

**KDAQ-FM, KLSA-FM, KBSA-FM, AND
KLDN-FM RADIO STATIONS
LOUISIANA STATE UNIVERSITY IN SHREVEPORT
STATE OF LOUISIANA
JUNE 30, 2014**

KDAQ-FM, KLSA-FM, KBSA-FM, AND
KLDN-FM RADIO STATIONS
LOUISIANA STATE UNIVERSITY IN SHREVEPORT
STATE OF LOUISIANA
TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	i-iii

AUDITED FINANCIAL STATEMENTS

	<u>Statement</u>	
Independent Auditor's Report		1-2
Statement of Financial Position	A	3
Statement of Activities	B	4-5
Statement of Cash Flows	C	6
Notes to the Financial Statements		7-13

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		14-15
Schedule of Findings and Questioned Costs		16
Schedule of Prior Year Findings		17
Management's Corrective Action Plan		18

RED RIVER RADIO NETWORK

JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Red River Radio Network's (the Network) financial performance provides an overview of the Network's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Network's financial statements.

Financial Highlights

The Network's net assets increased by \$23,371, or 4% of the beginning value of the station's net assets, during the year ended June 30, 2014. Most of the increase is attributed to fixed assets purchases related to the network's building project.

Using the Annual Report

This annual report consists of Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. Management's Discussion & Analysis provides a narrative of the Network's financial performance and activities for the year ended June 30, 2014. The basic financial statements provide readers with a broad view of the Network's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- The Statement of Financial Position presents information on all of the Network's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Network is improving or deteriorating.
- The Statement of Activities presents information showing how the Network's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- The Statement of Cash Flows presents information how the Network's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

Financial Analysis of the Network as a Whole

A summary of net assets is presented below:

Table 1
Net Assets

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Current and other assets	10,762	59,588	-82%
Capital assets, net of depreciation	<u>703,127</u>	<u>677,796</u>	<u>4%</u>
Total assets	713,889	737,384	-3%
Current liabilities	52,461	101,147	-48%
Noncurrent liabilities	<u>46,216</u>	<u>44,396</u>	<u>4%</u>
Total liabilities	98,677	145,543	-32%
Restricted net assets	615,212	576,599	7%
Unrestricted net assets	<u>-</u>	<u>15,242</u>	<u>-100%</u>
Total net assets	<u>615,212</u>	<u>591,841</u>	<u>4%</u>

Capital assets represent the Network's long term investment in capital assets, net of accumulated depreciation, and are not available for current operations.

A summary of changes in net assets is presented below:

Table 2
Changes in Net Assets

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Operating revenues (memberships, underwriting, lease agreements, noncapital grants)	<u>903,592</u>	<u>859,512</u>	<u>5%</u>
Total revenues	903,592	859,512	5%
Operating expenses			
Depreciation	24,383	69,920	-65%
Other	<u>905,552</u>	<u>928,650</u>	<u>-2%</u>
Total expenses	929,935	998,570	-7%
Capital contributions	<u>49,714</u>	<u>229,597</u>	<u>-78%</u>
Change in net assets	<u>23,371</u>	<u>90,539</u>	<u>-74%</u>

Capital Assets

For the year ending June 30, 2014, the Network had \$49,714 in capital asset cost, mostly relating to the new studio project. The majority of this cost was recorded as building improvements at June 30, 2014.

Non-Current Liabilities

The Network's non-current liabilities consist of accrued compensated absences for annual and sick leave payable. These liabilities increased by \$1,820 during the fiscal year, from \$44,396 at the beginning of the year to \$46,216 at the end of the year.

Other Currently Known Facts, Decisions, or Conditions

Most of our major projects over the last several years are now complete, including the new studios.

All license renewals have been completed and are in effect now for 7 to 8 years depending on the transmitter location. Red River Radio has partnered with 25 other stations across the south and FEMA in a new NPR initiative that will eventually provide visual assistance to the hard of hearing and deaf using RDS decoding available on many radios. Red River Radio was chosen because of its location and coverage area. All equipment was provided by the federal government and NPR.

Future improvement projects still include back-up power systems in El Dorado and Lufkin. Funding will be sought for these projects. We are also still looking into a translator to cover the Magnolia, AR area. While this area is technically within our listening area, people in that city have a difficult time getting clear reception of either KBSA or KDAQ. These projects are totally dependent on raising special funds before proceeding.

The 30th anniversary of the network will be December 20, 2014

Contacting the Network's Financial Management

This financial report is designed to provide a general overview of the Network's accountability for the money it receives. If you have questions about this report or you need additional information, please contact the Red River Radio Network at Louisiana State University in Shreveport, One University Place, Shreveport, Louisiana.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SHREVEPORT, LOUISIANA 71101
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December 9, 2014

Louisiana State University in Shreveport
State of Louisiana
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport, a public telecommunications entity operated by Louisiana State University in Shreveport, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended (with summarized totals for 2013), and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Network's 2013 financial statements and, in our report dated December 6, 2013, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As described in Note 1, the financial statements of Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport, are intended to present the financial position, changes in net assets, and cash flows on only that portion of the funds of Louisiana State University in Shreveport that is attributable to the transactions of the radio stations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport, as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on pages i-iii is presented for purposes of additional analysis and is not a required part of the financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2014, on our consideration of the Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport'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* in considering the Radio Station's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated by

Louisiana State University in Shreveport

Statement of Financial Position

June 30, 2014

(With Comparative Totals for 2013)

Statement A

<u>A S S E T S</u>	2014 Operating Funds			2013 Total (Summarized)
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
<u>Current assets:</u>				
Cash and cash equivalents	-	<u>10,762</u>	<u>10,762</u>	<u>59,588</u>
Total current assets	-	<u>10,762</u>	<u>10,762</u>	<u>59,588</u>
<u>Property and equipment:</u>				
Building Improvements (net of accumulated depreciation)	672,120	-	672,120	656,072
Equipment (net of accumulated depreciation)	<u>31,007</u>	<u>-</u>	<u>31,007</u>	<u>21,724</u>
Total property and equipment	<u>703,127</u>	<u>-</u>	<u>703,127</u>	<u>677,796</u>
Total assets	<u>703,127</u>	<u>10,762</u>	<u>713,889</u>	<u>737,384</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>Current liabilities:</u>				
Cash overdraft	41,699	-	41,699	41,559
Deferred revenue	<u>-</u>	<u>10,762</u>	<u>10,762</u>	<u>59,588</u>
Total current liabilities	41,699	10,762	52,461	101,147
<u>Long-term liabilities:</u>				
Accrued sick and annual leave payable	<u>46,216</u>	<u>-</u>	<u>46,216</u>	<u>44,396</u>
Total liabilities	87,915	10,762	98,677	145,543
<u>Net assets:</u>				
Unrestricted	615,212	-	615,212	576,599
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,242</u>
Total net assets	<u>615,212</u>	<u>-</u>	<u>615,212</u>	<u>591,841</u>
Total liabilities and net assets	<u>703,127</u>	<u>10,762</u>	<u>713,889</u>	<u>737,384</u>

The accompanying notes are an integral part of this statement.

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated by

Louisiana State University in Shreveport

Statement of Activities

For the Year Ended June 30, 2014

(With Comparative Totals for 2013)

Statement B

	2014 Operating Funds			2013 Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>(Summarized)</u>
<u>Revenues, gains and other support:</u>				
Contributions	448,355	53,292	501,647	677,108
Underwriting	153,811	-	153,811	130,827
Corporation for Public Broadcasting:				
Community service grant-general	-	176,353	176,353	140,656
RLAIF grant	-	24,572	24,572	21,276
Community Foundation grants	-	50,000	50,000	40,000
Other private foundations grants	34,423	12,500	46,923	79,242
Total revenues, gains and other support	636,589	316,717	953,306	1,089,109
<u>Net assets released from restrictions</u>	331,959	(331,959)	-	-
<u>Expenses:</u>				
Program services-				
Programming and production	181,212	-	181,212	181,039
Broadcasting	283,701	-	283,701	294,607
Program information and promotion	22,147	-	22,147	23,173
Total program expenses	487,060	-	487,060	498,819
Supporting services-				
Management and general	317,077	-	317,077	332,455
Fund raising and membership development	68,217	-	68,217	66,469
Underwriting and grant solicitation	33,198	-	33,198	30,907
Total supporting expenses	418,492	-	418,492	429,831
Total expenses	905,552	-	905,552	928,650

The accompanying notes are an integral part of this statement.

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated by
Louisiana State University in Shreveport
Statement of Activities

For the Year Ended June 30, 2014
(With Comparative Totals for 2013)

Statement B

	2014			2013 Total (Summarized)
	Operating Funds			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
<u>Change in net assets before capital depreciation</u>	62,996	(15,242)	47,754	160,459
<u>Building improvements/additions capital depreciation</u>	<u>(24,383)</u>	<u>-</u>	<u>(24,383)</u>	<u>(69,920)</u>
<u>Change in net assets after capital depreciation</u>	38,613	(15,242)	23,371	90,539
<u>Net assets, beginning of year</u>	<u>576,599</u>	<u>15,242</u>	<u>591,841</u>	<u>501,302</u>
<u>Net assets, end of year</u>	<u>615,212</u>	<u>-</u>	<u>615,212</u>	<u>591,841</u>

The accompanying notes are an integral part of this statement.

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated by

Louisiana State University in Shreveport

Statement of Cash Flows

For the Year Ended June 30, 2014

(With Comparative Totals for 2013)

Statement C

	2014 Operating Funds			2013 Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>(Summarized)</u>
<u>Cash flows from operating activities:</u>				
Change in net assets	38,613	(15,242)	23,371	90,539
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation expense	24,383	-	24,383	69,920
Decrease in pledges receivable	-	-	-	50,000
Increase in accrued sick and annual leave payable	1,820	-	1,820	6,785
(Decrease) in accounts payable	-	-	-	(78,326)
(Decrease) in deferred revenue- unexpended grants and contri- butions	-	(48,826)	(48,826)	(171,318)
Net cash provided (used) by operating activities	64,816	(64,068)	748	(32,400)
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(64,956)	15,242	(49,714)	(229,597)
Net cash provided (used) by investing activities	(64,956)	15,242	(49,714)	(229,597)
<u>Cash flows from financing activities:</u>				
Change in cash overdraft	140	-	140	41,559
Net cash provided by financing activities	140	-	140	41,559
<u>Net (decrease) in cash and cash equivalents</u>	-	(48,826)	(48,826)	(220,438)
<u>Cash and cash equivalents at beginning of year</u>	-	59,588	59,588	280,026
<u>Cash and cash equivalents at end of year</u>	-	10,762	10,762	59,588

The accompanying notes are an integral part of this statement.

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated By
Louisiana State University in Shreveport

Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

The accompanying financial statements 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

Louisiana State University in Shreveport is a publicly supported institution of higher education. The University is a political subdivision of the State of Louisiana, and is under the management and supervision of a body corporate known as the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College. The Board of Supervisors (the Board) is the governing body over all campuses under the organizational structure of the Louisiana State University (LSU) System. All members of the Board of Supervisors are appointed by the Governor. The Board of Supervisors is the legal holder of the licenses of all the stations in this network.

On September 14, 1981, the Board of Supervisors (the Board) approved establishment of a public radio station (network) to be housed at, and operated by, Louisiana State University in Shreveport (LSU-S). On October 29, 1982, the Federal Communication Commission (FCC) assigned it the call letters KDAQ-FM. The Corporation for Public Broadcasting (CPB) was contacted in an effort to gain an understanding of the requirements to becoming a CPB "supported" station. In 1985, the radio station attained this status.

In 1985, a second station was established on the Louisiana State University at Alexandria campus (LSU-A). This station was established to be operated by LSU-S as a simulcast of KDAQ-FM. On May 17, 1985, the FCC assigned it the call letters KLSA-FM.

In 1987, a third station was established in El Dorado, Arkansas, to be operated by LSU-S as a simulcast of KDAQ-FM. On June 4, 1987, the FCC assigned it the call letters KBSA-FM.

In 1991, a fourth station was established in Lufkin, Texas, to be operated by LSU-S as a simulcast of KDAQ-FM. On December 7, 1991, the FCC assigned it the call letters KLDN-FM.

In 1996, a translator was established in Grambling, Louisiana, to be operated by LSU-S as a simulcast of KDAQ-FM. The translator numbers K214CE were assigned by the FCC on March 10, 1996.

1. Summary of Significant Accounting Policies (Continued)

KDAQ-FM, KLSA-FM, KBSA-FM and KLDN-FM Radio Stations (aka Red River Public Radio Network) are departmental budget units of LSU-S and are reported in the University's Annual Financial Statements in the same respect as a "public service department." The total departmental expenditures are reported in Analysis Schedule C-2A and C-2B of LSU-S's financial statements for the network.

B. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the network, the accounts of the network 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 net assets of the station are reported in two self-balancing operating funds, which include unrestricted and restricted resources. These funds represent resources available for support of the network operations.

C. Expendable Restricted Resources

Operating funds restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenues when the network has incurred expenses in compliance with the specific restrictions. Such amounts received but not yet expended are reported on the Statement of Financial Position as restricted refundable grant advances because they are conditional based on their use for the purposes of the grant.

For June 30, 2014 and 2013, such amounts relate to capital funds raised for the construction and improvement of the new studio facility for the Network.

D. Contributions and Pledges

Contributions and pledges are recorded as revenue in the Statement of Activities when received. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets. For the year ended June 30, 2014, contributions amounted to \$501,647.

While the main source of monetary support for the Network comes from listener contributions, the entity also receives grant monies from the Corporation for Public Broadcasting "CPB" and Louisiana Public Broadcasting "LPB." These funds continue to play an integral role in the operational aspects of the Network. For the year ended June 30, 2014, monies received from CPB grants amounted to \$200,925. The CPB is fully funded through an annual federal appropriation, which is subject to the annual budgetary approval process. The LPB is funded through several sources, including an annual state appropriation, underwriting sources, and CPB allocations. During the current fiscal year, no state appropriations were received related to LPB.

1. Summary of Significant Accounting Policies (Continued)

E. Statement of Cash Flows

Cash flows are presented using the indirect method. Cash equivalents include demand deposits and bank certificates of deposit.

F. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

G. Contributed Facilities

The network occupies without charge certain premises located in and owned by the state.

Donated facilities from LSU-S consist of office and studio space together with related occupancy costs and are recorded as indirect administrative support from LSU-S. The total for indirect administrative support for fiscal year 2013-2014 is \$196,662. Computation for the above is reflected in Schedule B of the Corporation for Public Broadcasting Annual Financial Report. Due to the fact that the network is a departmental unit of LSU-S, the corresponding income and expense related to the contributed facilities is not reported on the face of the financial statement.

H. Income Taxes

The network is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). It has not adopted any uncertain tax positions with respect to those amounts reported in its 2014 financial statements. Therefore, no provision for income taxes has been made in the financial statements. The network is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. As a tax exempt entity, the network must also assess whether it has any tax positions associated with unrelated business income subject to income tax. The network does not expect any of these tax positions to change significantly over the next twelve months.

I. Property and Equipment

Property and equipment are recorded at cost, or in the case of donated property, at their estimated fair value at the date of receipt. Depreciation is recognized by the University using the straight-line method over the estimated useful life of the asset. The University maintains a physical inventory of all moveable equipment with an acquisition value of \$5,000 or more.

J. Net Assets

The Radio Station is required to report information regarding its financial position and activities according to three classes of net assets as follows:

1. Summary of Significant Accounting Policies (Continued)

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Advisory Board for specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Radio Station, and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Radio Station. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

At June 30, 2014, \$615,212 of the Radio Station's total net assets of \$615,212 were classified as unrestricted.

K. Estimates

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

L. Advertising Costs

The network expenses advertising costs as incurred. The Red River Public Radio Network recorded advertising expense of \$464 and \$460 during the years ended June 30, 2014 and 2013, respectively.

M. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform with the presentation in the current-year financial statements.

2. Property and Equipment

A summary of property and equipment is as follows:

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance <u>6/30/14</u>
Transmission and antenna	468,613	-	-	-	468,613
<u>Less-accumulated depreciation</u>	<u>(468,613)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(468,613)</u>
Total transmission and antenna	-	-	-	-	-
Satellite dish	59,635	-	(20,185)	-	39,450
<u>Less-accumulated depreciation</u>	<u>(59,635)</u>	<u>-</u>	<u>20,185</u>	<u>-</u>	<u>(39,450)</u>
Total satellite dish	-	-	-	-	-

2. Property and Equipment (Continued)

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance <u>6/30/14</u>
Studio and other broadcast equipment	733,366	16,000	(16,611)	-	732,755
<u>Less-accumulated depreciation</u>	<u>(711,642)</u>	<u>-</u>	<u>16,611</u>	<u>(6,717)</u>	<u>(701,748)</u>
Total studio and other broadcast equipment	21,724	16,000	-	(6,717)	31,007
Building improvements	672,894	33,714	-	-	706,608
<u>Less-accumulated depreciation</u>	<u>(16,822)</u>	<u>-</u>	<u>-</u>	<u>(17,666)</u>	<u>(34,488)</u>
Total building improvements	<u>656,072</u>	<u>33,714</u>	<u>-</u>	<u>(17,666)</u>	<u>672,120</u>
Total property and equipment	<u>677,796</u>	<u>49,714</u>	<u>-</u>	<u>(24,383)</u>	<u>703,127</u>

3. Long-Term Debt

The radio network has entered into no long-term debt agreements.

4. Leases

The network is obligated for operating leases for the rental of tower space in two (2) locations, for the purpose of operating the stations KLSA-FM, KBSA-FM, and KLDN-FM. Each lease agreement, "lease" consists of noncancelable five-year terms, for which one lease expired in 2007, and one expired in 2009. Upon expiration, each lease contains a clause providing for a certain number of five (5) year automatic extensions at the end of the current term, which have been exercised in the case of the expired leases; however, both parties to the lease can forgo such an extension by providing timely notice as defined in the lease.

The total rental expense for 2014 and 2013 was \$40,950 and \$46,161, respectively. Each lease agreement stipulates that the lessor may, at his or her sole discretion, apply an annual increase of 5% to the previous year's base rent. The future minimum lease payments due under the lease agreements at June 30, 2014, are as follows:

<u>Nature of Lease</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
Tower Rentals	<u>30,464</u>	<u>19,358</u>	<u>8,224</u>	<u>-</u>	<u>58,046</u>

5. Accrued Leave Payable

Employees accrue and accumulate annual and sick leave in accordance with policies established by the LSU Board of Supervisors for unclassified personnel, and by the Department of Civil Service for classified personnel. Substantially all employees accumulate annual and sick leave without limitation.

Upon separation of employment, personnel, or their heirs, are compensated for accumulated annual leave not to exceed 300 hours.

In addition, personnel, or their heirs, are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Upon retirement, any annual or sick leave not compensated for is used as credited service in either Louisiana Teacher's Retirement System or Louisiana State Employees' Retirement System.

5. Accrued Leave Payable (Continued)

The liability for unused annual and sick leave at June 30, 2014, is estimated to be \$23,610 and \$22,606, respectively, as reflected in Statement A. This estimated liability for compensated absences is calculated on a maximum of 300 hours for each employee having accumulated annual leave, and on a maximum of 200 hours of accumulated sick leave for unclassified employees. The liability is not calculated on sick leave balances accumulated by classified employees, since lump sum payments for sick leave only are made to retiring unclassified employees. Accrued leave payable for the year ended June 30, 2014 increased by \$1,820.

6. Pension Plan

Substantially all employees of the network are members of the Louisiana State Employees' Retirement System (LASERS) and the Louisiana Teachers' Retirement System (TRS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the State legislature. The Systems issue annual publicly available financial reports that include financial statements and required supplementary information for the Systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

The contribution requirements of plan members and the radio station are established and may be amended by the State legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (LSA-R.S.) 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 23.7 percent of covered salaries to TRS and 29.10 percent of covered salaries to LASERS. The radio station's employer contribution is funded by self-generated revenues. The radio station's employer contributions to TRS for the years ended June 30, 2014, 2013, and 2012, were \$29,691, \$24,786, and \$25,714, respectively, and to LASERS for the years ended June 30, 2014, 2013, and 2012, were \$8,474, \$6,548, and \$5,760, respectively, equal to the required contributions for each year.

7. Optional Retirement System

LSA-R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid the radio station in recruiting employees who may not be expected to remain in the Teachers Retirement System (TRS) for ten or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

7. Optional Retirement System (Continued)

Contributions by the radio station are 26.3 percent of the covered payroll. The participant's contribution, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution, determined actuarially. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Employer contributions to the optional retirement plan totaled \$32,437 and \$26,341 for the years ended June 30, 2014 and 2013, respectively.

8. Changes in Restricted Refundable Grant Advances and Contributions

Balance, beginning of year	59,588
Additions-contributions and grants	-
Deductions-contributions and grants recognized as revenue or support	<u>(48,826)</u>
Balance, end of year	<u>10,762</u>

9. Prior Year Financial Statements

The financial information shown for 2013 in the accompanying financial statements is included to provide a basis for comparison with 2014 and presents summarized totals only.

10. The Community Advisory Board for the Louisiana State University in Shreveport Public Radio Stations Fund

On September 26, 1996, the Community Foundation of North Louisiana (Foundation), a nonprofit corporation of Shreveport, Louisiana with its principal office located at 401 Edwards Street, Shreveport, Louisiana 71101, in coordination with the Community Advisory Board (CAB) for the Louisiana State University in Shreveport Public Radio Stations, established the Community Advisory Board for the Louisiana State University in Shreveport Public Radio Stations Fund (Fund).

The Fund is to be used for the support of the purposes of CAB. The Fund is the property of the Foundation, and all distributions from the Fund must be approved by the Board of Directors. Distributions from the Fund to LSU in Shreveport for support of the radio stations are recognized as revenues in Statement B in the year the funds are actually received by LSU in Shreveport.

As of June 30, 2014, the Fund had a balance of \$133,143.

11. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740, "Subsequent Events," the Network evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Network evaluated events through December 9, 2014, noting no such subsequent events.

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

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December 9, 2014

Louisiana State University in Shreveport
Shreveport, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport (the Station), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated By
Louisiana State University in Shreveport

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport were disclosed during the audit.
4. The Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, and KLDN-FM, Louisiana State University in Shreveport were not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated By
Louisiana State University in Shreveport

Schedule of Prior Year Findings
For the Year Ended June 30, 2014

No matters were reported in the prior year.

KDAQ-FM, KLSA-FM, KBSA-FM, AND KLDN-FM RADIO STATIONS

A Public Telecommunications Entity Operated By
Louisiana State University in Shreveport

Management's Corrective Action Plan
For Current Year Findings
For the Year Ended June 30, 2014

No matters were reported.