
**Foundation for Excellence in
Louisiana Public Broadcasting**

Financial Statements

June 30, 2017

Foundation for Excellence in Louisiana Public Broadcasting

Table of Contents

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements	7
Supplementary Information	
Schedule of Compensation, Benefits, and Other Payments to Executive Director.....	18
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Summary of Auditor’s Results and Schedule of Findings.....	21
Summary Schedule of Prior Year Findings	22

Independent Auditor's 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, 2017, 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, 2017, 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 2016 financial statements, and our report dated August 30, 2016, 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, 2016, 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 Executive Director 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 executive director 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 29, 2017, 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 29, 2017

Financial Statements

Foundation for Excellence in Louisiana Public Broadcasting
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,087,635	\$ 2,974,755
Investments	30,620,694	26,929,638
Endowment investments	4,175,548	3,672,223
Accounts receivable	128,674	94,786
Grants and contributions receivable	45,000	-
Interest receivable	1,208	1,208
Due from related party	153,924	269,038
Cost of programs not yet broadcast	162,391	164,779
	<u>\$ 38,375,074</u>	<u>\$ 34,106,427</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 39,825	\$ 6,624
Due to related party	400,185	14,950
Deferred revenues	133,030	46,859
	<u>573,040</u>	<u>68,433</u>
Net Assets		
Temporarily restricted	73,840	23,000
Unrestricted:		
Board designated endowment	4,175,548	3,672,223
Board designated reserve	33,552,646	30,342,771
	<u>37,728,194</u>	<u>34,014,994</u>
	<u>37,802,034</u>	<u>34,037,994</u>
	<u>\$ 38,375,074</u>	<u>\$ 34,106,427</u>

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support						
Grants and contributions	\$ 2,160,244	\$ 61,009	\$ 2,221,253	\$ 2,194,751	\$ 23,000	\$ 2,217,751
Membership support provided by Friends of Louisiana Public Broadcasting	1,210,681	12,831	1,223,512	1,321,537	-	1,321,537
Underwriting contributions	370,886	-	370,886	429,541	-	429,541
Projects, productions, educational services	1,013,677	-	1,013,677	1,260,131	-	1,260,131
Royalties	88,266	-	88,266	83,231	-	83,231
Leases	83,076	-	83,076	70,807	-	70,807
Other revenues	10,018	-	10,018	3,388	-	3,388
Investment returns	3,614,005	-	3,614,005	(1,575,770)	-	(1,575,770)
Endowment investment returns	492,819	-	492,819	(214,878)	-	(214,878)
Net assets released from restrictions	23,000	(23,000)	-	54,540	(54,540)	-
	<u>9,066,672</u>	<u>50,840</u>	<u>9,117,512</u>	<u>3,627,278</u>	<u>(31,540)</u>	<u>3,595,738</u>
Expenses						
Program services						
Programming and production	3,397,545	-	3,397,545	3,626,509	-	3,626,509
Broadcasting	429,810	-	429,810	439,097	-	439,097
Program information	67,334	-	67,334	53,762	-	53,762
	<u>3,894,689</u>	<u>-</u>	<u>3,894,689</u>	<u>4,119,368</u>	<u>-</u>	<u>4,119,368</u>
Supporting services						
Management and general	708,783	-	708,783	765,599	-	765,599
	<u>4,603,472</u>	<u>-</u>	<u>4,603,472</u>	<u>4,884,967</u>	<u>-</u>	<u>4,884,967</u>
Other Expenses						
Financial support to Louisiana Educational Television Authority	750,000	-	750,000	1,287,730	-	1,287,730
	<u>5,353,472</u>	<u>-</u>	<u>5,353,472</u>	<u>6,172,697</u>	<u>-</u>	<u>6,172,697</u>
Increase in net assets	<u>3,713,200</u>	<u>50,840</u>	<u>3,764,040</u>	<u>(2,545,419)</u>	<u>(31,540)</u>	<u>(2,576,959)</u>
Net assets, beginning of year	<u>34,014,994</u>	<u>23,000</u>	<u>34,037,994</u>	<u>36,560,413</u>	<u>54,540</u>	<u>36,614,953</u>
Net assets, end of year	<u>\$ 37,728,194</u>	<u>\$ 73,840</u>	<u>\$ 37,802,034</u>	<u>\$ 34,014,994</u>	<u>\$ 23,000</u>	<u>\$ 34,037,994</u>

See accompanying notes to financial statements.

Foundation for Excellence in Louisiana Public Broadcasting
Statements of Functional Expenses
For the Years Ended June 30, 2017 and 2016

	2017					
	Program Services				Supporting	
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Total Expenses
Operating services and supplies	\$ 2,479,974	\$ 427,015	\$ 49,271	\$ 2,956,260	\$ 328,473	\$ 3,284,733
Rentals of property and equipment	418,471	-	-	418,471	63,206	481,677
Professional services	322,170	-	18,063	340,233	89,300	429,533
Personnel	155,690	-	-	155,690	223,891	379,581
Travel	21,240	2,795	-	24,035	3,913	27,948
	<u>\$ 3,397,545</u>	<u>\$ 429,810</u>	<u>\$ 67,334</u>	<u>\$ 3,894,689</u>	<u>\$ 708,783</u>	<u>\$ 4,603,472</u>
	2016					
	Program Services				Supporting	
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Total Expenses
Operating supplies and services	\$ 2,527,084	\$ 435,127	\$ 50,207	\$ 3,012,418	\$ 334,713	\$ 3,347,131
Rentals of property and equipment	627,352	-	-	627,352	61,190	688,542
Professional services	258,356	-	3,555	261,911	140,247	402,158
Personnel	183,542	-	-	183,542	223,891	407,433
Travel	30,175	3,970	-	34,145	5,558	39,703
	<u>\$ 3,626,509</u>	<u>\$ 439,097</u>	<u>\$ 53,762</u>	<u>\$ 4,119,368</u>	<u>\$ 765,599</u>	<u>\$ 4,884,967</u>

See accompanying notes to financial statements.

Foundation for Excellence in Louisiana Public Broadcasting
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 3,764,040	\$ (2,576,959)
Adjustments to reconcile the increase in net assets to cash provided by operating activities:		
Net realized and unrealized (gains)losses on investments	(2,632,864)	2,030,919
Net realized and unrealized (gains)losses on endowment	(359,026)	276,945
(Increase) decrease in:		
Accounts receivable	(33,888)	41,613
Grants and contributions receivable	(45,000)	-
Due from related party	115,114	744
Cost of programs not yet broadcast	2,388	(31,039)
(Decrease) increase in:		
Accounts payable	33,201	(16,967)
Due to related party	385,235	9,465
Deferred revenues	86,171	(109,032)
Net cash provided by (used in) operating activities	<u>1,315,371</u>	<u>(374,311)</u>
Cash Flows From Investing Activities		
Purchases of marketable securities and investments	(4,742,894)	(8,289,527)
Proceeds from sales/maturities of investments	3,684,702	7,824,002
Purchases of endowment investments	(646,758)	(1,130,390)
Proceeds from sales/maturities of endowment investments	502,459	1,066,909
Net cash (used in) investing activities	<u>(1,202,491)</u>	<u>(529,006)</u>
Increase(decrease) in cash and cash equivalents	112,880	(903,317)
Cash and cash equivalents, beginning balance	<u>2,974,755</u>	<u>3,878,072</u>
Cash and cash equivalents, ending balance	<u>\$ 3,087,635</u>	<u>\$ 2,974,755</u>

See accompanying notes to financial statements.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

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.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

Restricted Net Assets

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

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation. The investment fees reported in the statement of cash flows as cash flows from investing activities were presented separately for the year ended June 30, 2016 but are netted together with proceeds from sales of investments for 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, 2017 and June 30, 2016; therefore, no allowance for doubtful accounts has been recorded.

Cost of Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast are reported 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.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

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.

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 reported 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.

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.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

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.

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 \$50,442 and \$53,556 for the years ended June 30, 2017 and 2016, respectively.

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 2014.

The Foundation follows the provisions of the *Accounting for Uncertainty in Income Taxes* topic of the FASB Codification, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's information tax returns. Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. 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 or obligations identified or recorded for the years ended June 30, 2017 and 2016.

2. Investments

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

	2017	2016
Government and agency securities	\$ 480,251	\$ 85,063
Corporate fixed income securities	237,109	-
Common and preferred stocks	5,430,166	4,830,084
Mutual funds	15,747,143	15,253,924
Alternative investments	7,837,026	6,020,844
Pooled investments held by the Baton Rouge Area Foundation on behalf of the Foundation	888,999	739,723
	<u>\$ 30,620,694</u>	<u>\$ 26,929,638</u>

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

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

	2017	2016
Net realized gain(loss) on sale of investments	\$ 290,436	\$ 602,385
Net unrealized gain(loss) on investments	2,930,819	(2,633,304)
	<u>3,221,255</u>	<u>(2,030,919)</u>
Interest and dividend income	503,403	564,048
Investment fees	(110,653)	(108,899)
	<u>\$ 3,614,005</u>	<u>\$ (1,575,770)</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, 2017 and 2016, 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.

Interest Rate Risk

For an investment, interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments held for longer periods are generally subject to increased risk of value fluctuations due to interest rate changes. At June 30, 2017, the Foundation invested \$480,251 in government and government agency securities and \$237,109 in corporate fixed income securities which mature in one to five years. At June 30, 2016, the Foundation invested \$85,063 in government and government agency securities which mature in one to five years.

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 (EBB or better) and Moody's (Baa or better). Investments in commercial paper must have a rating of not less than AI by S&P and PI by Moody's.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

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.

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

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 3,672,223	\$ 3,885,686
Net purchases / sales of investments	144,299	63,482
Income on sales of investments	(40,631)	82,142
Unrealized gains(losses) on investments	399,657	(359,087)
Ending balance	<u>\$ 4,175,548</u>	<u>\$ 3,672,223</u>

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

	<u>2017</u>	<u>2016</u>
Government and agency securities	\$ 65,489	\$ 11,600
Corporate fixed income securities	32,333	-
Common and preferred stocks	740,477	658,648
Mutual funds	2,147,337	2,080,080
Alternative investments	1,068,685	821,024
Pooled investments held by the Baton Rouge Area Foundation on behalf of the Foundation	121,227	100,871
	<u>\$ 4,175,548</u>	<u>\$ 3,672,223</u>

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

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:

	2017	2016
Net realized gain(loss) on sale of investments	\$ 39,605	\$ 82,142
Net unrealized gain(loss) on investments	399,657	(359,087)
	<u>439,262</u>	<u>(276,945)</u>
Interest and dividend income	68,646	76,916
Investment fees	(15,089)	(14,849)
	<u>\$ 492,819</u>	<u>\$ (214,878)</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.

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 I 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 measured on a recurring basis through estimates and assumptions made by the Baton Rouge Area Foundation. All of the Foundation’s pooled investments held by the Baton Rouge Area Foundation are considered level 2 investments.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

The following table sets forth by level the Foundation's assets at fair value at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	\$ 1,874,972	\$ 60,000	\$ -	\$ 1,934,972
Investments				
Government and agency securities	480,251	-	-	480,251
Corporate debt securities	237,109	-	-	237,109
Common and preferred stocks	5,430,166	-	-	5,430,166
Mutual funds	15,747,143	-	-	15,747,143
Alternative investments	-	-	7,837,026	7,837,026
Pooled investments held by				
Baton Rouge Area Foundation	-	888,999	-	888,999
	<u>21,894,669</u>	<u>888,999</u>	<u>7,837,026</u>	<u>30,620,694</u>
Investments - endowment				
Government and agency securities	65,489	-	-	65,489
Corporate debt securities	32,333	-	-	32,333
Common and preferred stocks	740,477	-	-	740,477
Mutual funds	2,147,337	-	-	2,147,337
Alternative investments	-	-	1,068,685	1,068,685
Pooled investments held by				
Baton Rouge Area Foundation	-	121,227	-	121,227
	<u>2,985,636</u>	<u>121,227</u>	<u>1,068,685</u>	<u>4,175,548</u>
	<u>\$ 26,755,277</u>	<u>\$ 1,070,226</u>	<u>\$ 8,905,711</u>	<u>\$ 36,731,214</u>

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, 2017.

Balance at June 30, 2016	\$ 7,102,889
Purchases	1,805,519
Sales and maturities	(1,818)
Transfers in(out)	(261,021)
Net realized/unrealized gain(loss)	260,142
Balance at June 30, 2017	<u>\$ 8,905,711</u>

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

The following table sets forth by level the Foundation's assets at fair value at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents				
Money market funds	\$ 1,214,574	\$ 50,059	\$ -	\$ 1,264,633
Investments				
Government and agency securities	85,063	-	-	85,063
Common and preferred stocks	4,830,084	-	-	4,830,084
Mutual funds	15,253,924	-	-	15,253,924
Alternative investments	-	-	6,020,844	6,020,844
Pooled investments held by				
Baton Rouge Area Foundation	-	510,025	229,698	739,723
	<u>20,169,071</u>	<u>510,025</u>	<u>6,250,542</u>	<u>26,929,638</u>
Investments - endowment				
Government and agency securities	11,600	-	-	11,600
Common and preferred stocks	658,648	-	-	658,648
Mutual funds	2,080,080	-	-	2,080,080
Alternative investments	-	-	821,024	821,024
Pooled investments held by				
Baton Rouge Area Foundation	-	69,548	31,323	100,871
	<u>2,750,328</u>	<u>69,548</u>	<u>852,347</u>	<u>3,672,223</u>
	<u>\$ 24,133,973</u>	<u>\$ 629,632</u>	<u>\$ 7,102,889</u>	<u>\$ 31,866,494</u>

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, 2016.

Balance at June 30, 2015	\$ 6,499,272
Purchases	1,961,229
Sales and maturities	(585,247)
Net realized/unrealized gain(loss)	<u>(772,365)</u>
Balance at June 30, 2016	<u>\$ 7,102,889</u>

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

5. Board Designated Reserve

The following is an overview of the board designated reserves.

	Balance at June 30, 2016	Net Change	Balance at June 30, 2017
Operating reserves	\$ 7,548,652	\$ 798,617	\$ 8,347,269
Capital expenditures	408,682	43,333	452,015
Educational activities	3,145,440	332,864	3,478,304
Louisiana productions	3,774,327	399,308	4,173,635
Digital services and programs	1,258,277	133,210	1,391,487
Long range development	1,258,277	133,210	1,391,487
Emergency fund	12,949,116	1,369,333	14,318,449
	<u>\$ 30,342,771</u>	<u>\$ 3,209,875</u>	<u>\$ 33,552,646</u>

6. Property and Equipment

Property and equipment consist of the following:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Computer equipment	\$ 69,938	\$ -	\$ -	\$ 69,938
Accumulated depreciation	(69,938)	-	-	(69,938)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017, Friends of Louisiana Public Broadcasting transferred \$1,223,513 to the Foundation with \$12,831 reported as a temporarily restricted net asset and \$151,003 of that amount reported as a related party receivable. For the year ended June 30, 2016, Friends of Louisiana Public Broadcasting transferred \$1,321,537 to the Foundation with \$249,260 of that amount reported as a related party receivable.

Foundation for Excellence in Louisiana Public Broadcasting

Notes to Financial Statements

The Foundation was organized to support LETA, the primary government. For the year ended June 30, 2017, the Foundation provided financial support to LETA totaling \$750,000, with \$9,161 of that amount reported as a related party payable. For the year ended June 30, 2016, Foundation provided financial support to LETA totaling \$1,287,730, with \$14,950 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, 2017, the Foundation reimbursed LETA \$379,581 for personnel expenses. For the year ended June 30, 2016, the Foundation reimbursed LETA \$407,433 for personnel expenses.

The Foundation has a payable due to LETA totaling \$391,024 for funds transferred from LETA's capital outlay to the Foundation to fund the replacement of the fire suppression system at the LETA Telecommunications Center.

The Foundation rents office space from LETA on a monthly basis. For each of the years ended June 30, 2017 and 2016, 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, 2017, equipment rental expense was \$405,493. For the year ended June 30, 2016, equipment rental expense was \$620,729. 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.

Due to cash flows and timing of receipts toward the end of the 2016 fiscal year, the Foundation paid some of LETA's bills for operating supplies and services in order for the bills to be paid in a timely manner. The Foundation reported these payments totaling \$2,921 and \$19,778 for the years ended June 30, 2017 and 2016, respectively, as a related party receivable.

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 \$2,021,259 from the Corporation for Public Broadcasting and \$1,210,681 from the related party, Friends for Louisiana Public Broadcasting for the year ended June 30, 2017.

9. Subsequent Events

The Foundation evaluated subsequent events through August 29, 2017, which is the date the financial statements were available to be issued.

Supplementary Information

Foundation for Excellence in Louisiana Public Broadcasting
Schedule of Compensation, Benefits, and Other Payments to Executive Director
For the Year Ended June 30, 2017

Agency Head: Dr. William Arceneaux
Position: Contracted Director

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

See independent auditor's report.

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

Independent Auditor’s 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, 2017, 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 29, 2017.

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 29, 2017

Foundation for Excellence in Louisiana Public Broadcasting
Summary of Auditor's Results and Schedule of Findings
For the Year Ended June 30, 2017

A. Summary of Auditor's 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
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2017**

A. Findings in Accordance with *Government Auditing Standards*

None noted.