

HAWAII PUBLIC RADIO

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
As of and for the Year Ended June 30, 2022
(With Prior Year Comparative Information)**





INDEPENDENT AUDITOR'S REPORT

Hawaii Public Radio:

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of Hawaii Public Radio (HPR), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HPR as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of HPR and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HPR's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HPR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HPR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Prior Year Summarized Comparative Information

We have previously audited HPR's financial statements as of and for the year ended June 30, 2021, and we expressed an unmodified opinion on those audited financial statements in our report dated November 30, 2021. In our opinion, the accompanying prior year summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CW ASSOCIATES, CPAs

CW Associates, CPAs
Honolulu, Hawaii
November 21, 2022



HAWAII PUBLIC RADIO
STATEMENT OF FINANCIAL POSITION
As of June 30, 2022
(With Prior Year Comparative Information)

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 4,313,807	\$ 5,126,729
Accounts receivable – net	187,796	235,683
Pledges receivable – net	219,227	253,702
Prepaid expenses and other current assets	157,591	144,504
Beneficial interest in charitable lead trust – current	32,246	105,000
Total current assets	<u>4,910,667</u>	<u>5,865,618</u>
NONCURRENT ASSETS		
Investments in marketable securities	10,752,348	9,883,192
Property and equipment – net	1,271,569	1,334,084
Beneficial interest in charitable lead trust – noncurrent	-	32,246
Station licenses – net	106,417	112,917
Total noncurrent assets	<u>12,130,334</u>	<u>11,362,439</u>
TOTAL ASSETS	<u>\$ 17,041,001</u>	<u>\$ 17,228,057</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 347,616	\$ 308,443
Accrued liabilities	180,292	180,581
Refundable advances	-	2,470
Total current liabilities	<u>527,908</u>	<u>491,494</u>
TOTAL LIABILITIES	<u>527,908</u>	<u>491,494</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	14,543,371	14,544,495
Invested in property and equipment	1,271,569	1,334,084
Total net assets without donor restrictions	<u>15,814,940</u>	<u>15,878,579</u>
Net assets with donor restrictions	698,153	857,984
Total net assets	<u>16,513,093</u>	<u>16,736,563</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,041,001</u>	<u>\$ 17,228,057</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Membership	\$ 4,105,158	\$ 4,081,682
Underwriting	1,919,059	1,682,644
Investment income (loss) – net	(1,286,942)	1,331,792
Net assets released from donor restrictions	484,859	295,397
Contributions without donor restrictions	430,265	520,292
Grant from the Corporation for Public Broadcasting	271,879	236,572
In-kind contributions	28,863	54,081
Program event revenue	1,780	7,501
Special events – net	23	1,423
Other income	11,168	11,126
Total revenue and support	<u>5,966,112</u>	<u>8,222,510</u>
Expenses		
Program services		
Programming and production	2,536,291	2,403,307
Broadcasting	1,499,187	1,479,046
Program information	295,685	245,978
Total program services	<u>4,331,163</u>	<u>4,128,331</u>
Supporting services		
Fundraising and development	1,336,194	1,364,612
Management and general	362,394	379,694
Total supporting services	<u>1,698,588</u>	<u>1,744,306</u>
Total expenses	<u>6,029,751</u>	<u>5,872,637</u>
Increase (decrease) in net assets without donor restrictions	<u>(63,639)</u>	<u>2,349,873</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	226,311	113,605
Investment income with donor restrictions	137	28
Grant from the Corporation for Public Broadcasting	98,580	317,859
Net assets released from donor restrictions	(484,859)	(295,397)
Increase (decrease) in net assets with donor restrictions	<u>(159,831)</u>	<u>136,095</u>
INCREASE (DECREASE) IN NET ASSETS	(223,470)	2,485,968
NET ASSETS – Beginning of the year	<u>16,736,563</u>	<u>14,250,595</u>
NET ASSETS – Ending of the year	<u>\$16,513,093</u>	<u>\$16,736,563</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

	Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising and Development	Management and General	Total Supporting Services	2022 Total	2021 Total
Salaries, wages, and benefits	\$ 1,364,436	\$ 468,208	\$234,646	\$2,067,290	\$ 818,692	\$276,946	\$ 1,095,638	\$ 3,162,928	\$ 3,151,227
Programming NPR/PRI/PRX/APM	659,806	-	-	659,806	-	-	-	659,806	633,244
Occupancy	51,794	413,345	2,208	467,347	22,696	15,961	38,657	506,004	479,423
Professional and contract services	83,655	122,214	16,821	222,690	41,548	26,404	67,952	290,642	261,804
Depreciation and amortization	51,120	175,060	5,338	231,518	22,415	4,287	26,702	258,220	255,995
Repairs and maintenance	66,501	79,727	7,748	153,976	42,031	6,106	48,137	202,113	168,239
Supplies	8,448	31,698	1,253	41,399	113,141	4,675	117,816	159,215	137,867
Telephone/Communications	7,649	134,486	915	143,050	11,604	2,572	14,176	157,226	158,289
Merchant fees	-	-	-	-	128,048	-	128,048	128,048	130,194
Membership dues	98,942	-	-	98,942	9,549	1,452	11,001	109,943	108,334
Insurance	20,328	40,681	3,178	64,187	10,887	10,126	21,013	85,200	79,714
Programming and production	80,711	-	-	80,711	-	-	-	80,711	90,040
Printing and publications	11,826	2,224	9,137	23,187	48,373	1,320	49,693	72,880	64,621
Postage and shipping	105	242	43	390	36,921	1,063	37,984	38,374	36,096
Donated services	400	28,250	213	28,863	-	-	-	28,863	33,901
Parking, mileage, and fuel	15,361	595	2,067	18,023	7,153	1,373	8,526	26,549	28,716
Bad debts	-	-	-	-	14,474	-	14,474	14,474	8,650
Travel	4,424	-	446	4,870	55	4,176	4,231	9,101	-
Conferences and meetings	2,813	-	1,051	3,864	1,727	461	2,188	6,052	3,409
Program events	3,003	-	-	3,003	-	-	-	3,003	5,292
Special events	-	-	-	-	1,569	-	1,569	1,569	250
Miscellaneous	4,969	2,457	10,621	18,047	6,880	5,472	12,352	30,399	37,582
Total expense by function	2,536,291	1,499,187	295,685	4,331,163	1,337,763	362,394	1,700,157	6,031,320	5,872,887
Direct costs of special events reported net with revenue in statement of activities	-	-	-	-	(1,569)	-	(1,569)	(1,569)	(250)
Total expenses	<u>\$ 2,536,291</u>	<u>\$ 1,499,187</u>	<u>\$ 295,685</u>	<u>\$ 4,331,163</u>	<u>\$ 1,336,194</u>	<u>\$ 362,394</u>	<u>\$ 1,698,588</u>	<u>\$ 6,029,751</u>	<u>\$ 5,872,637</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO

STATEMENT OF CASH FLOWS

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (223,470)	\$ 2,485,968
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities		
Depreciation and amortization	258,220	255,995
In-kind contribution of property and equipment	-	(20,180)
(Gains) losses on investments in marketable securities	1,577,735	(1,186,690)
Contribution of marketable securities	(323,047)	(328,719)
Loss on disposal of property and equipment	-	2,939
(Increase) decrease in		
Accounts receivable – net	47,887	(152,833)
Pledges receivable – net	34,475	(61,527)
Prepaid expenses and other current assets	(13,087)	(2,536)
Beneficial interest in charitable lead trust	105,000	105,000
Increase (decrease) in		
Accounts payable	39,173	35,466
Accrued liabilities	(289)	26,381
Refundable advances	(2,470)	2,470
Cash provided by operating activities	<u>1,500,127</u>	<u>1,161,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments in marketable securities	6,822,410	17,548,128
Purchases of investments in marketable securities	(8,946,254)	(17,693,575)
Additions to property and equipment	(189,205)	(71,101)
Net cash used by investing activities	<u>(2,313,049)</u>	<u>(216,548)</u>
NET INCREASE (DECREASE) IN CASH	(812,922)	945,186
CASH – Beginning of the year	<u>5,126,729</u>	<u>4,181,543</u>
CASH – Ending of the year	<u><u>\$ 4,313,807</u></u>	<u><u>\$ 5,126,729</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash operating and investing activity –		
Contribution of marketable securities	\$ 323,047	\$ 328,719

See accompanying notes to the financial statements.

HAWAII PUBLIC RADIO
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Hawaii Public Radio (HPR) was incorporated in the State of Hawaii on April 10, 1984 to provide non-commercial, cultural, and informational programming in the State of Hawaii, the nation, and international community. HPR is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to HPR are tax deductible.

HPR provides statewide coverage over two discrete programming streams: HPR-1 provides news, talk, jazz, blues, and world music; and HPR-2 provides classical music. The radio station and all operations are conducted from facilities in Honolulu, Hawaii. Broadcasting for HPR-1 and HPR-2 is from Honolulu on 88.1 FM (KHPR) and 89.3 FM (KIPO), respectively. HPR's signals extend across the eight main Hawaiian Islands with 16 additional stations under the following call signs and frequencies:

<u>Island(s)</u>	<u>HPR-1</u>	<u>HPR-2</u>
Hawaii	KANO 89.1 KHPH 88.7 K235CN 94.9	KAHU 91.3 K239BV 95.7 K283CR 104.5
Maui, Molokai, Lanai	KKUA 90.7 KJHF 103.1	KIPM 89.7 KIPH 88.3
Oahu	KHPR 88.1 K203EL 88.5	KIPO 89.3 K264BL 100.7
Kauai	KIPL 89.9	K269GD 101.7

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require HPR to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of HPR. These net assets may be used at the discretion of HPR's management and board of directors.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HPR or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (\$311,672 and \$310,372 as of June 30, 2022 and 2021, respectively).

The accompanying financial statements include prior year comparative information that does not constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with HPR's financial statements as of and for the year ended June 30, 2021, from which the information was derived.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the previously reported change in net assets.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject HPR to credit risk include cash, accounts receivable, pledges receivable, and investments in marketable securities. At June 30, 2022 and 2021, HPR's cash on deposit exceeded the related federal deposit insurance by approximately \$4,399,300 and \$4,941,600, respectively. Accounts receivable and pledges receivable, which have been reduced by estimated allowances for doubtful accounts, are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections. The estimated allowance for uncollectible accounts receivable amounted to \$5,000 at June 30, 2022 and 2021. The estimated allowance for uncollectible pledges receivable amounted to \$14,000 and \$13,500 at June 30, 2022 and 2021, respectively. Investments in marketable securities are insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of three to 39 years for building and improvements and broadcast equipment; and five years for furniture and fixtures and other equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. Additions, betterments, and improvements over \$1,000 are capitalized.

Revenue and Expense Recognition

Revenue is recognized when the services are provided to the customer. Revenue from performance obligations satisfied at a point in time consisted of program event revenue of \$1,780 and \$7,501 and special events revenue of \$1,592 and \$1,673 for the years ended June 30, 2022 and 2021, respectively. HPR records special events revenue equal to the fair value of direct benefits provided to donors, and contribution revenue for the excess received when the event takes place. Revenue from performance obligations satisfied over time consisted of other income of \$11,168 and \$11,126 for the years ended June 30, 2022 and 2021, respectively. Revenue from other than performance obligations consisted of investment income (loss) of (\$1,286,805) and \$1,331,820, respectively.

Expenses are recognized when the related liability is incurred. HPR allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated to the various programs and supporting services based on estimates by management, including level of effort for salaries, wages, and benefits and usage for other costs.

Grants and Contracts

HPR's revenue from grants is based on agreements with the Corporation for Public Broadcasting (CPB) and other entities such as private foundations, and organizations and individuals for membership and underwriting. HPR recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. CPB may restrict all grants or a portion of grants for specific purposes, such as for the acquisition, production, promotion and/or distributions of national programming. For grants and contracts classified as conditional contributions, revenue is recognized when the conditions are met. Grant and contract agreements may contain a right of return or a right of release from obligation provision and HPR may have limited discretion over how funds transferred should be spent. As such, HPR recognizes revenue for those conditional contributions when the related barriers have been overcome. HPR considers all revenue from membership and underwriting to be contributions as the members and sponsors receive minimal direct benefits.

HAWAII PUBLIC RADIO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts (continued)

Amounts received prior to incurring qualified expenditures are reported as refundable advances in the statement of financial position. Qualifying expenditures incurred, but for which reimbursement has not yet been received, are reported as accounts receivable. Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Donor Contributions

HPR recognized contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in investment income (loss). Investments in marketable securities are classified as current or noncurrent based on their intended use.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on certain gross receipts of HPR within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax is included in various expense accounts. For the years ended June 30, 2022 and 2021, Hawaii general excise tax amounted to \$111 and \$17, respectively.

Income Taxes

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated HPR's tax positions as of June 30, 2022 and 2021 and for the years then ended, and determined that HPR had no uncertain tax positions required to be reported in accordance with U.S. GAAP. HPR is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities and provide enhanced disclosures including disaggregation of the contributed assets by type; whether the assets were monetized or utilized during the reporting period, and if utilized, by which programs; policy on when assets are monetized rather than utilized; description of any donor imposed restrictions; and description of the valuation techniques to determine the fair value of the assets.

HPR implemented this ASU in the year ended June 30, 2022. The implementation of the ASU did not impact the accounting for the contributed nonfinancial assets.

NOTE B – LIQUIDITY

HPR monitors the liquidity required to meet its operating and capital needs for the 12-month period following the statement of financial position date. HPR has various sources of liquidity including cash, accounts and pledges receivables, and investments in marketable securities. Accounts and pledges receivables are subject to implied time restrictions, but are expected to be collected within one year. Investments in marketable securities are not included in the financial assets available to meet cash needs for general expenditures within one year as HPR does not intend to use investments in marketable securities for general operating purposes, except for a variable allocation of investment income allocated annually by the HPR Board of Directors.

The following reflects the financial assets of HPR as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Cash (including interest-bearing accounts)	\$4,313,807	\$5,126,729
Accounts receivable – net	187,796	235,683
Pledges receivable – net	<u>219,227</u>	<u>253,702</u>
Total financial assets	4,720,830	5,616,114
Net assets with donor restrictions	<u>(698,153)</u>	<u>(857,984)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$4,022,677</u>	<u>\$4,758,130</u>

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2022 and 2021, investments in marketable securities consisted of the following:

	<u>2022</u>	<u>2021</u>
Exchange traded funds	\$ 4,160,323	\$ 4,574,571
Mutual funds	3,514,507	3,661,521
Cash management accounts	3,067,880	1,333,935
Certificate of deposit	-	309,952
Common stock	<u>9,638</u>	<u>3,213</u>
Total investments in marketable securities	<u>\$10,752,348</u>	<u>\$ 9,883,192</u>

For the years ended June 30, 2022 and 2021, investment income (loss) consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 363,961	\$ 208,525
Net realized gains from sales of investments	30,750	684,397
Net unrealized gains (losses) from holding investments	<u>(1,608,485)</u>	<u>502,293</u>
Investment income (loss)	(1,213,774)	1,395,215
Investment fees	<u>(73,031)</u>	<u>(63,395)</u>
Investment income (loss) – net	<u>\$ (1,286,805)</u>	<u>\$ 1,331,820</u>

The Finance Committee of the HPR Board of Directors is responsible for overseeing HPR's investment activities. This includes developing a spending policy, selecting appropriate service providers, establishing asset class ranges, reviewing performance, reviewing current funding levels, and recommending changes to HPR's Investment Policy Statement. The primary objective is to obtain a return sufficient for HPR to achieve its spending policy goals. The investment approach and allocation strategy is to take a long-term view of building value in quality investments, while minimizing risk and preserving the investments.

NOTE D – FAIR VALUE MEASUREMENTS

U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2022 and 2021, the fair value measurements reportable by HPR (see Note C) consisted of exchange-traded funds, mutual funds, and common stock valued at quoted market prices; cash management accounts valued at stated value (Level 1 measurements); and a certificate of deposit valued at cost, which approximates fair value (Level 2 measurement). There were no investments for which Level 3 valuation inputs were required. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following sets forth by level, within the fair value hierarchy, HPR's investments at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds				
Large-cap equity	\$ 2,152,499	\$ -	\$ -	\$ 2,152,499
Intermediate-term bonds	1,076,283	-	-	1,076,283
Mid-cap equity	588,750	-	-	588,750
Preferred stock	342,791	-	-	342,791
Total exchange-traded funds	<u>4,160,323</u>	<u>-</u>	<u>-</u>	<u>4,160,323</u>
Mutual funds				
Intermediate-term bonds	1,070,256	-	-	1,070,256
International	1,039,119	-	-	1,039,119
Short-term bond	762,525	-	-	762,525
Bank loan	374,882	-	-	374,882
Small-cap equity	267,725	-	-	267,725
Total mutual funds	<u>3,514,507</u>	<u>-</u>	<u>-</u>	<u>3,514,507</u>
Cash management accounts	3,067,880	-	-	3,067,880
Common stock	9,638	-	-	9,638
Total investments at fair value	<u>\$ 10,752,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,752,348</u>

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, HPR's investments at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds				
Large-cap equity	\$ 2,423,490	\$ -	\$ -	\$ 2,423,490
Intermediate-term bonds	1,100,825	-	-	1,100,825
Mid-cap equity	680,527	-	-	680,527
Preferred stock	<u>369,729</u>	<u>-</u>	<u>-</u>	<u>369,729</u>
Total exchange-traded funds	<u>4,574,571</u>	<u>-</u>	<u>-</u>	<u>4,574,571</u>
Mutual funds				
Intermediate-term bonds	1,104,827	-	-	1,104,827
International	1,115,411	-	-	1,115,411
Short-term bond	730,134	-	-	730,134
Bank loan	367,076	-	-	367,076
Small-cap equity	<u>344,073</u>	<u>-</u>	<u>-</u>	<u>344,073</u>
Total mutual funds	<u>3,661,521</u>	<u>-</u>	<u>-</u>	<u>3,661,521</u>
Cash management accounts	1,333,935	-	-	1,333,935
Certificate of deposit	-	309,952	-	309,952
Common stock	<u>3,213</u>	<u>-</u>	<u>-</u>	<u>3,213</u>
Total investments at fair value	<u>\$ 9,573,240</u>	<u>\$ 309,952</u>	<u>\$ -</u>	<u>\$ 9,883,192</u>

NOTE E – PROPERTY AND EQUIPMENT

At June 30, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 2,705,094	\$ 2,903,627
Broadcast equipment	2,575,294	2,632,069
Furniture, fixtures, and office equipment	403,602	357,842
Other equipment	<u>76,311</u>	<u>76,311</u>
Total depreciable assets	<u>5,760,301</u>	<u>5,969,849</u>
Accumulated depreciation	<u>(4,609,759)</u>	<u>(4,756,792)</u>
Total depreciable assets – net	<u>1,150,542</u>	<u>1,213,057</u>
Land	<u>121,027</u>	<u>121,027</u>
Property and equipment – net	<u>\$ 1,271,569</u>	<u>\$ 1,334,084</u>

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE F – BENEFICIAL INTEREST IN CHARITABLE LEAD TRUST

HPR is the beneficiary of a charitable lead trust, the terms of which provide that HPR is entitled to receive twenty annual payments of \$105,000 through 2028, discounted using an 8% annual rate, if funds are available in the trust. At June 30, 2022 and 2021, the discounted present value of the remaining funds in the trust, recognized in the statements of financial position amounted to the following:

	<u>2022</u>	<u>2021</u>
Beneficial interest in charitable lead trust – current	\$32,246	\$ 105,000
Beneficial interest in charitable lead trust – noncurrent	<u>-</u>	<u>32,246</u>
Beneficial interest in charitable lead trust	<u>\$32,246</u>	<u>\$ 137,246</u>

NOTE G – DONATED PROPERTY AND EQUIPMENT AND SERVICES

In-kind contributions of property and equipment and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as assets or expenses in the same amount. For the year ended June 30, 2022, donated property and equipment and services amounted to \$0 and \$28,863, respectively. For the year ended June 30, 2021, donated property and equipment and services amounted to \$20,180 and \$33,901, respectively.

The fair value of the donated property and equipment is based on the wholesale or retail price of the items at the time of the donation. The fair value of the services received is based on what HPR would have paid for the specialized service provided.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by HPR. A number of unpaid volunteers have made contributions of their time to HPR. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions for		
Endowment fund	\$311,672	\$ 310,372
Studio renovation	115,988	-
Program support	105,358	210,716
Eblen – building fund	100,190	100,053
Beneficial interest in charitable lead trust	32,246	137,246
Hawaii Community Foundation	23,503	92,462
Other activities	<u>9,196</u>	<u>7,135</u>
Total net assets with donor restrictions	<u>\$698,153</u>	<u>\$ 857,984</u>

NOTE I – DONOR RESTRICTED ENDOWMENT

At June 30, 2022 and 2021, HPR maintained a general endowment fund to which donors may make contributions that are restricted in perpetuity. The earnings of the endowment fund are for the benefit of HPR unless such earnings are related to contributions that are restricted by the donor (none to date). For the years ended June 30, 2022 and 2021, donor restricted contributions to the endowment amounted to \$1,300 and \$1,000, respectively. At June 30, 2022 and 2021, net assets restricted for the endowment fund amounted to \$311,672 and \$310,372, respectively.

U.S. GAAP provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an amended version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted in the State of Hawaii on July 1, 2009. The Board of Directors of HPR has interpreted the Act as requiring the preservation of the original gift of donor-restricted endowment funds as net assets with donor restriction, absent explicit donor stipulations to the contrary. The policy adopted by HPR for such endowment contributions classifies general endowment gifts as net assets with donor restrictions.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

NOTE I – DONOR RESTRICTED ENDOWMENT (Continued)

Changes in donor restricted endowments for the year ended June 30, 2022 and 2021 were as follows:

Balance as of June 30, 2020	\$309,372
Contributions	1,000
Realized and unrealized gains	59,334
Interest and dividends	7,275
Appropriated for expenditure	<u>(66,609)</u>
Balance as of June 30, 2021	310,372
Contributions and additions	1,300
Realized and unrealized losses	<u>(10,459)</u>
Interest and dividends	<u>10,459</u>
Balance as of June 30, 2022	<u><u>\$311,672</u></u>

NOTE J – LEASES

HPR leases land and office equipment under various operating lease agreements expiring through February 2031. For the years ended June 30, 2022 and 2021, land and office equipment rent expense, which is recorded in various expense accounts, amounted to \$278,229 and \$299,993, respectively. At June 30, 2022, future minimum lease payments approximated the following:

Years Ending June 30th	
2023	\$ 162,300
2024	\$ 110,600
2025	\$ 112,500
2026	\$ 114,700
2027	\$ 125,300
Thereafter	\$ 443,800

NOTE K – RETIREMENT PLAN

HPR sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employees who complete a minimum of 1,000 hours of service within a continuous 12-month period are eligible to participate in the plan. The plan provides for eligible participants to receive an employer contribution of 5% of eligible wages. A supplemental retirement annuity option allows employees to make contributions upon hire up to statutory limits. For the years ended June 30, 2022 and 2021, employer contributions amounted to \$105,268 and \$112,813, respectively.

HAWAII PUBLIC RADIO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2022
(With Prior Year Comparative Information)**

NOTE L – CONTINGENCIES

HPR may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve these matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

Revenue derived from CPB grants may be subject to audit and adjustment by CPB. Any disallowed amounts, including amounts already collected, may constitute a liability. Management expects such amounts, if any, not to be material to the financial statements. The loss of grants from CPB could have a material adverse effect on HPR.

HPR operates in the State of Hawaii. Local, national, and international events (such as the COVID-19 pandemic and Russia-Ukraine conflict) can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if HPR were to account for future losses or asset impairments, as the effects on the financial statements of HPR from such changes in economic conditions are not presently determinable.

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2022, which is the date the financial statements were available to be issued, and determined that HPR did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.
