

**GUAM EDUCATIONAL RADIO FOUNDATION
(A NON-PROFIT CORPORATION)**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2017 AND 2016

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Years Ended September 30, 2017 and 2016
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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Guam Educational Radio Foundation
(A Non-Profit Corporation):

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Educational Radio Foundation (GERF), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Educational Radio Foundation as of September 30, 2017 and 2016, 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.

Report on Supplementary Information

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses as well as the combining schedules of financial position and of activities and changes in net assets for the year ended September 30, 2017 on pages 10 to 12 are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of GERF's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

May 23, 2018

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash	\$ 83,884	\$ 72,675
Accounts receivable, net	12,206	1,965
Other current assets	14,632	14,632
Total current assets	110,722	89,272
Property and equipment:		
Studio equipment	194,510	197,841
Office equipment	10,586	10,586
Broadcast equipment	240,835	237,435
Computer equipment	25,323	25,323
Improvements	7,407	7,407
	478,661	478,592
Less accumulated depreciation	(472,783)	(472,783)
Net property and equipment	5,878	5,809
Total assets	\$ 116,600	\$ 95,081
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 38,931	\$ 31,500
Commitments		
Net assets:		
Unrestricted	77,669	63,581
Total liabilities and net assets	\$ 116,600	\$ 95,081

See accompanying notes to financial statements.

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Statements of Activities and Changes in Net Assets
Years Ended September 30, 2017 and 2016

	2017	2016
Revenues, gains and other support:		
Community service grant	\$ 108,469	\$ 106,859
Government of Guam appropriation	98,862	78,431
Fundraising	53,749	53,822
In-kind contributions	103,027	35,781
Underwriting	22,730	27,050
Interest income	32	41
Other	22,650	11,290
Total revenues, gains and other support	409,519	313,274
Expenses and losses:		
Program services:		
Programming and production	87,971	74,113
Broadcasting	19,121	22,023
Support services:		
Fundraising and membership development	75,403	110,722
Management and general	212,936	113,579
Total expenses and losses	395,431	320,437
Change in net assets	14,088	(7,163)
Net assets at beginning of year	63,581	70,744
Net assets at end of year	\$ 77,669	\$ 63,581

See accompanying notes to financial statements.

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 14,088	\$ (7,163)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	2,733
(Increase) decrease in accounts receivable	(10,241)	312
Increase in accounts payable	7,431	20,901
<u>Net cash provided by operating activities</u>	<u>11,278</u>	<u>16,783</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(69)</u>	<u>(6,835)</u>
Change in cash	11,209	9,948
Cash at beginning of year	<u>72,675</u>	<u>62,727</u>
Cash at end of year	<u>\$ 83,884</u>	<u>\$ 72,675</u>

See accompanying notes to financial statements.

**GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)**

Notes to Financial Statements
September 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

The Guam Educational Radio Foundation (GERF) was established in February 1992, as a non-profit, public benefit corporation, which operates under its own Board of Trustees. The primary purpose of GERF is to operate KPRG-FM, the National Public Radio affiliate on Guam. GERF follows the laws of Guam and the laws of the United States applicable to Guam for educational, scientific and charitable purposes. KPRG-FM broadcasts on 89.3 FM under license from the Federal Communications Commission (FCC). The initial period of the license was for seven years. In October 1992, GERF received a National Telecommunications and Information Administration (NTIA) equipment grant. Utilization of the grant allowed GERF to construct KPRG-FM and begin broadcasting. Broadcasting begun in January 1994. In July 1994, KPRG-FM qualified for minority status within the Corporation for Public Broadcasting (CPB), making the station eligible for additional CPB support. In January 2006, the FCC license was renewed through January 2014 and renewed again in January 2014 through the end of January 2022.

GERF also solicits contributions to support the activities, goals, plans, projects and programs of KPRG-FM.

The By-Laws of GERF provide for a Board of Trustees who serve staggered terms. Annually, the Board meets for the purpose of electing trustees and transacting such other business that may come before the meeting.

Basis of Accounting

GERF has elected to follow accounting standards established by the Financial Accounting Standards Board (FASB), which is the source of accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities. The financial statement presentation follows the requirements of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, GERF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. GERF has determined that all assets, revenues, expenses, gains, and losses resulting from local government and other contributions and CPB grants are unrestricted. As of September 30, 2017 and 2016, GERF does not have temporarily restricted net assets or permanently restricted net assets.

In order to observe restrictions which donors place on grants and other gifts, all assets, liabilities and activities are accounted for in the following net assets classifications:

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Trustees.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by actions of GERF to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that they be retained and invested permanently by GERF.

**GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)**

Notes to Financial Statements
September 30, 2017 and 2016

(1) Summary of Significant Accounting Policies, Continued

Cash

For purposes of the statements of financial position and cash flows, cash consists of cash on hand and cash on deposit in banks. Cash on deposit at September 30, 2017 and 2016 includes an amount of (\$11,250) and \$1,805, respectively, representing appropriations received from the Government of Guam deposited with the University of Guam, who received the funds on behalf of GERF. At September 30, 2017 and 2016, GERF has cash in bank of \$63,913 and \$47,593, respectively, which is fully insured by the Federal Deposit Insurance Corporation.

Accounts Receivable

GERF conducts its business activities within Guam. All accounts receivables are due from companies and individuals located within Guam. GERF establishes an allowance for doubtful accounts receivable based on the credit risk of specific customers, historical trends and other information. No allowance was recorded as of September 30, 2017 and 2016. Bad debts are written off against the allowances on the specific identification method.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or, in the case of gifts, at fair value at the date of donation. Only fixed assets with a value over \$250 are capitalized. Fixed assets are depreciated on the straight-line method over the estimated service lives of the respective assets. Estimated service lives are as follows:

Building improvements	5 to 7 years
Equipment	3 to 10 years

Depreciation expense for the years ended September 30, 2017 and 2016 is \$0 and \$2,733, respectively.

Impairment of Assets

Accounting principles generally accepted in the United States of America require that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. GERF reviewed its long-lived assets for impairment and determined that no impairment reserve is necessary for the years ended September 30, 2017 and 2016.

Revenue and Expense Recognition

Unrestricted contributions and grants, other than pledges, are recognized as revenue when earned, regardless of the timing of cash receipts. Revenue from pledges is recognized as earned either upon receipt of cash or when there is an unconditional promise to pay. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

GUAM EDUCATIONAL RADIO FOUNDATION
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Notes to Financial Statements
September 30, 2017 and 2016

(1) Summary of Significant Accounting Policies, Continued

Donations of Goods and Services

As a characteristic of public service organizations, GERF tracks donations of personal services and rent and utilities. These donations play an important part in making GERF eligible for grants of public broadcasting funds and in supporting the operation of the station. Starting in FY 1997, the CPB no longer counted certain donations of personal services in determining the eligibility for federal funding. Interested parties may obtain a summary of such donations by writing to GERF.

Pledges

GERF engages in fund-raising campaigns throughout the fiscal year, appealing for support. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to GERF for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received. However, uncollected pledges that are not enforceable against contributors or that do not have a history of demonstrating non collection are not shown as assets in the statements of financial position. Contributions and collected pledges are components of the unrestricted operating fund, as their usage is not limited to specific activities of GERF. This usage is consistent with appeals for contributions and pledges.

Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one program. Such expenses are allocated among programs based on percentage of usage. For the years ended September 30, 2017 and 2016, portions of utilities are so allocated.

Taxation

GERF has been exempted from Guam gross receipts taxes. GERF files informational tax returns, as required.

For Guam income tax purposes, a tax year generally remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the taxpayer files its return.

Estimates

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

GUAM EDUCATIONAL RADIO FOUNDATION
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Notes to Financial Statements
September 30, 2017 and 2016

(2) Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities based on budget submissions. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983 Supplement). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. GERF uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. The grants are reported on the accompanying statements of activities as unrestricted revenues; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the FCC.

(3) Commitments

As of September 30, 2017, GERF has been utilizing the Guam Education Telecom Corp's tower and antenna for no agreed cost.

GERF also receives a significant support from the University of Guam. Under a written letter of agreement, the University of Guam will provide, without a charge, an office and studio facility to expire in November 2019. The in-kind value of the support totaled \$18,157 and \$17,921, respectively, for the years ended September 30, 2017 and 2016.

(4) Cost of Development

For the years ended September 30, 2017 and 2016, the cost of non-governmental source revenue development, including event activity, is \$8,904 and \$10,748, respectively.

(5) Subsequent Events

No events have occurred subsequent to September 30, 2017 but before May 23, 2018, the date the financial statements were available to be issued, that required consideration as adjustments to, or disclosures in, the financial statements.

GUAM EDUCATIONAL RADIO FOUNDATION
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Supplementary Schedule of Functional Expenses
Year Ended September 30, 2017

	Programming and Production	Broadcasting	Total Program Services	Fundraising and Membership Development	Management and General Support	Total Support Services	Total
Personnel	\$ 24,299	\$ -	\$ 24,299	\$ 62,867	\$ 70,376	\$ 133,243	\$ 157,542
Contractual services	59,411	7,069	66,480	8,904	1,739	10,643	77,123
In-kind contribution - services	-	-	-	-	103,027	103,027	103,027
Professional services	4,261	-	4,261	-	3,850	3,850	8,111
Utilities	-	12,052	12,052	-	30	30	12,082
Supplies and materials	-	-	-	-	10,079	10,079	10,079
Insurance	-	-	-	-	5,108	5,108	5,108
Travel	-	-	-	-	6,531	6,531	6,531
Depreciation	-	-	-	-	-	-	-
Miscellaneous	-	-	-	3,632	12,196	15,828	15,828
Total expenses	\$ 87,971	\$ 19,121	\$ 107,092	\$ 75,403	\$ 212,936	\$ 288,339	\$ 395,431

See Accompanying Independent Auditors' Report.

**GUAM EDUCATIONAL RADIO FOUNDATION
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Supplementary Combining Schedule of Financial Position
Year Ended September 30, 2017

	Current Funds					
	GovGuam Appropriation	Other Current Funds	Grant	In-Kind Fund	Total Current Funds	Investment In Plant
<u>ASSETS</u>						
Cash	\$ (11,250)	\$ 67,437	\$ 27,697	\$ -	\$ 83,884	\$ -
Accounts receivable, net	12,206	-	-	-	12,206	-
Other current assets	-	-	14,632	-	14,632	-
Total current assets	956	67,437	42,329	-	110,722	-
Property and equipment:						
Studio equipment	-	-	-	-	-	194,510
Office equipment	-	-	-	-	-	10,586
Broadcast equipment	-	-	-	-	-	240,835
Computer equipment	-	-	-	-	-	25,323
Improvements	-	-	-	-	-	7,407
	-	-	-	-	-	478,661
Less accumulated depreciation	-	-	-	-	-	(472,783)
Net property and equipment	-	-	-	-	-	5,878
	\$ 956	\$ 67,437	\$ 42,329	\$ -	\$ 110,722	\$ 5,878
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities:	\$ 5,862	\$ -	\$ 33,069	\$ -	\$ 38,931	\$ -
Net assets:						
Unrestricted	(4,906)	67,437	9,260	-	71,791	5,878
	\$ 956	\$ 67,437	\$ 42,329	\$ -	\$ 110,722	\$ 5,878

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Supplementary Combining Schedule of Activities and Changes in Net Assets
Year Ended September 30, 2017

	Current Funds				Total Current Funds	Investment In Plant
	GovGuam Appropriation	Other Current Funds	Grant	In-Kind Fund		
Public Support, Private Support and Revenue:						
Public Support:						
Government of Guam appropriation	\$ 98,862	\$ -	\$ -	\$ -	\$ 98,862	\$ -
Private Support:						
Community service grant	-	-	108,469	-	108,469	-
Fundraising	-	53,749	-	-	53,749	-
In-kind contributions	-	-	-	103,027	103,027	-
Underwriting revenues	-	22,730	-	-	22,730	-
Revenue:						
Interest and dividends	32	22,650	-	-	22,682	-
Total support and revenues	<u>98,894</u>	<u>99,129</u>	<u>108,469</u>	<u>103,027</u>	<u>409,519</u>	<u>-</u>
Expenses and Deductions:						
Personnel expenses	62,867	70,376	24,299	-	157,542	-
Contractual service	8,904	1,739	66,480	-	77,123	-
In-kind contribution	-	-	-	103,027	103,027	-
Utilities	-	30	12,052	-	12,082	-
Supplies and materials	-	10,079	-	-	10,079	-
Travel	-	6,531	-	-	6,531	-
Insurance	-	5,108	-	-	5,108	-
Professional service	-	3,850	4,261	-	8,111	-
Depreciation	-	-	-	-	-	-
Miscellaneous	-	15,828	-	-	15,828	-
Total expenses and deductions	<u>71,771</u>	<u>113,541</u>	<u>107,092</u>	<u>103,027</u>	<u>395,431</u>	<u>-</u>
Change in net assets	27,123	(14,412)	1,377	-	14,088	-
Net assets at beginning of year	(218)	49,166	8,824	-	57,772	5,809
Transfers in (out)	<u>(31,811)</u>	<u>32,683</u>	<u>(941)</u>	<u>-</u>	<u>(69)</u>	<u>69</u>
Net assets at end of year	<u>\$ (4,906)</u>	<u>\$ 67,437</u>	<u>\$ 9,260</u>	<u>\$ -</u>	<u>\$ 71,791</u>	<u>\$ 5,878</u>

See Accompanying Independent Auditors' Report.