

HAWAII PUBLIC TELEVISION FOUNDATION
dba PBS Hawaii

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

**As of and for the Year Ended June 30, 2023
(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, 2023, 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended June 30, 2023, PBS Hawaii adopted Accounting Standards Update No. 2016-12, *Leases (Topic 842) – Leases: Amendments to the FASB Accounting Standards*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Prior Year Summarized Comparative Information

We have previously audited PBS Hawaii's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CW Associates, CPAs

CW Associates, CPAs
Honolulu, Hawaii
January 4, 2024



HAWAII PUBLIC TELEVISION FOUNDATION dba PBS Hawaii

STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

(With Prior Year Comparative Information)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 19,061,811	\$ 18,341,352
Accounts receivable – net	40,466	11,330
Investments in marketable securities	8,568,725	6,134,729
Contributions receivable – net, current	500,000	500,000
Total current assets	<u>28,171,002</u>	<u>24,987,411</u>
NONCURRENT ASSETS		
Property and equipment – net	21,102,395	21,742,174
Contributions receivable – net, noncurrent	736,652	1,166,887
Beneficial interest in assets held by others	123,663	116,992
Investment in limited liability company	262	19,553
Operating lease right of use assets – net	714,624	-
Other noncurrent assets	64,735	69,958
Total noncurrent assets	<u>22,742,331</u>	<u>23,115,564</u>
TOTAL ASSETS	<u><u>\$ 50,913,333</u></u>	<u><u>\$ 48,102,975</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 78,694	\$ 98,054
Accrued liabilities	4,327	4,355
Deferred revenue	68,864	36,250
Operating lease liabilities – current	71,263	-
Total current liabilities	<u>223,148</u>	<u>138,659</u>
OPERATING LEASE LIABILITIES – Noncurrent	<u>650,492</u>	<u>-</u>
TOTAL LIABILITIES	<u>873,640</u>	<u>138,659</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	17,225,243	16,266,215
Net investment in property and equipment	21,102,395	21,742,174
Board designated	9,179,007	6,619,769
Net assets without donor restrictions	<u>47,506,645</u>	<u>44,628,158</u>
Net assets with donor restrictions	2,533,048	3,336,158
Total net assets	<u>50,039,693</u>	<u>47,964,316</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 50,913,333</u></u>	<u><u>\$ 48,102,975</u></u>

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2023
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Contributions without donor restrictions	\$ 4,037,608	\$ 2,680,442
Franchise fee revenue	3,687,835	3,560,502
CPB grants	1,432,373	1,422,208
Net assets released from restrictions	1,172,778	1,676,068
Investment income (loss) – net	805,303	(945,161)
In-kind donations	-	202,429
Telecasting and underwriting revenue	234,864	168,181
Total revenue and support	<u>11,370,761</u>	<u>8,764,669</u>
Expenses		
Program services		
Programming and production	4,043,130	3,747,308
Broadcasting	1,645,806	1,512,495
Program information	840,354	691,036
Total program services	<u>6,529,290</u>	<u>5,950,839</u>
Supporting services		
Management and general	1,164,419	1,058,073
Fundraising and development	779,833	704,230
Total supporting services	<u>1,944,252</u>	<u>1,762,303</u>
Total expenses	<u>8,473,542</u>	<u>7,713,142</u>
Revenue and support in excess of expenses	2,897,219	1,051,527
Gain on forgiveness of SBA PPP loan	-	536,294
Change in beneficial interest in assets held by others	6,671	(26,060)
Loss on disposition of equipment	(6,112)	(223,386)
Loss on investment in limited liability company	(19,291)	(124,683)
Increase in net assets without donor restrictions	<u>2,878,487</u>	<u>1,213,692</u>

(Continued)

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2023
(With Prior Year Comparative Information)

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Telecasting and underwriting contributions	\$ 299,904	\$ 1,734,430
Capital campaign contributions	69,764	60,428
Net assets released from donor restrictions	<u>(1,172,778)</u>	<u>(1,676,068)</u>
Increase (decrease) in net assets with donor restrictions	<u>(803,110)</u>	<u>118,790</u>
INCREASE IN NET ASSETS	2,075,377	1,332,482
NET ASSETS – Beginning of the year	<u>47,964,316</u>	<u>46,631,834</u>
NET ASSETS – Ending of the year	<u>\$ 50,039,693</u>	<u>\$ 47,964,316</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2023
(With Prior Year Comparative Information)**

	Program Services				Supporting Services			2023 Total	2022 Total
	Programming and Production	Broadcasting	Program Information	Total	Management and General	Fundraising and Development	Total		
Salaries and benefits	\$1,507,135	\$ 247,905	\$530,613	\$ 2,285,653	\$ 774,632	\$359,662	\$1,134,294	\$ 3,419,947	\$ 2,917,906
Program acquisition	1,198,135	-	-	1,198,135	-	-	-	1,198,135	1,275,346
Depreciation	467,205	451,830	55,993	975,028	91,643	69,514	161,157	1,136,185	1,106,459
Occupancy	237,783	595,482	36,752	870,017	67,191	52,743	119,934	989,951	852,924
Professional services	459,697	15,383	-	475,080	36,954	2,428	39,382	514,462	398,843
Information technology	24,355	291,607	19,566	335,528	19,310	49,838	69,148	404,676	384,742
Office and other supplies	28,707	18,689	16,799	64,195	67,428	134,692	202,120	266,315	239,008
Advertising	8,799	-	175,912	184,711	6,230	10,928	17,158	201,869	238,890
Insurance	66,100	24,910	4,005	95,015	80,279	4,546	84,825	179,840	154,215
Premiums	-	-	-	-	-	50,883	50,883	50,883	49,050
Transportation, travel and training	26,304	-	-	26,304	1,877	3,144	5,021	31,325	19,830
Taxes	-	-	-	-	1,482	3,127	4,609	4,609	7,264
Interest	-	-	-	-	654	-	654	654	60
Miscellaneous	18,910	-	714	19,624	16,739	38,328	55,067	74,691	68,605
Total expenses	<u>\$ 4,043,130</u>	<u>\$ 1,645,806</u>	<u>\$ 840,354</u>	<u>\$ 6,529,290</u>	<u>\$ 1,164,419</u>	<u>\$ 779,833</u>	<u>\$ 1,944,252</u>	<u>\$ 8,473,542</u>	<u>\$ 7,713,142</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, 2023
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,075,377	\$ 1,332,482
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Operating lease payments less straight-line expenses	7,131	-
Gain on forgiveness of SBA PPP loan	-	(536,294)
Depreciation	1,136,185	1,106,459
(Unrealized gain) loss on investments in marketable securities	(513,659)	1,089,413
Contributions of marketable securities	(2,137)	(306,970)
Loss on disposal of equipment	6,112	223,386
(Increase) decrease in		
Accounts receivable – net	(29,136)	16,964
Contributions receivable – net	430,235	439,572
Other noncurrent assets	5,223	(3,944)
Increase (decrease) in		
Accounts payable	(19,360)	(5,194)
Accrued liabilities	(28)	2,468
Deferred revenue	32,614	(3,750)
Net cash provided by operating activities	<u>3,128,557</u>	<u>3,354,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	3,454,674	546,782
Purchases of marketable securities	(5,372,874)	(681,646)
Purchases of property and equipment	(502,518)	(580,278)
Change in beneficial interest in assets held by others	(6,671)	26,060
Change in investment in limited liability company	19,291	(1,609)
Net cash used by investing activities	<u>(2,408,098)</u>	<u>(690,691)</u>
NET INCREASE IN CASH	720,459	2,663,901
CASH – Beginning of the year	<u>18,341,352</u>	<u>15,677,451</u>
CASH – Ending of the year	<u>\$ 19,061,811</u>	<u>\$ 18,341,352</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing activity for addition of operating lease right-of-use assets	\$ 714,624	\$ -
Noncash financing activity for addition of operating lease liabilities	\$ 721,755	\$ -

See accompanying notes to the financial statements.

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended June 30, 2023
(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 2023 and 2022).

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, 2022, from which the information was derived.

Use of Estimates

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(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 \$18,416,900 and \$17,928,800 at June 30, 2023 and 2022, 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, 2023 and 2022), 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).

Property and Equipment

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

Beneficial Interest in Assets Held By Others

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

For the year ended June 30, 2022, operating leases were recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840, *Leases* and were expensed over the terms of the leases on a straight-line basis.

Beginning July 1, 2022, PBS Hawaii accounts for its leases in accordance with FASB ASC 842: *Leases*. In accordance with ASC 842, an operating lease right-of-use asset and operating lease liability are recognized at the present value of future lease payments. PBS Hawaii recognizes the right-of-use asset and liability if such amounts are material to the financial statements.

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

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

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

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2023
(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 \$3,687,835 and \$3,560,502 for the years ended June 30, 2023 and 2022, respectively. Revenue from sources other than performance obligations consists of investment income (loss) of \$805,303 and (\$945,161), gain on forgiveness of SBA PPP loan of \$0 and \$536,294, change in beneficial interest in assets held by others of \$6,671 and (\$26,060), loss on disposition of equipment of \$6,112 and \$223,386, and loss on investment in limited liability company of \$19,291 and \$124,683, for the years ended June 30, 2023 and 2022, respectively. Amounts received prior to the provision of the services are reported as deferred revenue (\$68,864 and \$36,250 at June 30, 2023 and 2022, respectively). PBS Hawaii considers telecasting and underwriting revenue to be contributions as the direct benefit received by the donor is not significant.

Expenses, including advertising expenses (approximately \$202,000 and \$239,000 at June 30, 2023 and 2022, respectively), are recorded when the related liability is incurred. PBS Hawaii allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases including management's estimates of the percentage of time spent by PBS Hawaii's personnel.

Grants and Contracts

PBS Hawaii's revenue from grants and contracts is based on agreements with CPB and other entities such as private foundations. PBS Hawaii recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. PBS Hawaii's grant with CPB is a cost-reimbursable grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Amounts received are recognized as revenue when PBS Hawaii has incurred expenditures in compliance with the grant provisions. Amounts received prior to incurring the qualifying expenses are reported as refundable advances in the statement of financial position (none in 2023 and 2022). 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 (\$40,466 and \$11,330 at June 30, 2023 and 2022, 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, 2023
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor Contributions

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

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

Retirement Savings Plan

PBS Hawaii sponsors a defined contribution, salary reduction retirement plan for the benefit of its eligible employees. PBS Hawaii elects 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, 2023 and 2022, PBS Hawaii's contribution under the plan amounted to approximately \$106,000 and \$100,000, 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 \$13,127 and \$10,614 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842): Leases: Amendments to the FASB Accounting Standards Codification*. Under this ASU, lessees are required to recognize assets and liabilities on their statements of financial position for all leases with a term of more than 12 months. The assets and liabilities recognize the rights and obligations created by each lease initially measured as the present value of lease payments. This recognition applies to all leases – capital and operating leases. Previously, only capital leases were recognized as assets and liabilities on statements of financial position. This ASU also requires disclosures on the amount, timing and uncertainty of cash flows due to the leases, including qualitative and quantitative information.

PBS Hawaii implemented this ASU during the year ended June 30, 2023, using the modified retrospective transition method, whereby leases that were longer than 12 months as of July 1, 2022 were evaluated and recognized under this ASU. Prior period financial statement balances and disclosures have not been adjusted to reflect the provision of the new lease standard. PBS Hawaii does not have finance leases. See Note L for a summary of leases.

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, 2023 and 2022 available to meet cash needs for general expenditures within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Cash (including interest-bearing accounts)	\$19,061,811	\$18,341,352
Accounts receivable – net	40,466	11,330
Investments in marketable securities	8,568,725	6,134,729
Contributions receivable – net, current	500,000	500,000
Total financial assets	28,171,002	24,987,411
Net assets with donor restrictions	(2,533,048)	(3,336,158)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$25,637,954</u>	<u>\$21,651,253</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2023
(With Prior Year Comparative Information)**

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2023 and 2022, investments in marketable securities consisted of the following:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 4,525,474	\$ 4,139,340	\$ 3,298,630	\$ 2,803,973
Exchange traded funds	2,976,453	4,126,742	2,282,960	3,030,862
Brokered certificates of deposit	300,000	302,643	300,000	299,894
Investments in marketable securities	<u>\$ 7,801,927</u>	<u>\$ 8,568,725</u>	<u>\$ 5,881,590</u>	<u>\$ 6,134,729</u>

For the years ended June 30, 2023 and 2022, investment income (loss) consisted of the following:

	2023	2022
Net unrealized gains (losses) from holding marketable securities	\$ 513,659	\$ (1,089,413)
Interest and dividends	227,686	166,902
Net realized gains from sales of marketable securities	91,456	5,032
Investment fees	(27,498)	(27,682)
Investment income (loss) – net	<u>\$ 805,303</u>	<u>\$ (945,161)</u>

NOTE D – FAIR VALUE MEASUREMENTS

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

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(With Prior Year Comparative Information)

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

At June 30, 2023 and 2022, the fair value measurements reportable by PBS Hawaii consisted of mutual funds and exchange traded funds valued at quoted market prices, and brokered certificates of deposit valued at stated value (Level 1 measurements). There were no investments for which Level 2 or Level 3 valuation inputs were required. The fair value of the beneficial interest in assets held by others is based on PBS Hawaii's interest in the net assets. The net asset value is based on the underlying assets, at fair value, less any liabilities. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

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

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

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bonds	\$ 1,959,461	\$ -	\$ -	\$ 1,959,461
Blend	425,539	-	-	425,539
Foreign	271,870	-	-	271,870
Emerging	147,103	-	-	147,103
Total mutual funds	<u>2,803,973</u>	<u>-</u>	<u>-</u>	<u>2,803,973</u>
Exchange traded funds				
Blend	2,196,913	-	-	2,196,913
Foreign	535,220	-	-	535,220
Bonds	196,871	-	-	196,871
Value	101,858	-	-	101,858
Total exchange traded funds	<u>3,030,862</u>	<u>-</u>	<u>-</u>	<u>3,030,862</u>
Brokered certificates of deposit	299,894	-	-	299,894
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>

NOTE E – CONTRIBUTIONS RECEIVABLE

At June 30, 2023 and 2022, contributions receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Receivable in		
Less than one year	\$ 500,000	\$ 500,000
One to five years	<u>1,000,000</u>	<u>1,500,000</u>
Total	1,500,000	2,000,000
Less discounts to net present value at 2.17%	<u>(263,348)</u>	<u>(333,113)</u>
Total contributions receivable	<u>\$ 1,236,652</u>	<u>\$ 1,666,887</u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* **PBS Hawaii**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(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, 2023 and 2022, PBS Hawaii recorded losses from Maui LLC of \$19,291 and \$124,683, respectively.

NOTE G – PROPERTY AND EQUIPMENT

At June 30, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,744,018	\$ 3,744,018
Buildings	18,973,149	18,936,245
Furniture, fixtures, and equipment	<u>10,086,058</u>	<u>9,633,955</u>
Total property and equipment	32,803,225	32,314,218
Accumulated depreciation	<u>(11,700,830)</u>	<u>(10,572,044)</u>
Property and equipment – net	<u>\$21,102,395</u>	<u>\$21,742,174</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 during the year ended June 30, 2022.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2023
(With Prior Year Comparative Information)**

NOTE I – BOARD DESIGNATED NET ASSETS

Changes in the board designated net assets for the years ended June 30, 2023 and 2022 were as follows:

Board designated net assets, June 30, 2021	\$ 7,398,765
Net realized and unrealized 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	 6,619,769
Net realized and unrealized appreciation	602,476
Investment income	184,510
Contributions	1,679,575
Investment fees	(27,323)
Weinberg allocation	<u>120,000</u>
 Board designated net assets, June 30, 2023	 <u><u>\$ 9,179,007</u></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, 2023 and 2022, net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Capital campaign	\$ 1,236,651	\$ 1,666,887
Hiki No	1,178,043	1,548,372
Beneficial interest in assets held by others	100,985	100,985
Other	<u>17,369</u>	<u>19,914</u>
 Total net assets with donor restrictions	 <u><u>\$ 2,533,048</u></u>	 <u><u>\$ 3,336,158</u></u>

HAWAII PUBLIC TELEVISION FOUNDATION *dba* *PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(With Prior Year Comparative Information)

NOTE K – IN-KIND DONATIONS

In-kind contributions of goods and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by PBS Hawaii (none in 2023 and 2022). Services valued at approximately \$17,600 and \$12,100 have not been recognized in the accompanying statement of activities for the years ended June 30, 2023 and 2022, 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 \$0 and \$202,429 for the years ended June 30, 2023 and 2022, 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. Lease rent expense (including common area maintenance and other costs) reported in occupancy expense, for the years ended June 30, 2023 and 2022, amounted to \$175,434 and \$238,890, respectively.

Operating lease costs	\$ 96,345
Variable lease costs	<u>79,089</u>
Total lease rental expense	<u>\$175,434</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 89,214
Weighted-average remaining lease term for operating leases	9.08 years
Weighted-average discount rate for operating leases, based on a risk-free rate	2.88%

HAWAII PUBLIC TELEVISION FOUNDATION *dba PBS Hawaii*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2023
(With Prior Year Comparative Information)

NOTE L – LEASES (Continued)

The following table reconciles the undiscounted cash flows for the operating lease liabilities on the statement of financial position as of June 30, 2023:

Years Ending June 30th	
2024	\$ 90,900
2025	90,500
2026	92,700
2027	93,700
2028	95,800
Thereafter	<u>359,000</u>
Total minimum lease payments	822,600
Amount of lease payments representing interest	<u>(100,845)</u>
Present value of future lease payments	721,755
Operating lease liabilities – current	<u>(71,263)</u>
Operating lease liabilities – noncurrent	<u>\$650,492</u>

At June 30, 2022, future minimum lease payments under ASC 840, 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

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.

HAWAII PUBLIC TELEVISION FOUNDATION *dba* PBS Hawaii

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2023
(With Prior Year Comparative Information)**

NOTE M – COMMITMENTS AND CONTINGENCIES (Continued)

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 4, 2024, 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.
