

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

**As of and for the Year Ended September 30, 2023
(With Prior Year Comparative Information)**





INDEPENDENT AUDITOR'S REPORT

Kekahu Foundation, Inc., *dba Kauai Community Radio*:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kekahu Foundation, Inc., (Foundation), *dba Kauai Community Radio*, a nonprofit Hawaii corporation, which comprise the statement of financial position as of September 30, 2023, 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 the Foundation as of September 30, 2023, 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 the Foundation 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.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended September 30, 2023, the Foundation adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842) – Leases: Amendments to the FASB Accounting Standards Codification*. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements (continued)

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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities 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 the Foundation'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 the Foundation'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 the Foundation's September 30, 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 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
May 13, 2024



KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

STATEMENT OF FINANCIAL POSITION

As of September 30, 2023
(With Prior Year Comparative Information)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 137,843	\$ 29,394
Prepaid expenses and other current assets	17,040	16,899
Total current assets	<u>154,883</u>	<u>46,293</u>
NONCURRENT ASSETS		
Certificates of deposit	-	250,000
Property and equipment – net	127,033	103,847
Operating lease right-of-use assets – net	186,362	-
Deposits	700	700
Total noncurrent assets	<u>314,095</u>	<u>354,547</u>
TOTAL ASSETS	<u>\$468,978</u>	<u>\$400,840</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 2,692
Deferred revenue	25,489	9,018
Operating lease liabilities	<u>32,313</u>	<u>-</u>
Total current liabilities	57,802	11,710
OPERATING LEASE LIABILITIES – Noncurrent	<u>158,630</u>	<u>-</u>
TOTAL LIABILITIES	<u>216,432</u>	<u>11,710</u>
NET ASSETS		
Net assets without donor restrictions	<u>252,546</u>	<u>389,130</u>
Total net assets	<u>252,546</u>	<u>389,130</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$468,978</u>	<u>\$400,840</u>

See accompanying notes to the financial statements.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Membership dues	\$ 112,462	\$ 158,738
Underwriting	70,657	68,712
CPB grants	58,623	66,646
Contributions and grants	18,213	22,517
Interest and other income	2,014	2,368
In-kind donations	1,400	18,700
Total revenue and support	<u>263,369</u>	<u>337,681</u>
Expenses		
Program services	349,175	339,843
Fundraising and development	26,247	32,578
Management and general	24,531	29,768
Total expenses	<u>399,953</u>	<u>402,189</u>
Decrease in net assets without donor restrictions	<u>(136,584)</u>	<u>(64,508)</u>
DECREASE IN NET ASSETS	(136,584)	(64,508)
NET ASSETS – Beginning of the year	<u>389,130</u>	<u>453,638</u>
NET ASSETS – Ending of the year	<u>\$252,546</u>	<u>\$389,130</u>

See accompanying notes to the financial statements.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

	Program Services	Fundraising and Development	Management and General	2023 Total	2022 Total
Salaries and wages	\$ 145,155	\$ 10,912	\$ 10,197	\$ 166,264	\$ 157,353
Lease rent	50,873	3,824	3,574	58,271	52,884
Utilities	26,715	2,008	1,877	30,600	29,243
Professional services	25,733	1,934	1,808	29,475	44,175
Employee benefits	17,314	1,301	1,216	19,831	19,754
Insurance	16,369	1,230	1,150	18,749	14,879
Payroll taxes	14,096	1,059	990	16,145	13,891
Depreciation	12,662	952	890	14,504	17,640
Repairs and maintenance	8,460	636	594	9,690	6,452
Membership supplies	6,393	481	449	7,323	7,310
Telephone and internet	5,730	431	403	6,564	6,414
Office	3,938	296	277	4,511	1,691
Webcasting	3,737	281	263	4,281	4,900
Bank and merchant fees	3,588	270	252	4,110	4,590
Dues and subscriptions	3,296	248	232	3,776	3,775
Postage and delivery	1,885	142	132	2,159	2,330
Program support	1,441	108	101	1,650	13,456
Equipment rental	1,048	79	74	1,201	1,200
Events	218	16	15	249	200
Convention	524	39	37	600	52
	<u>\$ 349,175</u>	<u>\$ 26,247</u>	<u>\$ 24,531</u>	<u>\$ 399,953</u>	<u>\$ 402,189</u>
Total expenses					

See accompanying notes to the financial statements.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$(136,584)	\$ (64,508)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Operating lease payments less straight-line expenses	4,581	-
Depreciation	14,504	17,640
(Increase) decrease in		
Accounts receivable – net	-	680
Prepaid expenses and other current assets	(141)	(4,525)
Increase (decrease) in		
Accounts payable	(2,692)	(1,030)
Deferred revenue	16,471	4,974
Net cash used by operating activities	<u>(103,861)</u>	<u>(46,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(37,690)	(4,809)
(Additions) deductions to certificates of deposit	250,000	(180,000)
Net cash provided (used) by investing activities	<u>212,310</u>	<u>(184,809)</u>
NET INCREASE (DECREASE) IN CASH	108,449	(231,578)
CASH – Beginning of the year	<u>29,394</u>	<u>260,972</u>
CASH – Ending of the year	<u>\$ 137,843</u>	<u>\$ 29,394</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing activity – additions to operating lease right-of-use assets	\$ 186,362	\$ -
Noncash financing activity – additions to operating lease liabilities	\$ 190,943	\$ -

See accompanying notes to the financial statements.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Kekahu Foundation, Inc., (Foundation), *dba Kauai Community Radio*, was incorporated in the State of Hawaii on April 12, 1994 to instruct and disseminate educational and cultural material in the public interest through a community radio station and other means. The radio station and all operations are conducted from facilities in Hanalei, Hawaii. Broadcasting is on the following frequencies: 90.9 FM North Shore Kaua‘i (KKCR Hanalei – transmitter in Princeville), 91.9 FM Kīlauea to Kekaha (KAQA Kīlauea – transmitters in Kīlauea and Mt. Kāhili), 92.7 FM (K224CQ Anahola – transmitter in Moloa‘a), and 88.9 FM Honolulu, O‘ahu (K205FM Honolulu – transmitter on Mauna Kapu, Oahu). The broadcast is also streamed from the website www.kkcr.org.

In the wake of Hurricane Iniki in 1992, community members in Hanalei, Hawaii gathered to develop a plan to stay connected, informed, and safe. Their brainchild was *Kauai Community Radio*, an organization committed to providing relevant, accurate, and timely information during times of crisis. It is also dedicated to representing the unique character of the island community. The Kauai Island program schedule includes vintage and contemporary Hawaiian music, jazz, blues, alternative, reggae, world, classical, and rock music. “Kauai Live” features in-studio performances from local and visiting artists. Public affairs programming includes weekly call-in talk shows, a Hawaiian entertainment calendar, a community calendar, and an arts and entertainment calendar. Special interest programs include gardening, island pets, health and wellness, and teen radio.

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 the Foundation 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 the Foundation. These net assets may be used at the discretion of the Foundation’s management and board of directors.

Net Assets with Donor Restrictions (none in 2023 and 2022) 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 the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The accompanying financial statements include certain prior year comparative information that is not in sufficient detail to constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements of the Foundation as of and for the year ended September 30, 2022, from which the information was derived.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Foundation to credit risk include cash. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$0 and \$6,400 at September 30, 2023 and 2022, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded as required by federal regulations.

Cash and Certificates of Deposit

The Foundation considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Certificates of deposit with an original maturity date of one year or more are considered to be noncurrent assets.

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 the shorter of the lease term or estimated useful lives of three to 10 years for leasehold improvements and three to 10 years for broadcast 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. Expenditures for property and equipment over \$1,000 are capitalized.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are evaluated as operating or finance leases upon commencement, and are accounted for accordingly. Specifically, a lease contains an explicitly or implicitly identified asset, the Foundation retains substantially all of the economic benefits from the use of the underlying asset, and directs how and for what purpose the asset is used during the term of the lease in exchange for consideration. The Foundation assesses whether a contract is or contains a lease at inception of the contract.

For the year ended September 30, 2022, operating leases were recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840, *Leases*. Operating leases were expensed over the terms of the leases on a straight-line basis.

Beginning October 1, 2022, the Foundation accounts for its leases in accordance with FASB ASC 842, *Leases*. In accordance with ASC 842, an operating right-of-use asset and operating lease liability are recognized at the present value of future lease payments. The Foundation recognizes the right-of-use asset and operating lease liability at the inception of a lease if such amounts are material to the financial statements.

The lease term used to calculate the right-of-use asset and operating lease liability at the commencement of a lease includes the impacts of options to extend or terminate the lease. Existing economic conditions; the nature, length, and terms of the lease agreement; and the expected condition of the leased asset at the end of the lease term are factors in assessing the probability of an option to extend or terminate a lease.

The discount rate used to calculate the present value of lease payments is the rate implicit in the lease, when readily determinable, a secured incremental borrowing rate, when the implicit rate is not readily determinable, or a risk-free interest rate when secured incremental borrowing rate is not available.

Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased assets are generally obligations of the Foundation. When such payments are fixed, they are included in the measurement of the lease assets and liabilities and, when variable, are excluded and recognized in the period in which the obligation for those payments is incurred.

Leases that have a term of 12 months or less upon commencement are considered short-term in nature. Such leases are not included in the statement of financial position and are expensed on a straight-line basis over the lease term. The lease agreements of the Foundation do not contain any material residual value guarantees or material restrictive covenants.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to the customer. Revenue from performance obligations satisfied over time include underwriting revenue of \$70,657 and \$68,712 for the years ended September 30, 2023 and 2022, respectively. Revenue from sources other than performance obligations consists of interest and other income of \$2,014 and \$2,368 for the years ended September 30, 2023 and 2022, respectively. Amounts received prior to the provision of the services are reported as deferred revenue (\$25,489 and \$9,018 at September 30, 2023 and 2022, respectively).

Expenses are recorded when the related liability is incurred. The Foundation 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 based on management's estimate of various bases including the percentage of time spent by the Foundation's personnel.

Grants and Contracts

The Foundation's revenue from grants and contracts is based on agreements with the Corporation for Public Broadcasting (CPB) and other entities such as private foundations. The Foundation recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The Foundation's grant with CPB is a cost-reimbursable grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with the grant provisions. Amounts received prior to incurring the qualifying expenses are reported as refundable advances in the statement of financial position (none in 2023 and 2022). Qualifying expenditures that have been incurred or services performed, but for which reimbursement has not yet been received, are reported in the statement of financial positions as grants and contracts receivable (none in 2023 and 2022). Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as revenue in net assets without donor restrictions. The Foundation considers all revenue from membership dues to be contributions as the members receive minimal direct benefits.

Donor Contributions

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

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor Contributions (continued)

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

In-kind Donations

In-kind contributions of 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 expenses or assets in the same amount. 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 the Foundation.

Donated broadcast engineering services were \$200 and \$17,500 for the years ended September 30, 2023 and 2022, respectively. Donated underwriting services were \$1,200 for the years ended September 30, 2023 and 2022. The fair value of the services received is based on what the Foundation would have paid for the services. A number of unpaid volunteers have also made contributions of their time to the Foundation. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on gross receipts within Hawaii, plus an additional 0.5% tax on such gross receipts within the County of Kauai. The gross receipts of the Foundation for the years ended September 30, 2023 and 2022 were exempt from Hawaii general excise tax.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code on exempt purpose income and is not a private foundation. Accordingly, qualifying contributions to the Foundation are tax deductible.

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 the Foundation's tax positions as of and for the years ended September 30, 2023 and 2022, and determined that the Foundation had no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842) – Leases: Amendments to the FASB Accounting Standards Codification*. Under this ASU, lessees are required to recognize assets and liabilities on their balance sheets for all leases with a term of more than 12 months. The assets and liabilities recognize the rights and obligations created by each lease initially measured as the present value of lease payments. This recognition applies to all leases – capital and operating leases. Previously, only capital leases were recognized as assets and liabilities on balance sheets. This ASU also requires disclosures on the amount, timing, and uncertainty of cash flows due to the leases, including qualitative and quantitative information.

The Foundation implemented this ASU during the year ended September 30, 2023, using the modified retrospective transition method, whereby leases that were longer than 12 months as of October 1, 2022 were evaluated and recognized under this ASU. Prior period financial statement balances and disclosures have not been adjusted to reflect the provision of the new lease standard. The Foundation does not have finance leases. See Note D for a summary of leases.

NOTE B – LIQUIDITY

The Foundation’s policy is to maintain cash balances to provide for its general expenditures, liabilities, and other obligations as they come due. Although certificates of deposit are classified as long-term assets on the statement of financial position, the Foundation may use the funds to meet its operating needs.

The following reflects the Foundation’s financial assets as of September 30, 2023 and 2022 available to meet cash needs for general expenditures within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Cash (including interest-bearing accounts)	\$ 137,843	\$ 29,394
Certificates of deposit	<u>-</u>	<u>250,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 137,843</u>	<u>\$ 279,394</u>

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE C – PROPERTY AND EQUIPMENT

At September 30, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 40,238	\$ 40,238
Broadcast equipment	569,641	531,951
Total property and equipment	<u>609,879</u>	<u>572,189</u>
Accumulated depreciation	<u>(482,846)</u>	<u>(468,342)</u>
 Property and equipment – net	 <u>\$ 127,033</u>	 <u>\$ 103,847</u>

NOTE D – LEASES

The Foundation leases land and studio space in Princeville on the Island of Kauai under an operating lease agreement with SOF-XI Kauai PV Golf, LP dba Princeville Makai Golf Club expiring in March 2029 and has a Co-Location Agreement with Mauna Towers at the Kalepa Ridge Tower Site in Hanamaulu on the Island of Kauai expiring in June 2027. In addition, the Foundation has a Co-Location Agreement with Mauna Towers of Hawai'i at Mauna Kapu on the Island of O'ahu (K205FM) expiring in March 2024. Lease rent expense for the years ended September 30, 2023 and 2022 amounted to \$58,271 and \$52,884, respectively.

Supplemental balance sheet and cash flow information related to operating leases as of and for the year ended September 30, 2023 consisted of the following:

Operating lease costs	\$ 45,293	
Short term lease costs		<u>12,978</u>
 Total lease rent expense		 <u>\$ 58,271</u>
 Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 40,712	
Weighted-average remaining lease term for operating leases		5.17
Weighted-average discount rate for operating leases based on risk-free rate		3.87%

KEKAHU FOUNDATION, INC.,
dba Kauai Community Radio

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE D – LEASES (Continued)

At September 30, 2023, undiscounted cash flows for the operating lease liabilities consisted of the following

Years Ending December 31st	
2024	\$ 38,978
2025	38,551
2026	40,932
2027	39,941
2028	34,884
Thereafter	<u>17,826</u>
Total minimum lease payments	211,112
Amount of lease payments representing interest	<u>(20,169)</u>
Present value of future lease payments	190,943
Operating lease liabilities – current	<u>(32,313)</u>
 Operating lease liabilities – noncurrent	 <u>\$ 158,630</u>

At September 30, 2022, future minimum lease payments, under ASC 840, were expected to approximate the following:

Years Ending September 30th	
2023	\$40,700
2024	\$39,000
2025	\$38,600
2026	\$40,900
2027	\$39,900
Thereafter	\$52,700

NOTE E – CONTINGENCIES

The Foundation 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, would not be material to the financial statements. The loss of grant revenue from CPB could have an adverse effect on the Foundation.

KEKAHU FOUNDATION, INC.,
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023
(With Prior Year Comparative Information)

NOTE E – CONTINGENCIES (Continued)

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

NOTE F – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2024, which is the date the financial statements were available to be issued, and determined that the Foundation did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.
