239,000 and \$160,000 at June 30, 2022 and 2021, respectively), are recorded when the related liability is incurred. PBS Hawaii allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases including management's estimates of the percentage of time spent by PBS Hawaii's personnel.

Grants and Contracts

PBS Hawaii's revenue from grants and contracts is based on agreements with the CPB and other entities such as private foundations. PBS Hawaii recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. PBS Hawaii's grant with CPB is a cost-reimbursable grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Amounts received are recognized as revenue when PBS Hawaii has incurred expenditures in compliance with the grant provisions. Amounts received prior to incurring the qualifying expenses are reported as refundable advances in the statement of financial position (none in 2022 and 2021). Qualifying expenditures that have been incurred or services performed, but for which reimbursement has not yet been received, are reported in the statement of financial position as accounts receivable (\$11,330 and \$28,294 at June 30, 2022 and 2021, respectively). Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as revenue in net assets without donor restrictions.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

PBS Hawaii recognizes contributions when cash or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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

Retirement Savings Plan

PBS Hawaii sponsors a defined contribution, salary reduction retirement plan for the benefit of their eligible employees. PBS Hawaii elects to make one of two types of contributions annually, either a non-elective contribution based on a minimum of 3% of compensation to all eligible participants, or a 100% matching contribution of up to the first 3% of the participant's compensation and a 50% matching contribution of the next 2% of the participant's compensation. For the years ended June 30, 2022 and 2021, PBS Hawaii's contribution under the plan amounted to approximately \$100,000 and \$70,000, respectively

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on gross receipts within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax included in revenue and support and in expenses amounted to \$10,614 and \$21,701 for the years ended June 30, 2022 and 2021, respectively.

Income Taxes

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

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated PBS Hawaii's tax positions as of and for the years ended June 30, 2022 and 2021, and determined that PBS Hawaii had no uncertain tax positions required to be reported in accordance with U.S. GAAP. PBS Hawaii is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities and provide enhanced disclosures including disaggregation of the contributed assets by type; whether the assets were monetized or utilized during the reporting period, and if utilized, by which programs; policy on when assets are monetized rather than utilized; description of any donor imposed restrictions; and description of the valuation techniques to determine the fair value of the assets.

PBS Hawaii implemented this ASU in the year ended June 30, 2022. The implementation of the ASU did not impact the accounting for the contributed nonfinancial assets.

NOTE B – LIQUIDITY

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

The following reflects PBS Hawaii's financial assets as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash (including interest-bearing accounts)	\$ 18,341,352	\$ 15,677,451
Investments in marketable securities	6,134,729	6,782,308
Accounts receivable – net	11,330	28,294
Contributions receivable – net	500,000	500,000
Total financial assets	<u>24,987,411</u>	<u>22,988,053</u>
Net assets with donor restrictions	<u>(3,336,158)</u>	<u>(3,217,368)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,651,253</u>	<u>\$ 19,770,685</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2022 and 2021, investments in marketable securities consisted of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Exchange traded funds	\$2,282,960	\$3,030,862	\$2,271,213	\$3,493,625
Mutual funds	3,298,630	2,803,973	3,168,543	3,288,683
Brokered certificates of deposit	300,000	299,894	-	-
Investments in marketable securities	<u>\$5,881,590</u>	<u>\$6,134,729</u>	<u>\$5,439,756</u>	<u>\$6,782,308</u>

For the years ended June 30, 2022 and 2021, investment income (loss) consisted of the following:

	2022	2021
Net unrealized gains (losses) from holding marketable securities	\$(1,089,413)	\$ 898,984
Interest and dividends	166,902	115,564
Net realized gains from sales of marketable securities	5,032	413,854
Investment fees	(27,682)	(25,098)
Investment income (loss) – net	<u>\$ (945,161)</u>	<u>\$1,403,304</u>

NOTE D – FAIR VALUE MEASUREMENTS

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

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, 2022 and 2021, the fair value measurements reportable by PBS Hawaii consisted of exchange traded funds and mutual funds valued at quoted market prices, and money market funds valued at stated value (Level 1 measurements). There were no investments for which Level 2 or Level 3 valuation inputs were required. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following sets forth by level, within the fair value hierarchy, PBS Hawaii’s investments in marketable securities at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Blend	\$2,196,913	\$ -	\$ -	\$2,196,913
Foreign	535,220	-	-	535,220
Bonds	196,871	-	-	196,871
Value	<u>101,858</u>	-	-	<u>101,858</u>
Total exchange traded funds	<u>3,030,862</u>	-	-	<u>3,030,862</u>
Mutual funds				
Bonds	1,959,461	-	-	1,959,461
Blend	425,539	-	-	425,539
Foreign	271,870	-	-	271,870
Emerging	<u>147,103</u>	-	-	<u>147,103</u>
Total mutual funds	<u>2,803,973</u>	-	-	<u>2,803,973</u>
Brokered certificates of deposit	<u>299,894</u>	-	-	<u>299,894</u>
Total marketable securities at fair value	<u>\$6,134,729</u>	<u>\$ -</u>	<u>\$ -</u>	6,134,729
Beneficial interest in assets held by others				<u>116,992</u>
Total assets at fair value				<u>\$6,251,721</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, PBS Hawaii’s investments in marketable securities at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Blend	\$2,515,250	\$ -	\$ -	\$2,515,250
Foreign	668,108	-	-	668,108
Bonds	200,730	-	-	200,730
Value	<u>109,537</u>	<u>-</u>	<u>-</u>	<u>109,537</u>
Total exchange traded funds	<u>3,493,625</u>	<u>-</u>	<u>-</u>	<u>3,493,625</u>
Mutual funds				
Bonds	2,130,874	-	-	2,130,874
Blend	484,623	-	-	484,623
Foreign	407,319	-	-	407,319
Emerging	<u>265,867</u>	<u>-</u>	<u>-</u>	<u>265,867</u>
Total mutual funds	<u>3,288,683</u>	<u>-</u>	<u>-</u>	<u>3,288,683</u>
 Total marketable securities at fair value	 <u>\$6,782,308</u>	 <u>\$ -</u>	 <u>\$ -</u>	 6,782,308
 Beneficial interest in assets held by others				 <u>143,052</u>
 Total assets at fair value				 <u>\$6,925,360</u>

NOTE E – CONTRIBUTIONS RECEIVABLE

At June 30, 2022 and 2021, contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Receivable in		
Less than one year	\$ 500,000	\$ 500,000
One to five years	<u>1,500,000</u>	<u>2,000,000</u>
Total	<u>2,000,000</u>	<u>2,500,000</u>
Less discounts to net present value at 2.17%	<u>(333,113)</u>	<u>(393,541)</u>
 Total contributions receivable	 <u>\$1,666,887</u>	 <u>\$2,106,459</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE F – INVESTMENT IN LIMITED LIABILITY COMPANY

PBS Hawaii has a 20% interest in Maui Television Broadcasters, LLC (Maui LLC) which was formed in September 2004. Its members consist of PBS Hawaii and four commercial television stations. The primary purpose of Maui LLC is to develop, operate, and maintain a tower site on the island of Maui, Hawaii. Maui LLC is not expected to earn revenue, and its expenditures are to be funded through the capital contributions of its members. PBS Hawaii accounts for its investment in Maui LLC using the equity method, whereby it recognizes its proportionate share of Maui LLC's equity and results of operations. For the years ended June 30, 2022 and 2021, PBS Hawaii recorded losses from Maui LLC of \$124,683 and \$128,745, respectively.

NOTE G – PROPERTY AND EQUIPMENT

At June 30, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,744,018	\$ 3,744,018
Buildings	18,936,245	18,733,816
Furniture, fixtures, and equipment	<u>9,633,955</u>	<u>10,196,418</u>
Total property and equipment	32,314,218	32,674,252
Accumulated depreciation	<u>(10,572,044)</u>	<u>(10,182,511)</u>
Property and equipment – net	<u>\$21,742,174</u>	<u>\$22,491,741</u>

NOTE H – SBA PPP LOAN

In April 2020, PBS Hawaii applied for and received a \$536,294 Paycheck Protection Program (PPP) loan from Bank of Hawaii. The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity's payroll and other applicable costs. All or a portion of the loan, which matures two years from the date of funding and bears interest at 1%, may be forgiven if PBS Hawaii meets the compliance requirements established by the SBA and other federal agencies. In July 2021, PBS Hawaii received notice of forgiveness in full of the SBA PPP loan. Accordingly, PBS Hawaii recognized a gain on forgiveness of SBA PPP loan in the accompanying financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE I – BOARD DESIGNATED NET ASSETS

Changes in the board designated net assets for the years ended June 30, 2022 and 2021 were as follows:

Board designated net assets, June 30, 2020	\$ 5,966,528
Net realized and unrealized appreciation	1,184,102
Investment income	110,387
Contributions	42,671
Investment fees	(24,923)
Weinberg allocation	<u>120,000</u>
 Board designated net assets, June 30, 2021	 7,398,765
 Net realized and unrealized appreciation (depreciation)	 (1,089,170)
Investment income	156,460
Contributions	61,055
Investment fees	(27,341)
Weinberg allocation	<u>120,000</u>
 Board designated net assets, June 30, 2022	 <u>\$ 6,619,769</u>

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

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Capital campaign	\$ 1,666,887	\$ 2,106,459
Programming and services	-	502,380
Hiki No	1,548,372	429,429
Beneficial interest in assets held by others	100,985	100,985
Other	<u>19,914</u>	<u>78,115</u>
 Total net assets with donor restrictions	 <u>\$ 3,336,158</u>	 <u>\$ 3,217,368</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE K – IN-KIND DONATIONS

Donated Equipment 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 services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by PBS Hawaii (none in 2022 and 2021).

Services valued at approximately \$12,100 and \$5,500 have not been recognized in the accompanying statement of activities for the years ended June 30, 2022 and 2021, respectively, as they do not meet the requirements of recognition. A number of unpaid volunteers have made contributions of their time to PBS Hawaii. The value of this time is not reflected on these financial statements because it did not meet the criteria for recognition.

In-kind donations of equipment amounted to \$202,429 and \$17,599 for the years ended June 30, 2022 and 2021, respectively. All donated equipment was utilized by PBS Hawaii's programs and supporting services. The fair value of the donated equipment was based on the retail value of identical or similar equipment.

NOTE L – LEASES

PBS Hawaii leases land, buildings, and equipment under various operating lease agreements expiring through May 2037. Rent expense (including common area maintenance and other costs) reported in occupancy expense, for the years ended June 30, 2022 and 2021, amounted to \$238,890 and \$160,416, respectively.

At June 30, 2022, future minimum lease payments were expected to approximate the following:

Years Ending June 30th	
2023	\$ 82,300
2024	\$ 81,900
2025	\$ 84,100
2026	\$ 85,000
2027	\$ 86,300
Thereafter (cumulative)	\$311,500

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE M – COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 11, 2023, which is the date the financial statements were available to be issued, and determined that PBS Hawaii did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.
