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

**JUNE 30, 2004**

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.

Release Date 9-15-04

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July 23, 2004

Independent Auditor's Report

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

We have audited the accompanying Component Unit 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, 2004, 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, 2003 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated August 1, 2003, was expressed.

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 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 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, 2004, and the change 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 a report dated July 23, 2004, on our consideration of the Foundation's internal control structure 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 used in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of the Foundation taken as a whole. The accompanying Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the component unit financial statements taken as a whole.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

**STATEMENT OF FINANCIAL POSITION**

AS OF JUNE 30, 2004  
WITH COMPARATIVE TOTALS FOR 2003

**ASSETS**

	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 2,980,033	\$ 2,653,395
Marketable Securities and Investments, at Market Value	19,080,858	17,295,596
Accounts/Grants Receivable	221,007	543,255
Accrued Interest Receivable	55,561	55,561
Cost of Programs Not Yet Broadcast	124,178	133,884
Due from Friends of L.P.B.	176,289	200,947
Property and Equipment, at Cost Less Accumulated Depreciation of \$60,029 and \$52,824 for 2004 and 2003	9,909	17,114
Other Assets	<u>-</u>	<u>114,000</u>
Total Assets	<u>\$ 22,647,835</u>	<u>\$ 21,013,752</u>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 61,085	\$ 143,510
Due to Louisiana Educational Television Authority	6,768,503	7,085,424
Deferred Support and Revenues:		
Underwriting and Local Productions	39,908	197,489
Federal Grants	<u>100,279</u>	<u>5,823</u>
Total Deferred Support and Revenues	<u>140,187</u>	<u>203,312</u>
Total Liabilities	6,969,775	7,432,246
Net Assets:		
Unrestricted	15,556,680	13,486,142
Temporarily Restricted	<u>121,380</u>	<u>95,364</u>
Total Net Assets	<u>15,678,060</u>	<u>13,581,506</u>
Total Liabilities and Net Assets	<u>\$ 22,647,835</u>	<u>\$ 21,013,752</u>

The accompanying notes are an integral part of this statement.

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE TOTALS FOR 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2004 Total</u>	<u>2003 Total</u>
<b>Revenue and Other Support:</b>				
Underwriting Income	\$ 416,267	\$ -	\$ 416,267	\$ 354,713
Community Service Grant from the Corporation for Public Broadcasting	1,365,823	-	1,365,823	1,261,552
Membership Support from Friends of Louisiana Public Broadcasting, Inc.	-	1,209,466	1,209,466	1,257,777
Louisiana Public Broadcasting Special Projects and Local Productions	1,058,567	29,000	1,087,567	1,161,927
Other Income/Contributions	10,000	-	10,000	10,000
Interest and Dividend Income (Net of Expenses of \$118,715)	47,705	-	47,705	40,117
Net Realized and Unrealized Gains (Losses)	1,194,533	-	1,194,533	765,505
Federal Grants	451,218	-	451,218	595,775
Net Assets Released from Restrictions:				
Satisfaction of Restriction	<u>1,212,450</u>	<u>(1,212,450)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	5,756,563	26,016	5,782,579	5,447,366
<b>Expenses:</b>				
Personal Services	446,916	-	446,916	520,706
Travel	110,177	-	110,177	112,895
Operating Services	2,466,582	-	2,466,582	2,414,041
Professional Services	614,863	-	614,863	1,027,462
Capital Outlay/General Support	<u>47,487</u>	<u>-</u>	<u>47,487</u>	<u>24,147</u>
Total Expenses	<u>3,686,025</u>	<u>-</u>	<u>3,686,025</u>	<u>4,099,251</u>
Increase in Net Assets	2,070,538	26,016	2,096,554	1,348,115
<b>Net Assets - Beginning of Year</b>	<u>13,486,142</u>	<u>95,364</u>	<u>13,581,506</u>	<u>12,233,391</u>
<b>Net Assets - End of Year</b>	<u>\$ 15,556,680</u>	<u>\$ 121,380</u>	<u>\$ 15,678,060</u>	<u>\$ 13,581,506</u>

The accompanying notes are an integral part of this statement.

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE TOTALS FOR 2003

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ 2,096,554	\$ 1,348,115
Adjustments to Reconcile Excess Revenue and Other Support Over Expenses to Cash Provided by Operating Activities:		
Depreciation	7,205	7,205
Net Realized and Unrealized (Gain) Loss on Marketable Securities	(1,194,533)	(765,505)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts/Grants Receivable	322,248	(80,371)
(Increase) Decrease in Due from Friends of L.P.B.	24,658	41,434
(Increase) Decrease in Cost of Programs Not Yet Broadcast	9,706	15,264
(Increase) Decrease in Other Assets	114,000	-
Increase (Decrease) in Accounts Payable	(82,425)	79,650
Increase (Decrease) in Due to Louisiana Educational Television Authority	(316,921)	1,297,398
Increase (Decrease) in Deferred Support and Revenues	<u>(63,125)</u>	<u>52,517</u>
Net Cash Provided by Operating Activities	917,367	1,995,707
<b>Cash Flows From Investing Activities:</b>		
Purchases of Investments	(4,005,057)	(15,873,862)
Proceeds from Maturity and Sales of Investments	<u>3,414,328</u>	<u>13,627,336</u>
Net Cash Used in Investing Activities	<u>(590,729)</u>	<u>(2,246,526)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	326,638	(250,819)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,653,395</u>	<u>2,904,214</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,980,033</u>	<u>\$ 2,653,395</u>

The accompanying notes are an integral part of this statement.

# FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### **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, amends 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 hold economic resources for the direct benefit of a governmental unit and is effective for periods beginning after June 15, 2003.

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 will be discretely presented in the Louisiana Educational Television Authority's component unit financial statements for the year ended June 30, 2004.



# FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS. No. 117, 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, 2004 there were no permanently restricted net assets.

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, 2004, the value of contributed services or assets meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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.

# FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

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

In accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*, 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, 2004. 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.

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.

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

**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 - Cash and Cash Equivalents -**

The Foundation's deposits consist of the following at June 30, 2004:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	\$ 2,980,033	\$ -	\$ -	\$ 2,980,033
Bank Balances (Category 3 Only, if Any)				
Identify Amounts Reported as Category 3 by the Descriptions Below:				
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 Entity's Name	<u>2,691,919</u>	<u>-</u>	<u>-</u>	<u>2,691,919</u>
Total Category 3 Bank Balances	<u>\$ 2,691,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,691,919</u>
Total Bank Balances (Regardless of Category)	<u>\$ 3,033,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,033,934</u>

The Foundation's bank balances at June 30, 2004, are categorized into three levels of credit risk. Category 1 includes bank balances which are insured or collateralized with securities held by the Foundation or its agent in the Foundation's name. Category 2 includes bank balances which are collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name. Category 3 includes bank balances which are uncollateralized, including any balances which are collateralized with securities held by the pledging financial institutions or by its trust department or agent but not in the Foundation's name.

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

**Note 3 - Investment Securities -**

The Foundation's investments at June 30, 2004 are recorded at market value and are categorized in three levels of credit risk as follows:

Category 1 - Insured or registered in the Foundation's name, or securities held by the Foundation or its agent in the Foundation's name.

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the Foundation's name.

Category 3 - Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Foundation's name.

In addition, in accordance with GASB codification, certain mutual funds and other funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The following is a summary of the Foundation's investments at June 30, 2004:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized</u>	
						<u>Gain</u>	<u>Loss</u>
U.S. Treasury Securities	\$ -	\$ -	\$ 2,479,217	\$ 2,479,217	\$ 2,426,456	\$ -	\$ 52,761
U.S. Government Agency Securities	-	-	5,434,391	5,434,391	5,362,577	-	71,814
Common Stocks	-	-	5,336,126	5,336,126	7,074,925	1,833,312	94,513
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,249,734</u>	<u>13,249,734</u>	<u>14,863,958</u>	<u>1,833,312</u>	<u>219,088</u>
Investments Not Categorized:							
Mutual Fund-Equity Securities				352,683	464,277	111,594	-
Mutual Fund - U.S. Government Bonds				236,628	244,538	7,910	-
Meridian Horizon Fund				<u>2,612,593</u>	<u>3,508,085</u>	<u>895,492</u>	<u>-</u>
				<u>\$ 16,451,638</u>	<u>\$ 19,080,858</u>	<u>\$ 2,848,308</u>	<u>\$ 219,088</u>

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

The cost and market value of securities by contractual maturities is as follows:

	<u>Cost</u>	<u>Market Value</u>
Within One Year	\$ -	\$ -
One Year Through Five Years	6,719,950	6,638,535
Five Years Through Ten Years	415,554	403,415
Over Ten Years	<u>778,104</u>	<u>747,083</u>
	7,913,608	7,789,033
Mutual Fund - U.S. Government Bonds	236,628	244,538
Common Stocks	5,336,126	7,074,925
Meridian Horizon Fund	2,612,593	3,508,085
Mutual Fund - Equity Securities	<u>352,683</u>	<u>464,277</u>
	<u>\$ 16,451,638</u>	<u>\$ 19,080,858</u>

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Statement of Activities are as follows: Realized Gains of \$129,748, Realized Losses of \$213,555 and the Net Increase in Unrealized Gains at June 30, 2004 as compared to June 30, 2003 of \$1,278,340.

Meridian Horizon Fund invests in various long-term and short-term equity positions in United States and European stocks. It also may invest in options, futures and other forms of derivative investments.

**Note 4 - Fixed Assets and Depreciation -**

A summary of fixed assets is as follows:

Computer Equipment/Software	\$ 69,938
Less: Accumulated Depreciation	<u>(60,029)</u>
	<u>\$ 9,909</u>

Depreciation expense for the year ended June 30, 2004 was \$7,205.

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

**Note 5 - 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 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, 2004, \$1,209,466 was transferred to the Foundation (which includes a receivable of \$165,455) under the terms of this agreement.

At June 30, 2004, \$1,169,950 of the temporarily restricted net assets available for the purposes specified in these two agreements were spent and therefore released from restriction. The remaining \$121,380 is temporarily restricted at June 30, 2004.

**Note 6 - Restrictions on Net Assets -**

Temporarily restricted net assets are available for the following purposes:

Friends of L.P.B. Transfer Agreements	\$ 121,380
	<u>                    </u>

**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	\$ 1,169,950
Local Production Projects	<u>42,500</u>
	<u>\$ 1,212,450</u>

**Note 8 - Due to Louisiana Educational Television Authority -**

During the current and prior years, monies were received from various universities who are leasing unused transponder space on a satellite owned by Louisiana Educational Television Authority (L.E.T.A.). 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, 2004, the net amount owed to L.E.T.A. for these rentals is \$6,485,861 which includes \$1,648,600 of interest earnings.

In the current year and prior years, \$603,065 of these funds were spent on digital conversion expenses and accordingly this cumulative amount has been applied to the due to L.E.T.A. balance at June 30, 2004.

In the current year, the Foundation received \$120,759 towards payment for equipment and facilities rental for L.E.T.A. and expended \$91,239 of these funds in accordance with a Board resolution relating to the equipment and facilities rental agreement. The net amount due to L.E.T.A. of \$29,520 is included in the Due to L.E.T.A. balance at June 30, 2004.

In addition, during the current and prior year the Foundation 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 \$618,209 and is considered owed to L.E.T.A. This amount is also included in the Due to L.E.T.A. balance at June 30, 2004.

In the current year, the Foundation received \$537,978 for the purchase of equipment. During the current year, \$300,000 of these funds had been used for the purchase of equipment. The net amount of \$237,978 is included in the Due to L.E.T.A. balance at June 30, 2004.

**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.

SUPPLEMENTARY INFORMATION



**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE TOTALS FOR 2003

	<u>Program Services</u>			
	<u>Programming and Production</u>	<u>Broadcasting Cost</u>	<u>Program Information</u>	<u>Total Program Services</u>
Personal Services	\$ 341,384	\$ 4,369	\$ -	\$ 345,753
Travel	82,387	8,505	1,408	92,300
Operating Services	1,957,398	186,119	82,351	2,225,868
Professional Services	510,739	15,769	1,585	528,093
Capital Outlay	<u>42,074</u>	<u>3,195</u>	<u>390</u>	<u>45,659</u>
 Total Expenses	 <u>\$ 2,933,982</u>	 <u>\$ 217,957</u>	 <u>\$ 85,734</u>	 <u>\$ 3,237,673</u>

See auditor's report.

Management and General	Total Expenses	
	2004	2003
\$ 101,163	\$ 446,916	\$ 520,706
17,877	110,177	112,895
240,714	2,466,582	2,414,041
86,770	614,863	1,027,462
<u>1,828</u>	<u>47,487</u>	<u>24,147</u>
<u>\$ 448,352</u>	<u>\$ 3,686,025</u>	<u>\$ 4,099,251</u>

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



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R. David Wascom, CPA

\*A Professional Accounting Corporation

July 23, 2004

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 as of and for the year ended June 30, 2004, and have issued our report thereon dated July 23, 2004. 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.

#### Compliance

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 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 Foundation'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 components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. We noted other matters involving internal control over financial reporting that are either described in the accompanying Summary Schedule of Prior Audit Findings as item 2001-1 or have been reported to the Foundation's management in a separate letter dated July 23, 2004.

This report is intended for the information of management, others within the organizations, the Census Bureau, 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,

*Hannia T. Bourgeois, LLP*

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED JUNE 30, 2004

**Summary of Auditor's Results:**

- (1) As required by office of the Louisiana Legislative Auditor, the following is a summary of the results of our audit:
- \* Type of report issued on financial statements - unqualified.
  - \* There were no material weaknesses in internal control noted.
  - \* There were no findings to be reported under Government Auditing Standards.
  - \* The results of our audit procedures disclosed no material noncompliances.

**FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2004**

**2001 - 1 Due To/From L.E.T.A. Account**

**Finding:**

During the prior year, numerous entries were required to be made reclassifying transactions made to the Due to L.E.T.A. account. Lottery revenues were recorded as income in the general ledger. Entries were necessary to reclass these revenues to the Due to L.E.T.A. account. In addition, expenses paid by the Foundation for digital conversion were reclassified from expense on the Foundation's books to the Due to L.E.T.A. account, since these monies were designated to be spent for digital conversion. Also, the investment account associated with the Due To/From L.E.T.A. Funds were not monitored during the year. All necessary entries were made by us to reclass these amounts.

**Recommendation:**

In the prior year, we recommended that, at least on a quarterly basis the lottery revenues and expenses paid by the Foundation be reclassified to the Due to L.E.T.A. account. By doing so revenues and expenses would be properly stated and the portion of the investment portfolio allocated for the L.E.T.A. funds could be better monitored. In addition, the investment account associated with the Due To/From L.E.T.A. funds should have investments specifically identified. The balance of these investments should be compared to the balance in the Due to L.E.T.A. a/c at least quarterly to make sure the amount of funds held is sufficient and that they are invested only in state approved investments. Also, expenses paid by the Foundation for digital conversation should be recorded in the Due To/From L.E.T.A. account.

**Corrective Action Taken:**

In the current year, the investment accounts associated with the Due To/From L.E.T.A. Funds were monitored on a quarterly basis and compared to the balance in the Due To/From L.E.T.A. account to determine that the amount of funds is sufficient.

**Additional Recommendation:**

The lottery revenues and expenses paid by the Foundation should be reclassified to the Due To/From L.E.T.A. account on a quarterly basis. In addition, the expenses paid by the Foundation for digital conversion should be reclassified to the Due To/From L.E.T.A. account.

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FOUNDATION FOR EXCELLENCE IN  
LOUISIANA PUBLIC BROADCASTING

MANAGEMENT LETTER

JUNE 30, 2004

BATON ROUGE, LOUISIANA





Randy J. Bonnecaze, CPA\*  
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July 23, 2004

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

In planning and performing our audit of the financial statements of the Foundation for Excellence in Louisiana Public Broadcasting (a component unit of Louisiana Education Television Authority) for the year ended June 30, 2004, we considered its internal control structure 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. However, during our audit we became aware of certain matters, which are opportunities to strengthen internal controls as discussed below. This letter does not affect our report dated July 23, 2004 on the financial statements of the Foundation.

#### **Accounts Receivable**

##### Finding:

During our prior year testing of the accounts receivable aging, it was noted that there were numerous customers with balances outstanding more than one year at June 30, 2003.

##### Recommendation:

We recommend the development of a system to monitor the accounts receivable aging. In the current year, the Foundation wrote off approximately half of the old outstanding accounts receivable balances. However, we feel the implementation of a system to monitor the accounts receivable will ensure that old outstanding balances will be followed up in a timely manner.

##### Corrective Action:

In the current year, the Foundation implemented a system to monitor the accounts receivable. As a result, a number of the old outstanding receivables from the prior year have been collected. The Foundation will continue to monitor and pursue the remaining outstanding accounts receivable at June 30, 2004.

To the Board of Directors  
Foundation for Excellence in  
Louisiana Public Broadcasting  
July 23, 2004  
Page 2

This report is intended solely for the use of management, the Census Bureau, and the Office of the Legislative Auditor, State of Louisiana, Louisiana Department of Education, and various cognizant agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Foundation for Excellence in Louisiana Public Broadcasting, Baton Rouge, Louisiana, is a matter of public record.

Respectfully submitted,

*Hannia T. Bourgeois, LLP*

Louisiana  
Public  
Broadcasting



7733 Perkins Road  
Baton Rouge, LA 70810

*A Service of the  
Louisiana  
Educational  
Television  
Authority*

August 30, 2004

Ms. Celeste Viator, C.P.A.  
Hannis T. Bourgeois & Co., LLP  
2322 Tremont Drive, Suite 200  
Baton Rouge, LA 70809

Re: FELPB FY 2003-04 Audit Management Letter

Dear Ms. Viator:

Please accept the following as our formal response to the recommendation made in your Management Letter accompanying the FY 2003-04 audit of FELPB.

**Accounts Receivable**

We appreciate the auditor's acknowledgement of our implementation of a system to monitor accounts receivable aging, and our progress in collection of those accounts. We further agree that while the total amount of such receivables is not substantial, continued pro-active diligence in this area will be maintained.

Sincerely,

John L. Tarver  
Director of Business Services

**Louisiana  
Public  
Broadcasting**



7733 Perkins Road  
Baton Rouge, LA 70810

*A Service of the  
Louisiana  
Educational  
Television  
Authority*

September 8, 2004

Ms. Celeste Viator, C.P.A.  
Hannis T. Bourgeois & Co., LLP  
2322 Tremont Drive, Suite 200  
Baton Rouge, LA 70809

Re: *FELPB FY 2003-04 Supplemental Response*

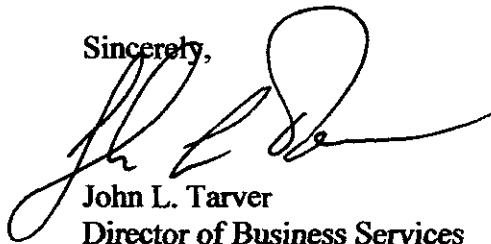
Dear Ms. Viator:

Please accept the following as our formal response to the additional recommendation made in your Summary Schedule of Prior Audit Findings. As the recommendation was not included in the Management Letter accompanying the FY 2003-04 audit of FELPB, we did not include it in our original response.

**2001- 1 Due to/From L.E.T.A. Account**

We appreciate the auditor's acknowledgement of our implementation of a system to monitor and compare the Due To/From LETA account. We agree that lottery revenues and expenses should be reclassified to the Due To/From LETA account on a quarterly basis. We further agree to reclassify expenses paid out of the Due To/From LETA account for digital conversion.

Sincerely,



John L. Tarver  
Director of Business Services