

**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

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

**As of and for the Year Ended September 30, 2022  
(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, 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 the Foundation as of September 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 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.

#### *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 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 March 16, 2022. 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  
February 17, 2023



**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

**STATEMENT OF FINANCIAL POSITION**

**As of September 30, 2022**  
**(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 29,394	\$ 260,972
Accounts receivable – net	-	680
Prepaid expenses and other current assets	16,899	12,374
Total current assets	<u>46,293</u>	<u>274,026</u>
NONCURRENT ASSETS		
Certificates of deposit	250,000	70,000
Property and equipment – net	103,847	116,678
Deposits	700	700
Total noncurrent assets	<u>354,547</u>	<u>187,378</u>
TOTAL ASSETS	<u>\$400,840</u>	<u>\$461,404</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,692	\$ 3,722
Deferred revenue	9,018	4,044
Total current liabilities	<u>11,710</u>	<u>7,766</u>
TOTAL LIABILITIES	<u>11,710</u>	<u>7,766</u>
NET ASSETS		
Net assets without donor restrictions	<u>389,130</u>	<u>453,638</u>
Total net assets	<u>389,130</u>	<u>453,638</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$400,840</u>	<u>\$461,404</u>

See accompanying notes to the financial statements.

**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

**STATEMENT OF ACTIVITIES**

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

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Membership dues	\$ 158,738	\$ 116,728
Underwriting	68,712	61,880
CPB grants	66,646	244,822
Gain on forgiveness of SBA PPP loans	-	64,760
Contributions and grants without donor restrictions	22,517	31,466
In-kind donations	18,700	16,935
Interest and other income	2,368	1,237
Total revenue and support	<u>337,681</u>	<u>537,828</u>
Expenses		
Program services	339,843	302,340
Fundraising and development	32,578	39,846
Management and general	29,768	30,064
Total expenses	<u>402,189</u>	<u>372,250</u>
Increase (decrease) in net assets without donor restrictions	<u>(64,508)</u>	<u>165,578</u>
 INCREASE (DECREASE) IN NET ASSETS	 (64,508)	 165,578
 NET ASSETS – Beginning of the year	 <u>453,638</u>	 <u>288,060</u>
 NET ASSETS – Ending of the year	 <u>\$389,130</u>	 <u>\$453,638</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, 2022**  
**(With Prior Year Comparative Information)**

	Program Services	Fundraising and Development	Management and General	2022 Total	2021 Total
Salaries and wages	\$132,957	\$12,748	\$11,648	\$157,353	\$144,340
Rent	44,685	4,284	3,915	52,884	36,917
Professional services	37,326	3,579	3,270	44,175	41,637
Utilities	24,709	2,369	2,165	29,243	23,705
Employee benefits	16,692	1,600	1,462	19,754	19,666
Depreciation	14,905	1,429	1,306	17,640	23,643
Insurance	12,573	1,205	1,101	14,879	14,154
Payroll taxes	11,738	1,125	1,028	13,891	14,474
Program support	11,370	1,090	996	13,456	14,503
Membership supplies	6,177	592	541	7,310	7,781
Repairs and maintenance	5,451	523	478	6,452	7,157
Telephone and internet	5,419	520	475	6,414	6,361
Webcasting	4,140	397	363	4,900	1,399
Bank and merchant fees	3,878	372	340	4,590	3,737
Dues and subscriptions	3,190	306	279	3,775	3,775
Postage and delivery	1,969	189	172	2,330	2,260
Office	1,429	137	125	1,691	4,925
Equipment rental	1,014	97	89	1,200	1,200
Bad debts	-	-	-	-	452
Events	169	16	15	200	-
Board meetings	-	-	-	-	164
Convention	52	-	-	52	-
	<u>52</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>-</u>
<b>Total expenses</b>	<b><u>\$339,843</u></b>	<b><u>\$32,578</u></b>	<b><u>\$29,768</u></b>	<b><u>\$402,189</u></b>	<b><u>\$372,250</u></b>

See accompanying notes to the financial statements.

**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

**STATEMENT OF CASH FLOWS**

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

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (64,508)	\$ 165,578
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Gain on forgiveness of SBA PPP loans	-	(64,760)
Depreciation	17,640	23,643
(Increase) decrease in		
Accounts receivable – net	680	1,726
Prepaid expenses and other current assets	(4,525)	2,174
Increase (decrease) in		
Accounts payable	(1,030)	3,722
Deferred revenue	4,974	4,044
Net cash provided (used) by operating activities	<u>(46,769)</u>	<u>136,127</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(4,809)	(21,062)
Additions to certificates of deposit	<u>(180,000)</u>	<u>-</u>
Net cash used by investing activities	<u>(184,809)</u>	<u>(21,062)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to SBA PPP loans	<u>-</u>	<u>29,645</u>
Net cash provided by financing activities	<u>-</u>	<u>29,645</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(231,578)</b>	<b>144,710</b>
<b>CASH – Beginning of the year</b>	<u>260,972</u>	<u>116,262</u>
<b>CASH – Ending of the year</b>	<u>\$ 29,394</u>	<u>\$ 260,972</u>

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, 2022**  
**(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](http://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 2022 and 2021) 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, 2021, 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, 2022**  
**(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 and accounts receivable. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$6,400 and \$17,300 at September 30, 2022 and 2021, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded as required by federal regulations. Accounts receivable, which have been reduced by estimated allowances for doubtful accounts (none at September 30, 2022 and 2021), 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.

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, 2022**  
**(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 \$68,712 and \$61,880 for the years ended September 30, 2022 and 2021, respectively. Revenue from sources other than performance obligations consists of gain on forgiveness of SBA PPP loans of \$0 and \$64,760, and interest and other income of \$2,368 and \$1,237 for the years ended September 30, 2022 and 2021, respectively. Amounts received prior to the provision of the services are reported as deferred revenue (\$9,018 and \$4,044 at September 30, 2022 and 2021, 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 2022 and 2021). 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 2022 and 2021). 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, 2022**  
**(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. The Foundation considers membership dues as contributions as the member can elect to have the amount provided be a contribution or elect to receive a gift, the value of which is not significant.

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 \$17,500 and \$15,735 for the years ended September 30, 2022 and 2021, respectively. Donated underwriting services were \$1,200 for the years ended September 30, 2022 and 2021. The fair value of the services received is based on what the Foundation would have paid for the services received. 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, 2022 and 2021 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, 2022 and 2021, 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, 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 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.

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

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. Accounts receivable are subject to implied time restrictions, but are expected to be collected within one year.

The following reflects the Foundation's financial assets as of September 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)	\$ 29,394	\$260,972
Accounts receivable – net	-	680
Certificates of deposit	<u>250,000</u>	<u>70,000</u>
Total financial assets	279,394	331,652
Net assets with donor restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$279,394</u>	<u>\$331,652</u>

**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

NOTE C – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 40,238	\$ 40,238
Broadcast equipment	531,951	527,142
Total property and equipment	<u>572,189</u>	<u>567,380</u>
Accumulated depreciation	<u>(468,342)</u>	<u>(450,702)</u>
 Property and equipment – net	 <u>\$103,847</u>	 <u>\$116,678</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. Rent expense for the years ended September 30, 2022 and 2021 amounted to \$52,884 and \$36,917, respectively.

At September 30, 2022, future minimum lease payments 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

**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**NOTE E – SBA PPP LOAN AND COVID-RELATED FUNDING**

In May 2020, the Foundation applied for and received a \$35,115 Paycheck Protection Program (PPP) first draw loan from Bank of Hawaii. The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity's payroll and other applicable costs. All or a portion of the first draw loan, which matures two years from the date of funding and bears interest at 1% may be forgiven if the Foundation meets the compliance requirements established by the SBA and other federal agencies. In May 2021, the Foundation received notice of forgiveness in full of the PPP first draw loan. Accordingly, the Foundation recognized a gain on forgiveness of SBA PPP loans in the accompanying financial statements for the year ended September 30, 2021.

In February 2021, the Foundation applied for and received a \$29,645 SBA PPP second draw loan from Bank of Hawaii. All or a portion of the loan, which matures five years from the date of funding and bears interest at 1%, may be forgiven if the Foundation meets the compliance requirements established by the SBA and other federal agencies. In September 2021, the Foundation received notice of forgiveness in full of the PPP second draw loan. Accordingly, the Foundation recognized a gain on forgiveness of SBA PPP loans in the accompanying financial statements for the year ended September 30, 2021.

During the year ended September 30, 2021, the Foundation received a \$178,044 American Rescue Plan Act (ARPA) stabilization grant from CPB. The ARPA authorized fiscal stabilization grants to public telecommunications entities to maintain their programming and services and to prevent, prepare for, and respond to the COVID-19 pandemic.

**NOTE F – 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.

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.

**KEKAHU FOUNDATION, INC.,**  
*dba Kauai Community Radio*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 17, 2023, 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.

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