



**Guam Educational Telecommunications Corporation
(PBS Guam)
FY 2013 Financial Highlights**

February 28, 2014

The Guam Educational Telecommunications Corporation (dba PBS Guam) continued its decline in net position (net income), closing Fiscal Year (FY) 2013 with a decrease of \$231 thousand (K) compared to the decrease of \$13K in FY 2012. PBS received an unmodified (clean) opinion from independent auditors, Deloitte & Touche, LLP. PBS is to be commended for its sixth year that the auditors have not identified any material weaknesses and/or significant deficiencies in its Report on Internal Control Over Financial Reporting and Compliance. A separate management letter was issued, which contained four comments related to PBS Guam's fixed assets, procurement procedures, non-payroll expenditures and its Board of Trustee's lack of quorum. Auditors made four adjustments which had a cumulative effect of increasing net position by \$1,373.

Decrease in Revenues

PBS Guam's main sources of income derive from grants, government appropriations, and fundraising efforts that would support upgrades and enhancements to the station. Altogether, grants were 47% or \$809K of PBS Guam's revenues and government appropriations made up 32% or \$541K. In FY 2013, revenues decreased by \$51K from \$1.8 million (M) in FY 2012 to \$1.7M. This decrease was due mainly to the non-receipt of the National Telecommunications and Information Administration (NTIA) grants for FY 2013 from \$140K in FY 2012 and included fundraising efforts that declined by 30%, or \$25K from \$86K in FY 2012 to \$60K in FY 2013. Contributions and other income declined by 34% or \$24K, from \$69K in FY 2012 to \$46K in FY 2013. No NTIA grants were received for FY 2013 due to the delay of its approval (affected by budget sequestrations of the federal government).

Increase in Expenses

Expenses are comprised of three categories: supporting services, which make up 44% of total expenditures; local appropriations, 27% of total expenditures; and program services, 12% of total expenditures. Personnel in the supporting and program services are funded by various grants. Expenses rose by 9% or \$167K from \$1.8M in FY 2012 to \$1.9M in FY 2013. Expenses for supporting services, which includes program broadcasting, development and promotion, and fundraising, increased by 21% or \$146K, from \$711K in FY 2012 to \$857K in FY 2013 and program services, which includes station production, station upgrade and capital outlays, increased by 12% or \$27K, from \$213K in FY 2012 to \$240K in FY 2013. Local appropriations decreased overall by 5% or \$28K, from \$554K in FY 2012 to \$526K in FY 2013. Included in the local appropriations, utilities increased by 14% or \$13K, from \$91K in FY 2012 to \$103K in FY 2013 while personnel services/fringe benefits decreased by 3.4% or \$15K, from \$438K in FY 2012 to \$423K in FY 2013.

Outlook for PBS Guam

In prior years, the PBS Board did not meet on a regular basis due to a lack of quorum. PBS successfully filled four of the nine required member positions for its Board of Trustees. This governing Board of Trustees reconvened in November 2013 with its new members meeting with a quorum for the first time in over two years, and a new Station Manager was appointed in January 2014.

New management has examined strategic plans of the past several years. A strategic capital equipment plan is needed to upgrade studio and production capabilities for local programming in high-definition quality. There is no annual equipment replacement budget and the new general manager has stated that he would like to see a budget of \$403K annually to keep up to date with technology. In FY 2013, PBS had requested \$403K from USDA (United States Department of Agriculture) to replace capital equipment, which was unsuccessful. PBS now proceeds in 2014 with new governance and general manager in place.

For a more detailed discussion on PBS GUAM's operations, refer to the Management's Discussion and Analysis in the audit report at www.guamopa.org and www.pbsguam.org.