

**KDAQ-FM, KLSA-FM, KBSA-FM,  
KLDN-FM, AND KTYK-FM RADIO STATIONS  
LOUISIANA STATE UNIVERSITY IN SHREVEPORT  
STATE OF LOUISIANA  
JUNE 30, 2019**

KDAQ-FM, KLSA-FM, KBSA-FM,  
KLDN-FM, AND KTYK-FM RADIO STATIONS  
LOUISIANA STATE UNIVERSITY IN SHREVEPORT  
STATE OF LOUISIANA  
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# **KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM AND KTYK-FM RADIO STATIONS**

**JUNE 30, 2019**

## **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, 2019. Please read it in conjunction with the Network's financial statements.

### **Financial Highlights**

The Network's net assets decreased by \$78,398 or 14% of the beginning value of the station's net assets, during the year ended June 30, 2019.

### **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, 2019. 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:

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Current and other assets	56,181	81,173	(31%)
Capital assets, net of depreciation	<u>960,067</u>	<u>609,684</u>	57%
Total assets	1,016,248	690,857	47%
Current liabilities	147,210	82,559	78%
Noncurrent liabilities	<u>388,052</u>	<u>48,915</u>	693%
Total liabilities	535,262	131,474	307%
Net assets without donor restrictions	424,805	478,211	(11%)
Net assets with donor restrictions	<u>56,181</u>	<u>81,173</u>	100%
Total net assets	<u><u>480,986</u></u>	<u><u>559,384</u></u>	(14%)

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:

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Operating revenues (memberships, underwriting, lease agreements, non capital grants)	<u>880,003</u>	<u>852,277</u>	3%
Total revenues	880,003	852,277	3%
Operating expenses			
Depreciation	32,131	23,361	38%
Other	<u>926,270</u>	<u>841,788</u>	10%
Total expenses	958,401	865,149	11%
Change in net assets	<u><u>(78,398)</u></u>	<u><u>(12,872)</u></u>	509%

### Non-Current Liabilities

The Network's non-current liabilities consist of accrued compensated absences for annual and sick leave payable which increased by \$6,357 during the fiscal year, from \$48,915 at the beginning of the year to \$55,272 at the end of the year. Non-current liabilities also consist of note payable which amounted to \$332,780 at June 30, 2019.

## **Other Currently Known Facts, Decisions, or Conditions**

The network has now been operating for over 34 years and indications are that audience numbers remain steady. We celebrate our 35<sup>th</sup> anniversary in December of 2019.

The hiring of a full-time engineer last year has been a tremendous help in allowing us to better maintain our transmitter sites, respond faster when there is a problem, and also solve a number of IT issues on campus.

KTYK, our new station serving the Tyler/Kilgore areas, has been on the air since last November. In 2008, we were approached by SOAR (Save Our Arts Radio) in Tyler with the idea of bringing a satellite station of the Red River Radio network to that area. At the time, nothing was available. It took 10 years to finally locate a station that would serve that region and be affordable to our network. KTYK allows us to serve that region and gives us access to approximately 250,000 additional potential listeners. Long term, this should eventually provide an additional revenue stream for the network. After solving some issues related to interference from other sources, we were able to replace the older analog transmitter that came with the purchase to a much newer digital transmitter. This allows that area to receive all three digital channels like the rest of our network. Now that we have operated without issue for a period of time, we are going to “officially” launch the digital service this fall.

The network’s local programming (programming produced by the station), has expanded, better serving the community. Locally produced shows or features now includes well over a dozen individual programming elements and we are looking to syndicate our Birdcalls show after stations in other regions have expressed interest. Our social media coverage and online analytics are stronger than ever, with hundreds of people listening across the country on a weekly basis, in addition to our 150,000 regular radio listeners in our region.

We have started to increase our programming taken from PRX (Public Radio Exchange) as more programs are now distributed via that outlet rather than the larger networks. We remain with NPR, APM and the BBC, however.

We are one of 30 stations recently chosen by the CPB to begin implementation of a new EAS system – called Tornado Alley - which provides improved notifications in areas with frequent hurricane activity. This system was successfully installed and is now operating. Side benefits of the new system are that we can now supply visual information about programming on the radios of our listeners.

Future improvement projects still include back-up power systems in El Dorado and Lufkin. We are still seeking funding for this. Due to frequent power issues in the Lufkin area, in particular, we are looking at ways of stabilizing this and preventing future damage to the transmitter there.

## **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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December 17, 2019

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, KLDN-FM, and KTYK-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, 2019, and the related statements of activities and cash flows for the year then ended (with summarized totals for 2018), and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Network's 2018 financial statements and, in our report dated December 4, 2018, 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, KLDN-FM, and KTYK-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.

***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, KLDN-FM, and KTYK-FM Louisiana State University in Shreveport, as of June 30, 2019, 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 and Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 16 are presented for purposes of additional analysis and are 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 17, 2019, on our consideration of the Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, and KTYK-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, KLDN-FM AND KTYK-FM RADIO STATIONS**

A Public Telecommunications Entity Operated by  
Louisiana State University in Shreveport

Statement of Financial Position  
June 30, 2019  
(With Comparative Totals for 2018)

Statement A

<u>A S S E T S</u>	2019 Operating Funds			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Summarized)
<u>Current assets:</u>				
Cash and cash equivalents	-	56,181	56,181	81,173
Total current assets	-	56,181	56,181	81,173
<u>Property and equipment:</u>				
Building improvements (net of accumulated depreciation)	923,404	-	923,404	601,460
Equipment (net of accumulated depreciation)	36,663	-	36,663	8,224
Total property and equipment	960,067	-	960,067	609,684
Total assets	960,067	56,181	1,016,248	690,857
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current liabilities:</u>				
Cash overdraft	130,852	-	130,852	42,801
Accounts payable	820	-	820	39,758
Note payable	15,538	-	15,538	-
Total current liabilities	147,210	-	147,210	82,559
<u>Long-term liabilities:</u>				
Accrued sick and annual leave payable	55,272	-	55,272	48,915
Note payable	332,780	-	332,780	-
Total long-term liabilities	388,052	-	388,052	48,915
Total liabilities	535,262	-	535,262	131,474
<u>Net assets:</u>				
Without donor restrictions	424,805	-	424,805	478,211
With donor restrictions	-	56,181	56,181	81,173
Total net assets	424,805	56,181	480,986	559,384
Total liabilities and net assets	960,067	56,181	1,016,248	690,858

The accompanying notes are an integral part of these financial statements.

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

A Public Telecommunications Entity Operated by  
Louisiana State University in Shreveport

Statement of Activities  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

Statement B

	2019			2018
	Operating Funds			
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>Revenues, gains, and other support:</u>				
Contributions	383,995	6,181	390,176	403,448
Underwriting	209,116	-	209,116	132,248
Corporation for Public Broadcasting:				
Community service grant-general	-	96,606	96,606	103,331
National program production and acquisition grant	-	34,885	34,885	36,741
RLAIF grant	-	23,643	23,643	23,572
Community Foundation support	-	50,000	50,000	83,139
Other private foundations grants	20,223	-	20,223	24,065
In-kind contributions	4,202	-	4,202	4,180
Advertising barter contributions	32,361	-	32,361	35,193
Lease agreements	18,791	-	18,791	6,360
Total revenues, gains and other support	668,688	211,315	880,003	852,277
<u>Net assets released from restrictions</u>	236,307	(236,307)	-	-
<u>Expenses:</u>				
Program services-				
Programming and production	245,073	-	245,073	231,073
Broadcasting	234,396	-	234,396	239,469
Program information and promotion	18,214	-	18,214	16,900
Total program expenses	497,683	-	497,683	487,442
Supporting services-				
Management and general	339,394	-	339,394	318,062
Fundraising and membership development	62,067	-	62,067	29,211
Underwriting and grant solicitation	27,126	-	27,126	7,073
Total supporting expenses	428,587	-	428,587	354,346
Total expenses	926,270	-	926,270	841,788

The accompanying notes are an integral part of these financial statements.

**KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM AND KTYK-FM RADIO STATIONS**  
A Public Telecommunications Entity Operated by  
Louisiana State University in Shreveport

Statement of Activities  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

Statement B

	2019 Operating Funds			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Summarized)
<u>Change in net assets before capital depreciation</u>	(21,275)	(24,992)	(46,267)	10,489
<u>Capital Depreciation</u>	(32,131)	-	(32,131)	(23,361)
<u>Change in net assets after capital depreciation</u>	(53,406)	(24,992)	(78,398)	(12,872)
<u>Net assets, beginning of year</u>	478,211	81,173	559,384	572,256
<u>Net assets, end of year</u>	424,805	56,181	480,986	559,384

The accompanying notes are an integral part of these financial statements.

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

A Public Telecommunications Entity Operated by  
Louisiana State University in Shreveport

Statement of Cash Flows  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

Statement C

	2019 Operating Funds			2018  Total (Summarized)
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>Cash flows from operating activities:</u>				
Change in net assets	(53,406)	(24,992)	(78,398)	(12,872)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation expense	32,131	-	32,131	23,361
Increase in accrued sick and annual leave payable	6,357	-	6,357	4,204
(Decrease)/Increase in accounts payable	(38,938)	-	(38,938)	39,757
(Decrease) in deferred revenue- unexpended grants and contributions	-	-	-	(1,966)
Net cash provided (used) by operating activities	<u>(53,856)</u>	<u>(24,992)</u>	<u>(78,848)</u>	<u>52,484</u>
<u>Cash flows from investing activities:</u>				
Purchase of fixed asset	<u>(382,513)</u>	<u>-</u>	<u>(382,513)</u>	<u>-</u>
Net cash (used) by investing activities	<u>(382,513)</u>	<u>-</u>	<u>(382,513)</u>	<u>-</u>
<u>Cash flows from financing activities:</u>				
Change in cash overdraft	88,051	-	88,051	(23,277)
Proceeds from notes payable	<u>348,318</u>	<u>-</u>	<u>348,318</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>436,369</u>	<u>-</u>	<u>436,369</u>	<u>(23,277)</u>
<u>Net increase in cash and cash equivalents</u>	<u>-</u>	<u>(24,992)</u>	<u>(24,992)</u>	<u>29,207</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>-</u>	<u>81,173</u>	<u>81,173</u>	<u>51,966</u>
<u>Cash and cash equivalents at end of year</u>	<u>-</u>	<u>56,181</u>	<u>56,181</u>	<u>81,173</u>
<u>Cash paid during the year for interest</u>	<u>8,708</u>	<u>-</u>	<u>8,708</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

**KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, KTYK-FM RADIO STATIONS**  
A Public Telecommunications Entity Operated By  
Louisiana State University in Shreveport

Notes to the Financial Statements  
June 30, 2019

**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.

In 2018, a fifth station was established in Overton, Texas, to be operated by LSU-S as a simulcast of KDAQ-FM. On October 18, 2018, the FCC assigned it the call letters of KTYK-FM.

## **1. Summary of Significant Accounting Policies (Continued)**

KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, KTYK-FM Radio Stations (aka Red River 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 without donor restrictions and with donor restrictions. These funds represent resources available for support of the network operations.

### **C. Contributions**

Contributions are recorded as revenue in the Statement of Activities when received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. For the years ended June 30, 2019 and 2018, contributions amounted to \$390,176 and \$403,448, respectively.

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 years ended June 30, 2019 and 2018, monies received from CPB grants amounted to \$155,134 and \$163,644. 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.

### **D. Statement of Cash Flows**

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

### **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 Activities. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

## 1. Summary of Significant Accounting Policies (Continued)

### F. Indirect Administrative Support

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. Occupancy cost allocated to the network for 2019 and 2018 was \$26,373 and \$17,665, respectively. Also included in indirect administrative support are costs associated with shared functions with LSU-S, such as accounting services, information technology, and campus police. For general services such as these, the indirect administrative support allocated to the network for 2019 and 2018 was \$172,330 and \$162,937, respectively. The total for indirect administrative support for 2019 and 2018 was \$198,703 and \$181,870, respectively. 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.

### G. 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 2019 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.

### H. 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.

### I. Net Assets

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

*Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Advisory Board for specific purposes.

*With donor restrictions* – 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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## 1. Summary of Significant Accounting Policies (Continued)

At June 30, 2019, \$424,805 of the Radio Station's total net assets of \$480,986 were classified as without donor restrictions. The remaining \$56,181 was classified as with donor restrictions as the Radio Station received grant money in the current fiscal year that is for the next fiscal year's operations.

### J. 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.

### K. Advertising Costs

The network expenses advertising costs as incurred. The Red River Public Radio Network recorded advertising expense of \$9,664 and \$5,183 during the years ended June 30, 2019 and 2018, respectively.

## 2. Liquidity and Availability

The Radio Station has \$56,181 of financial assets available within one year of the balance sheet date, consisting of cash of \$56,181. There are no donor restrictions that make the cash balance unavailable for general expenditure within one year of the balance sheet date, as these monies were granted for expenditure in the subsequent year. The Radio Station also has available to it resources through its status as a department unit of LSU-S.

As part of the Radio Station's liquidity management plan, meetings of the Community Advisory Board are conducted six times annually to review the financial needs of the Radio Station. The Radio Station strives to meet its financial goals by the end of each fiscal year. The Advisory Board conducts pledge drives, reviews the grant application process to ensure eligibility for future grants and adjusts programming as necessary based on revenue streams.

The Radio Station, with the assistance of its Community Advisory Board, is planning a campaign to raise funds for the recently purchased station. The Radio Station has also undertaken a more aggressive approach to underwriting in its existing stations as well as seeking out additional funding sources.

## 3. Property and Equipment

A summary of property and equipment is as follows:

	Balance 6/30/18	Additions	Deletions	Depreciation	Balance 6/30/19
Transmission and antenna	468,613	-	-	-	468,613
Less-accumulated depreciation	(468,613)	-	-	-	(468,613)
Total transmission and antenna	-	-	-	-	-
Satellite dish	39,450	-	-	-	39,450
Less-accumulated depreciation	(39,450)	-	-	-	(39,450)
Total satellite dish	-	-	-	-	-

### 3. Property and Equipment (Continued)

	Balance 6/30/18	Additions	Deletions	Depreciation	Balance 6/30/19
Studio and other broadcast equipment	677,226	34,195	(92,765)	-	618,656
<u>Less-accumulated depreciation</u>	<u>(669,002)</u>	<u>-</u>	<u>92,765</u>	<u>(5,756)</u>	<u>(581,993)</u>
Total studio and other broadcast equipment	8,224	34,195	-	(5,756)	36,663
Building improvements	706,608	348,318	-	-	1,054,926
<u>Less-accumulated depreciation</u>	<u>(105,148)</u>	<u>-</u>	<u>-</u>	<u>(26,374)</u>	<u>(131,522)</u>
Total building improvements	<u>601,460</u>	<u>348,318</u>	<u>-</u>	<u>(26,374)</u>	<u>923,404</u>
Total property and equipment	<u>609,684</u>	<u>382,513</u>	<u>-</u>	<u>(32,130)</u>	<u>960,067</u>

### 4. Long-Term Debt

In October 2018, an agreement was entered into between the LSUS and the Louisiana State University and Agricultural and Mechanical College "LSU" in which LSU lent \$348,317.83 to LSUS on October 11, 2018 to be repaid over ten years in quarterly installments at an interest rate of 5% with the first payment due beginning December 31, 2018 for the purchase of the KTYK-FM radio station. Under the terms of the agreement, only interest was due during the first year with the first principal payment due on December 31, 2019. At June 30, 2019 the current portion of the debt was \$15,538 and the non-current portion of the debt was \$332,780.

Maturities of long-term debt for the next five years are as follows:

2020	15,538
2021	32,258
2022	33,901
2023	35,628
2024	37,443
Thereafter	<u>193,550</u>
	<u>348,318</u>

Interest expense was \$8,708 and \$0 for 2019 and 2018, respectively.

### 5. Leases

The network is obligated for operating leases for the rental of tower space in three (3) locations, for the purpose of operating the stations KLSA-FM, KBSA-FM, KLDN-FM, and KTYK-FM. The lease agreements consist of noncancellable five-year terms, for which one lease expired in 2018, one lease expired in 2017 and one lease expired in 2014. All three leases were renegotiated for a new five-year term. 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.

**5. Leases (Continued)**

The total rental expense for 2019 and 2018 was \$49,719 and \$47,577, respectively. Each lease agreement stipulates that the lessor may, at his or her sole discretion, apply an annual increase of 5% or proportionate increase in the CPI-U to the previous year's base rent. The future minimum lease payments due under the lease agreements at June 30, 2019, are as follows:

<u>Nature of Lease</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 and Thereafter</u>	<u>Total</u>
Tower Rental	<u>32,030</u>	<u>32,928</u>	<u>33,861</u>	<u>21,968</u>	<u>9,600</u>	<u>139,200</u>	<u>269,587</u>

The network entered into an agreement in October 2014 to lease a portion of a tower and a storage building to a tenant for five years for a monthly amount of \$530. The lease will renew automatically for four (4) additional terms of five (5) years each, with rent increasing each renewal period by three (3%) percent. The future minimum lease payments to be received by the network under this lease agreement at June 30, 2019 are as follows:

<u>Nature of Lease</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
Tower & Storage Building	<u>2,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,120</u>

**6. 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.

The liability for unused annual and sick leave at June 30, 2019, is estimated to be \$33,129 and \$22,143, 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, 2019 increased by \$6,357.

## **7. 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), which is made available to them as employees of Louisiana State University in Shreveport. 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 8 percent (LASERS) of covered salaries. The state is required to contribute 25.4 percent of covered salaries to TRS and 37.9 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, 2019, 2018, and 2017, were \$36,709, \$36,709, and \$27,714, respectively, and to LASERS for the years ended June 30, 2019, 2018, and 2017, were \$9,301, \$9,301, and \$8,592, respectively, equal to the required contributions for each year.

## **8. 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.

Contributions by the radio station are 28.1 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 \$19,828 and \$19,828 for the years ended June 30, 2019 and 2018, respectively.

**9. Changes in Grant Advances with Donor Restrictions**

Balance, beginning of year	81,173
Additions-contributions and grants	211,315
Deductions-contributions and grants recognized as revenue or support	<u>(236,307)</u>
Balance, end of year	<u>56,181</u>

**10. Prior Year Financial Statements**

The financial information shown for 2018 in the accompanying financial statements is included to provide a basis for comparison with 2019 and presents summarized totals only.

**11. 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, 2019, the Fund had a balance of \$148,453.

**12. In-Kind Contributions and Advertising Barter Transactions**

During the year ended June 30, 2019, the network received \$4,202 in contributions of in-kind goods and services. These gifts consisted of donated advertising, internet services and various other supplies. In addition, the network also recognized \$32,361 in advertising barter transactions. In-kind and advertising barter transactions for the year ended June 30, 2018 totaled \$4,180 and \$35,193, respectively.

**13. Expense Reporting**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, operating services, supplies, professional services, licensing fees, and other charges, which are allocated on the basis of estimates of time and effort.

### 13. Expense Reporting (Continued)

	Program Expenses			Supporting Services			Total
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	
Salaries and wages	21,855	45,604	11,862	145,666	29,603	19,735	274,325
Travel	154	2,407	115	2,106	473	134	5,390
Operating services	54,090	100,284	4,198	118,755	20,990	4,884	303,201
Supplies	509	7,943	381	6,953	1,562	443	17,791
Professional services	7,612	15,622	664	13,315	2,832	773	40,819
Licensing fees	159,496	48,579	331	34,050	3,879	385	246,721
Other charges	1,357	13,957	663	18,548	2,728	771	38,023
	<u>245,073</u>	<u>234,396</u>	<u>18,214</u>	<u>339,394</u>	<u>62,067</u>	<u>27,126</u>	<u>926,270</u>

### 14. 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 17, 2019, noting no such subsequent events.

**SUPPLEMENTARY INFORMATION**

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

A Public Telecommunications Entity Operated by  
Louisiana State University in Shreveport

Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2019

Agency Head: Kermit Polig

Salary	70,650
Benefits - retirement	18,016
Benefits - health insurance	11,908

**OTHER REPORTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 17, 2019

Louisiana State University in Shreveport  
State of Louisiana  
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, KLDN-FM, and KTYK-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, 2019, 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 17, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, and KTYK-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

Shreveport, Louisiana

**KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, AND KTYK-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, 2019

**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, KLDN-FM, and KTYK-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, KLDN-FM, and KTYK-FM Louisiana State University in Shreveport were disclosed during the audit.
4. The Radio Stations KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, and KTYK-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, KLDN-FM, AND KTYK-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, 2019

No matters were reported in the prior year.

**KDAQ-FM, KLSA-FM, KBSA-FM, KLDN-FM, AND KTYK-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, 2019

No matters were reported.