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**Foundation for Excellence in  
Louisiana Public Broadcasting**

***Financial Statements***

**June 30, 2015**

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# Foundation for Excellence in Louisiana Public Broadcasting

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## **Independent Auditors' Report**

To the Board of Directors  
Foundation for Excellence in Louisiana Public Broadcasting  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Foundation for Excellence in Louisiana Public Broadcasting (a nonprofit organization), a component unit of Louisiana Educational Television Authority, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for Excellence in Louisiana Public Broadcasting, as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Foundation for Excellence in Louisiana Public Broadcasting's 2014 financial statements, and our report dated August 28, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Foundation for Excellence in Louisiana Public Broadcasting. The accompanying schedule compensation, benefits, and other payments to agency head at page 18 is presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of the Foundation for Excellence in Louisiana Public Broadcasting'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation for Excellence in Louisiana Public Broadcasting's internal control over financial reporting and compliance.



Covington, Louisiana  
August 31, 2015

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## ***Financial Statements***

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**Foundation for Excellence in Louisiana Public Broadcasting**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

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	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,878,072	\$ 3,785,586
Investments	28,495,033	27,320,644
Endowment investments	3,885,686	3,725,542
Due from investment broker	-	12,263
Accounts receivable, net	136,399	339,362
Interest receivable	1,208	1,208
Due from related party	269,782	66,801
Cost of programs not yet broadcast	133,740	141,446
	<u>\$ 36,799,920</u>	<u>\$ 35,392,852</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 23,591	\$ 30,654
Due to related party	5,485	23,172
Deferred revenues	<u>155,891</u>	<u>127,717</u>
	184,967	181,543
<b>Net Assets</b>		
Temporarily restricted	54,540	-
Unrestricted:		
Board designated endowment	3,885,686	3,725,542
Board designated reserve	<u>32,674,727</u>	<u>31,485,767</u>
	<u>36,560,413</u>	<u>35,211,309</u>
	<u>36,614,953</u>	<u>35,211,309</u>
	<u>\$ 36,799,920</u>	<u>\$ 35,392,852</u>

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*See accompanying notes to financial statements.*

**Foundation for Excellence in Louisiana Public Broadcasting**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2015 and 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenues, Gains, and Other Support</b>				
Grants and contributions	\$ 2,248,276	\$ 54,540	\$ 2,302,816	\$ 2,300,916
Membership support provided by Friends of Louisiana Public Broadcasting	1,491,223	-	1,491,223	1,339,229
Underwriting contributions	401,185	-	401,185	279,031
Projects, productions, educational services	1,430,519	-	1,430,519	2,727,282
Royalties	112,703	-	112,703	86,331
Leases	184,536	-	184,536	77,244
Other revenues	212,233	-	212,233	-
Investment returns	1,049,316	-	1,049,316	3,491,338
Endowment investment returns	143,090	-	143,090	476,093
	<u>7,273,081</u>	<u>54,540</u>	<u>7,327,621</u>	<u>10,777,464</u>
<b>Expenses</b>				
Program services				
Programming and production	3,763,751	-	3,763,751	4,772,309
Broadcasting	437,319	-	437,319	474,667
Program information	41,195	-	41,195	231,035
	<u>4,242,265</u>	<u>-</u>	<u>4,242,265</u>	<u>5,478,011</u>
Supporting services				
Management and general	690,222	-	690,222	737,117
	<u>4,932,487</u>	<u>-</u>	<u>4,932,487</u>	<u>6,215,128</u>
Other Expenses				
Financial support to Louisiana Educational Television Authority	991,490	-	991,490	508,001
	<u>5,923,977</u>	<u>-</u>	<u>5,923,977</u>	<u>6,723,129</u>
<b>Increase in net assets</b>	<u>1,349,104</u>	<u>54,540</u>	<u>1,403,644</u>	<u>4,054,335</u>
Net assets, beginning of year	<u>35,211,309</u>	<u>-</u>	<u>35,211,309</u>	<u>31,156,974</u>
<b>Net assets, end of year</b>	<u>\$ 36,560,413</u>	<u>\$ 54,540</u>	<u>\$ 36,614,953</u>	<u>\$ 35,211,309</u>

*See accompanying notes to financial statements.*

**Foundation for Excellence in Louisiana Public Broadcasting**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2015 and 2014**

	2015					
	Program Services				Supporting	Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Expenses
Operating services and supplies	\$ 2,482,626	\$ 425,905	\$ 40,043	\$ 2,948,574	\$ 327,619	\$ 3,276,193
Rentals of property and equipment	808,582	6,200	-	814,782	8,292	823,074
Professional services	232,065	-	1,152	233,217	112,461	345,678
Personnel	201,078	-	-	201,078	234,393	435,471
Travel	39,400	5,214	-	44,614	7,457	52,071
	<u>\$ 3,763,751</u>	<u>\$ 437,319</u>	<u>\$ 41,195</u>	<u>\$ 4,242,265</u>	<u>\$ 690,222</u>	<u>\$ 4,932,487</u>
	2014					
	Program Services				Supporting	Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Expenses
Operating supplies and services	\$ 2,517,654	\$ 463,617	\$ 228,385	\$ 3,209,656	\$ 356,628	\$ 3,566,284
Rentals of property and equipment	1,355,944	5,300	2,650	1,363,894	15,712	1,379,606
Professional services	562,555	-	-	562,555	117,467	680,022
Personnel	279,552	-	-	279,552	234,813	514,365
Travel	56,604	5,750	-	62,354	12,497	74,851
	<u>\$ 4,772,309</u>	<u>\$ 474,667</u>	<u>\$ 231,035</u>	<u>\$ 5,478,011</u>	<u>\$ 737,117</u>	<u>\$ 6,215,128</u>

*See accompanying notes to financial statements.*



**Foundation for Excellence in Louisiana Public Broadcasting**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2015 and 2014**

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 1,403,644	\$ 4,054,335
Adjustments to reconcile the increase in net assets to cash provided by operating activities:		
Realized (gains)losses on investments	(900,513)	(585,114)
Unrealized (gains)losses on investments	845,959	(2,342,914)
Realized (gains)losses on endowment investments	(122,797)	(79,788)
Unrealized (gains)losses on endowment investments	115,358	(319,488)
(Increase) decrease in:		
Due from investment broker	12,263	(12,263)
Accounts receivable	202,963	(7,141)
Interest receivable	-	9,992
Due from related party	(202,981)	101,888
Cost of programs not yet broadcast	7,706	14,955
(Decrease) increase in:		
Accounts payable	(7,063)	(3,304)
Due to related party	(17,687)	2,299
Deferred revenues	28,174	(127,764)
Net cash provided by operating activities	<u>1,365,026</u>	<u>705,693</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of marketable securities and investments	(10,922,393)	(7,272,633)
Proceeds from sales/maturities of investments	9,802,558	6,042,442
Purchases of endowment investments	(1,489,418)	(991,723)
Proceeds from sales/maturities of endowment investments	<u>1,336,713</u>	<u>823,969</u>
Net cash (used in) investing activities	<u>(1,272,540)</u>	<u>(1,397,945)</u>
<b>Increase(decrease) in cash and cash equivalents</b>	92,486	(692,252)
Cash and cash equivalents, beginning balance	<u>3,785,586</u>	<u>4,477,838</u>
<b>Cash and cash equivalents, ending balance</b>	<u><u>\$ 3,878,072</u></u>	<u><u>\$ 3,785,586</u></u>

*See accompanying notes to financial statements.*

# Foundation for Excellence in Louisiana Public Broadcasting

## Notes to Financial Statements

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### 1. History and Summary of Significant Accounting Policies

#### ***Organization***

The Foundation for Excellence in Louisiana Public Broadcasting (the "Foundation") was established August 7, 1992 as a nonprofit Louisiana Corporation. It was organized to direct all of its efforts to the support of the primary government, Louisiana Educational Television Authority ("LETA"). The Foundation provides for an endowment to support public television in the State of Louisiana and may serve as a "repository" for funds to be utilized for the promotion, development, enhancement and assistance of public television in Louisiana. Furthermore, the Foundation operates under the authority of its Board of Directors. A majority of the Directors are appointed by the non-LETA Directors and a minority of the Directors are nominated and appointed by LETA.

#### ***Financial Reporting Entity***

Based upon an assessment by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy (OSRAP), the Foundation is included as a component unit of LETA. The Governmental Accounting Standards Board (GASB) issued Statement No. 61 (GASB 61), "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*" to determine if a component unit is included in the financial reporting entity of its primary government. It has been determined that LETA is able to impose its will on the Foundation and the Foundation provides specific financial benefits to, and may impose specific financial burdens on, LETA. In addition, OSRAP has determined that exclusion of the Foundation from the financial reporting entity would render LETA's financial statements to be misleading or incomplete. Therefore, LETA's financial statements present the operations of the Foundation as a discretely presented component unit. The accompanying financial statements include only the operations of the Foundation.

#### ***Financial Statement Presentation***

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* - net assets that are not subject to donor-imposed stipulations are classified as unrestricted. These may be designated for specific purposes by action of the Board.
- *Temporarily restricted net assets* - support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Donor restricted support that will be met either by action of the Foundation and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- *Permanently restricted net assets* - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation are classified as permanently restricted.

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

# **Foundation for Excellence in Louisiana Public Broadcasting**

## **Notes to Financial Statements**

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### ***Reclassifications***

Certain reclassifications have been made to the 2014 financial statements to conform to the current year presentation.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### ***Cash and Cash Equivalents***

For financial statement purposes, cash includes demand deposits and cash equivalents include amounts in money market funds. All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

### ***Accounts Receivable***

Accounts receivable consists primarily of amounts owed by customers for educational and underwriting services. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Foundation's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged to the allowance for doubtful accounts. Management has deemed all balances to be collectible at June 30, 2015 and recorded an allowance for doubtful accounts of \$21,110 at June 30, 2014.

### ***Cost of Programs Not Yet Broadcast***

Costs incurred for programs not yet broadcast are recorded as a deferred asset. Such costs relate to program rights purchased by the Foundation that will be broadcast subsequent to June 30. As the programs are broadcast, the costs incurred will be included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

### ***Property and Equipment***

Equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful life. Expenditures for repairs and maintenance are charged to operating expense as incurred.

### ***Investments***

Investments are carried at fair value. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of average cost of securities sold. Investment return includes interest, dividends, administrative fees, and realized and unrealized gains and losses, and is included in the statement of activities as increases or decreases in unrestricted net assets.

# **Foundation for Excellence in Louisiana Public Broadcasting**

## **Notes to Financial Statements**

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The Foundation invests in alternative investments consisting of managed futures, commodities, private equity, private real estate, and other non-traditional investments. These investments utilize a variety of instrument strategies incorporating marketable securities and, in some cases, derivative instruments, all of which are reported at fair value by the fund managers.

Distributions of alternative investments are recognized as income to the extent of the Foundation's share of undistributed income of such investments; distributions in excess of the amount recognized as income are recorded as a reduction of investment cost. Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments.

### ***Grants and Contributions***

Grants and contributions received by the Foundation restricted to support such programs are included in deferred revenue if the donor requires commensurate value in return for their support. In such cases, the costs incurred by the Foundation will be recorded as expenses and the deferred revenue will be recognized as revenue when the programs are initially broadcast.

If the donor's support is nonreciprocal in nature, the grants and contributions are included as revenue in temporarily restricted net assets. The related costs incurred by the Foundation are recorded as net assets released from restrictions and as unrestricted expenses in the accompanying statement of activities.

### ***Production Revenue and Expense***

The Foundation uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred.

Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

### ***Lease Revenue***

The Foundation entered into contracts with Nextel Spectrum Acquisition Corporation (Sprint Nextel) and Clearwire Corporation (Clearwire), in accordance with Federal Communications Commission (FCC) rules, to lease excess capacity on its EBS frequencies. Under the terms of the contracts, the Foundation remains the licensee on the EBS frequencies and has responsibility for compliance with all educational and other requirements imposed by the FCC. The contracts require upfront payments that are recorded as deferred inflows of resources and amortized over the life of the lease. In addition, the Foundation receives monthly and anniversary payments which are reported as lease revenues on the statement of activities.

### ***Underwriting Contributions***

Revenue from program underwriting is recorded on a pro rata basis for the period covered, and for production underwriting on an estimated percentage-of-completion basis.

### ***Advertising Costs***

Advertising costs are expensed as incurred and allocated among the programs and supporting services benefited within the operating services and supplies line item on the statement of functional expenses. Advertising expense was \$69,341 and \$101,925 for the years ended June 30, 2015 and 2014, respectively.

# Foundation for Excellence in Louisiana Public Broadcasting

## Notes to Financial Statements

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### ***Income Taxes***

The Foundation has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, the Foundation is no longer subject to federal or state examinations by tax authorities for the year before 2011.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2015 and 2014.

## **2. Investments**

Investments are carried at fair value and are comprised of the following at June 30:

	2015	2014
Government and agency securities	\$ 82,062	\$ -
Common and preferred stocks	6,814,694	8,310,587
Mutual funds	15,878,917	14,532,826
Alternative investments	5,719,360	4,477,231
	<u>\$ 28,495,033</u>	<u>\$ 27,320,644</u>

The following schedule summarizes investment returns including interest and administrative fees, and its classification in the financial statements for the years ended June 30:

	2015	2014
Net realized gain(loss) on sale of investments	\$ 900,513	\$ 585,114
Net unrealized gain(loss) on investments	(845,959)	2,342,914
	54,554	2,928,028
Interest and dividend income	1,117,318	686,060
Investment fees	(122,556)	(122,750)
	<u>\$ 1,049,316</u>	<u>\$ 3,491,338</u>

### ***Custodial Credit Risk***

The risk that in the event of the failure of the counterparty to a transaction the Foundation will not be able to recover the value of investments that are in the possession of an outside party. At June 30, 2015 and 2014, the Foundation's investments in common and preferred stocks and alternative investments are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty, but not in the Foundation's name. The Foundation's investments in mutual funds, money market funds, and external investment pools are not susceptible to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

# **Foundation for Excellence in Louisiana Public Broadcasting**

## **Notes to Financial Statements**

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### ***Interest Rate Risk***

The risk that changes in interest rates will adversely affect the fair value of investments. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics. At June 30, 2015, \$93,252 of the Foundation's investments consisted of government and agency securities. The Foundation's investments in government and agency securities are held within a pooled investment managed by the Baton Rouge Area Foundation. At June 30, 2014, the Foundation invested in a mutual fund which was made up of various hedge funds which may take both long and short term positions and use leverage.

### ***Concentration of Credit Risk***

The risk of loss that may occur due to the amount of investment in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds or external investment pools). The Foundation's investment policy establishes a target asset mix which is meant to diversify the portfolio and pose a lower risk that a concentration may exist.

### ***Credit Risk***

The credit risk of investment is the risk that the issuer or counterparty will not meet its obligations. Credit risk is measured by the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations (rating agencies) such as Standard & Poor's (S&P) and Moody's. The Foundation limits its investment in bonds to those classified as investment grade by S&P (BBB or better) and Moody's (Baa or better). Investments in commercial paper must have a rating of not less than A-1 by S&P and P-1 by Moody's.

## **3. Board Designated Endowment**

The Foundation's Board of Directors has designated 12% of total investments as a general endowment fund to support the mission of the Foundation. Since the endowment resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Accordingly, over the long term, the Foundation expects the current spending policies to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## Foundation for Excellence in Louisiana Public Broadcasting

### Notes to Financial Statements

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The following schedule summarizes the changes in the endowment net assets for the years ended June 30:

	2015	2014
Beginning balance	\$ 3,725,542	\$ 3,158,512
Net purchases/sales of investments	152,705	167,754
Income on sales/maturities of investments	122,797	79,788
Unrealized gains(losses) on investments	(115,358)	319,488
Ending balance	<u>\$ 3,885,686</u>	<u>\$ 3,725,542</u>

The board designated endowment was comprised of the following investments at June 30:

	2015	2014
Government and agency securities	\$ 11,190	\$ -
Common and preferred stocks	929,277	1,133,262
Mutual funds	2,165,307	1,981,749
Alternative investments	779,912	610,531
	<u>\$ 3,885,686</u>	<u>\$ 3,725,542</u>

The following schedule summarizes endowment investment return(loss), including interest and administrative fees, and its classification in the financial statements for the years ended June 30:

	2015	2014
Net realized gain(loss) on sale of investments	\$ 122,797	\$ 79,788
Net unrealized gain(loss) on investments	(115,358)	319,488
	7,439	399,276
Interest and dividend income	152,362	93,554
Investment fees	(16,711)	(16,737)
	<u>\$ 143,090</u>	<u>\$ 476,093</u>

The investments note disclosure for custodial credit risk, interest rate risk, credit risk, and concentration of credit risk at Note 2 also applies to the portion of investments held as an endowment.

# Foundation for Excellence in Louisiana Public Broadcasting

## Notes to Financial Statements

### 4. Fair Value Measurements

The fair value measurement accounting literature provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that the Foundation has the ability access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data. Level 3 inputs are unobservable and are based on assumptions market participants would utilize in pricing the assets.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The asset's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When available, valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market funds and investments in common and preferred stocks, exchange traded and closed-end funds, and mutual funds – with the exception of the pooled funds administered by the Baton Rouge Area Foundation (“BRAAF”) – are valued at the quoted market prices in the active market on which the individual securities are traded. The investments in the BRAAF pool represent various specific investments and various pools of funds held by BRAAF for the benefit of the Foundation and other non-profit organizations. These funds are valued at the fair value of the underlying securities which are primarily determined from closing prices reported on the active market. The investments in Meridian Horizon Fund represent mutual funds which are invested in various hedge activities. These funds are valued based on information received from the underlying hedge fund managers regarding their Fund's net asset value.

The following table sets forth by level the Foundation's assets at fair value at June 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 1,976,351	\$ -	\$ -	\$ 1,976,351
Investments				
Government and agency securities	82,062	-	-	82,062
Common and preferred stocks	6,767,662	47,032	-	6,814,694
Mutual funds	15,878,917	-	-	15,878,917
Alternative investments	-	-	5,719,360	5,719,360
	<u>22,728,641</u>	<u>47,032</u>	<u>5,719,360</u>	<u>28,495,033</u>
Investments - endowment				
Government and agency securities	11,190	-	-	11,190
Common and preferred stocks	922,863	6,414	-	929,277
Mutual funds	2,165,307	-	-	2,165,307
Alternative investments	-	-	779,912	779,912
	<u>3,099,360</u>	<u>6,414</u>	<u>779,912</u>	<u>3,885,686</u>
	<u>\$ 27,804,352</u>	<u>\$ 53,446</u>	<u>\$ 6,499,272</u>	<u>\$ 34,357,070</u>



# Foundation for Excellence in Louisiana Public Broadcasting

## Notes to Financial Statements

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining the value at June 30, 2015.

	Mutual Funds	Alternative Investments	Total
Balance at June 30, 2014	\$ 60,736	\$ 5,087,762	\$ 5,148,498
Purchases	-	1,026,787	1,026,787
Sales and maturities	-	-	-
Transfers	(60,736)	60,736	-
Net realized/unrealized gain(loss)	-	323,987	323,987
Balance at June 30, 2015	<u>\$ -</u>	<u>\$ 6,499,272</u>	<u>\$ 6,499,272</u>

The following table sets forth by level the Foundation's assets at fair value at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	<u>\$ 2,081,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,081,278</u>
Investments				
Common and preferred stocks	8,310,586	-	-	8,310,586
Mutual funds	13,896,427	582,952	53,448	14,532,827
Alternative investments	-	-	4,477,231	4,477,231
	<u>22,207,013</u>	<u>582,952</u>	<u>4,530,679</u>	<u>27,320,644</u>
Investments - endowment				
Common and preferred stocks	1,133,263	-	-	1,133,263
Mutual funds	1,894,967	79,493	7,288	1,981,748
Alternative investments	-	-	610,531	610,531
	<u>3,028,230</u>	<u>79,493</u>	<u>617,819</u>	<u>3,725,542</u>
	<u>\$ 27,316,521</u>	<u>\$ 662,445</u>	<u>\$ 5,148,498</u>	<u>\$ 33,127,464</u>

## Foundation for Excellence in Louisiana Public Broadcasting

### Notes to Financial Statements

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining the value at June 30, 2014.

	Mutual Funds	Alternative Investments	Hedge Funds	Total Level 3
Balance at June 30, 2013	\$ 56,858	\$ 3,919,029	\$ 877,479	\$ 4,853,366
Purchases	-	1,005,062	-	1,005,062
Sales and maturities	-	-	(706,740)	(706,740)
Net realized/unrealized gain(loss)	3,878	163,671	(170,739)	(3,190)
Balance at June 30, 2014	<u>\$ 60,736</u>	<u>\$ 5,087,762</u>	<u>\$ -</u>	<u>\$ 5,148,498</u>

## 5. Board Designated Reserve

The following is an overview of the board designated reserves.

	Balance at June 30, 2014	Additions	Utilized	Balance at June 30, 2015
Operating reserves	\$ 7,833,030	\$ 295,813	\$ -	\$ 8,128,843
Capital expenditures	424,112	16,051	-	440,163
Educational activities	3,263,969	123,295	-	3,387,264
Louisiana productions	3,916,515	147,907	-	4,064,422
Digital services and programs	1,305,711	49,342	-	1,355,053
Long range development	1,305,711	49,342	-	1,355,053
Emergency fund	13,436,719	507,210	-	13,943,929
	<u>\$ 31,485,767</u>	<u>\$ 1,188,960</u>	<u>\$ -</u>	<u>\$ 32,674,727</u>

## 6. Property and Equipment

Property and equipment consist of the following:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Computer equipment	\$ 69,938	\$ -	\$ -	\$ 69,938
Accumulated depreciation	(69,938)	-	-	(69,938)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# **Foundation for Excellence in Louisiana Public Broadcasting**

## **Notes to Financial Statements**

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### **7. Related Party Transactions**

An agreement was entered into between the Foundation and the related party Friends of Louisiana Public Broadcasting. Under the terms of this agreement, Friends of Louisiana Public Broadcasting transfers funds in excess of calculated amounts to the Foundation to be used to pay for approved expenses. For the year ended June 30, 2015, Friends of Louisiana Public Broadcasting transferred \$1,491,223 to the Foundation with \$269,782 of that amount recorded as a related party receivable. For the year ended June 30, 2014, Friends of Louisiana Public Broadcasting transferred \$1,339,229 to the Foundation with \$66,801 of that amount recorded as a related party receivable.

The Foundation was organized to support LETA, the primary government. Throughout the year, the Foundation serves as a “repository” for funds that are utilized for the promotion, development, enhancement, and assistance of public television in Louisiana. For the year ended June 30, 2015, the Foundation provided financial support to LETA totaling \$991,490, with \$5,485 of that amount recorded as a related party payable. For the year ended June 30, 2014, Foundation provided financial support to LETA totaling \$508,001, with \$15,476 of that amount recorded as a related party payable.

Employees of LETA perform services for the Foundation as needed. In return, the Foundation reimburses LETA for the services performed by those personnel. For the year ended June 30, 2015, the Foundation reimbursed LETA \$435,471 for personnel expenses. For the year ended June 30, 2014, the Foundation reimbursed LETA \$514,365 for personnel expenses with \$3,669 of that amount recorded as a related party payable.

The Foundation rents office space from LETA on a monthly basis. For each of the years ended June 30, 2015 and 2014, rental expense was \$8,292. In addition, the Foundation reimburses LETA for the use of LETA’s production, programming, and broadcasting equipment. For the year ended June 30, 2015, equipment rental expense was \$745,054. For the year ended June 30, 2014, equipment rental expense was \$1,278,030, with \$4,028 of that balance recorded as a related party payable. These expenses are included in the rentals of property and equipment line item on the statement of functional expenses and allocated among the program and support services benefited.

# **Foundation for Excellence in Louisiana Public Broadcasting**

## **Notes to Financial Statements**

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### **8. Concentrations**

In the normal course of operations, the Foundation maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

Included in receivables are amounts due from various entities for such items as underwriting agreements, educational services, and production services. Payment of these accounts is dependent upon the various entities' ability to fund their projects and programs.

The Foundation received revenue totaling \$2,148,056 from the Corporation for Public Broadcasting and \$1,491,223 from the related party, Friends for Louisiana Public Broadcasting for the year ended June 30, 2015.

### **9. Subsequent Events**

The Foundation evaluated subsequent events through August 31, 2015, which is the date the financial statements were available to be issued.

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## *Supplementary Information*

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**Foundation for Excellence in Louisiana Public Broadcasting**  
**Schedule of Compensation, Benefits, and Other Payments to Agency Head**  
**For the Year Ended June 30, 2015**

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Agency Head: Dr. William Arceneaux  
Position: Contracted Director

<b>Purpose</b>	<b>Amount</b>
Compensation	\$ 24,000

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***Reports Required by  
Government Auditing Standards***

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**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 Directors  
Foundation for Excellence in Louisiana Public Broadcasting  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Foundation for Excellence in Louisiana Public Broadcasting (the "Foundation"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated August 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Foundation'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Covington, Louisiana  
August 31, 2015

**Foundation for Excellence in Louisiana Public Broadcasting**  
**Schedule of Findings**  
**For the Year Ended June 30, 2015**

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**A. Summary of Auditors' Reports**

a. Financial Statements

Type of auditors' report issued: Unmodified

b. Internal control over financial reporting:

Material weaknesses identified \_\_\_\_\_ yes \_\_\_\_\_ ☒ no

Significant deficiencies identified not  
considered to be material weaknesses \_\_\_\_\_ yes \_\_\_\_\_ ☒ none noted

c. Noncompliance material to financial  
statements noted \_\_\_\_\_ yes \_\_\_\_\_ ☒ no

**B. Findings in Accordance with *Government Auditing Standards***

None noted.

**Foundation for Excellence in Louisiana Public Broadcasting**  
**Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2015**

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**A. Findings in Accordance with *Government Auditing Standards***

None noted.