



Financial Highlights

Guam Educational Telecommunications Corporation (PBS Guam) Financial Audit Fiscal Year 2023

June 5, 2024

The Guam Educational Telecommunications Corporation (PBS Guam) received an unmodified (clean) opinion in its Fiscal Year (FY) ended September 30, 2023 financial statements from independent auditors Ernst & Young LLP (EY). EY identified two deficiencies in internal control, which were considered material weaknesses, in the Report on Internal Control Over Financial Reporting and on Compliance. PBS Guam ended FY 2023 with a net position of \$801 thousand (K), decreasing from last year's net position of \$2.3 million (M). The change in net position decreased from \$2.9M in FY 2022 to a negative \$1.5M in FY 2023.

Overall, PBS Guam faced institutional hurdles in securing adequate funding and support from the legislature to sustain its operations effectively. Despite its pivotal role in serving the community with educational programming, the station struggled to garner full financial backing from legislative channels, with PBS Guam receiving only partial coverage for its power and utility bills. The station operated under the strain of a skeleton crew funding model, highlighting the urgent need for increased support and resources from legislative bodies to ensure long-term sustainability and service to the community.

In the face of these institutional challenges, PBS Guam remained committed to its mission of providing informative and engaging content to the citizens of Guam. Addressing staffing shortages and securing adequate funding were contingent for the station to continue fulfilling its mandate. Collaborative efforts between PBS Guam and legislative stakeholders were imperative to overcoming these obstacles and paving the way for a more robust and resilient public broadcasting service. Notably, the station successfully launched several meaningful local content for the community.

Financial Overview

In FY 2023, PBS Guam's capital assets increased by \$368K to a total of \$1.9M, primarily due to the addition of Omega Broadcast Equipment, though this was offset by depreciation expenses. Current assets decreased by \$1.7M, bringing the FY 2023 balance to \$2.6M, attributed to a reduction in cash balance and collections from the Government of Guam. Total liabilities and deferred inflows rose by \$928K, reaching \$5.0M, due to an increase in long-term and other liabilities. These changes resulted in the decrease in the overall net position. In addition, total revenues experienced a significant decline of \$4.5M dropping to \$1.9M from FY 2022's \$6.3M, mainly due to decreases in contributions and production revenues. In contrast, total operating expenses decreased by approximately \$107K, totaling \$3.3M from FY 2022's \$3.4M, driven primarily by costs in supporting services and depreciation expense.

Capital Assets and Long-Term Obligations

In 2023, PBS Guam focused on recovery and future-proofing its station and facilities to adapt to technological changes and industry trends. This initiative aims to maintain competitiveness, engage audiences, improve operational efficiency, and ensure resilience against evolving media landscape challenges over the next five years. PBS Guam secured over \$800,000 in grants from the Department of Interior, the Corporation for Public Broadcasting, and the Federal Emergency Management Agency for disaster recovery assistance and infrastructural capital improvements. These funds will address damages from Typhoon Mawar and modernize the electrical infrastructure, including upgrading the electrical panel and rewiring to meet current safety standards. Additionally, investments were made to enhance the master control department's transmission and streaming capabilities and to streamline production operations with updated equipment.

Economic Factors & Institutional Factors

Throughout 2023, Guam's economy faced significant challenges due to natural disasters and the lingering effects of the COVID-19 pandemic. Typhoon Mawar caused extensive damage and disrupted infrastructure, leading to a slowdown in economic activity as businesses struggled and consumers curtailed spending. The persistent threat of another typhoon further strained the economy.

The pandemic continued to impact Guam with supply chain disruptions, reduced tourism, and ongoing restrictions, hindering recovery efforts. PBS Guam experienced major infrastructure damage, including its transmitter site and microwave equipment. Despite these hurdles, PBS Guam showcased resilience and determination in overcoming the adversities brought by Typhoon Mawar and the pandemic. Community initiatives and government support were pivotal in recovery efforts, highlighting the importance of robust contingency planning and community solidarity in maintaining economic stability.

Additionally, institutional dynamics on Guam underwent significant transformation, spurred by PBS Guam's expanding operations. With growth came the necessity for a modernized and updated staff roster, particularly in technical expertise to support enhanced capabilities and technological advancements. However, navigating the staffing landscape posed challenges, notably in filling positions not included in the FY 2023 approved budget due to budget constraints.

Report on Internal Control Over Financial Reporting and Compliance

The Report on Internal Control Over Financial Reporting and Compliance noted two material weaknesses: one regarding the reporting of grant revenues and the other regarding an uncollectible grant receivable. Finding 2023-001 revealed that, despite recording \$1.5M as grants revenue and receivables in the general ledger for the Education Stabilization Funds under the Governor's Education Assistance and Youth Empowerment Grant Program, no documentation was provided to confirm expenditures by September 30, 2023. This oversight led to a material overstatement of grants revenue and receivables, necessitating an audit adjustment to rectify the misstatement.

For Finding 2024-002, PBS Guam had an outstanding grant receivable of \$506K related to the PBS University program under the Education Stabilization Fund from the Governor's Education Assistance and Youth Empowerment Grant Program. However, the Government of Guam

Department of Administration reversed this obligation due to noncompliance by PBS Guam. This led to a material overstatement of receivables and a material understatement in contractual services expenditures. An audit adjustment was proposed to correct the issues.

Both causes of the findings were attributed to a lack of understanding regarding the accounting and financial reporting of grant revenues. To prevent similar issues in the future, it is recommended that PBS Guam enhance the knowledge and skills of responsible personnel through training, ensuring accurate monitoring and recording of grant-related transactions. PBS management agreed with the finding and will seek opportunities to ensure responsible personnel have the knowledge and skills necessary to ensure transactions are properly recorded.

Management Letter Comments

Auditors retained the same management letter comment from the prior year audit relative to unrecorded prior year adjustments. PBS Guam did not record all audit adjusting entries that arose from the prior year audits, resulting in a material discrepancy in the reconciliation of the beginning net position. EY recommended that PBS Guam continue to address adjusting entries from audits and ensure those adjustments are properly accumulated and recorded.

For more details, refer to PBS Guam's FY 2023 Financial Statements, Compliance and Internal Control, Management Letter, and Auditor's Communication With Those Charged With Governance at www.opaguam.org or www.pbsguam.org.