



The Guam Educational Telecommunications Corporation (PBS Guam) FY 2014 Financial Highlights

February 28, 2015

The Guam Educational Telecommunications Corporation (dba PBS Guam) closed out its fiscal year (FY) with an increase in net position (net income) of \$2.6 million (M) in FY 2014 which is slightly lower than \$2.8M increase from the prior year.

PBS Guam received an unmodified (clean) opinion from independent auditors Deloitte & Touche, LLP. In order to receive a clean opinion, five adjusting entries with a net effect of \$12 thousand (K) on its financial statements were made. PBS Guam is to be commended for its seventh year that the auditors have not identified any material weaknesses in its report on compliance and internal control over financial reporting. A separate management letter was issued which contained three comments related to PBS Guam's fixed assets, long-outstanding accrued wages, and lack of quorum for its Board of Trustees.

Decrease in Revenues

PBS Guam's revenues decreased by 6% or \$95K from \$1.7M in FY 2013 to \$1.6M in FY 2014 due to funding not received from the Digital Distribution Fund/National Telecommunication and Information Administration grant. Revenue was derived mainly from grants and government appropriations which both made up for 38% or \$629K in grants and \$620K in government appropriations, respectively.

Decrease in Expenses

PBS Guam's expenses slightly decreased by \$14K from \$1.95M in FY 2013 to \$1.93M in FY 2014. Expenses are primarily comprised of three categories: program services, supporting services, and local appropriations. Supporting services which include program broadcasting and development and promotion were 40% of total expenses and decreased by \$90K, from \$857K in FY 2013 to \$767K in FY 2014. Local appropriations which include personnel services, fringe benefits, and utilities were 32% of total expenses and increased by \$85K, from \$526K in FY 2013 to \$611K in FY 2014. Program services include station production, upgrades, and capital outlays and were 14% of total expenses and increased by \$25K, from \$240K in FY 2013 to \$265K in FY 2014.

Government Accounting Statement – Pension Liability

The Government Accounting Standards Board (GASB) has issued several statements to be implemented in the next few years. GASB Statement No. 68, related to the *Accounting and Financial Reporting for Pensions*, will result in change as PBS Guam will be required to report its pro rata share of \$934K of GovGuam's net pension liability. This long-term liability of \$934K will be reflected on PBS' financial statements in FY

2015. Implementation of this statement will have a material effect on the financial statements of PBS Guam.

Outlook for PBS Guam

Technology and market trends raised some challenges for PBS Guam in FY 2014. The local rollout of 4G LTE service accelerated the obsolescence of broadcast service. The migration of PBS Guam's local content, production and delivery processes towards streaming, and video-on-demand services via broadband is needed to remain relevant and valued to Guam consumers. Activation of one additional digital broadcast channel (KGTF Channel 12.2) is designed to carry additional locally produced non-commercial educational programming in high-definition (HD) format.

PBS Guam invested in new equipment to upgrade its camera and editing suites, full high definition remote site recording, and in-studio broadcast capabilities. PBS Guam production staff are working hard to keep pace with production demands and current standards. Donation of a 20 kilowatt generator was solicited to support activities in the main building in the event of an extended power outage. In-house maintenance for buildings and equipment is ongoing for continued reliability and cost containment.

PBS Guam continues to forge relationships with adjacent educational institutions, conducting fieldtrips for Broadcast Production students at the University of Guam and Guam Community College Visual Communication secondary program students from George Washington High School. PBS Guam also partnered with Hurao, Inc. in 2013 providing in-kind assistance to help Hurao meet FCC license requirement and continue to design its production facility, train volunteers, and develop a broadcast presence.

PBS Guam has not had a quorum since May 2014, given that there are four vacancies in its seven member Board of Trustees. Despite not having a full board, PBS Guam's Management informs the remaining Board of Trustees of its efforts to build staff and facility assets to improve and extend broadcast and educational services.

For a more detailed commentary on the PBS Guam's operations, refer to the Management's Discussion and Analysis in the audit report. For more details, view the reports in their entirety at www.opaguam.org or www.pbsguam.org.