



**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Los Angeles Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of KLCS-TV, a broadcast service of the Los Angeles Unified School District as of June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise KLCS-TV's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KLCS-TV as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the KLCS-TV's financial statements. The accompanying management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2014 on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering KLCS-TV's internal control over financial reporting and compliance.

Restriction On Use of this Report

This report is intended solely for the information and use of the Board of Education, management, and the Corporation for Public Broadcasting, and is not intended to be and should not be used by anyone other than these specified parties.

Quezada, Wong & Associates

Pasadena, California
January 24, 2014

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

The Management's Discussion and Analysis (MD&A) section is prepared by the KLCS management and is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34. The MD&A provides the reader with general information on and analysis of the financial activities of KLCS. Readers are encouraged to consider the information presented herein in concert with additional information furnished in the Station's letter of transmittal.

KLCS is the unit of the Los Angeles Unified School District (the District) engaged in the production and broadcast of television programming, and is an account in the District's General Fund. KLCS receives a substantial portion of its annual funding from the District and from the Corporation for Public Broadcasting.

Financial Highlights

- The assets of the Station exceeded its liabilities at the close of the most recent fiscal year by \$1.9 million (net position).
- The Station's total net position decreased by \$222,958 from the prior year total, due to depreciation of capital assets.
- The Station's total obligations decreased by \$821,698 (68%) during the current fiscal year. The decrease resulted primarily from the reduction in unexpended grants due to the Station's increased use of grant funding to offset reductions to its licensee support.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Station's financial statements. The Station's financial statements comprise of both the financial statements proper and the notes to those financial statements.

The financial statements are designed to provide readers with a broad overview of the Station's finances.

The Statement of Net Position presents information on the assets and the liabilities of KLCS, with the difference between the two reported as its net position. Over time, increases or decreases in the net position may serve as useful indicators of whether the Station's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows provide information on income and expenses and cash activities. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data presented in the financial statements.

The financial statements can be found on pages 9-11 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Analysis

As noted earlier, changes in net position over time may serve as a useful indicator of an entity's financial position. In the case of KLCS, assets exceeded liabilities by \$1.9 million at the close of the most recent year.

By far the largest portion of the Station's net position (\$1.4 million) reflects its investments in capital assets (e.g. equipment and deferred equipment installation expenses) less depreciation. The Station uses these capital assets to provide television broadcast and production services; consequently, these assets are not available for future expenditure.

The second portion of the Station's net position consists of its prepaid expenses, which are not spendable. These prepaid expenses increased slightly (1.6%) during the fiscal year.

The remaining portion of the Station's net position, its unassigned net position (\$325,526), represent resources that are not subject to external restrictions on how they may be used. These resources are mainly derived from activities such as donations, sales of recorded media, program underwriting, and production activities. Its unrestricted net position increased 447% during the year primarily due to retention of a large portion of income generated by aggressive development initiatives that raised the Station's donor base from about 150 individuals to over 1,400.

At the end of the 2013 fiscal year, the Station is able to report positive balances in all categories of its net position.

In FY 2013, the Station's capital assets decreased by nearly 26%. This is due primarily to the depreciation of existing assets not being sufficiently offset by new capital acquisitions. Current assets decreased by 38% resulting from lower expenditures, offset by lower revenues, as well as differences in timing of payment of liabilities.

The Station's current liabilities (which are its total obligations) decreased by 68% during the fiscal year. The decrease resulted primarily from the reduction in unexpended grants, which was caused by the Station's increased use of grant funding to offset reductions to its licensee support.

The Station continued to experience drastic budget reductions imposed by its licensee. In FY 2013, the District substantially reduced its appropriation to the Station, effectively eliminating funding for half the Station's staff. This forced the Station to fund positions from other sources and to reprioritize spending across all categories. The Station closely reviews its revenue and expenditure data to ensure that a sufficient ending balance is maintained. This review occurs throughout the fiscal year and at year end.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Summary Statements of Net Position

As of June 30, 2013 and 2012

	2013	2012	Change from Previous Year
Assets:			
Current Assets	914,461	1,466,741	-37.65%
Capital Assets, net	1,405,317	1,897,693	-25.95%
Total Assets	2,319,778	3,364,434	
Liabilities:			
Current Liabilities	381,232	1,202,930	-68.31%
Long-term Liabilities	-	-	
Total Liabilities	381,232	1,202,930	
Net Position:			
Net investment in capital assets	1,405,317	204,340	-25.95%
Nonspendable - Prepaid expenses	207,703	263,811	1.65%
Unassigned	325,526	59,471	447.36%
Total Net Position	1,938,546	2,161,504	
Total Liabilities and Net Position	2,319,778	3,364,434	

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LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Summary Statements of Changes in Net Position

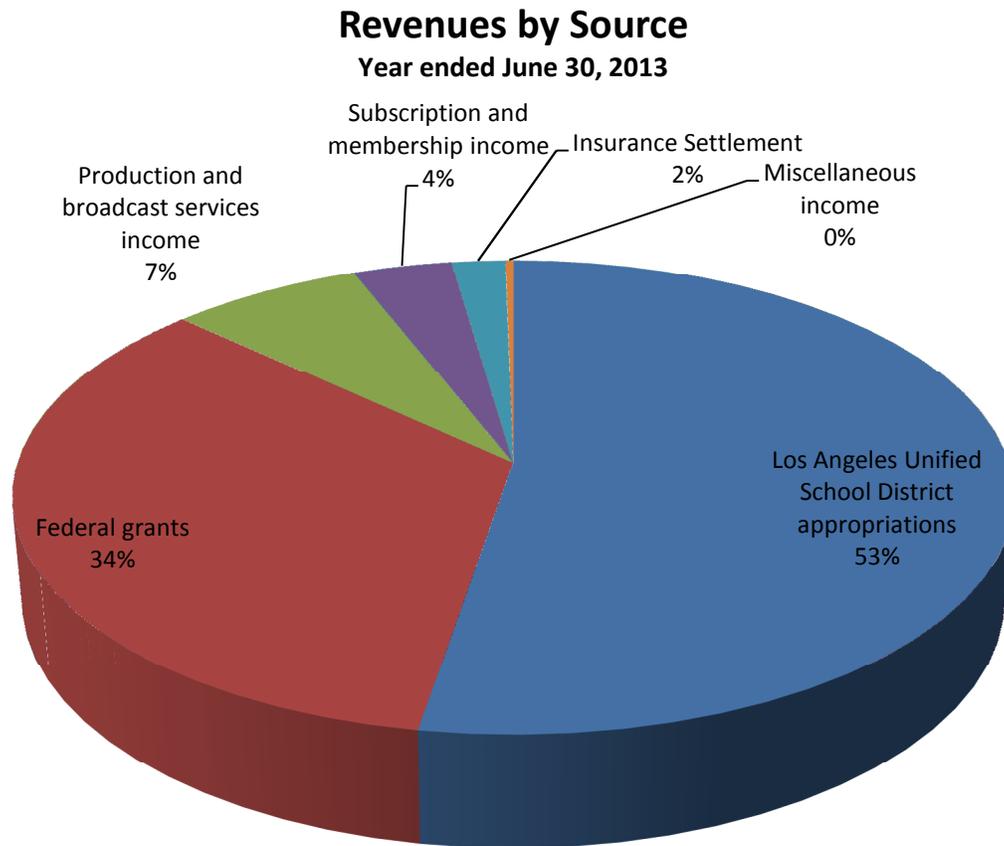
As of June 30, 2013 and 2012

	2013	2012	Change from Previous Year
Revenues:			
Los Angeles Unified School District appropriations	2,633,000	3,452,358	-23.73%
Federal grants	1,716,738	1,140,905	50.47%
Production and broadcast services income	357,773	309,523	15.59%
Subscription and membership income	183,865	28,665	541.42%
Insurance Settlement	100,000	-	NA
Miscellaneous income	14,550	3,792	283.71%
Total Revenues	<u>5,005,926</u>	<u>4,935,244</u>	
Expenses:			
Programming and production	2,226,597	2,469,715	-9.84%
Broadcasting	1,003,632	1,068,806	-6.10%
Public information and promotion	209,369	161,385	29.73%
Management and general	1,090,511	1,117,487	-2.41%
Fund raising/member development	29,121	34,322	-15.15%
Depreciation	555,830	648,746	-14.32%
Underwriting/Grant solicitation	5,824	6,864	-15.15%
Total Expenses	<u>5,120,884</u>	<u>5,507,325</u>	
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>(114,958)</u>	<u>(572,081)</u>	
Other Financing (Uses):			
Operating Transfer to Los Angeles Unified School District	(108,000)	(103,000)	
Total Other Financing (Uses)	<u>(108,000)</u>	<u>(103,000)</u>	
Excess (Deficiency) of Revenues Over (Under) Expenses and Other Financing (Uses)	<u>(222,958)</u>	<u>(675,081)</u>	
Net Position, beginning	<u>2,161,503</u>	<u>2,836,583</u>	
Net Position, ending	<u><u>1,938,545</u></u>	<u><u>2,161,503</u></u>	

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FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

The Station's net position decreased by \$222,958 in the current fiscal year, exclusively due to depreciation of its capital assets.

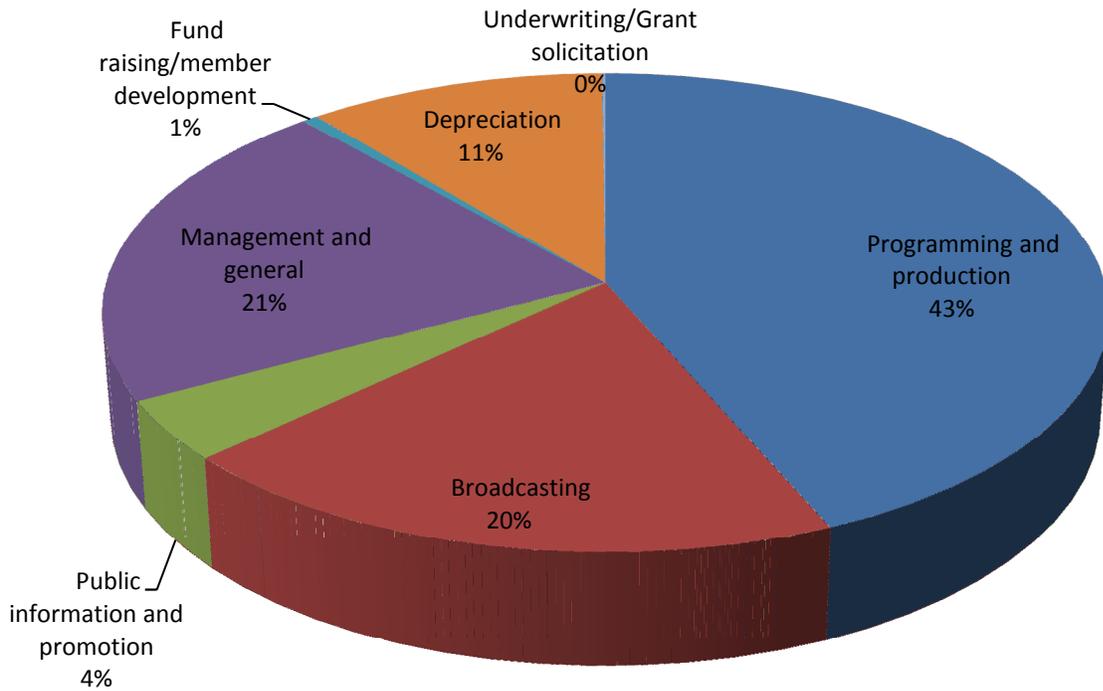
The following graph shows that appropriations from the Los Angeles Unified School District and grants from federal funds, primarily through the Corporation for Public Broadcasting, are the main revenue sources of the Station. The proportion of the Station's funding provided by the District fell from 70% in FY 2012 to 53% in the current fiscal year due to the substantial reduction of District's appropriations to the Station. At the same time the share of Station revenues provided by federal grants increased from 23% to 34%, and that provided by subscription and membership income quadrupled (from 1% to 4%), the latter due to the Station's aggressive development initiatives. Finally, the Station received a one-time insurance settlement due to failure of some major equipment.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

The following graph shows that programming and production and broadcasting functions are the main expenses of the Station.

Expenses by Function
Year ended June 30, 2013



Requests for Information

This financial report is designed to provide a general overview of the Station's finances for all those with an interest in it. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, KLCS-TV, 1061 West Temple Street, Los Angeles, CA 90012. General information relating to KLCS can be found on its website at www.klcs.org.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash in County	\$ 109,897	\$ 998,583
Cash in bank	515,404	252,413
Due from LAUSD and other receivables	81,457	11,405
Prepaid expenses	207,703	204,340
Property and equipment (net of accumulated depreciation of \$6,884,322, and \$8,645,991, respectively)	<u>1,405,316</u>	<u>1,897,693</u>
Total Assets	<u><u>2,319,777</u></u>	<u><u>3,364,434</u></u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 271,335	\$ 204,347
Unexpended grants	<u>109,897</u>	<u>998,583</u>
Total Liabilities	<u>381,232</u>	<u>1,202,930</u>
Net Position		
Net investment in capital assets	1,405,316	1,897,693
Nonspendable - Prepaid expenses	207,703	204,340
Unassigned	<u>325,526</u>	<u>59,471</u>
Total Net Position	<u>1,938,545</u>	<u>2,161,504</u>
Total Liabilities and Net Position	<u><u>\$ 2,319,777</u></u>	<u><u>\$ 3,364,434</u></u>

The notes to the financial statements are an integral part of these financial statements

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

	2013	2012
Revenues		
Support and revenues:		
Los Angeles Unified School District		
General Appropriations	\$ 2,372,630	\$ 3,259,564
Facilities and Administrative Support	260,370	192,794
Corporation for Public Broadcasting - Community Services Grants	1,714,538	1,132,208
Other grants	2,200	8,698
Subscription and membership income	183,865	28,665
Rental of facilities	357,773	309,523
Insurance settlement	100,000	-
Miscellaneous income	14,550	3,793
Total Revenues	5,005,926	4,935,245
Expenses		
Certificated salaries	115,132	113,367
Classified salaries	1,769,031	1,888,919
Employee benefits	909,367	886,055
Indirect administration	223,413	155,837
Contract services	241,601	185,983
Utilities	195,368	237,915
Supplies	84,723	104,421
Membership and dues	95,290	106,525
Rent	290,991	290,991
Equipment rental	831	763
Equipment maintenance and repair	69,468	111,449
Non-capital equipment	18,332	68,183
Instructional materials	454,744	539,681
Reprographic services	17,240	15,321
Travel and conference	23,574	21,854
Depreciation and amortization	555,830	648,746
Abandoned unused equipment	42,951	91,674
Miscellaneous	12,999	39,642
Total expenses	5,120,885	5,507,326
(Deficiency) of Revenues over (under) Expenses	(114,959)	(572,081)
Other Financing (Uses)		
Operating Transfer to Los Angeles Unified School District	(108,000)	(103,000)
Total Other Financing (Uses)	(108,000)	(103,000)
(Deficiency) of Revenues over (under) Expenses and Other Financing (Uses)	(222,959)	(675,081)
Net Position, at beginning of year	2,161,504	2,836,585
Net Position, at end of year	\$ 1,938,545	\$ 2,161,504

The notes to the financial statements are an integral part of these financial statements

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from grants	\$ 3,461,052	\$ 4,345,514
Cash received from membership	195,232	17,267
Insurance settlement	100,000	
Cash received - miscellaneous	14,550	3,872
Cash received from rentals	286,784	420,030
Cash paid for personnel costs	(2,793,530)	(2,888,341)
Cash paid for other operating expenses	(1,675,381)	(1,989,088)
Operating transfer to Los Angeles Unified School District	(108,000)	(103,000)
Net cash provided (used) by operating activities	<u>(519,293)</u>	<u>(193,746)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(106,402)	(77,285)
Cash flows from non-capital financing activities:	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(625,695)	(271,031)
Cash at beginning of year	1,250,996	1,522,027
Cash at end of year	<u>\$ 625,301</u>	<u>\$ 1,250,996</u>
Cash components:		
Cash in County	\$ 109,897	\$ 998,583
Cash in bank	515,404	252,413
Total cash	<u>\$ 625,301</u>	<u>\$ 1,250,996</u>
Reconciliation of excess expenses and other financing over Revenue to net cash provided (used) by operating activities		
Excess of expenses and other financing over revenue	\$ (222,959)	\$ (675,081)
Adjustment to reconcile excess expenses and other financing over revenue to net cash provided by operating activities		
Depreciation and amortization	555,830	648,746
Abandoned unused equipment	42,951	91,674
(Increase) decrease in accounts receivable	(70,052)	102,119
(Increase) decrease in prepaid expenses	(3,363)	20,852
Increase (decrease) in accounts payable	66,986	(134,304)
Increase (decrease) in unexpended grants	(888,686)	(247,752)
Net cash provided (used) by operating activities	<u>\$ (519,293)</u>	<u>\$ (193,746)</u>

The notes to the financial statements are an integral part of these financial statements

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

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.

Donated Services, Facilities and Other Assets

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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.

Financial statements presentation

The financial statements for the year ended June 30, 2012 have been restated to conform to the presentation for the year ended June 30, 2013.

NOTE 3 - PROPERTY AND EQUIPMENT

At June 30, 2013, property and equipment consist of the following:

	Balances			Balances
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Studio and other broadcasting equipment	\$ 9,618,122	\$ 106,405	\$ 2,297,551	\$ 7,426,976
Furniture and equipment	139,104	-	62,898	76,206
Vehicles	129,600	-	-	129,600
Deferred equipment installation expenses	656,858	-	-	656,858
Total property and equipment	<u>10,543,684</u>	<u>106,405</u>	<u>2,360,449</u>	<u>8,289,640</u>
Accumulated depreciation and amortization	<u>8,645,991</u>	<u>\$ 555,830</u>	<u>\$ 2,317,498</u>	<u>6,884,323</u>
Property and equipment, net of accumulated depreciation and amortization	<u>\$ 1,897,693</u>			<u>\$ 1,405,317</u>

The depreciation charge for the year ended June 30, 2013 was \$555,830.

At June 30, 2012, property and equipment consist of the following:

	Balances			Balances
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Studio and other broadcasting equipment	\$ 9,840,929	\$ 77,286	\$ 300,093	\$ 9,618,122
Furniture and equipment	139,104	-	-	139,104
Vehicles	129,600	-	-	129,600
Deferred equipment installation expenses	656,858	-	-	656,858
Total property and equipment	<u>10,766,491</u>	<u>77,286</u>	<u>300,093</u>	<u>10,543,684</u>
Accumulated depreciation and amortization	<u>8,205,665</u>	<u>\$ 648,746</u>	<u>\$ 208,420</u>	<u>8,645,991</u>
Property and equipment, net of accumulated depreciation and amortization	<u>\$ 2,560,826</u>			<u>\$ 1,897,693</u>

The depreciation charge for the year ended June 30, 2012 was \$648,746.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

NOTE 4 - UNEXPENDED GRANTS

At June 30, 2013 and 2012, unexpended grants are as follows:

	<u>2013</u>	<u>2012</u>
CPB Community Service Grant FY 2013	\$ 101,044	\$ -
CPB DTV Transition	8,853	8,853
CPB Community Service Grant FY 2011		18,519
CPB Community Service Grant FY 2012		951,894
CPB Interconnection FY 2011		18,516
CPB Fiscal Stabilization		801
Total	<u>\$ 109,897</u>	<u>\$ 998,583</u>

NOTE 5 - MISCELLANEOUS INCOME

For the years ended on June 30, 2013 and 2012, miscellaneous income was as follows:

	<u>2013</u>	<u>2012</u>
Sales of books and recorded media and other revenues	\$ 288	\$ 1,289
Programming - rights, royalties and other payments	14,262	2,504
	<u>\$ 14,550</u>	<u>\$ 3,793</u>

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FOR THE YEARS ENDED JUNE 30, 2013 and 2012

NOTE 6 – FUNCTIONAL EXPENSES

For the years ended on June 30, 2013 and 2012, functional expenses were as follows:

	<u>2013</u>	<u>2012</u>
Program services:		
Program and production	\$ 2,226,597	\$ 2,469,715
Broadcasting	1,003,632	1,068,806
Public information and promotion	209,369	161,385
Total program services	<u>3,439,598</u>	<u>3,699,906</u>
Supporting services:		
Management and general	1,090,511	1,117,488
Fundraising / member development	29,121	34,322
Depreciation	555,830	648,746
Underwriting / Grant solicitation	5,824	6,864
Total supporting services	<u>1,681,286</u>	<u>1,807,420</u>
Total program and supporting services	<u>\$ 5,120,884</u>	<u>\$ 5,507,326</u>

The depreciation for the years ended on June 30, 2013 and 2012 were \$555,830 and \$648,746, respectively.

NOTE 7 – RETIREMENT PLAN

KLCS employees are covered by the District's defined benefits pension plan operated by the California Public Employees Retirement System, 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. This report is available at the District's Office of the Chief Financial Officer.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events evaluation

KLCS-TV management evaluated subsequent events through January 24, 2014, which is the date the financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these financial statements.

**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***

INDEPENDENT AUDITORS' REPORT

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 years ended on June 30, 2013 and 2012, and have issued our report thereon dated January 24, 2014. 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 of the financial statements, we considered KLCS-TV's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KLCS-TV's internal control. Accordingly, we do not express an opinion on the effectiveness of KLCS-TV's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the KLCS-TV's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the KLCS-TV's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction On Use of this Report

This report is intended solely for the information and use of the Board of Education, management, and the Corporation for Public Broadcasting, and is not intended to be and should not be used by anyone other than these specified parties.

Quezada, Wong & Associates

Pasadena, California
January 24, 2014