



Guam Educational Telecommunications Corporation (PBS Guam) FY 2017 Financial Highlights

April 27, 2018

The Guam Educational Telecommunication Corporation (dba PBS Guam) closed fiscal year (FY) 2017 with a decrease in net position (net loss) of \$192 thousand (K). This amount was \$36K (16%) less than its net loss of \$228K in the prior year. Due to the implementation of Governmental Accounting Standards Board (GASB) No. 73, PBS Guam's FY 2016 financial statements were restated.

Independent Auditors Deloitte & Touche, LLP, rendered an unmodified (clean) opinion on PBS Guam's financial statements. PBS Guam is commended for its tenth consecutive year without any material weaknesses and significant deficiencies in its Report on Internal Control over Financial Reporting and Compliance. The Chamorro Language Commission is currently assisting the Office of Public Accountability (OPA) with determining the appropriate Chamorro designation for a "low-risk auditee" that do not receive federal funding. Given the PBS Guam's accomplishments, and issuing their financial audits by March 31 (with FY 2017 being the exception), the PBS Guam qualified for the OPA's designation.

Decrease in Revenues and Expenses

PBS Guam's revenues were derived mainly from the CPB Grants of \$588K, or 40% of total revenues, and the Government of Guam (GovGuam) appropriations of \$581K, or 39%. PBS Guam's total revenues decreased by 7%, or \$114K, from \$1.6 million (M) in FY 2016 to \$1.5M in FY 2017, largely due to decreased Corporation for Public Broadcasting (CPB) Grants. The decrease in CPB Grants was due to the resignation of two full-time employees in 2017

Overall expenses decreased by \$150K, going from \$1.8M in FY 2016 to \$1.7M in FY 2017. This was primarily due to decreases of expenditures in station upgrade, program broadcasting, personnel services and fringe benefits accounts. Although program services decreased by \$30K or 17%, this was offset by the \$25K or 4% increase in supporting services.

Government Accounting Statement – Post-Employment Benefits

In FY 2017, PBS Guam implemented the GASB No. 73, which aligns the reporting of pensions, ad hoc cost-of-living allowance (COLA), and supplemental annuity payments. The implementation had a material effect on PBS Guam's financial statements resulting in the restatement of its FY 2016 financial statements, which decreased the net position by \$133K.

As of FY 2017, PBS Guam's net pension liability of \$1.1M includes its proportionate share in GovGuam's pension of \$927K, and ad hoc COLA and supplemental annuity payments of \$137K. Pension expense amounted to \$913K in FY 2017.

Report on Internal Control and Management Letter

The independent auditors did not identify any material weaknesses or significant deficiencies in PBS Guam's Report on Internal Control over Financial Reporting and Compliance. The auditors issued a Management Letter that identified three deficiencies pertaining to: (1) 16 fully depreciated fixed assets totaling \$195K, which were not in use, obsolete or non-existent; (2) non-specific recording of asset description; and (3) an \$8K service contract awarded to an employee where the Request for Proposal was limited to employees where only two quotations were obtained.

Summary of Adjustments and Uncorrected Misstatements

In FY 2017, the auditors proposed ten adjustments that resulted in a \$147K decrease to net position. There were no uncorrected misstatements.

Subsequent Event

The United States Federal Government enacted and signed into law the Tax Cuts and Jobs Act (TCJA) of 2017. Subsequent to the passage of TCJA, the Governor of Guam issued in January 2018 a directive to all government agencies to evaluate the negative impact TCJA will have on GovGuam. Consequently, PBS Guam did not receive a reduction to its FY 2018 appropriation.

Outlook for PBS Guam

President Trump's proposal to cut funding for public broadcasting and the arts, the ongoing North Korea threat, the local Administration's proposal for a 50% increase in business privilege tax and the shortage in foreign contract workers in Guam are some of the issues and challenges PBS Guam is facing with today. This environment affects PBS Guam and its community donors and sponsors directly or indirectly. The federal government's denial in foreign worker visa, for example, has reduced the underwriters in the construction industry

In 2017, PBS Guam has seen decrease in underwriters, sponsorships, kid's memberships, regular memberships, and new developments. The imbalance of workforce to workload in the Development Department, which is responsible for retaining and increasing financial support, affected the overall relationship within the community thus losing a large percentage of the organization's underwriters, sponsors, and members. Fundamentally, the decline in financial performance, which essentially affected PBS Guam's positioning, was due largely to the lack of a sales team. Furthermore, the lack of local programming also contributed to the challenge in generating new underwriters or retaining existing ones. With new personnel and fresh minds coming in, there is opportunity for PBS Guam's revival and growth.

PBS Guam continues to leverage on its mission to provide the community with quality educational programming. Since the population is headed towards alternative non-cable, non-commercial telecommunication wireless outlets, PBS Guam's major demographic are parents with young children who watch PBS Kids programming on television who may not have subscription to digital cable network. Nationally, PBS Kids is still one of the top rated kids network and is the preferred network by mothers.

As a matter of disclosure, the Public Auditor's stepson is the PBS Guam Board Chairman.

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