

FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING
REPORT ON AUDIT OF THE COMPONENT
UNIT FINANCIAL STATEMENTS

JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

August 29, 2011

Independent Auditor's Report

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

We have audited the accompanying component unit's Statement of Financial Position of the Foundation for Excellence in Louisiana Public Broadcasting, (a component unit of the Louisiana Educational Television Authority) as of June 30, 2011, and the related Statements of Activities, and Cash Flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit. Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated August 23, 2010, was expressed.

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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2011 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements as a whole. The Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Foundation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Hannis T. Bourgeois, LLP

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

ASSETS

	2011	2010
Cash and Cash Equivalents	\$ 5,935,872	\$ 4,500,381
Marketable Securities and Investments	21,689,122	19,079,605
Accounts/Grants Receivable	227,387	273,537
Accrued Interest Receivable	11,200	11,200
Cost of Programs Not Yet Broadcast	122,696	117,086
Due from Friends of L.P.B.	186,123	199,123
Property and Equipment, at Cost Less Accumulated Depreciation of \$69,938 for 2011 and 2010	-	-
Total Assets	\$ 28,172,400	\$ 24,180,932

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 19,553	\$ 110,590
Due to Louisiana Educational Television Authority	324,693	1,070,578
Deferred Support and Revenues: Underwriting and Local Productions	577,733	676,043
Total Liabilities	921,979	1,857,211
Net Assets:		
Unrestricted:		
Board Designated Endowment	3,132,257	2,102,254
Board Designated Reserve	24,118,164	20,221,467
Total Net Assets	27,250,421	22,323,721
Total Liabilities and Net Assets	\$ 28,172,400	\$ 24,180,932

The accompanying notes are an integral part of this financial statement.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
Revenue and Other Support:				
Underwriting Income	\$ 261,585	\$ -	\$ 261,585	\$ 236,891
Community Service Grant from the Corporation for Public Broadcasting	1,936,198	-	1,936,198	1,727,976
Membership Support from Friends of Louisiana Public Broadcasting, Inc.	-	1,140,573	1,140,573	1,095,137
Louisiana Public Broadcasting Special Projects and Local Productions	1,901,133	-	1,901,133	1,635,913
Interest and Dividend Income (Net of Expenses of \$74,817)	413,022	-	413,022	222,058
Net Realized and Unrealized Gains (Losses)	3,221,052	-	3,221,052	1,709,461
Federal Grants	16,846	-	16,846	40,781
Net Assets Released from Restrictions:				
Satisfaction of Restriction	1,140,573	(1,140,573)	-	-
Total Revenue and Other Support	8,890,409	-	8,890,409	6,668,217
Expenses:				
Personal Services	233,397	-	233,397	201,342
Travel	34,703	-	34,703	56,476
Operating Services	3,220,465	-	3,220,465	2,970,071
Professional Services	461,784	-	461,784	569,499
Capital Outlay/General Support	13,360	-	13,360	11,739
Total Expenses	3,963,709	-	3,963,709	3,809,127
Increase (Decrease) in Net Assets	4,926,700	-	4,926,700	2,859,090
Net Assets - Beginning of Year	22,323,721	-	22,323,721	19,464,631
Net Assets - End of Year	\$ 27,250,421	\$ -	\$ 27,250,421	\$ 22,323,721

The accompanying notes are an integral part of this financial statement.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	2011	2010
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 4,926,700	\$ 2,859,090
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gain) Loss on Marketable Securities	(3,221,052)	(1,709,461)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts/Grants Receivable	46,150	164,746
(Increase) Decrease in Due from Friends of L.P.B.	13,000	(33,398)
(Increase) Decrease in Cost of Programs Not Yet Broadcast	(5,610)	(34,714)
Increase (Decrease) in Accounts Payable	(91,037)	(11,245)
Increase (Decrease) in Due to Louisiana Educational Television Authority	(745,885)	41,088
Increase (Decrease) in Deferred Support and Revenues	(98,310)	170,229
Net Cash Provided by Operating Activities	823,956	1,446,335
 Cash Flows from Investing Activities:		
Purchases of Investments	(18,716,040)	(6,845,735)
Proceeds from Maturity and Sales of Investments	19,327,575	4,094,329
Net Cash Provided by (Used in) Investing Activities	611,535	(2,751,406)
 Net Increase (Decrease) in Cash and Cash Equivalents	1,435,491	(1,305,071)
 Cash and Cash Equivalents - Beginning of Year	4,500,381	5,805,452
Cash and Cash Equivalents - End of Year	\$ 5,935,872	\$ 4,500,381

The accompanying notes are an integral part of this financial statement.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies -

A. 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 Louisiana Educational Television Authority. 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, who are appointed by the Louisiana Educational Television Authority.

B. Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) issued Statement No.39, determining whether certain organizations are component units, which amended GASB 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit.

Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

1. 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.
2. 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.
3. 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 that primary government.

Based on the foregoing criteria, the management of the Louisiana Educational Television Authority has included the Foundation for Excellence in Louisiana Public Broadcasting as a component unit of the Louisiana Educational Television Authority. Since the Authority appoints the board members of the Foundation and there is a financial benefit/burden relationship between the two entities, the funds of the Foundation are discretely presented in the Louisiana Educational Television Authority's component unit financial statements.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

C. Basis of Accounting

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

D. Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as applicable. As of June 30, 2011 there were no permanently or temporarily restricted net assets.

Certain balances for the prior year have been reclassified to conform to the current year's financial statement presentation.

E. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

F. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. Contributed Services/Contributed Assets

During the year ended June 30, 2011, the value of contributed services or assets meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Accounts Receivable

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

J. Equipment

Equipment is stated at cost less accumulated depreciation, and will be depreciated using the straight-line method over five years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

K. Marketable Securities and Investments

Investments in all debt and equity securities with readily determinable fair value are reported at their fair value. All other investments are reported at historical cost if purchased, or, if contributed, at fair value at the date of contribution.

L. Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast relate to programs acquired by the Foundation with broadcast dates subsequent to June 30, 2011. Grants, contributions and underwriting relating to these programs are included in deferred revenue. As the programs are telecast, the costs incurred will be included in operating expenses and the related deferred revenue will be recognized.

M. Production Revenue and Expense

Production revenue is recognized on a percentage completion basis over the life of the applicable project. Production expense is recorded when incurred.

N. Program and Production Underwriting

Revenue for 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 (CONTINUED)

JUNE 30, 2011

O. 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 years before 2007.

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 year ended June 30, 2011.

P. Statement of Cash Flows

For purposes of reporting cash flows, cash includes certificates of deposits and all highly liquid debt instruments with original maturities of three months or less when purchased.

Note 2 - Deposits and Investments -

Deposits

For reporting purposes, bank accounts and money market funds are included as deposits. Deposits in bank accounts and money market funds are stated at cost, which approximate market. Under State law these deposits must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank. The deposits of the Foundation at June 30, 2011 were secured as follows:

	<u>Deposits in Bank Accounts</u>		
	Cash	Other (Money Market Accounts)	Total
Deposits in Bank Accounts per Balance Sheet	\$ 5,676,933	\$ 258,939	\$ 5,935,872

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	Deposits in Bank Accounts		
	Cash	Other (Money Market Accounts)	Total
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entities Name	<u>5,404,630</u>	<u>-</u>	<u>5,404,630</u>
Total Category 3 Bank Balances	<u>\$ 5,404,630</u>	<u>\$ -</u>	<u>\$ 5,404,630</u>
Total Bank Balances (Regardless of Category)	<u>\$ 5,722,265</u>	<u>\$ 258,939</u>	<u>\$ 5,981,204</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2011, \$5,404,630 of the Foundation's bank balance of \$5,981,204 was exposed to custodial credit risk because it was either uninsured and uncollateralized or uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entities name. The remaining \$576,574 was covered by either FDIC or SIPC insurance.

Investments

Custodial Credit Risk - Investments. Custodial credit risk for investments is 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 investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent but not in the name of the Foundation. At June 30, 2011, all of the Foundation's investments were held by an agent and not in the name of the Foundation.

Interest Rate Risk - Investments. Interest rate risk is defined as 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.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

The Foundation's investment policy states that the weighted maturity of the fixed income portfolio shall not exceed ten years. At June 30, 2011, the Foundation's portfolio does not include any debt securities. Furthermore, 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.

Credit Risk - Investments. The credit risk of investments is the risk that the issuer or counterparty will not meet its obligations. This 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 A1 by S&P and P1 by Moody's. At June 30, 2011, the Foundation's portfolio does not include any debt securities.

Concentration of Credit Risk - Investments. The concentration of credit risk is 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.

Note 3 - Investments -

The cost and estimated fair value including gross unrealized gains and losses of the Foundation's investments at June 30, 2011 were as follows:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Common and Preferred				
Stocks	\$ 7,020,314	\$ 472,611	\$ 197,689	\$ 7,295,236
Mutual Funds	9,682,495	348,845	169,462	9,861,878
Meridian Horizon Fund	<u>2,547,326</u>	<u>1,984,682</u>	<u>-</u>	<u>4,532,008</u>
	<u>\$ 19,250,135</u>	<u>\$ 2,806,138</u>	<u>\$ 367,151</u>	<u>\$ 21,689,122</u>

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Statement of Activities are as follows: realized gains of \$2,841,873, realized losses of \$776,784, and the net increase in unrealized gains at June 30, 2011 as compared to June 30, 2010 of \$1,155,963.

Meridian Horizon Fund invested in various long-term and short-term equity positions in United States and European stocks. It also may invest in options, future and other forms of derivative investments. The Meridian Horizon Fund was subsequently sold on July 1, 2011.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Note 4 - Fair Value Measurements -

The fair value measurement accounting literature provides a framework for measuring fair value. That framework 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.

Investments in common stocks and mutual funds (with the exception of the BRAF Pool), are valued at the quoted market prices in the active market on which the individual securities are traded. The investments in the BRAF pool represent various specific investments and various pools of funds held by BRAF 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, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011:

	<u>Assets at Fair Value as of June 30, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common and Preferred				
Stocks:				
Large Cap	\$ 3,929,090	\$ -	\$ -	\$ 3,929,090
Mid Cap	641,239	-	-	641,239
Small Cap	1,181,432	-	-	1,181,432
REIT	563,134	-	-	563,134
International Equity	980,341	-	-	980,341

(CONTINUED)

**FOUNDATION FOR EXCELLENCE IN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
BRAAF Pool	198,439	564,641	44,328	807,408
Large Cap	1,184,916	-	-	1,184,916
Mid Cap	536,403	-	-	536,403
International	3,559,182	-	-	3,559,182
Commodity Futures	227,325	-	-	227,325
Bonds	3,546,644	-	-	3,546,644
Meridian Horizon Fund	-	-	4,532,008	4,532,008
	<u>\$ 16,548,145</u>	<u>\$ 564,641</u>	<u>\$ 4,576,336</u>	<u>\$ 21,689,122</u>

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs (level 3) for the below listed funds for the year ended June 30, 2011:

	Mutual Funds	Meridian Horizon Fund
Balance, July 1, 2010	\$ 17,589	\$ 4,214,376
Net Investment Income (Loss)	<u>26,739</u>	<u>317,632</u>
Balance, June 30, 2011	<u>\$ 44,328</u>	<u>\$ 4,532,008</u>

Note 5 - Fixed Assets and Depreciation -

A summary of fixed assets is as follows:

Computer Equipment/Software	\$ 69,938
Less: Accumulated Depreciation	<u>(69,938)</u>
	<u>\$ -</u>

Note 6 - Related Party Transactions/Restricted Net Assets - Friends of Louisiana Public Broadcasting -

The Louisiana Educational Television Authority d/b/a Louisiana Public Broadcasting (LPB) and Friends of Louisiana Public Broadcasting entered into a mutual agreement dated December 6, 1994. Under the terms of this agreement, cash and investments with a market value of \$1,957,708 were transferred upon execution of the agreement from Friends of Louisiana Public Broadcasting to an outside third party, the Baton Rouge Area Foundation, who established a fund in the name of LPB in the nature of an endowment, to provide current income and long term protection for the operations of LPB. Per

**FOUNDATION FOR EXCELLENCE IN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

the terms of the agreement, LPB may designate who the funds are distributed to and therefore designated the Foundation to receive these funds.

Furthermore, a separate agreement dated August 9, 1994, (as amended in 2002) was entered into between Friends of Louisiana Public Broadcasting and the Foundation for Excellence in Louisiana Public Broadcasting. Under the terms of this agreement, Friends of Louisiana Public Broadcasting transfers quarterly excess funds as calculated per the agreement, to be used to pay for certain approved expenses. For the fiscal year ended June 30, 2011, \$1,140,573 was transferred to the Foundation (which includes a receivable of \$186,123) under the terms of this agreement.

At June 30, 2011, \$1,140,573 of the temporarily restricted net assets available for the purposes specified in these two agreements were spent and therefore released from restriction. There were no remaining temporarily restricted net assets at June 30, 2011.

Note 7 - Net Assets Released from Donor Restrictions -

Net assets were released from donor restrictions for incurring expenses satisfying the restricted purpose:

Purpose restrictions accomplished:

Friends of L.P.B. Transfer Agreements	<u>\$ 1,140,573</u>
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Note 8 - Due to Louisiana Educational Television Authority -

During the prior years, monies were received from various universities who were leasing unused transponder space on a satellite owned by Louisiana Educational Television Authority (L.E.T.A.). In addition, the Foundation received insurance proceeds for the damages to the transponder, which offset payments made for transponder services. Upon receipt, these rental payments were deposited in the Trust account of the Foundation and are therefore considered due to L.E.T.A. At June 30, 2011, the net amount collected for these rentals, insurance proceeds, and payments for service is \$7,064,310 which includes \$2,814,481 of interest earnings.

In the current and prior years, \$1,581,204 of these funds were either transferred to L.E.T.A. or spent on digital conversion expenses and other acquisitions on L.E.T.A.'s behalf. Accordingly, this cumulative amount has been applied to the due to L.E.T.A. balance at June 30, 2011.

In addition, the Foundation previously entered into a contract with the Louisiana Lottery Corporation to provide production and nightly distribution services for the various lottery games. All equipment used in providing these services was purchased by the Foundation on behalf of L.E.T.A. and were recorded on L.E.T.A.'s fixed asset listing in the prior years. Accordingly, the cumulative net of revenue earned less expenses incurred for these services amounted to \$841,587 and is considered owed to L.E.T.A.

**FOUNDATION FOR EXCELLENCE IN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

This amount is also included in the Due to L.E.T.A. balance at June 30, 2011.

In the prior years, the Foundation received on behalf of L.E.T.A. \$3,079,800 for the purchase of equipment and payment of a tower lease. During prior years, all of these funds had been used or transferred to L.E.T.A. for the purchase of equipment and payment of a tower lease.

During the prior years, the Foundation transferred funds in the amount of \$6,000,000 to L.E.T.A.'s State Capital Outlay Fund. The monies have been used to fund future capital outlay projects.

The balance at June 30, 2011 due to L.E.T.A. is \$324,693.

Note 9 - Concentration of Credit Risk -

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

Note 10 - Leases -

During fiscal year ended June 30, 2007, the Foundation entered into various leases that authorized the use of excess broadband capacity. Each lease had an initial lease term expiring during fiscal year ending June 30, 2012. Upon expiration of the initial term, the leases are set to automatically renew for an additional five year term. The leases also require periodic payments at various anniversary dates throughout the contract. Lease revenue is \$150,999 for the year ended June 30, 2011.

The following is a schedule by years of future minimum rental payments receivable on non-cancelable long-term leases as of June 30:

<u>Year Ended June 30,</u>	<u>Future Rental Revenue</u>
2012	\$ 75,096
2013	77,244
2014	77,244
2015	184,536
2016	77,244
Thereafter	<u>19,311</u>
	<u>\$ 510,675</u>

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Note 11 - Board Designated Endowment -

As of June 30, 2011 the Board of Directors has designated \$3,132,257 of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Since the endowment resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Foundation's primary long-term investment objective is to enhance the portfolio of the Foundation through capital appreciation and reinvestment of income. The Investment Committee recognized that this objective can be met over time only if the purchasing power of the investment is increased on a real dollar (inflation adjusted) basis. As such, these funds shall be invested in companies and opportunities whose operational philosophy and management activities are consistent with the overall mission of the Investment Committee.

The Committee expects to achieve at least three of the four following investment goals:

- A. To achieve a return that is in the top third of a representative universe at professionally managed funds.
- B. To exceed the return of a market index, on an annualized basis weighted to replicate the asset allocation policy of the Foundation.
- C. To exceed the rate of inflation as measured by the Consumer Price Index (CPI), by at least 500 basis points on an annualized basis.
- D. To achieve a positive risk adjusted return.

The Board of Directors is cognizant that, in order to preserve and enhance the value of the Foundation's assets over time and to ensure that the Foundation's principal and income increases at the rate of inflation, spending each year should only be taken from the rate of return above inflation.

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Changes in endowment net assets for the year ended June 30, 2011 were:

	<u>Unrestricted</u>
Board-Designated Endowment Net Assets, Beginning of Year	\$ 2,102,254
Contributions	50,000
Investment Income, Net of Expenses of \$9,697	358,395
Net Appreciation	<u>621,608</u>
Board-Designated Endowment Net Assets, End of Year	<u>\$ 3,132,257</u>

Note 12 - Board Designated Reserve -

Foundation for Excellence in Louisiana Public Broadcasting's Board Members have designated the unreserved portion of the Foundation's net assets resulting from its various operations for the following specific projects:

- The total of the "Due to LETA" funds for digital equipment and capital expenditures
- \$6 million for annual operating expenses
- \$2 million for permanent Endowment
- \$2.5 million for formal education and outreach activities
- \$3 million for Louisiana Productions
- \$1 million for digital services, new media, and program distribution
- \$1 million for long range development
- Balance for emergencies

Note 13 - Subsequent Events -

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 29, 2011, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	Program Services			
Programming and Production	Broadcasting Cost	Program Information	Total Program Services	
Personal Services	\$ 211,095	\$ 12,702	\$ -	\$ 223,797
Travel	21,182	8,720	-	29,902
Operating Services	2,952,675	95,230	45,997	3,093,902
Professional Services	440,806	3,025	2,585	446,416
Capital Outlay	6,725	6,635	-	13,360
Total Expenses	<u>\$ 3,632,483</u>	<u>\$ 126,312</u>	<u>\$ 48,582</u>	<u>\$ 3,807,377</u>

See auditor's report.

Management and General	Total Expenses	
	2011	2010
\$ 9,600	\$ 233,397	\$ 201,342
4,801	34,703	56,476
126,563	3,220,465	2,970,071
15,368	461,784	569,499
-	13,360	11,739
<u>\$ 156,332</u>	<u>\$ 3,963,709</u>	<u>\$ 3,809,127</u>

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF THE
COMPONENT UNIT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

August 29, 2011

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

We have audited the financial statements of the Foundation for Excellence in Louisiana Public Broadcasting, (a component unit of the Louisiana Educational Television Authority), as of and for the year ended June 30, 2011, and have issued our report thereon dated August 29, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Directors, others within the organization, the Office of the Legislative Auditor, State of Louisiana, Louisiana Department of Education, and various cognizant agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannis T. Bourgeois, LLP

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

SUMMARY SCHEDULE OF AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

None

**FOUNDATION FOR EXCELLENCE IN
LOUISIANA PUBLIC BROADCASTING**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

None