

# COMMONWEALTH PUBLIC BROADCASTING

## Audit Results & Communications

Report to the Audit Committee  
of the  
Board of Directors

January 7, 2015

Audit Committee of the Board of Directors  
Commonwealth Public Broadcasting

We are pleased to present the results of our audit of the 2014 financial statements of Commonwealth Public Broadcasting (the "Corporation").

This report to the Audit Committee summarizes our audit, the scope of our engagement and the reports to be issued. The document also contains the Audit Committee communications required by our professional standards.

The audit is designed to express an opinion on the financial statements. We considered the Corporation's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the entire Board of Directors, and the public expect. We received the full support and assistance of the Corporation's personnel.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to meet with you to discuss the audit and the matters in this report.



January 7, 2015  
Glen Allen, Virginia

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## Audit Results and Communications

### Summary of What We Agreed To Do

As discussed with management during our planning process, our audit plan was designed based on our assessment of risk for the Corporation and our assessment of external factors that impacted the Corporation's operating environment. Specifically, we designed our audit to express an opinion on the financial statements. In addition, included in this report at Appendix A is a letter that documents our consideration of the Corporation's internal control over financial reporting which also includes recommendations to improve or enhance the Corporation's internal control environment that we observed during the course of our audit.

We also provide the following services to the Corporation:

- Prepare the required tax filings return – Form 990, 990-T, and VA-500;
- Assist in the preparation of the financial statements, including proposing adjusting entries;
- Review/approval of the Annual Financial Report ("AFR") filed with the Corporation for Public Broadcasting.

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### Required Communications

Professional standards require the auditor to communicate certain matters to those charged with governance that may assist the Audit Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to Commonwealth Public Broadcasting.

AREA	COMMENTS
<p><b>Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)</b></p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.</p>	<p>We issued an unmodified opinion on the Corporation's financial statements for the year ended June 30, 2014.</p>
<p><b>Critical Accounting Policies and Practices</b></p> <p>We report all critical accounting policies and practices used by the Corporation in preparing the financial statements and our assessment of the disclosure of such policies.</p>	<p>The financial statements of the Corporation have disclosed its accounting policies and practices. These critical accounting policies and practices include:</p> <ul style="list-style-type: none"> <li>• Pledges/contributions</li> <li>• Investments</li> <li>• Net assets</li> <li>• Accounting for pension costs</li> <li>• Fair value disclosures</li> </ul> <p>The disclosures made by the Corporation relative to its critical accounting policies and practices are, in our opinion, appropriate.</p>
<p><b>Our Judgments About the Quality of the Corporation's Accounting Principles</b></p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Corporation's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>Based on our audit, we believe the accounting principles used by the Corporation are consistent with the previous year and the judgments made by management were reasonable. Disclosures are considered appropriate and consistent with the industry.</p>
<p><b>Sensitive Accounting Estimates</b></p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations. We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>Significant management estimates for 2014 consist of:</p> <ul style="list-style-type: none"> <li>• Allowance for doubtful accounts</li> <li>• Depreciation</li> <li>• Pension calculation assumptions</li> <li>• Allocation of functional expenses</li> </ul> <p>We believe the accounting estimates made by management are reasonable and consistent with industry standards.</p>

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Required Communications, Continued

<b>AREA</b>	<b>COMMENTS</b>
<p><b>The Adoption of, or a Change in an Accounting Principle</b></p> <p>We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>There were no new accounting principles or changes in accounting principles during 2014</p>
<p><b>All Material Alternative Accounting Treatments Discussed with Management</b></p> <p>We report to the Audit Committee all alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including:</p> <ul style="list-style-type: none"> <li>(i) Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected.</li> <li>(ii) The treatment preferred by us.</li> </ul>	<p>During 2014, we did not discuss any material alternative accounting treatments with management.</p>
<p><b>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</b></p> <p>We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Corporation or any significant accounting policies used by the Corporation related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p><b>Significant Audit Adjustments</b></p> <p>We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Corporation's financial statements.</p>	<p>There were significant audit adjustments related to the 2014 audit to record temporarily restricted contributions of approximately \$380,000 and to record pension expense of approximately \$151,000.</p>
<p><b>Unadjusted Audit Differences Considered by Management to Be Immaterial</b></p> <p>We inform the audit committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>	<p>There were no unadjusted audit differences.</p>

**COMMONWEALTH PUBLIC BROADCASTING**

Required Communications, Continued

<b>AREA</b>	<b>COMMENTS</b>
<p><b>Fraud and Illegal Acts</b>                      We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p>	<p>We are not aware of any fraud or illegal acts.</p>
<p><b>Deficiencies in Internal Control</b>                      We are required to communicate all material weaknesses and significant deficiencies in internal control over financial reporting, which may have been identified during the course of our audit.</p>	<p>See Appendix "A" for the communication regarding internal control.</p>
<p><b>Disagreements with Management</b></p>	<p>None</p>
<p><b>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</b></p>	<p>None</p>
<p><b>Major Issues Discussed with Management Prior to Retention</b></p>	<p>None</p>
<p><b>Management Representations in Connection with the Audit</b></p>	<p>We understand that the Corporation has provided you with a copy of the management representation letter.</p>
<p><b>Consultation with Other Accountants</b></p>	<p>None of which we are aware.</p>
<p><b>Independence</b>                      We communicate, at least annually, the following to the Audit Committee or Board of Directors of the Corporation.</p> <ol style="list-style-type: none"> <li>1. Disclose, in writing, all relationships between Keiter and our related entities and the Corporation and its related entities that, in our professional judgment, may reasonably be thought to bear on independence.</li> <li>2. Confirm in writing that, in our professional judgment, we are independent of the Corporation.</li> </ol>	<p>We are independent of the Corporation.</p>

## APPENDIX A – INTERNAL CONTROL COMMUNICATION

Audit Committee of the Board of Directors  
Commonwealth Public Broadcasting

In planning and performing our audit of the financial statements of Commonwealth Public Broadcasting (the "Corporation") as of June 30, 2014 and for the year then ended, in accordance with auditing standards generally accepted in the United States, we considered the Corporation's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal controls, 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, and others within the Corporation and is not intended to be and should not be used by anyone other than these specified parties.



January 7, 2015  
Glen Allen, Virginia