

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (RESTATED)**

**KLCS-TV  
A BROADCAST SERVICE OF THE  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (RESTATED)**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited 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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Station and its discretely presented component unit, KEF, as of June 30, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matters***

As discussed in Note 2 to the financial statements, the 2021 financial statements have been restated to conform with the provisions of GASB 87, which has been applied retrospectively for all prior periods presented. Our opinion is not modified with respect to this matter.

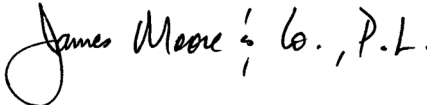
As discussed in Note 1, the financial statements of the Station are intended to present the financial position, changes in financial position, and cash flows of only the Station-related accounts of the Los Angeles Unified School District that are attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the Los Angeles Unified School District as of June 30, 2022 and 2021, 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 is the responsibility of management and, 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 February 13, 2023, 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.

James Moore & Co., P.L.

Gainesville, Florida  
February 13, 2023

**KLCS-TV  
A BROADCAST SERVICE OF THE  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (RESTATED)**

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 \$2,147,824 (net position), at the close of the fiscal year ended June 30, 2021 by \$2,514,150 (restated), and at the close of the fiscal year ended June 30, 2020 by \$2,267,878.
- The Station's total net position decreased by \$366,326 (14.57%) from the prior year, due mainly to depreciation of capital assets not being offset by new, in addition to depletion of Pandemic-era stimulus funds. The Station's total net position had increased by \$246,272 (10.86%) (restated) for the fiscal year ended June 30, 2021, as a result primarily of the receipt of American Rescue Plan funds.
- The Station's total obligations declined by \$284,150 (10.79%) during the current fiscal year due mainly to a decline in KLCS' lease liability. For the fiscal year ended June 30, 2021, the Station's total obligations increased by \$1,022,314 (63.46%) (restated) because of the increase in lease liability occasioned by the implementation of GASB 87.

### **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

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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 11-13 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 \$2,147,824 at the close of the most recent year, \$2,514,150 (restated) at the close of the fiscal year ended June 30, 2021, and \$2,267,878 at the close of the fiscal year ended June 30, 2020.

By far the largest portion of the Station's net position (\$1,788,862 in the fiscal year ended June 30, 2022, \$2,126,928 (restated) in the fiscal year ended June 30, 2021 and \$2,061,446 in the fiscal year ended June 30, 2020) reflects its investments in capital assets (e.g., equipment, deferred equipment installation expenses, and capital leases) less depreciation, amortization, and related liabilities. 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 (\$545,409 in the fiscal year ended June 30, 2022, \$370,409 in the fiscal year ended June 30, 2021, and nil in the fiscal year ended June 30, 2020), 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 unexpended COVID-19 related fiscal stimulus funds provided by the Corporation for Public Broadcasting and funds from a private foundation grant.

The final portion of the Station's net position, its unrestricted net position (-\$186,447 in the fiscal year ended June 30, 2022, \$16,813 (restated) in the fiscal year ended June 30, 2021 and \$206,432 in the fiscal year ended June 30, 2020), 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 prepaid expenses and receivables earned from production activities. In recent years, they have been mainly derived from prepaid expenses and activities such as donations, program underwriting, and production activities. The Station's unrestricted net position decreased \$203,260 during the year primarily due to the receipt of restricted grant funds from a private foundation. In the year ended June 30, 2021, the Station's unrestricted net position had decreased \$189,619 (restated) primarily due to a decrease in prepaid expenses related to the implementation of GASB 87.

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During the year ended June 30, 2022, the Station's capital assets decreased by \$669,912 (19.36%) due, as in most recent years, to depreciation outpacing new investments. For FY 2021, capital assets increased by \$1,399,065 (67.87%) due mainly to the increase in lease asset occasioned by the implementation of GASB 87. Current assets increased by \$19,436 (1.15%) reflecting an increase in unexpended grants. This compares with a decline of \$130,479 (7.18%) (restated) for FY 2021 due to reclassification of prepaid expenses as a result of GASB 87 implementation.

The Station's total liabilities decreased by \$284,150 (10.79%), with current liabilities increasing by \$48,727 (2.99%), due to a rise in unexpended grants, and non-current liabilities decreasing by \$332,877 (33.23%), due mainly to payment of its lease liability. For FY 2021, KLCS' total liabilities increased by \$1,022,314 (63.46%) (restated) because of the lease liability incurred as a result of GASB 87 implementation.

From an operating standpoint, KLCS experienced a mostly positive year, with revenues remaining flat and operating expenses increasing slightly by 2.50%. The increase in operating expenses is attributable largely to programming and production expenses (up 19.59%), which is concomitant with the 34.42% rise in revenues associated with production and broadcast activities, evidencing the continued recovery of production beyond pre-Pandemic levels. 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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**Summary Statement of Net Position**

As of June 30, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets:</b>			
Current Assets	\$ 1,706,225	\$ 1,686,789	\$ 1,817,268
Capital Assets, Net	2,790,599	3,460,511	2,061,446
<b>Total Assets</b>	<u>\$ 4,496,824</u>	<u>\$ 5,147,300</u>	<u>\$ 3,878,714</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 1,680,141	\$ 1,631,414	\$ 1,610,836
Noncurrent Liabilities	668,859	1,001,736	-
<b>Total Liabilities</b>	<u>\$ 2,349,000</u>	<u>\$ 2,633,150</u>	<u>\$ 1,610,836</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	1,788,862	2,126,928	2,061,446
Restricted - expendable	545,409	370,409	-
Unrestricted	(186,447)	16,813	206,432
<b>Total Net Position</b>	<u>\$ 2,147,824</u>	<u>\$ 2,514,150</u>	<u>\$ 2,267,878</u>

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**(CONTINUED)**

**Summary Statement of Revenues, Expenses and Changes in Net Position**

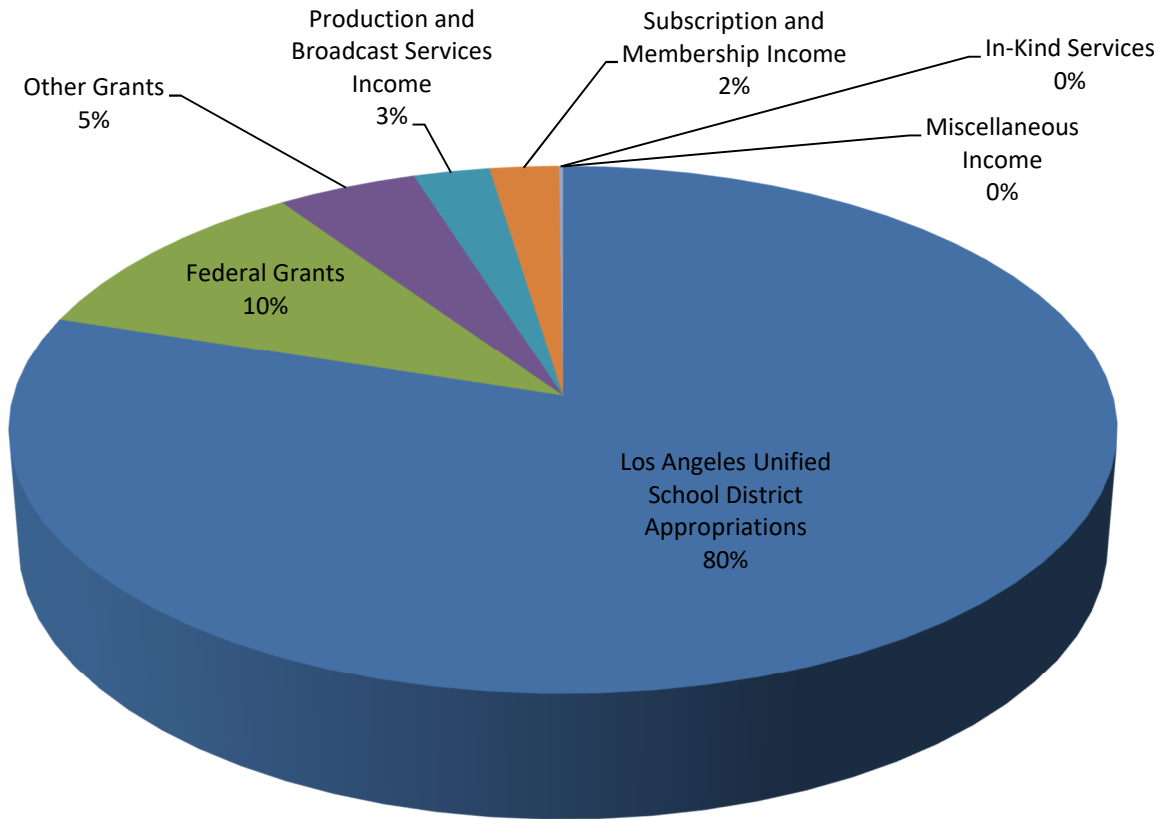
For the Years Ended June 30, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Los Angeles Unified School District Appropriation	\$ 4,743,626	\$ 4,527,394	\$ 3,928,452
Federal Grants	620,818	886,534	907,090
Other Grants	275,000	250,250	-
Production and Broadcast Services Income	149,479	111,205	152,507
Subscription and Membership Income	135,494	156,206	177,172
In-Kind Services	7,400	6,700	10,700
Miscellaneous Income	612	50,841	7,814
Total Operating Revenues	<u>5,932,429</u>	<u>5,989,130</u>	<u>5,183,735</u>
Operating Expenses:			
Programming and Production	3,084,175	2,578,870	2,292,511
Broadcasting	731,928	675,070	954,938
Public Information and Promotion	133,793	110,229	110,793
Management and General	1,091,363	1,546,840	1,471,929
Fundraising/Member Development	103,779	89,206	42,090
Depreciation	669,912	672,827	316,792
Total Operating Expenses	<u>5,814,948</u>	<u>5,673,042</u>	<u>5,189,052</u>
Operating Income (Loss)	<u>117,481</u>	<u>316,088</u>	<u>(5,318)</u>
Nonoperating Revenues:			
CARES ACT stabilization Funds	-	-	200,000
American Rescue Plan Funds	-	370,409	-
Interest expense on lease obligations	(3,539)	(5,568)	-
Total Nonoperating Revenues	<u>(3,539)</u>	<u>364,841</u>	<u>200,000</u>
Income Before Transfers	<u>113,942</u>	<u>680,929</u>	<u>194,682</u>
Transfers:			
Transfer to Los Angeles Unified School District	(98,800)	(69,300)	(131,950)
Transfer to KLCS Foundation	(381,468)	(365,357)	(438,126)
Total Transfers	<u>(480,268)</u>	<u>(434,657)</u>	<u>(570,076)</u>
Change in Net Position	(366,326)	246,272	(375,394)
Net Position, Beginning	2,514,150	2,267,878	2,643,272
Net Position, Ending	<u>\$ 2,147,824</u>	<u>\$ 2,514,150</u>	<u>\$ 2,267,878</u>

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The largest share of the Station's funding is in the form of District appropriations, which increased substantially from 71% in FY 2021 to 80% in the current fiscal year. Conversely, federal grants, the Station's other major source of funding decreased from 20% to 10%. Other grants were also an important source of funding in the current year, contributing 5% to the Station's revenues. The proportion contributed by other sources remained largely unchanged.

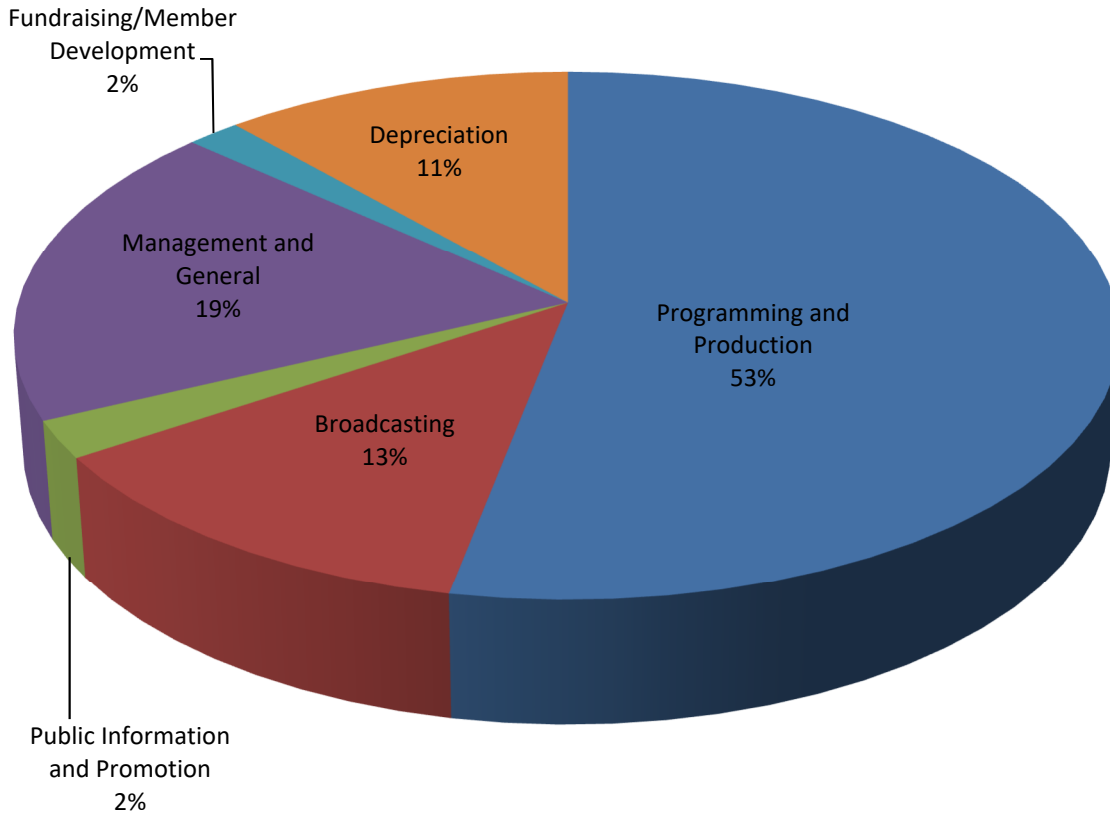
**Operating Revenues by Source**  
**Year ended June 30, 2022**



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(CONTINUED)**

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

**Operating Expenses by Function  
Year ended June 30, 2022**



**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](http://www.klcs.org).

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**STATEMENTS OF NET POSITION**  
**JUNE 30, 2022 AND 2021 (RESTATED)**

	2022		2021	
	Primary Govt	Component Unit	Primary Govt	Component Unit
	KLCS-TV	KEF	KLCS-TV	KEF
<b>Assets</b>				
Current Assets:				
Cash in County	\$ 1,565,020	\$ -	\$ 1,520,781	\$ -
Cash in banks	3,000	675,740	3,000	793,438
Short-term investments	-	999,166	-	500,000
Due from LAUSD and other receivables	36,482	-	48,941	-
Prepaid expenses	101,723	-	114,067	-
Noncurrent Assets:				
Property and equipment being depreciated, net	2,790,599	-	3,460,511	-
<b>Total Assets</b>	<b>\$ 4,496,824</b>	<b>\$ 1,674,906</b>	<b>\$ 5,147,300</b>	<b>\$ 1,293,438</b>
<b>Liabilities and Net Position</b>				
Current Liabilities:				
Accounts payable	\$ 7,585	\$ -	\$ 23,921	\$ -
Interest payable	1,813	-	2,413	-
Lease liability - current portion	332,878	-	331,847	-
Due to LAUSD	269,717	-	282,061	-
Unexpended grants	1,068,148	-	991,172	-
Total current liabilities	1,680,141	-	1,631,414	-
Non-current Liabilities:				
Lease liability, less current portion	668,859	-	1,001,736	-
<b>Total Liabilities</b>	<b>\$ 2,349,000</b>	<b>\$ -</b>	<b>\$ 2,633,150</b>	<b>\$ -</b>
Net Position				
Net investment in capital assets	\$ 1,788,862	\$ -	\$ 2,126,928	\$ -
Restricted - expendable	545,409	-	370,409	-
Unrestricted	(186,447)	1,674,906	16,813	1,293,438
<b>Total Net Position</b>	<b>\$ 2,147,824</b>	<b>\$ 1,674,906</b>	<b>\$ 2,514,150</b>	<b>\$ 1,293,438</b>

**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, 2022 AND 2021 (RESTATED)**

	2022		2021	
	Primary Govt KLCS-TV	Component Unit KEF	Primary Govt KLCS-TV	Component Unit KEF
<b>OPERATING REVENUES</b>				
Support and revenues:				
Los Angeles Unified School District:				
General appropriations	\$ 4,193,550	\$ -	\$ 3,965,789	\$ -
Facilities and administrative support	550,076	-	561,605	-
Corporation for Public Broadcasting -				
Community Service and other grants	620,818	-	886,534	-
Other grants	275,000	-	250,250	-
Subscription and membership income	-	135,494	-	156,206
Rental of facilities	134,279	-	106,325	-
Support from KLCS Education Foundation	135,494	-	156,206	-
Production and program underwriting	15,200	-	4,880	-
In-kind services	7,400	-	6,700	-
Miscellaneous income	612	-	50,841	-
<b>Total Operating Revenues</b>	<b>5,932,429</b>	<b>135,494</b>	<b>5,989,130</b>	<b>156,206</b>
<b>OPERATING EXPENSES</b>				
Certificated salaries	150,631	-	137,678	-
Classified salaries	2,261,550	-	2,136,062	-
Employee benefits	1,121,441	-	970,956	-
Indirect administration	513,119	-	524,648	-
Contract services	144,123	-	167,714	-
Utilities	68,324	-	67,000	-
Supplies	30,377	-	48,743	-
Membership and dues	3,984	-	2,977	-
Rent	36,957	-	36,957	-
Equipment rental	-	-	283	-
Equipment maintenance and repair	100,610	-	145,474	-
Instructional materials	664,302	-	726,388	-
Reprographic services	14,400	-	16,170	-
Travel and conference	4,910	-	2,675	-
Non-capital equipment purchases	25,538	-	2,240	-
Abandoned unused equipment	-	-	6,390	-
Depreciation and amortization	669,912	-	672,827	-
Miscellaneous	4,770	-	7,860	-
Support to KLCS-TV	-	135,494	-	156,206
<b>Total Operating Expenses</b>	<b>5,814,948</b>	<b>135,494</b>	<b>5,673,042</b>	<b>156,206</b>
<b>Operating Income (Loss)</b>	<b>117,481</b>	<b>-</b>	<b>316,088</b>	<b>-</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
American Rescue Plan Funds	-	-	370,409	-
Interest expense on lease obligations	(3,539)	-	(5,568)	-
<b>Total Nonoperating revenues (expenses)</b>	<b>(3,539)</b>	<b>-</b>	<b>364,841</b>	<b>-</b>
<b>Income Before Transfers</b>	<b>113,942</b>	<b>-</b>	<b>680,929</b>	<b>-</b>
<b>Transfers</b>				
Transfer to Los Angeles Unified School District	(98,800)	-	(69,300)	-
Transfer to KLCS Education Foundation	(381,468)	-	(365,357)	-
Transfer from KLCS-TV	-	381,468	-	365,357
<b>Total Transfers</b>	<b>(480,268)</b>	<b>381,468</b>	<b>(434,657)</b>	<b>365,357</b>
<b>Change in Net Position</b>	<b>(366,326)</b>	<b>381,468</b>	<b>246,272</b>	<b>365,357</b>
<b>Net Position, at beginning of year</b>	<b>2,514,150</b>	<b>1,293,438</b>	<b>2,267,878</b>	<b>928,081</b>
<b>Net Position, at end of year</b>	<b>\$ 2,147,824</b>	<b>\$ 1,674,906</b>	<b>\$ 2,514,150</b>	<b>\$ 1,293,438</b>

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

**KLCS-TV**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (RESTATED)**

	2022		2021	
	Primary Govt KLCS-TV	Component Unit KEF	Primary Govt KLCS-TV	Component Unit KEF
<b>Cash flows from operating activities</b>				
Cash received from grants, donors and fundraising activities	\$ 5,464,388	\$ 135,494	\$ 5,137,911	\$ 156,206
Cash paid to suppliers and vendors	(1,070,274)	-	(1,001,211)	-
Cash paid to KLCS-TV	-	(135,494)	-	(156,206)
Cash paid for personnel costs	(3,533,622)	-	(3,244,696)	-
Net cash provided by operating activities	<u>860,492</u>	<u>-</u>	<u>892,004</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of short-term investments	-	(499,166)	-	-
<b>Cash flows from noncapital financing activities</b>				
Proceeds from American Rescue Plan Funds	-	-	370,409	-
Transfer to Los Angeles Unified School District	(98,800)	-	(69,300)	-
Transfer from (to) KLCS Education Foundation	(381,468)	381,468	(365,357)	365,357
Net cash provided by (used in) noncapital financing activities	<u>(480,268)</u>	<u>381,468</u>	<u>(64,248)</u>	<u>365,357</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	-	-	(247,789)	-
Interest paid on lease obligations	(4,139)	-	(3,155)	-
Payments for right to use lease asset	(331,846)	-	(496,910)	-
Net cash used in capital and related financing activities	<u>(335,985)</u>	<u>-</u>	<u>(747,854)</u>	<u>-</u>
<b>Net change in cash</b>	<u>44,239</u>	<u>(117,698)</u>	<u>79,902</u>	<u>365,357</u>
<b>Cash at beginning of year</b>	<u>1,523,781</u>	<u>793,438</u>	<u>1,443,879</u>	<u>428,081</u>
<b>Cash at end of year</b>	<u>\$ 1,568,020</u>	<u>\$ 675,740</u>	<u>\$ 1,523,781</u>	<u>\$ 793,438</u>
<b>Cash components:</b>				
Cash in County	\$ 1,565,020	\$ -	\$ 1,520,781	\$ -
Cash in bank	3,000	675,740	3,000	793,438
Total Cash	<u>\$ 1,568,020</u>	<u>\$ 675,740</u>	<u>\$ 1,523,781</u>	<u>\$ 793,438</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
<b>Operating income (loss)</b>	\$ 117,481	\$ -	\$ 316,088	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	669,912	-	672,827	-
Abandoned unused equipment	-	-	6,390	-
Change in assets and liabilities:				
Accounts receivable	12,459	-	(33,207)	-
Prepaid expenses	12,344	-	243,588	-
Accounts payable	(16,336)	-	11,619	-
Due to Los Angeles Unified School District	(12,344)	-	(75,594)	-
Unexpended grants	76,976	-	(249,707)	-
Total adjustments	<u>743,011</u>	<u>-</u>	<u>575,916</u>	<u>-</u>
<b>Net cash provided by operating activities</b>	<u>\$ 860,492</u>	<u>\$ -</u>	<u>\$ 892,004</u>	<u>\$ -</u>

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

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**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, 2030.

**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.



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**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. 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, including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any debt and lease liabilities that are 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 through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

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*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, 2022 and 2021.

*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 \$545,409 in expendable restricted net position as of June 30, 2022. 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” and Frieda Berlinski Foundation funds earmarked for specific programming. The Station’s expendable restricted net position as of June 30, 2021 was \$370,409. 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”.

*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, 2022 and 2021, 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, 2022 and \$3,000 as of June 30, 2021. The balance in KEF accounts was \$675,740 as of June 30, 2022 and \$793,438 as of June 30, 2021.

### **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

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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 treasury bills held by KEF each had a face value of \$250,000. Payment of the face value of treasury bills are unconditionally guaranteed by the United States government. The principal value of CDs held by KEF was \$250,000 as of June 30, 2022 and \$500,000 as of June 30, 2021. The face value of treasury bills held by KEF as of June 30, 2022 was \$750,000. KEF held no treasury bills as of June 30, 2021.

### **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. Right of use lease assets are included in capital assets and amortized over the shorter of the lease term or useful life of the underlying asset.

### **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

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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.

**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, 2022 and 2021.

**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 on June 30, 2022 and 2021.

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**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 \$7,400 of in-kind contributions of services and assets in the fiscal year ended on June 30, 2022. There were \$6,700 of in-kind contributions of services and assets in the fiscal year ended on June 30, 2021. Additionally, there were \$550,076 and \$561,605 of donated facilities and administrative support, comprised of \$36,957 and \$36,957 of in-kind contributions for rent and \$513,119 and \$524,648 of indirect administrative support in the fiscal years ended June 30, 2022 and 2021, 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 \$381,468 and \$365,357 for the fiscal years ended June 30, 2022 and June 30, 2021, 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. KLCS retrospectively implemented GASB Statement No. 87, *Leases*, for the year ended June 30, 2021. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and additional disclosures required by this standard are included in Note 10.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (“governments”). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the

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extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

**NOTE 3 – SIGNIFICANT CONCENTRATIONS**

The Station received significant revenue from two sources in the fiscal years ended June 30, 2022 and 2021. In the fiscal year ended June 30, 2022, the Los Angeles Unified School District and the Corporation for Public Broadcasting accounted for 80% and 10%, respectively, of revenue. 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.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

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

	<u>Fiscal Year ended on</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Due from Los Angeles Unified School District	\$ 5,382	\$ 23,641
Due to Los Angeles Unified School District	269,717	282,061

The amounts Due from Los Angeles Unified School District are related to unpaid KLCS expenses for which LAUSD is expected to provide. 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 \$98,800 and \$69,300 for the fiscal years ended June 30, 2022 and 2021, 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.

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**NOTE 5 - PROPERTY AND EQUIPMENT**

At June 30, 2022, Property and Equipment consist of the following:

	<u>Balances</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2022</u>
Studio and Broadcast Equipment	\$ 4,119,204	\$ -	\$ -	\$ 4,119,204
Furniture and Office Equipment	50,001	-	-	50,001
Vehicles	157,342	-	-	157,342
Capitalized Facilities Improvements	721,284	-	-	721,284
Right of Use Lease Assets	1,830,493	-	-	1,830,493
Total Property and Equipment	<u>6,878,324</u>	<u>-</u>	<u>-</u>	<u>6,878,324</u>
Accumulated Depreciation/Amortization	<u>3,417,813</u>	<u>\$ 669,912</u>	<u>\$ -</u>	<u>4,087,725</u>
Property and Equipment, Net of Accumulated Depreciation/Amortization	<u>\$ 3,460,511</u>			<u>\$ 2,790,599</u>

The depreciation and amortization charge for the year ended June 30, 2022 was \$669,912.

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

	<u>Balances</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2021</u>
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
Right of Use Lease Assets	1,830,493	-	-	1,830,493
Total Property and Equipment	<u>6,709,061</u>	<u>247,788</u>	<u>78,525</u>	<u>6,878,324</u>
Accumulated Depreciation/Amortization	<u>2,817,122</u>	<u>\$ 672,827</u>	<u>\$ 72,136</u>	<u>3,417,813</u>
Property and Equipment, Net of Accumulated Depreciation/Amortization	<u>\$ 3,891,939</u>			<u>\$ 3,460,511</u>

The depreciation and amortization charge for the year ended June 30, 2021 was \$672,827.

**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, 2022 and 2021, which is available at the District's Office of the Chief Financial Officer.

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**NOTE 7 - UNEXPENDED GRANTS**

At June 30, 2022 and 2021, unexpended grants are as follows:

<b>Grant</b>	<b>2022</b>	<b>2021</b>
CPB Community Service Grant 2020	\$ -	\$ 354,345
CPB Community Service Grant 2021	370,356	623,997
CPB Community Service Grant 2022	684,049	-
CPB Interconnection Grant 2021	-	11,803
CPB Interconnection Grant 2022	12,671	-
CPB Universal Services Support Grant 2021	-	1,027
CPB Universal Services Support Grant 2022	1,072	-
Totals	<u>\$ 1,068,148</u>	<u>\$ 991,172</u>

**NOTE 8 - MISCELLANEOUS INCOME**

For the years ended on June 30, 2022 and 2021, Miscellaneous Income was as follows:

	<b>2022</b>	<b>2021</b>
Interest and Dividends	\$ 612	\$ 7,166
Programming Rights, Royalties, and Other Payments	-	43,675
	<u>\$ 612</u>	<u>\$ 50,841</u>



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**NOTE 9 – FUNCTIONAL EXPENSES**

For the years ended on June 30, 2022 and 2021, functional expenses are as follows:

	<b>KLCS-TV</b>	
	2022	2021
Program services		
Programming and production	\$ 3,084,175	\$ 2,578,870
Broadcasting	731,926	670,502
Public information and promotion	133,793	114,797
Total program services	3,949,894	3,364,169
Supporting services		
Management and general	1,091,363	1,546,840
Fundraising/member development	103,779	89,206
Depreciation and amortization	669,912	672,827
Underwriting/grant solicitation	-	-
Total supporting services	1,865,054	2,308,873
Total program and supporting services	\$ 5,814,948	\$ 5,673,042

The KLCS Education Foundation supporting services expense, Support to KLCS-TV, for the years ended on June 30, 2022 and 2021, was \$135,494 and \$156,206, respectively.

**NOTE 10 – LEASE AND OTHER COMMITMENTS**

KLCS rents its antenna space under a lease agreement that extends through fiscal year 2026. The right to use lease asset has been discounted at a rate of 0.31%. As of June 30, 2022, and 2021, assets recorded under leases were \$1,830,493, and accumulated amortization associated with the ROU lease assets was \$665,634 and \$332,817, respectively. Future maturities of lease payments as of June 30, 2022 are as follow:

Year Ending June 30,	Principal	Interest	Total Payment
2023	\$ 332,878	\$ 3,110	\$ 335,988
2024	333,911	2,076	335,987
2025	334,948	1,040	335,988
Total	\$ 1,001,737	\$ 6,226	\$ 1,007,963

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**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, 2022 and 2021, KLCS contributed \$481,174 and \$396,197, respectively, to the plans on behalf of its employees. In addition, the Station contributed \$93,851 and \$94,853 for retiree health and medical benefits on behalf of its employees outside of the plans for the years ended June 30, 2022 and 2021, 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 6, 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, 2022 and 2021, which are available at the District's Office of the Chief Financial Officer.

**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.

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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 \$5,140,375 and \$4,941,813 for the fiscal years ended June 30, 2022 and 2021, 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, 2021, 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 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.

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**NOTE 15 – PRIOR PERIOD RESTATEMENT**

As of July 1, 2020, KLCS adopted GASB Statement No. 87, *Leases*. The adoption of GASB 87 resulted in a prior period adjustment to the 2021 financial statements. A summary of the restatement is as follows:

	<b><u>As previously reported</u></b>	<b><u>Adjustment</u></b>	<b><u>Restated as of June 30, 2021</u></b>
Capital assets, net	\$ 1,962,835	\$ 1,497,676	\$ 3,460,511
Prepaid expenses	282,061	(167,994)	114,067
Net change to assets	<u>2,244,896</u>	<u>1,329,682</u>	<u>3,574,578</u>
Interest payable	-	2,413	2,413
Lease liability - current	-	331,847	331,847
Lease liability - noncurrent	-	1,001,736	1,001,736
Net change to liabilities	<u>-</u>	<u>1,335,996</u>	<u>1,335,996</u>
Net investment in capital assets	1,962,835	164,093	2,126,928
Restricted - expendable	370,409	-	370,409
Unrestricted	187,220	(170,407)	16,813
Total net position	<u>\$ 2,520,464</u>	<u>\$ (6,314)</u>	<u>\$ 2,514,150</u>
Depreciation and Amortization	340,010	332,817	672,827
Utilities	131,545	(64,545)	67,000
Rent	(304,483)	(267,526)	(572,009)
Interest	-	5,568	5,568
Net increase to expenses	<u>\$ 167,072</u>	<u>\$ 6,314</u>	<u>\$ 173,386</u>

**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, 2022, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated February 13, 2023.

***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.

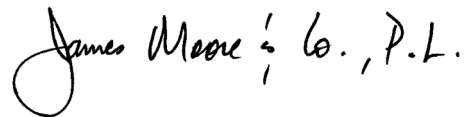
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
February 13, 2023