

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

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

SEPTEMBER 30, 2020 AND 2019

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Years Ended September 30, 2020 and 2019
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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, 2020 and 2019, 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.

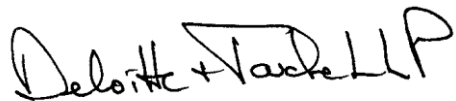
Opinion

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, 2020 and 2019, 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, 2020 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 + Tuck LLP". The signature is written in a cursive, stylized font.

July 9, 2021

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current assets:		
Cash	\$ 278,038	\$ 152,726
Accounts receivable, net	10,201	15,101
Other current assets	24,307	14,632
Total current assets	312,546	182,459
Property and equipment:		
Studio equipment	223,418	223,418
Office equipment	12,368	10,913
Broadcast equipment	268,615	268,016
Computer equipment	25,376	25,376
Improvements	7,407	7,407
	537,184	535,130
Less accumulated depreciation	(492,803)	(476,116)
Net property and equipment	44,381	59,014
Total assets	\$ 356,927	\$ 241,473
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 11,090	\$ 25,841
Commitments		
Net assets:		
Without donor restrictions	345,837	215,632
Total liabilities and net assets	\$ 356,927	\$ 241,473

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, 2020 and 2019

	2020	2019
Revenues, gains and other support:		
Community service grant	\$ 220,605	\$ 138,469
Government of Guam appropriation	115,134	114,170
Fundraising	58,447	78,071
In-kind contributions	96,952	108,706
Underwriting	5,000	15,750
Interest income	124	78
Other	18,103	-
Total revenues, gains and other support	514,365	455,244
Expenses and losses:		
Program services:		
Programming and production	99,660	49,576
Broadcasting	13,963	7,539
Support services:		
Fundraising and membership development	25,868	30,552
Management and general	244,669	279,368
Total expenses and losses	384,160	367,035
Change in net assets	130,205	88,209
Net assets at beginning of year	215,632	127,423
Net assets at end of year	\$ 345,837	\$ 215,632

See accompanying notes to financial statements.

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 130,205	\$ 88,209
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,686	3,333
(Increase) decrease in accounts receivable	4,900	(4,150)
(Decrease) increase in accounts payable	(14,751)	(997)
(Increase) decrease in other assets	<u>(9,675)</u>	<u>-</u>
Net cash provided by operating activities	<u>127,365</u>	<u>86,395</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(2,053)</u>	<u>(15,889)</u>
Change in cash	125,312	70,506
Cash at beginning of year	<u>152,726</u>	<u>82,220</u>
Cash at end of year	<u>\$ 278,038</u>	<u>\$ 152,726</u>

See accompanying notes to financial statements.

GUAM EDUCATIONAL RADIO FOUNDATION
(A Non-Profit Corporation)

Notes to Financial Statements
September 30, 2020 and 2019

(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.

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which significantly change the presentation requirements for financial statements of not-for-profit entities (NFPs). The amendments are intended to improve the guidance on net statements and financial statement notes regarding liquidity, financial performance, and cash flows for NFPs. Specifically, the ASU addresses (1) the complexity and understandability of net asset classifications, (2) the lack of consistency in the type of information provided about expenses, and (3) inconsistencies in the reporting of (a) operating information in the statement of activities and (b) operating cash flows in the statement of cash flows.

ASU 2016-14 classifies an organization's assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. The two classes of net assets are classified as one of the following types:

- Without donor restrictions
- With donor restrictions

As of September 30, 2020 and 2019, GERF has determined that all assets, revenues, and expenses, gains and losses resulting from local government contributions and grants/donations are without donor restrictions.

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

Notes to Financial Statements
September 30, 2020 and 2019

(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, 2020 and 2019 includes an amount of \$6,671 and \$19,685, 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, 2020 and 2019, GERF has cash in bank of \$221,844 and \$110,230, 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, 2020 and 2019. 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. 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

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, 2020 and 2019.

Revenue and Expense Recognition

Contributions and grants without donor restrictions, 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 funds without donor restrictions 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, 2020 and 2019

(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 operating fund without donor restrictions, 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, 2020 and 2019, 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, 2020 and 2019

(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 revenues without donor restrictions; 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

For the years ended September 30, 2020 and 2019, GERF has utilized a Docomo Pacific tower for no agreed cost.

GERF receives significant support from the University of Guam. Under a written letter of agreement, the University of Guam will continue to provide, without a charge, an office and studio facility for fiscal year 2020. The in-kind value of the support totaled \$18,992 for each of the years ended September 30, 2020 and 2019.

(4) Cost of Development

For the years ended September 30, 2020 and 2019, the cost of non-governmental source revenue development, including event activity, is \$16,500 and \$18,200, respectively.

(5) Subsequent Events

No events have occurred subsequent to September 30, 2020 but before July 9, 2021, 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, 2020

	Programming and Production	Broadcasting	Total Program Services	Fundraising and Membership Development	Management and General Support	Total Support Services	Total
Personnel	\$ 44,574	\$ -	\$ 44,574	\$ 8,263	\$ 87,018	\$ 95,281	\$ 139,855
Contractual services	42,841	1,537	44,378	16,500	6,295	22,795	67,173
In-kind contribution - services	-	-	-	-	96,952	96,952	96,952
Professional services	2,000	-	2,000	-	10,584	10,584	12,584
Utilities	3,982	2,370	6,352	-	-	-	6,352
Supplies and materials	-	-	-	-	2,618	2,618	2,618
Insurance	-	-	-	-	5,108	5,108	5,108
Travel	-	-	-	-	4,390	4,390	4,390
Depreciation	6,263	10,056	16,319	-	367	367	16,686
Miscellaneous	-	-	-	1,105	31,337	32,442	32,442
Total expenses	\$ 99,660	\$ 13,963	\$ 113,623	\$ 25,868	\$ 244,669	\$ 270,537	\$ 384,160

See Accompanying Independent Auditors' Report.

**GUAM EDUCATIONAL RADIO FOUNDATION
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Supplementary Combining Schedule of Financial Position
Year Ended September 30, 2020

	Current Funds					
	GovGuam Appropriation	Other Current Funds	Grant	In-Kind Fund	Total Current Funds	Investment In Plant
<u>ASSETS</u>						
Cash	\$ 6,670	84,234	\$ 187,134	\$ -	\$ 278,038	\$ -
Accounts receivable, net	10,201	-	-	-	10,201	-
Other current assets	-	-	24,307	-	24,307	-
Total current assets	16,871	84,234	211,441	-	312,546	-
Property and equipment:						
Studio equipment	-	-	-	-	-	223,418
Office equipment	-	-	-	-	-	12,368
Broadcast equipment	-	-	-	-	-	268,615
Computer equipment	-	-	-	-	-	25,376
Improvements	-	-	-	-	-	7,407
	-	-	-	-	-	537,184
Less accumulated depreciation						(492,803)
Net property and equipment	-	-	-	-	-	44,381
	\$ 16,871	\$ 84,234	\$ 211,441	\$ -	\$ 312,546	\$ 44,381
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities:	\$ 5,862	\$ -	\$ 5,228	\$ -	\$ 11,090	\$ -
Net assets:						
Without donor restrictions	11,009	84,234	206,213	-	301,456	44,381
	\$ 16,871	\$ 84,234	\$ 211,441	\$ -	\$ 312,546	\$ 44,381
	-	-	-	-	-	-

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL RADIO FOUNDATION
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Supplementary Combining Schedule of Activities and Changes in Net Assets
Year Ended September 30, 2020

	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	\$ 115,134	\$ -	\$ -	\$ -	\$ 115,134	\$ -
Private Support:						
Community service grant	-	-	220,605	-	220,605	-
Fundraising	-	58,447	-	-	58,447	-
In-kind contributions	-	-	-	96,952	96,952	-
Underwriting revenues	-	5,000	-	-	5,000	-
Revenue:						
Interest and dividends	124	18,103	-	-	18,227	-
Total support and revenues	115,258	81,550	220,605	96,952	514,365	-
Expenses and Deductions:						
Personnel expenses	8,263	87,018	44,574	-	139,855	-
Contractual service	16,500	6,295	44,378	-	67,173	-
In-kind contribution	-	96,952	-	-	96,952	-
Utilities	-	-	6,352	-	6,352	-
Supplies and materials	-	2,618	-	-	2,618	-
Travel	-	4,390	-	-	4,390	-
Insurance	-	5,108	-	-	5,108	-
Professional service	-	10,584	2,000	-	12,584	-
Depreciation	-	367	16,319	-	16,686	-
Miscellaneous	1,105	31,337	-	-	32,442	-
Total expenses and deductions	25,868	244,669	113,623	-	384,160	-
Change in net assets	89,390	(163,119)	106,982	96,952	130,205	-
Net assets at beginning of year	28,924	68,132	59,562	-	156,618	59,014
Transfers in (out)	(107,305)	179,221	39,669	(96,952)	14,633	(14,633)
Net assets at end of year	<u>\$ 11,009</u>	<u>\$ 84,234</u>	<u>\$ 206,213</u>	<u>\$ -</u>	<u>\$ 301,456</u>	<u>\$ 44,381</u>

See Accompanying Independent Auditors' Report.