

KSLU – FM RADIO

**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
SOUTHEASTERN LOUISIANA UNIVERSITY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2003

KSLU – FM Radio
A Public Telecommunications Entity Operated by
Southeastern Louisiana University

Financial Statements and
Independent Auditor's Report

June 30, 2003

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA

Member
American Institute of CPA's
Society of Louisiana CPA's

November 10, 2003

Independent Auditor's Report

Mr. Wayne Cain,
General Manager
KSLU-FM Radio
Hammond, Louisiana

We have audited the accompanying statement of financial position of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University as of June 30, 2003, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of KSLU-FM Radio's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSLU-FM Radio as of June 30, 2003, and the results of its operations and 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 November 10, 2003 on our consideration of KSLU-FM Radio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Exhibit A

Statement of Financial Position

June 30, 2003

	<u>2003</u>
Assets	
Cash	\$ 7,365
University Intra-Fund Balance	116,865
Accounts Receivable, Net of Allowance for Uncollectible Accounts	-
Equipment, Net of Accumulated Depreciation	<u>90,725</u>
Total Assets	<u>\$ 214,955</u>
Liabilities and Net Assets	
Liabilities	
University Intra-Fund Deficit	<u>\$ -</u>
Total Liabilities	<u>-</u>
Net Assets	
Unrestricted	<u>214,955</u>
Total Net Assets	<u>214,955</u>
Total Liabilities and Net Assets	<u>\$ 214,955</u>

The accompanying notes are an integral part of this statement.

KSLU-FM Radio
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Exhibit B

Statement of Activities

For the Year Ended June 30, 2003

	2003
Changes in Unrestricted Net Assets:	
Revenues and Gains:	
Contributions from Southeastern Louisiana University:	
General Appropriation	\$ 178,991
Donated Facilities and Administrative Support	92,082
In-Kind Donated Broadcast Facilities	30,000
Student Tuition Assessment	86,450
Grant Revenue	87,705
Private Sector Revenue	1,518
Private Donations	11,392
Total Unrestricted Revenues and Gains	\$ 488,138
Expenses:	
Unrestricted Operating Funds	318,023
Restricted Operating Funds	81,149
Community Service Grant - FY 02 Fund	-
Community Service Grant - FY 01 Fund	38,168
Community Service Grant - FY 00 Fund	8,485
National Production and Program Acquisition Grant	21,562
Louisiana Educational Television Authority Grant	2,427
Restricted Operating Fees	10,653
Total Unrestricted Expenses	\$ 480,467
Increase in Net Assets	\$ 7,671
Net Assets - Beginning of the Year	\$ 207,284
Net Assets - End of the Year	\$ 214,955

The accompanying notes are an integral part of this statement.

KSLU-FM Radio
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Exhibit C

Statement of Cash Flows

For the Year Ended June 30, 2003

	<u>2003</u>
Cash Flows from Operating Activities	
Change in Net Assets	\$ 7,671
Adjustments to Reconcile Change in Net Assets To	
Net Cash Used by Operating Activities:	
Depreciation	13,885
(Increase) Decrease in University Intra-Fund Receivable	56,417
(Increase) Decrease in Accounts Receivable	1,625
Disposal of Equipment	41
Decrease in University Intra-Fund Liability	<u>-</u>
Net Cash Provided by Operating Activities	\$ 79,639
Cash Flows from Investing Activities	
Purchase of Equipment	<u>(77,821)</u>
Net Cash Used by Investing Activities	<u>\$ (77,821)</u>
Net Increase in Cash and Cash Equivalents	\$ 1,818
Cash and Cash Equivalents - Beginning of the Year	<u>\$ 5,547</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 7,365</u></u>

The accompanying notes are an integral part of this statement.

KSLU-FM Radio
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Southeastern Louisiana University

Notes to Financial Statements

For the Year Ended June 30, 2003

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KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Notes to Financial Statements

For the Year Ended June 30, 2003

1. Summary Of Significant Accounting Policies

The financial statements of KSLU-FM Radio (the Station) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

A. Organization

KSLU-FM Radio is a public telecommunications entity operated by Southeastern Louisiana University in Hammond, Louisiana. Its purpose is to provide public radio programming and broadcasting in Hammond, Louisiana and surrounding areas. The station is funded in part by direct state appropriations through Southeastern Louisiana University, in-kind support from the University, and self-assessed student fees through the University. The station is also funded through grants provided by the Corporation for Public Broadcasting as well as private sector underwriting sources. The station presently has four full-time employees.

B. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the station, the accounts of the station are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of KSLU-FM Radio are reported in self-balancing fund groups as follows:

Operating Funds include resources available to support the operations of KSLU-FM Radio. Primary support is provided by Southeastern Louisiana University; however, additional support is provided through in-kind donations and remote broadcast facilities.

Property Fund includes resources invested in property and equipment used in KSLU-FM operations.

Community Service Grant Funds represent grants funded by the Corporation for Public Broadcasting. The amounts funded are designated for station operating expenses.

KSLU-FM Radio
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Southeastern Louisiana University

Notes to Financial Statements (Continued)

June 30, 2003

National Production and Programming Grant Funds represent grants funded by the Corporation for Public Broadcasting. The amounts funded are designated for national production and program acquisition expenses.

C. University Intra-Fund Balance

Southeastern Louisiana University provides cash management services to KSLU-FM Radio. Amounts included in intra-fund balances represent the respective payable or receivable between KSLU-FM Radio and the university.

D. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

E. 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 revenues, expenses, and changes in fund balances. Accordingly, certain costs have been allocated among programs and supporting services benefited based on total personnel costs or the other systematic bases.

F. Indirect Contributions And Support

Donated facilities from Southeastern Louisiana University consist of studio and office space together with related occupancy costs and are recorded in revenue and expense at either fair market value or the direct cost with allocations based on KSLU-FM Radio's respective usage.

In-kind programming support consists of remote broadcasting facilities provided at no cost to KSLU-FM Radio for programming and/or broadcasting operations. The value of such support is generally the cost to the provider or amounts determined to be acceptable to the Corporation for Public Broadcasting.

G. Restricted Support

The public broadcaster reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
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Notes to Financial Statements (Continued)

June 30, 2003

H. Gifts of Long-Lived Assets

The public broadcaster reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the public broadcaster reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

I. Revenue Recognition

Unrestricted contributions, pledges, and grants are recognized as revenue in the statement of financial activity upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or upon accrual. State appropriation support is reported as unrestricted revenue. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

J. Financial Statement Presentation

In 1996, the Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," early. Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

K. Contributions

The Organization also elected to adopt SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

L. Estimates

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

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Notes to Financial Statements (Continued)

June 30, 2003

2. Property and Equipment

Fixed assets are recorded at cost or, in the case of donated property, at estimated fair market value at the date of receipt. Depreciation is calculated by the straight-line method for all property acquired before 1981, and for property acquired after 1989, and by the accelerated cost recovery (ACRS) method for all property acquired from 1982 to 1989. Estimated useful lives of property used in depreciation calculations range from three to ten years. Depreciation was \$13,885 for fiscal year 2003. Expenditures for maintenance and repair are charged against revenues as incurred; cost of major additions and improvements are capitalized.

Property and equipment consist of the following at June 30, 2003:

Transmitting and Broadcast Equipment	\$ 280,172
Furniture and Office Equipment	<u>51,968</u>
	332,140
Less: Accumulated Depreciation	<u>241,415</u>
Net Property and Equipment	<u><u>\$ 90,725</u></u>

3. Pension Plan

All employees of the station are employees of Southeastern Louisiana University and are members of the Louisiana State Employees Retirement System and the Louisiana State Teachers Retirement System. Contributions by the station to these two retirement systems during the year total \$4,485 and \$18,783, respectively. Required disclosures relating to the status of these two retirement systems is provided in the University's financial statements.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Notes to Financial Statements (Continued)

June 30, 2003

4. Functional Expenses

Expenses incurred were for:

	Program Services			Total Program Services	Support Services		2003 Total
	Programming & Production	Broadcasting	Program Information		Management & General	Total Support Services	
Salaries, wages, & benefits	\$ 40,130	\$ 83,184	\$ -	\$ 123,314	\$ 128,740	\$ 128,740	\$ 252,054
Occupancy	178	225	-	403	338	338	741
Dues and subscriptions	34,749	-	-	34,749	2,366	2,366	37,115
Xerox copies	-	-	-	-	233	233	233
Repairs and maintenance	-	60	-	60	-	-	60
Conferences, meetings	-	-	-	-	4,998	4,998	4,998
Advertising	-	-	-	-	4,067	4,067	4,067
Printing	-	-	-	-	217	217	217
Professional services	-	2,427	-	2,427	22,800	22,800	25,227
Office supplies	-	4,458	-	4,458	6,188	6,188	10,646
Depreciation	-	12,755	-	12,755	1,130	1,130	13,885
Telephone	-	-	-	-	3,465	3,465	3,465
Institutional support	17,959	22,722	-	40,681	34,055	34,055	74,736
Physical plant	1,639	2,073	-	3,712	3,108	3,108	6,820
Student work study	-	9,785	-	9,785	-	-	9,785
Rentals	-	41	-	41	-	-	41
In-kind remote broadcast	-	30,000	-	30,000	-	-	30,000
Miscellaneous	-	272	-	272	6,105	6,105	6,377
Totals	<u>\$ 94,655</u>	<u>\$ 168,002</u>	<u>\$ -</u>	<u>\$ 262,657</u>	<u>\$ 217,810</u>	<u>\$ 217,810</u>	<u>\$ 480,467</u>

5. Grants from the Corporation for Public Broadcasting

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. Annually, CPB distributes funds in the form of Community Service Grants (CSGs) and National Program Production and Acquisition Grants (NPPAGs) to qualifying public telecommunication entities.

Community Service Grants (CSGs) are used to augment the financial resources of public broadcasting stations and thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. In addition, the Grants may be used to sustain activities begun with Community Service Grants Awarded in prior years.

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Notes to Financial Statements (Continued)

June 30, 2003

National Program Production and Acquisition Grants (NPPAGs) are grants limited to the production, acquisition, promotion, and distribution of national programming. National programming has been defined as a program placed in the national marketplace of public radio programming. Public broadcaster uses these funds for purposes relating primarily to production and acquisition of programming.

Both the CSG and NPPAG grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The Community Service Grants received and expended during the most recent fiscal years were as follows:

Type of Grant	Year of Grant	Grants Received	Expended				Uncommitted Balance at June 30, 2003
			1999 - 00 and Prior	2000 - 01	2001 - 02	2002 - 03	
CSG	1998 - 00	\$ 50,140	\$ 46,848	\$ 3,292	\$ -	\$ -	\$ -
NPPAG	1998 - 00	\$ 20,313	\$ 20,313	\$ -	\$ -	\$ -	\$ -
CSG	1999 - 01	\$ 56,064	\$ 3,046	\$ 41,124	\$ 11,894	\$ -	\$ -
NPPAG	1999 - 01	\$ 24,028	\$ 12,807	\$ 11,221	\$ -	\$ -	\$ -
CSG	2000 - 02	\$ 57,837	\$ -	\$ 3,924	\$ 38,146	\$ 15,767	\$ -
NPPAG	2000 - 02	\$ 25,000	\$ -	\$ 2,357	\$ 22,643	\$ -	\$ -
CSG	2001 - 03	\$ 56,839	\$ -	\$ -	\$ -	\$ 48,648	\$ 8,191
NPPAG	2001 - 03	\$ 23,386	\$ -	\$ -	\$ 1,824	\$ 21,562	\$ -
CSG	2002 - 04	\$ 53,628	\$ -	\$ -	\$ -	\$ -	\$ 53,628
NPPAG	2002 - 04	\$ 21,577	\$ -	\$ -	\$ -	\$ -	\$ 21,577

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Notes to Financial Statements (Continued)

June 30, 2003

6. State Appropriations

This classification includes financial resources provided to public broadcasters through budgetary authorizations of the State of Louisiana. State appropriations utilized were as follows:

	<u>2002 - 03</u>
Authorized State Appropriation	\$ 178,991
Unexpended Appropriation	-
Accrual Adjustments	<u>-</u>
Operating Fund	178,991
Property Fund	<u>-</u>
Total	<u><u>\$ 178,991</u></u>

7. Indirect Administrative Support

Portions of the licensee's general overhead costs relate to and benefit the public broadcaster. Such items include administration, utilities, maintenance, and repair. These services were provided without cost and have been allocated to the public broadcaster. The fair value of these services is reported as revenue and expense in the accompanying statement of financial activity.

Donated facilities from the licensee are based on the depreciated value of space occupied.

8. Student Tuition Assessment

Each student taking at least four semester hours is assessed a fee per semester which is dedicated to KSLU-FM Radio. Revenue from this source was generated in the amount of \$86,450.

**Other Independent Auditor's Reports
And Findings and Recommendations**

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting Based on an Audit of
General Purpose Financial Statements Performed in Accordance with
*Government Auditing Standards***

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November 10, 2003

Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of
General Purpose Financial Statements Performed in Accordance with
Government Auditing Standards

Mr. Wayne Cain
General Manager
KSLU-FM Radio
Hammond, Louisiana

We have audited the financial statements of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University as of and for the year ended June 30, 2003, and have issued our report thereon dated November 10, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether KSLU-FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the KSLU-FM Radio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

KSLU-FM Radio
Hammond, Louisiana

components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Southeastern Louisiana University, the Louisiana Legislative Auditor, and the Corporation for Public Broadcasting, and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs
(A Professional Corporation)

Findings and Recommendations

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Current Year Audit Findings

For the Year Ended June 30, 2003

Findings and Recommendations

Compliance

None

Internal Control over Financial Reporting

None

Corrective Action Plan for Current Year Audit Findings

KSLU FM-Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Corrective Action Plan for Current Year Audit Findings

For the Year Ended June 30, 2003

<u>Ref #</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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Compliance

None

Internal Control

None

Note: This schedule was prepared by the management of KSLU-FM Radio.

Summary Schedule of Prior Audit Findings

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2003

<u>Ref #</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action</u>	<u>Plan Corrective Action - Partial Corrective Action Taken</u>	<u>Additional Explanation</u>
	Compliance				
	None				
	Internal Control				
	None				

Note: This schedule was prepared by the management of KSLU-FM Radio.