

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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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 (the "Station"), a broadcast service of the Los Angeles Unified School District and its discretely presented component unit, KLCS Education Foundation ("KEF"), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station'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 the Station and its discretely presented component unit, KEF, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note No. 1 to the financial statements, this year the Station's financial statements include a discretely presented component. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis on pages on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires or management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 8, 2016 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

San Marino, California
January 11, 2017

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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.

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.

The financial statements include the financial activities of KLCS and its related 501(c)(3) nonprofit corporation, the KLCS Education Foundation (KEF). KEF is a legally separate and tax-exempt entity which does not meet the criteria of being a blended component unit due to the amended criteria provided by GASB 61. KEF is discretely presented and the activities of KEF are not included in the MD&A.

Readers are encouraged to consider the information presented herein in connection with additional information furnished in the Station's letter of transmittal and the financial statements immediately following this report, including the accompanying note disclosures and supplemental information.

Financial Highlights

- The assets of the Station exceeded its liabilities at the close of the most recent fiscal year by \$1.1 million (net position).
- The Station's total net position decreased by \$73,540 from the prior year total, due to a decrease in accounts receivable.
- The Station's total obligations increased by \$215,364 (46%) during the current fiscal year. The increase resulted primarily from an increase in unexpended grants.

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 Assets and the Statement of Cash Flows provide information on income and expenses and cash activities. All changes in net assets 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

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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.

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 \$1.1 million at the close of the most recent year.

By far the largest portion of the Station's net position (\$1.1 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 (.6%) during the fiscal year.

The remaining portion of the Station's net position, its unassigned net assets (-\$198,271), 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. The Station's unassigned net position decreased 106.30% during the year primarily due to a decrease in accounts receivable.

In FY 2016, the Station's capital assets increased by 2.5%, due to net purchases of equipment. Current assets increased by 19.6% reflecting an increase in unexpended grants.

The Station's current liabilities (which are its total obligations) increased by 45.5% during the fiscal year. The increase resulted primarily from the aforementioned increase in unexpended grants.

The Station experienced substantial declines in some revenue categories in FY 2016. Production and Broadcast Services income fell 50.1% due to the non-recurrence of a large project, and Membership income fell 72.2% due to two major gifts in FY 2015 not repeating.

The Station continued to recover from recent budget reductions and enjoyed generally improved financial stability in the current fiscal year. 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
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Summary Statement of Net Position

As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Change from Previous Year</u>
Assets:			
Current Assets	\$ 699,157	\$ 584,801	19.55%
Capital Assets, Net	<u>1,120,393</u>	<u>1,092,924</u>	2.51%
Total Assets	<u><u>\$ 1,819,550</u></u>	<u><u>\$ 1,677,725</u></u>	
Liabilities:			
Current Liabilities	<u>\$ 688,252</u>	<u>\$ 472,888</u>	45.54%
Total Liabilities	<u>688,252</u>	<u>472,888</u>	45.54%
Net Position:			
Net Investment in Capital Assets	1,120,393	1,092,924	2.51%
Nonspendable - Prepaid Expenses	209,176	208,023	0.55%
Unassigned	<u>(198,271)</u>	<u>(96,110)</u>	106.30%
Total Net Position	<u>1,131,298</u>	<u>1,204,838</u>	
Total Liabilities and Net Position	<u><u>\$ 1,819,550</u></u>	<u><u>\$ 1,677,725</u></u>	

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Summary Statement of Changes in Net Position

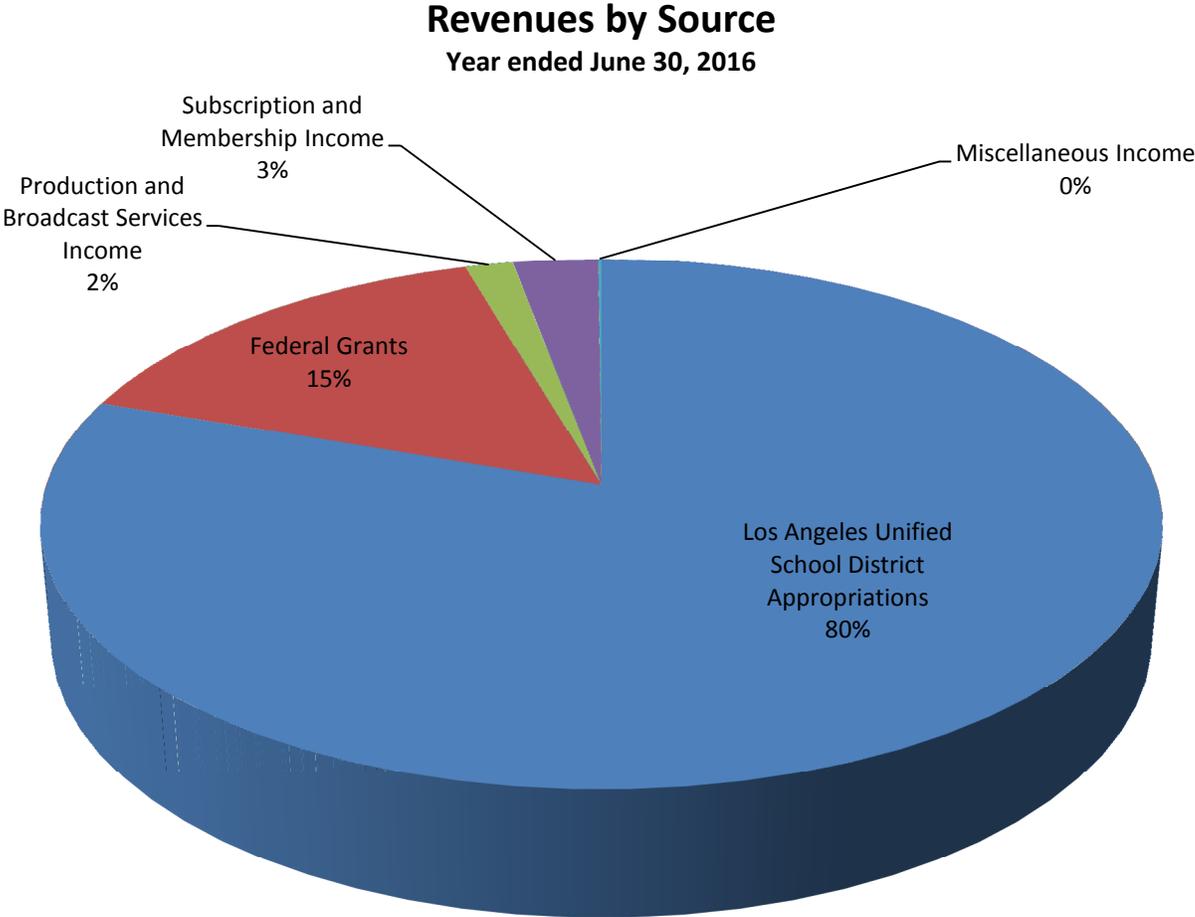
For the Years Ended June 30, 2016 and 2015

	2016	2015	Change from Previous Year
Revenues:			
Los Angeles Unified School District Appropriations	\$ 3,818,531	\$ 3,460,342	10.35%
Federal Grants	720,080	849,246	-15.21%
Production and Broadcast Services Income	75,443	151,323	-50.14%
Subscription and Membership Income	134,793	483,939	-72.15%
Miscellaneous Income	4,858	4,929	-1.44%
Total Revenues	4,753,706	4,949,779	
Expenses:			
Programming and Production	2,280,317	2,266,333	0.62%
Broadcasting	947,599	929,177	1.98%
Public Information and Promotion	203,395	217,498	-6.48%
Management and General	1,188,192	1,223,800	-2.91%
Fundraising/Member Development	81,900	37,675	117.38%
Depreciation	207,501	191,733	8.22%
Underwriting/Grant Solicitation	8,631	7,535	14.54%
Total Expenses	4,917,535	4,873,753	
Excess (Deficiency) of Revenues Over (Under) Expenses	(163,829)	76,026	
Other Financing (Uses):			
Operating Transfer to Los Angeles Unified School District	(130,000)	(113,000)	
Operating Transfer to KLCS Foundation	220,290	(92,315)	
Total Other Financing (Uses)	90,290	(205,315)	
Excess (Deficiency) of Revenues Over (Under) Expenses and Other Financing (Uses)	(73,539)	(129,289)	
Net Position, Beginning	1,204,837	1,334,126	
Net Position, Ending	\$ 1,131,298	\$ 1,204,837	

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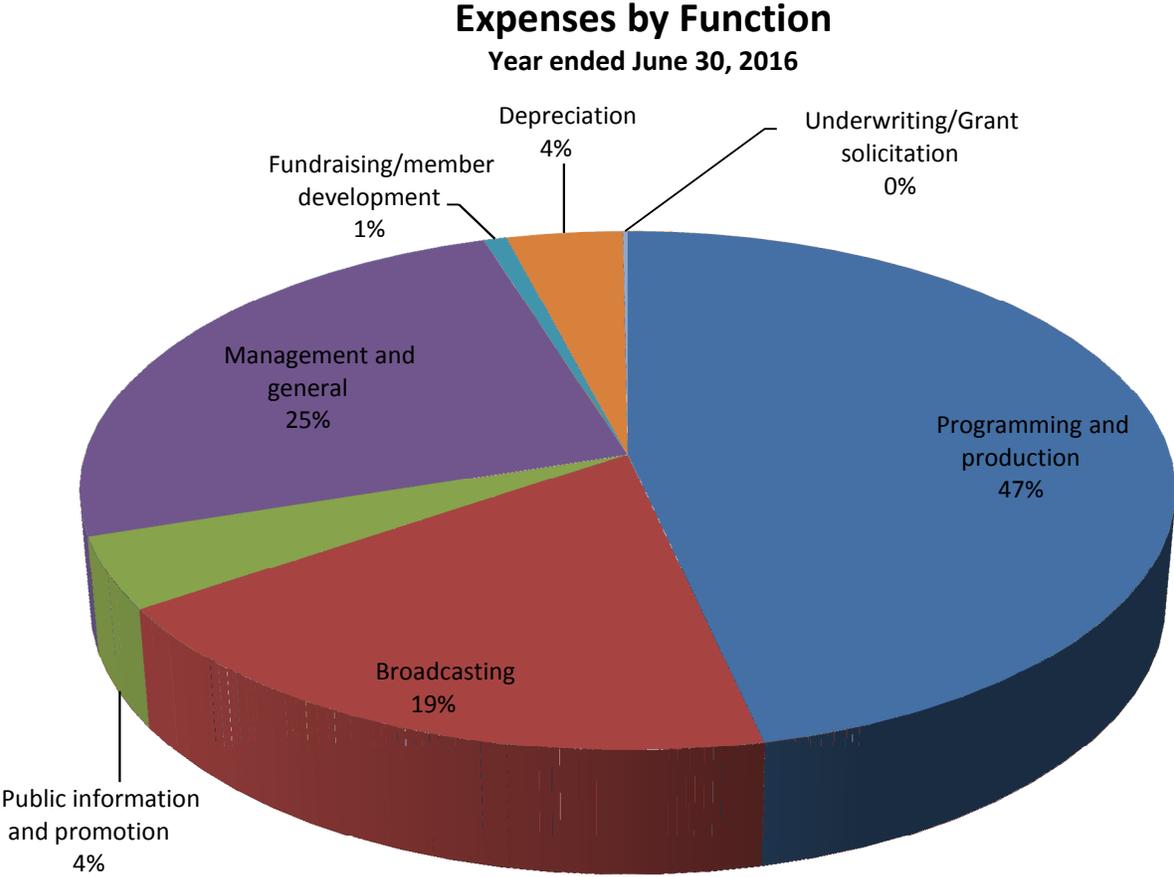
The Station's net position increased by \$73,540 in the current fiscal year, due to a decrease in accounts receivable.

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 increased from 70% in FY 2015 to 80% in the current fiscal year. At the same time the share of Station revenues provided by Subscription and Membership income declined from 10% to 3%.



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



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
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STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016		2015	
	Primary Govt	Component Unit	Primary Govt	Component Unit
	KLCS-TV	KEF	KLCS-TV	KEF
Assets				
Cash in County	\$ 476,668	\$ -	\$ 262,291	\$ -
Cash in banks	3,000	129,654	3,000	349,944
Due from LAUSD and other receivables	10,313		111,487	
Prepaid expenses	209,176		208,023	
Property and equipment (net of accumulated depreciation of \$6,259,776 and \$6,067,404 respectively)	1,120,393		1,092,924	
Total Assets	\$ 1,819,550	\$ 129,654	\$ 1,677,725	\$ 349,944
Liabilities and Net Position				
Liabilities:				
Accounts payable	\$ 211,584	\$ -	\$ 210,597	\$ -
Unexpended grants	476,668		262,291	
Total Liabilities	688,252	-	472,888	-
Net Position				
Net investment in capital assets	1,120,393		1,092,924	
Nonspendable - Prepaid expenses	209,176		208,023	
Unassigned (Deficiency)	(198,271)	129,654	(96,110)	349,944
Total Net Position	1,131,298	129,654	1,204,837	349,944
Total Liabilities and Net Position	\$ 1,819,550	\$ 129,654	\$ 1,677,725	\$ 349,944

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

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Primary Govt	Component Unit	Primary Govt	Component Unit
	KLCS-TV	KEF	KLCS-TV	KEF
REVENUES				
Support and revenues:				
Los Angeles Unified School District:				
General appropriations	\$ 3,591,495	\$ -	\$ 3,267,607	\$ -
Facilities and administrative support Corporation for Public Broadcasting -	227,036		192,735	
Community Service and other grants	720,080		849,246	
Subscription and membership income	-	134,793	-	483,939
Rental of facilities	56,869		134,823	
Support from KLCS Education Foundation	134,793		483,939	
Production and program underwriting	18,574		16,500	
Miscellaneous income	4,858		4,929	
Total Revenues	4,753,706	134,793	4,949,779	483,939
EXPENSES				
Certificated salaries	127,017		119,737	
Classified salaries	1,837,392		1,784,044	
Employee benefits	799,237		809,506	
Indirect administration	190,079		155,778	
Contract services	375,895		459,939	
Utilities	184,187		256,922	
Supplies	89,459		71,398	
Membership and dues	120,702		111,073	
Rent	295,437		290,991	
Equipment rental	8,369		6,928	
Equipment maintenance and repair	98,908		80,615	
Instructional materials	486,248		435,052	
Reprographic services	28,600		35,700	
Travel and conference	37,276		34,769	
Non-capital equipment purchases	18,246		17,301	
Depreciation and amortization	207,501		191,733	
Miscellaneous	12,984		12,267	
Support to KLCS-TV		134,793		483,939
Total expenses	4,917,535	134,793	4,873,753	483,939
Excess (Deficiency) of Revenues Over (Under) Expenses	(163,829)	-	76,026	-
Other Financing (Uses)				
Operating Transfer to (from) Los Angeles Unified School District	(130,000)		(113,000)	-
Operating Transfer to (from) KLCS Foundation	220,290		(92,315)	
Operating Transfer to (from) KLCS-TV		(220,290)		92,315
Total Other Financing (Uses)	90,290	(220,290)	(205,315)	92,315
Excess (Deficiency) of Revenues over (under) Expenses and Other Financing (Uses)	(73,539)	(220,290)	(129,289)	92,315
Net Position, at beginning of year	1,204,837	349,943	1,334,126	257,628
Net Position, at end of year	\$ 1,131,298	\$ 129,653	\$ 1,204,837	\$ 349,943

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

KLCS-TV
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STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Primary Gov't KLCS-TV	Component Unit KEF	Primary Gov't KLCS-TV	Component Unit KEF
Cash flows from operating activities:				
Cash received from grants	\$ 4,752,988	\$ -	\$ 4,262,441	\$ -
Cash received from membership	-	134,793	-	483,939
Cash received - miscellaneous	23,431		21,429	
Cash received from rentals and other revenues	158,043		186,588	
Cash received from KLCS Education Foundation	134,793	(134,793)	483,939	(483,939)
Cash paid for personnel costs	(2,763,646)		(2,713,287)	
Cash paid for other operating expenses	(1,946,553)		(1,977,790)	
Operating transfer from KLCS Education Foundation	220,290	(220,290)	(92,316)	92,316
Operating transfer to Los Angeles Unified School District	(130,000)		(113,000)	
Net cash provided (used) by operating activities	<u>449,346</u>	<u>(220,290)</u>	<u>58,004</u>	<u>92,316</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(234,969)	-	(106,878)	-
Net increase (decrease) in cash	214,377	(220,290)	(48,874)	92,316
Cash at beginning of year	265,291	-	314,165	257,628
Cash at end of year	<u>\$ 479,668</u>	<u>\$ (220,290)</u>	<u>\$ 265,291</u>	<u>\$ 349,944</u>
Cash components:				
Cash in County	\$ 476,668	\$ -	\$ 262,291	\$ -
Cash in bank	3,000	129,654	3,000	349,944
Total cash	<u>\$ 479,668</u>	<u>\$ 129,654</u>	<u>\$ 265,291</u>	<u>\$ 349,944</u>
Reconciliation of				
Excess of expenses and other financing over revenue	\$ (73,540)	\$ (220,290)	\$ (129,285)	\$ 92,316
Adjustment to reconcile excess expenses and other financing over revenue to net cash provided by operating activities				
Depreciation and amortization	207,501		191,733	
(Increase) decrease in accounts receivable	101,174		51,761	
(Increase) decrease in prepaid expenses	(1,154)		7,548	
Increase (decrease) in accounts payable	988		(16,606)	
Increase (decrease) in unexpended grants	214,377		(47,147)	
Net cash provided (used) by operating activities	<u>\$ 449,346</u>	<u>\$ (220,290)</u>	<u>\$ 58,004</u>	<u>\$ 92,316</u>

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

**KLCS-TV
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30, 2016 AND 2015**

NOTE 1 – REPORTING ENTITY

KLCS-TV (the “Station”) is a public television station licensed to the Los Angeles Unified School District (the “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. The Station receives a substantial portion of its annual funding from the District and the Corporation for Public Broadcasting (CPB).

The Station’s broadcasting license has been renewed by the Federal Communications Commission through December 1, 2022.

Discretely Presented Component Unit

The Station’s financial statements include KLCS Education Foundation (“KEF”), a related California nonprofit corporation commencing operations during the fiscal year ended on June 30, 2015. The purpose of KEF is to raise and manage revenues for the Station, and manage Station memberships.

KEF is presented in the Station’s reporting entity as a discretely presented component unit because of the financial accountability criteria in GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. KEF meets the criteria to be reported with the Station as a discretely presented component unit. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the that primary government.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In May 2005, the CPB issued guidance for financial reporting under GASB No. 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments in their guide Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities. CPB encourages all public broadcasting entities to present their financial statements as an enterprise fund. The Station has adopted this method for their financial statement presentation.

Measurement Focus and Basis of Accounting

These financial statements are reported using the economic resources measurement focus and 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.

The Station accounts for its operations in a manner similar to a private business enterprise - where the intent of the governing body is to finance the cost (expenses, including depreciation) of providing goods and services on a continuing basis or recover the cost of services primarily through fees to customers. The Station generally fully funds capital investments in advance of acquisition. Although the Station funds the majority of its capital investments in buildings and equipment in advance of purchase, the value of these investments is shown as a depreciation expense in the operating budget as the beneficial use of the assets are consumed. Careful attention to the accompanying notes is suggested to fully understand the financial position of the Station.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for business accounting and financial principles. As a division of the District, the Station must follow Government Accounting Standards.

The Station's policy for defining operating activities, as reported on the statement of revenues, expenses and changes in net position, are those that generally result from the provision of public service media or instructional technology services and from the production of program material for distribution over electronic networks and broadcast channels. Revenues associated with, or restricted by, donors for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

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Cash

KLCS-TV maintains its cash in an account at the District and deposited in the Los Angeles County Treasury and in a bank accounts, which are readily available for withdrawal.

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 and accounting principles generally accepted in the United States of America.

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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - PROPERTY AND EQUIPMENT

At June 30, 2016, Property and Equipment consist of the following:

	Balances			Balances
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Studio and Broadcast Equipment	\$ 6,297,663	\$ 234,969	\$ 15,128	\$ 6,517,504
Furniture and Office Equipment	76,206	-	-	76,206
Vehicles	129,600	-	-	129,600
Expenses	656,858	-	-	656,858
Total Property and Equipment	<u>7,160,327</u>	<u>234,969</u>	<u>15,128</u>	<u>7,380,168</u>
Accumulated Depreciation and Amortization	<u>6,067,403</u>	<u>\$ 207,501</u>	<u>\$ 15,128</u>	<u>6,259,776</u>
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 1,092,924</u>			<u>\$ 1,120,393</u>

The depreciation charge for the year ended June 30, 2016 was \$207,501.

At June 30, 2015, Property and Equipment consist of the following:

	Balances			Balances
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Studio and Broadcast Equipment	\$ 7,256,417	\$ 106,878	\$ 1,065,632	\$ 6,297,663
Furniture and Office Equipment	76,206	-	-	76,206
Vehicles	129,600	-	-	129,600
Expenses	656,858	-	-	656,858
Total Property and Equipment	<u>8,119,081</u>	<u>106,878</u>	<u>1,065,632</u>	<u>7,160,327</u>
Accumulated Depreciation and Amortization	<u>6,941,302</u>	<u>\$ 191,733</u>	<u>\$ 1,065,632</u>	<u>6,067,403</u>
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 1,177,779</u>			<u>\$ 1,092,924</u>

The depreciation charge for the year ended June 30, 2015 was \$191,733.

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FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 4 - UNEXPENDED GRANTS

At June 30, 2016 and 2015, unexpended grants are as follows:

<u>Grant</u>	<u>2016</u>	<u>2015</u>
CPB Community Service Grant 2016	\$ 475,551	\$ -
CPB Community Service Grant 2015	1,117	260,402
CPB Community Service Grant 2014	-	889
CPB Interconnection Grant 2015	-	1,000
	<u>\$ 476,668</u>	<u>\$ 262,291</u>

NOTE 5 - MISCELLANEOUS INCOME

For the years ended on June 30, 2016 and 2015, Miscellaneous Income was as follows:

	<u>2016</u>	<u>2015</u>
Sales of Books and Recorded Media and Other Revenues	\$ 583	\$ 417
Programming - Rights, Royalties, and Other Payments	4,275	4,512
	<u>\$ 4,858</u>	<u>\$ 4,929</u>

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NOTE 6 – FUNCTIONAL EXPENSES

For the years ended on June 30, 2016 and 2015, functional expenses were as follows:

	<u>2016</u>	<u>2015</u>
Program services		
Programming and production	\$ 2,280,317	\$ 2,255,328
Broadcasting	947,599	932,704
Public information and promotion	203,395	217,648
Total program services	<u>3,431,311</u>	<u>3,405,680</u>
Supporting services		
Management and general	1,188,192	1,230,679
Fundraising/member development	81,900	38,049
Depreciation	207,501	191,733
Underwriting/grant solicitation	8,631	7,610
Total supporting services	<u>1,486,224</u>	<u>1,468,071</u>
Total program and supporting services	<u>\$ 4,917,535</u>	<u>\$ 4,873,751</u>

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 other post-employment benefits. 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 - CONTINGENCY

a) Grants and contracts

Corporation for Public Broadcasting – Community Services and other grants received are subject to audit by auditors of the granting agencies or contracted public accountants. Any disallowed costs or adjustments likely must be repaid to the granting agencies.

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FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

b) Income Taxes

KEF filed, for the year ended June 30, 2015, Return of Organization Exempt From Income Tax, Form 990, and the California Exempt Organization Annual Information Return, Form 199. KEF believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax position. Generally, income tax returns remain open for examination by taxing authorities for three years.

NOTE 9 – SUBSEQUENT EVENTS

KLCS-TV management evaluated subsequent events through January 11, 2017, 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.



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**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 Auditor's Report

Board of Education
Los Angeles Unified School District

We have audited, in accordance with the 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, the financial statements of KLCS-TV's (the "Station"), a broadcast service of the Los Angeles Unified School District (the "District") and its discretely presented component unit, KLCS Education Foundation's ("KEF"), as of and for the years ended on June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated January 11, 2017.

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 entity'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 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.



San Marino, California
January 11, 2017