

**KLCS-TV  
A BROADCAST SERVICE  
OF THE  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
JUNE 30, 2010**

**KLCS-TV**  
**A BROADCAST SERVICE**  
**OF THE**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Report of Independent Auditors	1
Financial Statements	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9

## REPORT OF INDEPENDENT AUDITORS

Board of Education  
Los Angeles Unified School District

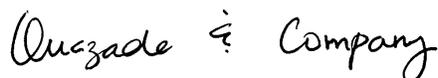
We have audited the accompanying financial statements of KLCS-TV, a broadcast service of the Los Angeles Unified School District as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets, and its cash flows for the year then ended. These financial statements are the responsibility of KLCS-TV's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the KLCS-TV's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the KLCS-TV financial position and are not intended to present the financial position and results of operations of the Los Angeles Unified School District, in conformity with generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KLCS-TV as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 on our consideration of the KLCS-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Pasadena, California  
November 30, 2010

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
EDUCATIONAL BROADCASTING SERVICES - KLCS-TV, CHANNEL 58  
BALANCE SHEET  
JUNE 30, 2010**

<b>Assets</b>	
Cash in county	\$ 1,298,091
Cash in bank	191,506
Due from LAUSD and other receivables	277,532
Prepaid expenses	227,744
Property and equipment, net of accumulated depreciation of \$7,534,260	3,121,328
	<u>3,121,328</u>
<b>Total Assets</b>	<b>\$ 5,116,201</b>
 <b>Liabilities and Net Assets</b>	
Liabilities	
Accounts payable	\$ 505,578
Unexpended grants	1,298,091
Total Liabilities	<u>1,803,669</u>
 Net Assets	
Designated for Capital Assets	3,121,328
Unrestricted	191,204
Total net assets	<u>3,312,532</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,116,201</b>

The notes to the financial statements are an integral part of this statement.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
EDUCATIONAL BROADCASTING SERVICES - KLCS-TV, CHANNEL 58  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Revenues**

Support and revenues:

Los Angeles Unified School District	
General Appropriations	\$ 4,318,881
Specially funded	95,958
Facilities and Administrative Support	312,988
Corporation for Public Broadcasting	
Community Service Grants	1,037,567
Subscription and membership income	8,105
Rental of Facilities	249,886
Donated equipment	287,716
Miscellaneous income	4,678
<b>Total Revenues</b>	<u>6,315,779</u>

**Expenses**

Certificated salaries	111,461
Classified salaries	2,503,759
Employee benefits	1,119,620
Indirect administration	278,599
Contract services	147,585
Utilities	129,064
Supplies	50,877
Membership and dues	103,901
Rent	278,251
Equipment rental	11,613
Equipment maintenance and repair	168,594
Non-capital equipment	33,230
Instructional materials	532,165
Reprographic services	15,864
Depreciation and Amortization	632,230
Miscellaneous	76,139
Total expenses	<u>6,192,952</u>

**Excess of Revenue over Expenses** 122,827

**Other Financing (Uses)** -

    Operating Transfer to Los Angeles Unified School District (106,750)

Total Other Financing (Uses) (106,750)

**Excess of Revenue Over Expenses and Other Financing (Uses)** 16,077

**Total Net Assets, June 30, 2009** 3,296,455

**Total Net Assets, June 30, 2010** \$ 3,312,532

The notes to the financial statements are an integral part of this statement.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
EDUCATIONAL BROADCASTING SERVICES - KLCS-TV, CHANNEL 58  
STATEMENT OF CASH FLOW  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 16,077
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	632,230
Donated equipment	(287,716)
(Increase) in accounts receivable	(185,308)
(Increase) in prepaid expenses	(29,483)
Increase in accounts payable	215,641
Increase in unexpended grants	217,738
	579,179
<b>Cash flows from capital activities</b>	
Acquisition of equipment	(315,173)
	264,006
Net increase in cash	264,006
<b>Cash, beginning of year</b>	1,225,591
<b>Cash, end of year</b>	\$ 1,489,597

Note: During the fiscal year ended on June 30, 2010 \$287,716 was received in donated equipment.

The notes to the financial statements are an integral part of this statement.

**KLCS-TV**  
**A BROADCAST SERVICE**  
**OF THE**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1 – REPORTING ENTITY**

KLCS-TV is a component of the Los Angeles Unified School District (District) and an account within the District's General Fund. These financial statements do not represent the financial position or the results of operations of the District. KLCS-TV receives a substantial portion of its annual funding from the District and the Corporation for Public Broadcasting (CPB).

KLCS-TV's broadcasting license has been renewed by the Federal Communications Commission through December 1, 2014.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of KLCS-TV are prepared in accordance with the Government Accounting Standards Board Statement No. 34 and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Government grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Cash**

KLCS-TV maintains the majority of its cash in an account at the District and deposited in the Los Angeles County Treasury.

**Property and Equipment**

Property and equipment are recorded at cost, or in the case of donated property, at fair value on the date of receipt. Capital assets are depreciated on a straight-line basis using estimated useful lives of 5 years to 20 years.

**In-Kind Contributions of Property and Equipment**

Contributed property and equipment includes land, buildings, tower site, buildings and building improvements, broadcast equipment, furniture, office equipment and vehicles. Contributions are recorded at fair value upon receipt. Fair value is based on market prices for similar assets, independent appraisals or replacement cost of the asset.

**KLCS-TV**  
**A BROADCAST SERVICE**  
**OF THE**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Donated Services, Facilities and Other Assets**

In-kind contributions of services and assets are recorded if they meet the criteria established by CPB.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3 - PROPERTY AND EQUIPMENT**

At June 30, 2010, property and equipment consist of the following:

	<u>Balances</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Adjustments</u>	<u>Balances</u> <u>June 30, 2010</u>
Studio and other broadcasting equipment	\$ 9,142,612	\$ 602,889	\$ -	\$ 9,745,501
Furniture and equipment	139,104			139,104
Vehicles	129,600			129,600
Deferred equipment installation expenses	641,383			641,383
Total property and equipment	<u>10,052,699</u>	<u>602,889</u>	<u>-</u>	<u>10,655,588</u>
Accumulated depreciation and amortization	6,902,248	<u>632,731</u>	<u>719</u>	7,534,260
Property and equipment, net of accumulated depreciation and amortization	<u>\$ 3,150,451</u>			<u>\$ 3,121,328</u>

Total depreciation charge for the year ended June 30, 2010 was \$632,012.

**KLCS-TV**  
**A BROADCAST SERVICE**  
**OF THE**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 4 - UNEXPENDED GRANTS**

At June 30, 2010, unexpended grants are as follows:

CPB Community Service Grant FY 2009	\$ 189,393
CPB Community Service Grant FY 2010	779,944
CPB Interconnection FY 2011	15,556
CPB DDF Round 12	255,970
CPB DTV Transition	8,853
CPB Fiscal Stabilization	45,375
CPB My Source Innovation Award	3,000
	<u>\$ 1,298,091</u>

**NOTE 5 - MISCELLANEOUS INCOME**

For the year ended on June 30, 2010, miscellaneous income was as follows:

Sales of books and cassettes and other revenue	\$ 910
Programming - Public Broadcasting Services, business and industry	<u>3,768</u>
	<u>\$ 4,678</u>

**NOTE 6 - FUNCTIONAL EXPENSES**

For the year ended on June 30, 2010, functional expenses were as follows:

Program services	
Programming and production	\$ 2,729,041
Broadcasting	1,320,957
Public information and promotion	<u>240,552</u>
Total Program services	4,290,550
Supporting services	
Management and general	1,246,091
Fund raising/Member development	23,934
Depreciation	632,230
Underwriting/Grant solicitation	<u>147</u>
Total supporting services	<u>1,902,402</u>
Total program and Supporting services	<u>\$ 6,192,952</u>

**KLCS-TV  
A BROADCAST SERVICE  
OF THE  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 7 – RETIREMENT PLAN**

KLCS employees are covered by the District's defined benefits pension plan operated by the California Public Employees Retirement System and as well as post-employment health insurance. The required disclosure and other information of these plans can be found in the District's latest Comprehensive Annual Financial Report (for the year ended on June 30, 2009). This report is available at the District's Office of the Chief Financial Officer.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Board of Education  
Los Angeles Unified School District

We have audited the financial statements of KLCS-TV, a broadcast service of the Los Angeles Unified School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered KLCS-TV's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KLCS-TV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether KLCS-TV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Quzade & Company*

Pasadena, California  
November 30, 2010