

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13-24
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26

INDEPENDENT AUDITORS' REPORT

To the 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 public telecommunications entity operated by 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, 2021 and 2020, 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 of the Station 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 audit opinion.

Opinion

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, 2021 and 2020, 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

Emphasis of Matter

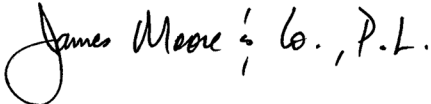
As discussed in Note 1, the financial statements of the Station are intended to present the financial position, changes in financial position, and cash flows of only the Station-related accounts of the Los Angeles Unified School District that are attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the Los Angeles Unified School District as of June 30, 2021 and 2020, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 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 14, 2022, on our consideration of the Station'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 solely 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 effectiveness of 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 the Station's internal control over financial reporting and compliance.



Gainesville, Florida
January 14, 2022

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

The Management's Discussion and Analysis (MD&A) section is prepared by KLCS-TV ("KLCS" or the "Station") 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 ("LAUSD" or 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 concert 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 \$2,520,464 (net position), at the close of the fiscal year ended June 30, 2020 by \$2,267,878, and at the close of the fiscal year ended June 30, 2019 by \$2,643,272.
- The Station's total net position increased by \$252,586 from the prior year, as a result primarily of the receipt of American Rescue Plan funds. The Station's total net position had decreased by \$375,394 for the fiscal year ended June 30, 2020, because of depreciation of capital assets far exceeding new investments and Prepaid Expenses returning to more normal levels after prepayment of a large contract the previous year.
- The Station's total obligations declined by \$313,680 (19.47%) during the current fiscal year due, as in the previous year, mainly to decreases in unexpended grants and amounts due to LAUSD from Prepaid Expenses that offset an increase in accounts payable. For the fiscal year ended June 30, 2020, the Station's total obligations decreased by \$313,448 (16.29%), mainly for the same reason.

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 are comprised 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

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)

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 10-12 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 \$2,520,464 at the close of the most recent year, \$2,267,878 at the close of the fiscal year ended June 30, 2020, and \$2,643,272 at the close of the fiscal year ended June 30, 2019.

By far the largest portion of the Station's net position (\$1,962,835 in the fiscal year ended June 30, 2021, \$2,061,446 in the fiscal year ended June 30, 2020 and \$2,384,990 in the fiscal year ended June 30, 2019) 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 largest portion of the Station's net position (\$370,409 in the fiscal year ended June 30, 2021), its expendable restricted net position, represents resources that are subject to external restrictions on how they may be used. These resources for the most current year derive from COVID-19 related fiscal stimulus funds provided by the Corporation for Public Broadcasting (\$370,409 in new American Rescue Plan funds).

The final portion of the Station's net position, its unrestricted net position (\$187,220 in the fiscal year ended June 30, 2021, \$206,432 in the fiscal year ended June 30, 2020 and \$258,282 in the fiscal year ended June 30, 2019), represents resources that are not subject to external restrictions on how they may be used. These resources for the most current year derive mainly from COVID-19 related fiscal stimulus funds provided by the Corporation for Public Broadcasting (\$159,200 remaining in CARES Act funds), as well as receivables earned from production activities. In recent years, they have been mainly derived from prepaid expenses and activities such as donations, sales of recorded media, program underwriting, and production activities. The Station's unrestricted net position decreased \$19,212 during the year primarily due to a decrease in prepaid expenses. In the year ended June 30, 2020, the Station's unrestricted net position had decreased \$51,580 due to the collection of previous year receivables and a decrease in prepaid expenses.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)

During the year ended June 30, 2021, the Station's capital assets decreased by 4.78% (compared with a 13.57% decrease for FY 2020) due, as in most recent years, to depreciation and equipment retirements outpacing new investments. Current assets increased by 2.06% (compared with a 16.74% decline for FY 2020) reflecting the receipt of fiscal stimulus funds.

The Station's current liabilities (which are its total obligations) decreased by \$313,680 (19.47%) during the fiscal year. The decrease resulted from a decrease in the amount due to LAUSD (from the lower level of prepaid expenses) and deferred support, offset by an increase in other payables. In the previous fiscal year, the Station's current liabilities had decreased by \$313,448 (16.29%) largely for the same reason.

Generally, the Station enjoyed financial stability and a favorable outlook during the year. Production activity continued to be subdued compared to pre-Pandemic levels, as reflected in the 27.08% decline in revenue from the previous year (from \$152,507 to \$111,205). This decline was, however offset by significant increases in royalties, underwriting, foundation grants and federal stimulus funds, which resulted in a \$975,804 (18.13%) increase in total revenues. The Station also experienced an improvement in its net position as it received additional stimulus funds and was able to make investments that, while not offsetting depreciation and retirements, mitigated the recent trend of declines in the capital asset balance. 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.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)

Summary Statement of Net Position

As of June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current Assets	\$ 1,854,783	\$ 1,817,268	\$ 2,182,566
Capital Assets, Net	1,962,835	2,061,446	2,384,990
Total Assets	<u>\$ 3,817,618</u>	<u>\$ 3,878,714</u>	<u>\$ 4,567,556</u>
Liabilities:			
Current Liabilities	\$ 1,297,154	\$ 1,610,836	\$ 1,924,284
Total Liabilities	<u>\$ 1,297,154</u>	<u>\$ 1,610,836</u>	<u>\$ 1,924,284</u>
Net Position:			
Net Investment in Capital Assets	1,962,835	2,061,446	2,384,990
Restricted - expendable	370,409	-	-
Unrestricted	187,220	206,432	258,282
Total Net Position	<u>\$ 2,520,464</u>	<u>\$ 2,267,878</u>	<u>\$ 2,643,272</u>

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)

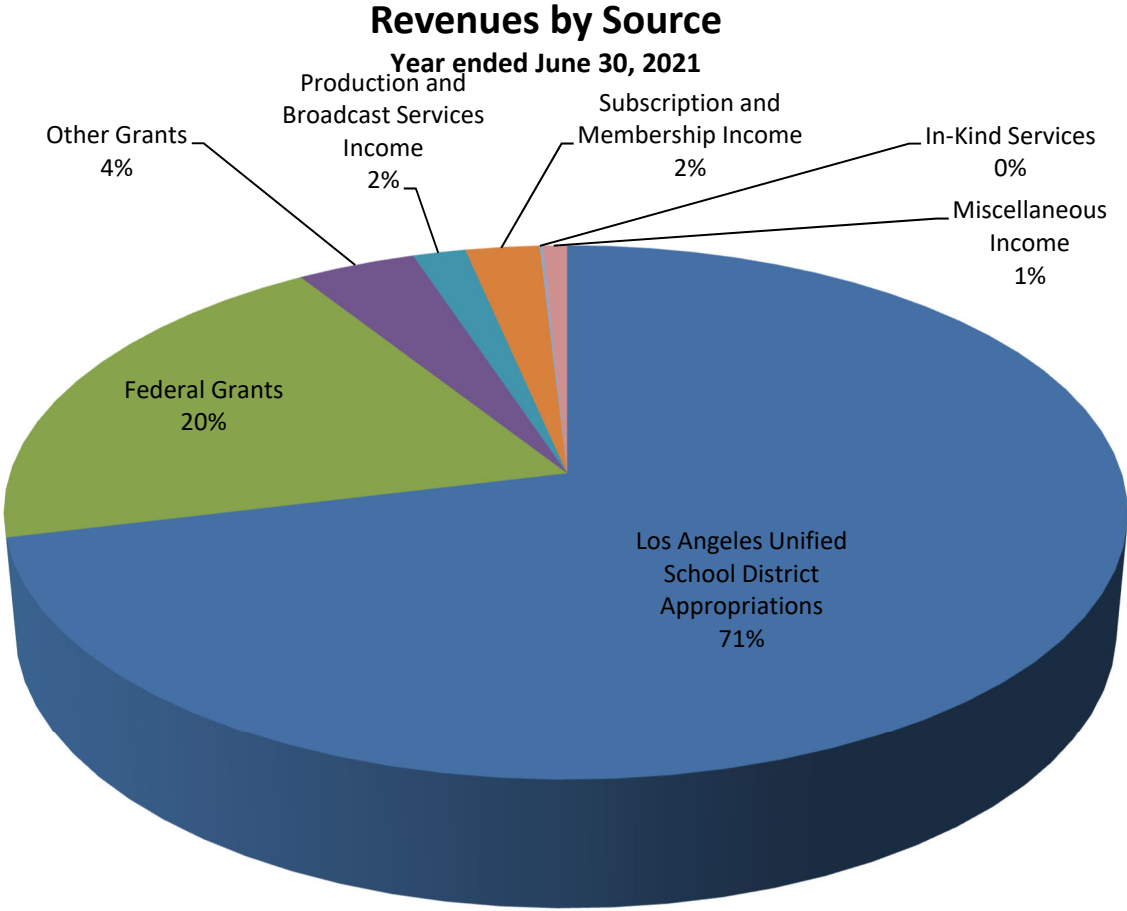
Summary Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Los Angeles Unified School District Appropriations	\$ 4,527,394	\$ 3,928,452	\$ 3,728,665
Proceeds from Sale of Spectrum	-	-	937,574
Federal Grants	886,534	907,090	796,120
Other Grants	250,250	-	-
Production and Broadcast Services Income	111,205	152,507	486,193
Subscription and Membership Income	156,206	177,172	117,880
In-Kind Services	6,700	10,700	-
Miscellaneous Income	50,841	7,814	9,885
Total Operating Revenues	<u>5,989,130</u>	<u>5,183,735</u>	<u>6,076,317</u>
Operating Expenses:			
Programming and Production	2,578,870	2,292,511	2,241,770
Broadcasting	1,002,573	954,938	1,076,753
Public Information and Promotion	114,797	110,793	113,492
Management and General	1,546,840	1,471,929	1,261,116
Fundraising/Member Development	89,206	42,090	57,530
Depreciation	340,010	316,792	317,220
Total Operating Expenses	<u>5,672,296</u>	<u>5,189,052</u>	<u>5,067,881</u>
Operating Income (Loss)	<u>316,834</u>	<u>(5,318)</u>	<u>1,008,436</u>
Nonoperating Revenues:			
CARES ACT Stabilization Funds	-	200,000	-
American Rescue Plan Funds	370,409	-	-
Total Nonoperating Revenues	<u>370,409</u>	<u>200,000</u>	<u>-</u>
Income Before Transfers	<u>687,243</u>	<u>194,682</u>	<u>1,008,436</u>
Transfers:			
Transfer to Los Angeles Unified School District	(69,300)	(131,950)	(171,150)
Transfer to KLCS Foundation	(365,357)	(438,126)	(138,216)
Total Transfers	<u>(434,657)</u>	<u>(570,076)</u>	<u>(309,366)</u>
Change in Net Position	252,586	(375,394)	699,070
Net Position, Beginning	2,267,878	2,643,272	1,944,202
Net Position, Ending	<u>\$ 2,520,464</u>	<u>\$ 2,267,878</u>	<u>\$ 2,643,272</u>

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)

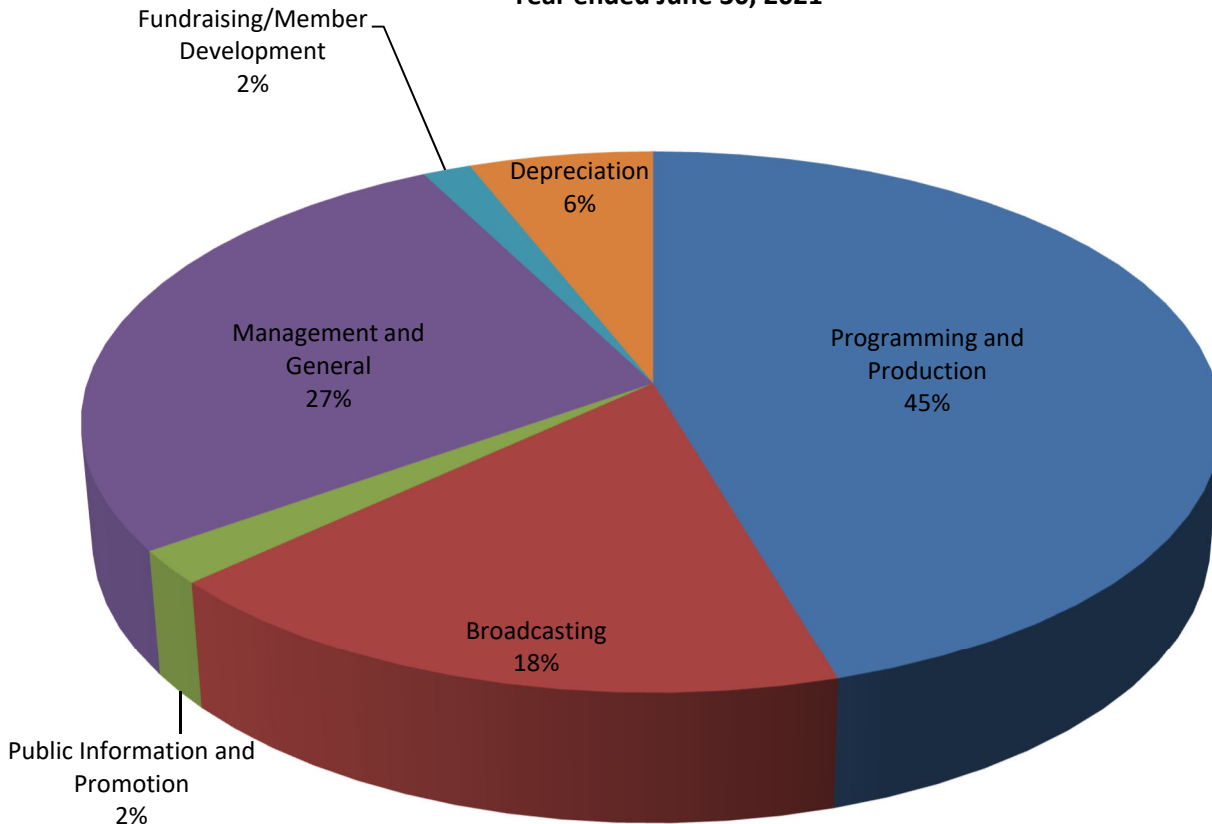
The largest share of the Station's funding is in the form of District appropriations, which decreased slightly from 73% in FY 2020 to 71% in the current fiscal year. Federal grants make up the other major source of funding and also decreased slightly from 21% to 20%. Other grants were also an important source of funding in the current year, contributing 4% to the Station's revenues. The proportion contributed by production and broadcast services and subscription and membership income both declined from 3% to 2%. In-kind services and miscellaneous income both declined from 1% to 0%.



**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)**

Programming and production and management and general functions continued to be the two main expense categories of the Station.

**Expenses by Function
Year ended June 30, 2021**



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, 2021 AND 2020

	2021		2020	
	Primary Govt	Component Unit	Primary Govt	Component Unit
	KLCS-TV	KEF	KLCS-TV	KEF
Assets				
Current Assets:				
Cash in County	\$ 1,520,781	\$ -	\$ 1,440,879	\$ -
Cash in banks	3,000	793,438	3,000	428,081
Short-term investments	-	500,000	-	500,000
Due from LAUSD and other receivables	48,941	-	15,734	-
Prepaid expenses	282,061	-	357,655	-
Noncurrent Assets:				
Property and equipment, net	1,962,835	-	2,061,446	-
Total Assets	\$ 3,817,618	\$ 1,293,438	\$ 3,878,714	\$ 928,081
Liabilities and Net Position				
Current Liabilities:				
Accounts payable	\$ 23,921	\$ -	\$ 12,302	\$ -
Due to LAUSD	282,061	-	357,655	-
Unexpended grants	991,172	-	1,240,879	-
Total Liabilities	\$ 1,297,154	\$ -	\$ 1,610,836	\$ -
Net Position				
Net investment in capital assets	\$ 1,962,835	\$ -	\$ 2,061,446	\$ -
Restricted - expendable	370,409	-	-	-
Unrestricted	187,220	1,293,438	206,432	928,081
Total Net Position	\$ 2,520,464	\$ 1,293,438	\$ 2,267,878	\$ 928,081

The notes to 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, 2021 AND 2020

	2021		2020	
	Primary Govt KLCS-TV	Component Unit KEF	Primary Govt KLCS-TV	Component Unit KEF
OPERATING REVENUES				
Support and revenues:				
Los Angeles Unified School District:				
General appropriations	\$ 3,965,789	\$ -	\$ 3,450,021	\$ -
Facilities and administrative support	561,605	-	478,431	-
Corporation for Public Broadcasting -				
Community Service and other grants	886,534	-	907,090	-
Other grants	250,250	-	-	-
Subscription and membership income	-	156,206	-	177,172
Rental of facilities	106,325	-	144,387	-
Support from KLCS Education Foundation	156,206	-	177,172	-
Production and program underwriting	4,880	-	8,120	-
In-kind services	6,700	-	10,700	-
Miscellaneous income	50,841	-	7,814	-
Total Operating Revenues	<u>5,989,130</u>	<u>156,206</u>	<u>5,183,735</u>	<u>177,172</u>
OPERATING EXPENSES				
Certificated salaries	137,678	-	137,678	-
Classified salaries	2,136,062	-	1,872,827	-
Employee benefits	970,956	-	943,999	-
Indirect administration	524,648	-	441,474	-
Contract services	167,714	-	158,648	-
Utilities	131,545	-	103,490	-
Supplies	48,743	-	22,514	-
Membership and dues	2,977	-	2,903	-
Rent	304,483	-	299,882	-
Equipment rental	283	-	356	-
Equipment maintenance and repair	145,474	-	203,832	-
Instructional materials	726,388	-	636,670	-
Reprographic services	16,170	-	31,200	-
Travel and conference	2,675	-	2,054	-
Non-capital equipment purchases	2,240	-	9,998	-
Abandoned unused equipment	6,390	-	-	-
Depreciation and amortization	340,010	-	316,792	-
Miscellaneous	7,860	-	4,736	-
Support to KLCS-TV	-	156,206	-	177,172
Total Operating Expenses	<u>5,672,296</u>	<u>156,206</u>	<u>5,189,053</u>	<u>177,172</u>
Operating Income (Loss)	<u>316,834</u>	<u>-</u>	<u>(5,318)</u>	<u>-</u>
NONOPERATING REVENUES				
CARES Act Stabilization Funds	-	-	200,000	-
American Rescue Plan Funds	370,409	-	-	-
Total Nonoperating Revenues	<u>370,409</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Income Before Transfers	<u>687,243</u>	<u>-</u>	<u>194,682</u>	<u>-</u>
Transfers				
Transfer to Los Angeles Unified School District	(69,300)	-	(131,950)	-
Transfer to KLCS Education Foundation	(365,357)	-	(438,126)	-
Transfer from KLCS-TV	-	365,357	-	438,126
Total Transfers	<u>(434,657)</u>	<u>365,357</u>	<u>(570,076)</u>	<u>438,126</u>
Change in Net Position	252,586	365,357	(375,394)	438,126
Net Position, at beginning of year	2,267,878	928,081	2,643,272	489,955
Net Position, at end of year	<u>\$ 2,520,464</u>	<u>\$ 1,293,438</u>	<u>\$ 2,267,878</u>	<u>\$ 928,081</u>

The notes to 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, 2021 AND 2020

	2021		2020	
	Primary Govt	Component Unit	Primary Govt	Component Unit
	KLCS-TV	KEF	KLCS-TV	KEF
Cash flows from operating activities				
Cash received from grants, donors and fundraising activities	\$ 5,137,911	\$ 156,206	\$ 4,955,714	\$ 177,172
Cash paid to suppliers and vendors	(1,501,276)	-	(1,656,078)	-
Cash paid to KLCS-TV	-	(156,206)	-	(177,172)
Cash paid for personnel costs	(3,244,696)	-	(2,954,504)	-
Net cash provided by operating activities	<u>391,939</u>	<u>-</u>	<u>345,132</u>	<u>-</u>
Cash flows from investing activities				
Purchase of short-term investments	-	-	-	(250,000)
Cash flows from noncapital financing activities				
Proceeds from CARES Act Stabilization Funds	-	-	200,000	-
Proceeds from American Rescue Plan Funds	370,409	-	-	-
Transfer to Los Angeles Unified School District	(69,300)	-	(131,950)	-
Transfer from (to) KLCS Education Foundation	(365,357)	365,357	(438,126)	438,126
Net cash provided by (used in) noncapital financing activities	<u>(64,248)</u>	<u>365,357</u>	<u>(370,076)</u>	<u>438,126</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(247,789)	-	(3,863)	-
Proceeds from sale of capital assets	-	-	10,615	-
Net cash provided by (used in) capital and related financing activities	<u>(247,789)</u>	<u>-</u>	<u>6,752</u>	<u>-</u>
Net change in cash	<u>79,902</u>	<u>365,357</u>	<u>(18,192)</u>	<u>188,126</u>
Cash at beginning of year	<u>1,443,879</u>	<u>428,081</u>	<u>1,462,071</u>	<u>239,955</u>
Cash at end of year	<u>\$ 1,523,781</u>	<u>\$ 793,438</u>	<u>\$ 1,443,879</u>	<u>\$ 428,081</u>
Cash components:				
Cash in County	\$ 1,520,781	\$ -	\$ 1,440,879	\$ -
Cash in bank	3,000	793,438	3,000	428,081
Total Cash	<u>\$ 1,523,781</u>	<u>\$ 793,438</u>	<u>\$ 1,443,879</u>	<u>\$ 428,081</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 316,834	\$ -	\$ (5,318)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	340,010	-	316,792	-
Abandoned unused equipment	6,390	-	-	-
Change in assets and liabilities:				
Accounts receivable	(33,207)	-	240,967	-
Prepaid expenses	75,594	-	106,139	-
Accounts payable	11,619	-	10,883	-
Due to Los Angeles Unified School District	(75,594)	-	(106,139)	-
Unexpended grants	(249,707)	-	(218,192)	-
Total adjustments	<u>75,105</u>	<u>-</u>	<u>350,450</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 391,939</u>	<u>\$ -</u>	<u>\$ 345,132</u>	<u>\$ -</u>

The notes to 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, 2021 AND 2020

NOTE 1 – REPORTING ENTITY

KLCS-TV (“KLCS” or the “Station”) is a public television station licensed to the Los Angeles Unified School District (“LAUSD” or 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 the KLCS Education Foundation (“KEF”), a related California nonprofit corporation commencing operations during the fiscal year ended on June 30, 2014. KEF is exempt from Federal and California income taxes under Section 501 (c)(3) of the Internal Revenue Code, and Section 23701 of the California Law, Revenue and Taxation Code. The purpose of KEF is to manage revenues for the Station, by holding certain types of contributions received from membership within its bank and short-term investment accounts. Certain types of contributions are not allowed to be held in the Station’s District account, which is deposited in the Los Angeles County Treasury. See Note 2 for more information on KEF’s accounting policy.

KEF is presented in the Station’s financial statements 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.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In May 2005, 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.

The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental 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. CARES Act Stabilization Funds and American Rescue Plan Funds are also included within nonoperating activities as these funds did not result from normal operations of the Station.

In the statements of net position, net position includes the following:

Net investment in capital assets—consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.

Restricted—consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

Nonexpendable restricted net position—consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Station does not have any nonexpendable restricted net position as of June 30, 2021 and 2020.

Expendable restricted net position—includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The Station has \$370,409 in expendable restricted net position as of June 30, 2021. These funds are the unspent American Rescue Plan Funds, which are restricted to maintain programming and services and preserve the ability of stations to respond to the global pandemic, coronavirus disease “COVID-19.” The Station does not have any expendable restricted net position as of June 30, 2020.

Unrestricted—The difference between the assets and liabilities that is not reported in “net investment in capital assets” and “restricted net position.”

When both restricted and unrestricted resources are available for use, it is the Station's policy to expend restricted resources first, then unrestricted resources as they are needed.

Cash

KLCS-TV maintains its cash in an account at the District deposited in the Los Angeles County Treasury, and in a bank account, which are readily available for withdrawal. Its component unit, KEF, maintains its cash in a bank account and cash equivalents (money market funds and certificates of deposit with original maturities of three months or less) in an investment account.

Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, KLCS-TV will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The cash deposited in the County treasury, per the audited financial statements of the Los Angeles Unified School District for the year ended on June 30, 2021 and 2020, is not exposed to custodial credit risk since all county deposits are either covered by federal depository insurance or collateralized with securities held by the County. Deposits in bank accounts are insured by federal depository insurance up to \$250,000. The balance in KLCS-TV accounts was \$3,000 as of June 30, 2021 and \$3,000 as of June 30, 2020. The balance in KEF accounts was \$793,438 as of June 30, 2020 and \$428,081 as of June 30, 2020.

Short-term Investments

KLCS-TV's component unit, KEF, maintains some of its assets in short-term investments, to date in the form of certificates of deposit (“CDs”) and treasury bills. Short-term investments are defined as those with original maturities of more than three and up to twelve months. The overall

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

investment objective of KEF is preservation of principal and maximization of return on invested assets while minimizing risks and expenses.

The CDs held by KEF each have a principal of \$250,000 or less and are issued by different banks. Consequently, each is insured to the limit provided by federal depository insurance and not exposed to custodial credit risk. The principal value of CDs held by KEF was \$500,000 as of June 30, 2021 and \$500,000 as of June 30, 2020. KEF held no treasury bills as of June 30, 2021 and June 30, 2020.

Prepaid Expenses

Prepaid expenses consist of various payments that KLCS has made in advance for goods or services to be received in the future. These prepaid expenses principally include insurance and service contracts requiring up-front payments.

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. The Station's capitalization threshold is \$5,000. Capital assets are depreciated on a straight-line basis using estimated useful lives of 8 years to 20 years. Most equipment is depreciated over 10 years, capitalized facility improvements and the antenna are depreciated over 20 years, and vehicles over 8 years. These follow mainly LAUSD assigned useful lives.

Revenue Recognition

Appropriations from the District are recorded as revenue in the statements of revenues, expenses and changes in net position when an expense is recorded.

Membership contributions are recognized as support in the period they are received.

General appropriations and facilities and administrative support represent expenses paid on behalf of the Station by the District and includes contributed professional services, materials, and facilities, and indirect administrative support.

Pledges and Contributions

The Station engages in periodic fundraising campaigns in the form of special programming, as well as on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions, including unconditional promises to give and membership receipts, are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and the Station is not able to determine that they are probable of collection, therefore they are not shown as assets in the statements of net position. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for the contributions and pledges.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Income Taxes

The Station is owned and operated by the Los Angeles Unified School District, part of the State of California's educational system. As such, it is exempt from federal and state income taxes. See Note 1 and Note 13 for information regarding income taxes related to KEF.

Due from LAUSD and Other Receivables

Accounts receivable, including Due from LAUSD, are stated at the amount management expects to collect from outstanding balances. Credit is extended on a short-term basis; thus accounts receivable do not bear interest. There was no allowance for doubtful accounts recorded at June 30, 2021 and 2020.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Codes, Annotated, section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission.

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. There were no in-kind contributions of property and equipment in the fiscal years ended in June 30, 2021 and 2020.

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. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services. There were \$6,700 of in-kind contributions of services and assets in the fiscal year

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

ended in June 30, 2021. There were \$10,700 of in-kind contributions of services and assets in the fiscal year ended in June 30, 2020. Additionally, there were \$561,605 and \$478,431 of donated facilities and administrative support, comprised of \$36,957 and \$36,957 of in-kind contributions for rent and \$524,648 and \$441,474 of indirect administrative support at June 30, 2021 and 2020, respectively.

Estimates

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

KLCS Education Foundation (“KEF”) Accounting Policy

KEF mainly follows accounting policies adopted by KLCS, including those regarding basis of presentation, basis of accounting, and measurement focus. The only asset of KEF is cash deposited in KEF’s bank account, which is largely derived from member donations. See Note 1 for a description of KEF’s purpose as a discretely presented component unit of KLCS. Net transfers from KLCS to KEF were \$365,357 and \$438,126 for the fiscal years ended June 30, 2021 and June 30, 2020, respectively.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Station is currently evaluating the effect that implementation of the new Statement will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Interest Cost in Construction*. GASB 89 was made to enhance the comparability of information about capital assets and the cost of borrowing for a reported period, and aims to simplify accounting for the interest cost incurred before the end of a construction period. The provisions in GASB 89 are effective for periods beginning after December 15, 2020. The Station is currently evaluating the impact the Statement will have on its financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on total net position.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 – SIGNIFICANT CONCENTRATIONS

The Station received significant revenue from two sources in the fiscal years ended June 30, 2021 and 2020. In the fiscal year ended June 30, 2021, the Los Angeles Unified School District and the Corporation for Public Broadcasting accounted for 71% and 20%, respectively, of revenue. In the fiscal year ended June 30, 2020, the Los Angeles Unified School District and the Corporation for Public Broadcasting accounted for 73% and 21%, respectively, of revenue.

NOTE 4 – RELATED PARTY TRANSACTIONS

The transactions with the Los Angeles Unified School District, a related party, were as follows:

	Fiscal Year ended on	
	June 30, 2021	June 30, 2020
Due from Los Angeles Unified School District	\$ 23,641	\$ 15,034
Due to Los Angeles Unified School District	282,061	357,655

The amounts Due from Los Angeles Unified School District are related to unpaid KLCS expenses for which LAUSD is expected to provide funds and unpaid services rendered by KLCS to LAUSD divisions. The amounts Due to Los Angeles Unified School District are related to KLCS Prepaid Expenses purchased with LAUSD appropriations.

The Station transfers revenues it earns from the broadcast of County of Los Angeles Board of Supervisors meetings each year to LAUSD. These transfers were \$69,300 and \$131,950 for the fiscal years ended June 30, 2021 and 2020, respectively. The funds were remitted directly from the County of Los Angeles to LAUSD, were never available for the Station's use, never returned to the Station in the form of LAUSD appropriations or otherwise, and will not be included in the Station's calculation of nonfederal financial support in future years.

NOTE 5 - PROPERTY AND EQUIPMENT

At June 30, 2021, Property and Equipment consist of the following:

	Balances	Additions	Retirements	Balances
	July 1, 2020			June 30, 2021
Studio and Broadcast Equipment	\$ 3,923,736	\$ 247,788	\$ 52,320	\$ 4,119,204
Furniture and Office Equipment	76,206	-	26,205	50,001
Vehicles	157,342	-	-	157,342
Capitalized Facilities Improvements	721,284	-	-	721,284
Total Property and Equipment	4,878,568	247,788	78,525	5,047,831
Accumulated Depreciation	2,817,122	\$ 340,010	\$ 72,136	3,084,996
Property and Equipment, Net of Accumulated Depreciation	\$ 2,061,446			\$ 1,962,835

The depreciation charge for the year ended June 30, 2021 was \$340,010.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

At June 30, 2020, Property and Equipment consist of the following:

	<u>Balances</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2020</u>
Studio and Broadcast Equipment	\$ 3,930,488	\$ 3,863	\$ 10,615	\$ 3,923,736
Furniture and Office Equipment	76,206	-	-	76,206
Vehicles	157,342	-	-	157,342
Capitalized Facilities Improvements	721,284	-	-	721,284
Total Property and Equipment	<u>4,885,320</u>	<u>3,863</u>	<u>10,615</u>	<u>4,878,568</u>
Accumulated Depreciation	<u>2,500,330</u>	<u>\$ 319,781</u>	<u>\$ 2,989</u>	<u>2,817,122</u>
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 2,384,990</u>			<u>\$ 2,061,446</u>

The depreciation charge for the year ended June 30, 2020 was \$316,792.

NOTE 6 - COMPENSATED ABSENCES AND SICK LEAVE

Compensated absences and sick leave, including personnel costs and related fringe benefits, are paid by and under the control of the District, as it is responsible for its compliance. Each year the District determines the amount of grants and the corresponding expenses to be contributed by KLCS, including if and to what extent some specific expenses will be charged to KLCS. Therefore, KLCS cannot reasonably determine the extent of these liabilities, if any. For further explanation of its policy regarding compensated absences and sick leave, please refer to the District's audited financial statements for the years ended June 30, 2021 and 2020, which is available at the District's Office of the Chief Financial Officer.

NOTE 7 - UNEXPENDED GRANTS

At June 30, 2021 and 2020, unexpended grants are as follows:

<u>Grant</u>	<u>2021</u>	<u>2020</u>
CPB Community Service Grant 2019	\$ -	\$ 551,981
CPB Community Service Grant 2020	354,345	674,761
CPB Community Service Grant 2021	623,997	-
CPB Interconnection Grant 2020	-	13,115
CPB Interconnection Grant 2021	11,803	-
CPB Universal Services Support Grant 2020	-	1,022
CPB Universal Services Support Grant 2021	1,027	-
Total	<u>\$ 991,172</u>	<u>\$ 1,240,879</u>

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - MISCELLANEOUS INCOME

For the years ended on June 30, 2021 and 2020, Miscellaneous Income was as follows:

	<u>2021</u>	<u>2020</u>
Sales of Books and Recorded Media and Other Revenues	\$ -	\$ 84
Viewer Guide Advertising	-	1,578
Interest and Dividends	7,166	5,622
Programming Rights, Royalties, and Other Payments	43,675	530
	<u>\$ 50,841</u>	<u>\$ 7,814</u>

NOTE 9 – FUNCTIONAL EXPENSES

For the years ended on June 30, 2021 and 2020, functional expenses are as follows:

	<u>KLCS-TV</u>	
	<u>2021</u>	<u>2020</u>
Program services		
Programming and production	\$ 2,578,870	\$ 2,292,511
Broadcasting	1,002,573	954,938
Public information and promotion	114,797	110,793
Total program services	<u>3,696,240</u>	<u>3,358,242</u>
Supporting services		
Management and general	1,546,840	1,471,929
Fundraising/member development	89,206	42,090
Depreciation	340,010	316,792
Total supporting services	<u>1,976,056</u>	<u>1,830,811</u>
Total program and supporting services	<u>\$ 5,672,296</u>	<u>\$ 5,189,053</u>

The KLCS Education Foundation supporting services expense, Support to KLCS-TV, for the years ended on June 30, 2021 and 2020, was \$156,206 and \$177,172, respectively.

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 10 – LEASE AND OTHER COMMITMENTS

KLCS rents its antenna space under an operating lease. The total expense for rental space was \$304,483 and \$299,882 for the years ended June 30, 2021 and 2020, respectively, which included for the year ended June 30, 2021 the antenna rent expense of \$267,526 plus other rent expense for \$36,957, and for the year ended June 30, 2020 the antenna rent expense of \$262,925 plus other rent expense for \$36,957. Future minimum annual rental and generator fee commitments under the non-cancelable operating lease is as follows:

<u>Year Ended June 30,</u>	<u>Rent</u>	<u>Generator Fee</u>	<u>Total</u>
2022	\$ 272,128	\$ 63,860	\$ 335,988
2023	272,128	63,860	335,988
2024	272,128	63,860	335,988
2025	272,128	63,860	335,988
2026	136,064	31,930	167,994
	<u>\$ 1,224,576</u>	<u>\$ 287,370</u>	<u>\$ 1,511,946</u>

NOTE 11 – RETIREMENT PLAN AND POST EMPLOYMENT BENEFITS

KLCS employees are covered by the District’s defined benefits pension plan operated by the California Public Employees Retirement System (“CalPERS”) or the California State Teachers’ Retirement System (“CalSTRS”), 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.

For the years ended June 30, 2021 and 2020, KLCS contributed \$396,197 and \$374,548, respectively, to the plans on behalf of its employees. In addition, the Station contributed \$94,853 and \$96,314 for retiree health and medical benefits on behalf of its employees outside of the plans for the years ended June 30, 2021 and 2020, respectively. Additional information regarding contributions to the plan may be obtained by contacting the District’s Payroll Administration Branch (on the internet at <https://achieve.lausd.net/payroll>).

As described under the note to the financial statements number 7, KLCS employees are employed and paid by Los Angeles Unified School District (“District”). The District controls and pays KLCS employees’ salaries, fringe benefits, retirement plans, and post-employment benefits. The District is responsible for compliance. For further explanation of its policy regarding retirement plans, and post-employment benefits, including full disclosures, refer to the District’s audited financial statements for the years ended June 30, 2021 and 2020, which are available at the District’s Office of the Chief Financial Officer.

KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 – NON-FEDERAL FINANCIAL SUPPORT

CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on Non-Federal Financial Support (“NFFS”). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A contribution is defined as cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station. However, to eliminate distortions in the Television CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the NFFS. This change excludes all revenues received for any capital purchases.

A payment is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$4,941,813 and \$3,961,689 for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 13 - CONTINGENCY

a) Grants and contracts

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

b) Income Taxes

KEF filed, for the year ended June 30, 2020, 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

**KLCS-TV
A BROADCAST SERVICE OF THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

has not identified any uncertain income tax position. Generally, income tax returns remain open for examination by taxing authorities for three years.

NOTE 14 – RISKS AND UNCERTAINTIES

The Station is exposed to various risks of loss arising from litigation and claims in the normal course of business. The Station maintains insurance coverage to provide for risks of loss.

**INDEPENDENT AUDITORS' 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**

To the Board of Education,
Los Angeles Unified School District:

We have audited, 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, the financial statements of KLCS-TV (the "Station"), a public telecommunications entity operated by the Los Angeles Unified School District, and its discretely presented component unit, KLCS Education Foundation ("KEF"), as of and for the year ended June 30, 2021, 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 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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.

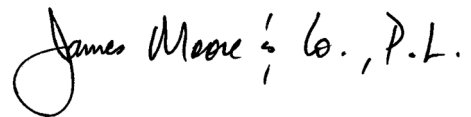
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Station's financial statements are free from 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 financial statements. 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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
January 14, 2022