

EDUCATIONAL BROADCASTING FOUNDATION, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Year Ended July 31, 2020

EDUCATIONAL BROADCASTING FOUNDATION, INC.

Year Ended July 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Educational Broadcasting Foundation, Inc.
New Orleans, Louisiana

We have audited the accompanying financial statements of Educational Broadcasting Foundation, Inc. (a nonprofit organization) (the "Corporation"), which comprise the statement of financial position as of July 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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

**Board of Trustees
Educational Broadcasting Foundation, Inc.**

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.

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 Educational Broadcasting Foundation, Inc. as of July 31, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming and opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer with Public Funds on page 24 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Educational Broadcasting Foundation, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Trustees
Educational Broadcasting Foundation, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of Educational Broadcasting Foundation, Inc.'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 solely 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 effectiveness of Educational Broadcasting Foundation, Inc.'s 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 Educational Broadcasting Foundation, Inc.'s internal control over financial reporting and compliance.

Paciera, Gautreau & Priest, LLC

Metairie, Louisiana
November 23, 2020

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2020
(With Summarized Financial Information
at July 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 568,033	\$ 295,417
Accounts receivable, net	11,210	13,129
Promises to Give, net	101,667	107,998
Prepaid expenses	37,263	50,454
Inventory	2,109	28,487
Due from others	66	2,943
Due from employees	<u>0</u>	<u>3,538</u>
<i>Total Current Assets</i>	<u>720,348</u>	<u>501,966</u>
<u>PROPERTY AND EQUIPMENT</u>		
Automotive and mobile units	57,270	57,270
Broadcasting equipment	2,102,194	829,178
Furniture and fixtures	7,228	16,793
Production equipment	361,826	357,963
Leasehold improvements	0	73,107
Tools and other equipment	131,397	131,397
Construction in progress	<u>0</u>	<u>923,767</u>
<i>Total Property and Equipment</i>	2,659,915	2,389,475
Less: Accumulated depreciation	<u>1,390,349</u>	<u>1,308,376</u>
<i>Net Property and Equipment</i>	<u>1,269,566</u>	<u>1,081,099</u>
<u>OTHER ASSETS</u>		
Investment in joint venture	150,582	155,990
Security deposits	0	1,894
Due from related affiliate	<u>137,584</u>	<u>114,658</u>
<i>Total Other Assets</i>	<u>288,166</u>	<u>272,542</u>
<i>Total Assets</i>	<u>\$2,278,080</u>	<u>\$1,855,607</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
(Continued)
JULY 31, 2020
(With Summarized Financial Information
at July 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 115,104	\$ 127,184
Accrued expenses	30,204	60,516
Deferred revenue	0	95,000
Other liabilities	167,398	0
Long-term debt - Current portion	<u>34,952</u>	<u>49,060</u>
<i>Total Current Liabilities</i>	<u>347,658</u>	<u>331,760</u>
<u>LONG-TERM LIABILITIES</u>		
Long-term debt - Net of current portion	<u>2,981,836</u>	<u>3,016,788</u>
<i>Total Long-Term Liabilities</i>	<u>2,981,836</u>	<u>3,016,788</u>
<i>Total Liabilities</i>	<u>3,329,494</u>	<u>3,348,548</u>
<u>NET ASSETS</u>		
Without donor restrictions	(1,148,235)	(1,610,012)
With donor restrictions	<u>96,821</u>	<u>117,071</u>
<i>Total Net Assets (Deficit)</i>	<u>(1,051,414)</u>	<u>(1,492,941)</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 2,278,080</u>	<u>\$ 1,855,607</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2020
(With Summarized Financial Information
for the Year Ended July 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
<u>OPERATING REVENUES, GAINS (LOSSES), AND OTHER SUPPORT</u>		
Contributions:		
Willwoods Community	\$ 301,005	\$ 0
Other	69,967	0
Underwriting contributions	268,209	19,500
Special event income	127,486	0
Grants:		
Corporation for Public Broadcasting	618,981	0
State of Louisiana	250,000	0
Creative services income	193,117	0
Miscellaneous income	81,039	0
Investment return, net	1,577	0
(Loss) from joint venture	(16,504)	0
In-kind contributions	93,468	0
Net assets released from restrictions	<u>39,750</u>	<u>(39,750)</u>
<i>Total Operating Revenues, Gains (Losses), and Other Support</i>	<u>2,028,095</u>	<u>(20,250)</u>
<u>OPERATING EXPENSES</u>		
Program Services:		
Creative services	254,474	0
Programming and production	798,758	0
Broadcasting	505,941	0
Supporting Services:		
Fund-raising and development	103,899	0
Management and general	<u>343,032</u>	<u>0</u>
<i>Total Operating Expenses</i>	<u>2,006,104</u>	<u>0</u>
Change in Net Assets from Operations	21,991	(20,250)
<u>Unusual and Infrequent Items</u>		
Repack reimbursements	<u>439,786</u>	<u>0</u>
<u>CHANGE IN NET ASSETS</u>	461,777	(20,250)
Net Assets (Deficit) -		
Beginning of year	<u>(1,610,012)</u>	<u>117,071</u>
End of year	<u>\$ (1,148,235)</u>	<u>\$ 96,821</u>

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

<u>Total</u> <u>2020</u>	<u>Total</u> <u>2019</u>
\$ 301,005	\$ 288,857
69,967	79,294
287,709	744,399
127,486	168,571
618,981	529,980
250,000	0
193,117	162,872
81,039	23,221
1,577	2,486
(16,504)	(19,528)
93,468	162,448
<u>0</u>	<u>0</u>
 <u>2,007,845</u>	 <u>2,142,600</u>
 254,474	 305,661
798,758	1,077,769
505,941	381,999
103,899	115,116
<u>343,032</u>	<u>412,403</u>
 <u>2,006,104</u>	 <u>2,292,948</u>
1,741	(150,348)
 <u>439,786</u>	 <u>540,977</u>
441,527	390,629
 <u>(1,492,941)</u>	 <u>(1,883,570)</u>
 <u><u>\$ (1,051,414)</u></u>	 <u><u>\$ (1,492,941)</u></u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020
(With Summarized Financial Information for the Year Ended July 31, 2019)

	Program Services		
	Creative Services	Programming and Production	Broadcasting
Advertising	\$ 348	\$ 67,996	\$ 0
Automotive and travel	1,620	2,282	806
Bad debt expense	1,150	12,525	0
Depreciation	0	23,050	150,953
Dues and subscriptions	26	106	0
Fringe benefits	21,645	48,508	15,624
Gifts and donations	200	0	0
Insurance	3,788	6,930	19,264
Interest	0	0	0
Maintenance	1,489	7,116	50,361
Miscellaneous	946	580	47
Office supplies	2,147	5,214	2,450
Payroll taxes	9,436	24,709	6,647
Postage and shipping	7	176	2,796
Professional Development	6,018	607	12
Professional services	73,575	180,029	74,371
Program purchases and license fees	0	29,269	28,408
Rent	4,955	15,052	5,807
Salaries/commissions	120,778	350,614	89,651
Supplies	770	8,754	11,464
Telephone	5,576	15,241	3,989
Tower	0	0	8,800
Utilities	0	0	34,491
	<u>\$254,474</u>	<u>\$798,758</u>	<u>\$505,941</u>
<i>Total Expenses</i>			

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

Supporting Services

<u>Fund-raising and Development</u>	<u>Management and General</u>	<u>Total 2020</u>	<u>Total 2019</u>
\$ 14,381	\$ 955	\$ 83,680	\$ 155,257
44	1,444	6,196	9,520
0	0	13,675	5,250
0	3,034	177,037	125,903
0	121	253	303
7,780	3,726	97,283	113,155
0	2,664	2,864	5,080
149	5,724	35,855	48,426
0	166,312	166,312	222,030
1,534	2,561	63,061	50,374
28	7,901	9,502	11,607
752	566	11,129	9,571
3,411	4,419	48,622	45,769
248	473	3,700	1,878
50	1,460	8,147	15,914
19,171	78,699	425,845	576,195
0	50	57,727	63,224
2,571	3,082	31,467	51,430
48,083	57,711	666,837	631,134
3,062	63	24,113	44,656
2,635	2,067	29,508	56,693
0	0	8,800	8,800
0	0	34,491	40,779
<u>\$103,899</u>	<u>\$343,032</u>	<u>\$2,006,104</u>	<u>\$2,292,948</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2020
(With Summarized Financial Information
for the Year Ended July 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 441,527	\$ 390,629
Adjustments to reconcile change in net assets to net cash flows provided by (used for) operating activities:		
Depreciation	177,037	125,903
Equity in losses of joint venture	25,303	28,328
Repack Reimbursements	(439,786)	(540,977)
Net decrease in accounts receivables, promises to give, prepaid expenses, and deposits	6,824	56,316
Net decrease in inventory	26,378	118,429
Net (decrease) in accounts payable and accrued expenses	(43,598)	36,727
Net (decrease) in deferred revenue	(95,000)	(242,300)
Net increase in other liabilities	<u>167,398</u>	<u>0</u>
Net Cash Provided by (Used for) Operating Activities	<u>266,083</u>	<u>(26,945)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(364,298)	(543,478)
Advances to joint venture	<u>(19,895)</u>	<u>(19,895)</u>
Net Cash (Used for) Investing Activities	<u>(384,193)</u>	<u>(563,373)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on loan payables	(49,060)	(49,008)
Repack Reimbursements	<u>439,786</u>	<u>540,977</u>
Net Cash Provided by Financing Activities	<u>390,726</u>	<u>491,969</u>
Net Increase (Decrease) in Cash and Cash Equivalents	272,616	(98,349)
Cash and Cash Equivalents -		
Beginning of Year	<u>295,417</u>	<u>393,766</u>
End of Year	<u>\$ 568,033</u>	<u>\$ 295,417</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JULY 31, 2020
(With Summarized Financial Information
for the Year Ended July 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for -		
Interest	\$ <u>3,802</u>	\$ <u>6,473</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>
 <u>Supplemental Disclosures of Non-Cash Investing and Financing Activities</u>		
Construction in Progress paid with Accounts Payable	\$ <u>27,695</u>	\$ <u>26,489</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

A. General Information

Organization

Educational Broadcasting Foundation, Inc. (the "Corporation") was incorporated during 1981 in the State of Louisiana as a non-profit corporation to own and operate a non-commercial public television station (WLAE-TV in New Orleans).

B. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

The financial statements are presented in accordance with generally accepted accounting principles (GAAP). GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows.

Net Assets Without Donor Restrictions

Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions

Assets subject to usage limitations based on donor-imposed or grantor requirements. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the corporation. Certain restrictions may be needed to be maintained in perpetuity.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended July 31, 2019, from which the summarized information was derived.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Estimates

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

Cash and Cash Equivalents

For the purpose of the *Statement of Cash Flows*, the Corporation considers highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

The Corporation had no restricted cash at July 31, 2020.

Allowance for Doubtful Accounts

Accounts receivable and Promises to Give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or Promises to Give. Changes in the valuation allowance have not been material to the financial statements. Net receivables are due within one year. Allowance for doubtful accounts is \$0 at July 31, 2020.

Inventory

Inventory, consisting of CDs and DVDs, is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

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 calculated by the straight-line method over the estimated useful life of the assets, which range from five to ten years. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

The Corporation has adopted a policy of capitalizing property and equipment with a cost of greater than \$2,500.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Independently Funded Program Productions

The Corporation uses the Completed-Contract Method for program productions independently funded by others. All revenues and expenses related to these production contracts are recognized in the period in which the programming is available for airing and has been accepted by the third-party contractor.

Investment Return, Net

Investment return consists of interest earnings from cash equivalents and is reported net of external and direct internal investment expenses.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Contributions

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a time restriction expires or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the contributions are recognized.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Donations of facilities are recorded as contributions at fair value at date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the use of the donated facility to a specific purpose.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation.

Licensed Program Rights

Program series and other syndicated products are recorded at the lower of unamortized cost, based on the gross amount of the related liability, or estimated net realizable value. These programs and products are amortized on a straight-line basis over the period of the license agreement. The unamortized cost of \$19,206 at July 31, 2020 is included in *Prepaid Expenses* in the financial statements.

Functional Allocation of Expenses

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.

Salaries, payroll taxes, group insurance, automobile and cell phone expenses are allocated based on estimates of time and effort of individual employees.

Office supplies, retirement expenses, computer maintenance contracts, office telephone, workers compensation, postage meter leases, and office rent are allocated based on full-time equivalent employees.

General liability and umbrella insurance expenses are allocated based on salaries expense.

Studio rent and studio insurance are allocated 20% to Creative Services, 70% to Programming and Production, and 10% to Fund-raising and Development, based on estimates of time used.

Management fees paid to Willwoods Community are allocated 20% to Creative Services, 15% to Programming and Production, 10% to Broadcasting, 5% to Fund-raising and Development, and 50% to Management and General, based on services received.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

Commissions

The Corporation has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for payment of commissions to the consultants based on varying percentages of funds received.

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The public broadcaster uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

Certain general provisions must be satisfied in connection with application for, and use of, the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

In addition, during 2020, CPB provided Stabilization Funds to its CSG recipients from emergency funding for public media that was included in the Coronavirus Aid, Relief, and Economic Security Act.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Community Service Grants (Cont'd)

The grants are reported on the accompanying financial statements as "Without Donor Restrictions" since the time and purpose restrictions were met during the fiscal year.

Income Tax

The Corporation operates as a non-profit Corporation pursuant Section 501(c)(3) of the Internal Revenue Code. As such, the Corporation is subject to income tax only on unrelated business taxable income.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of July 31, 2020, management of the Corporation believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended July 31, 2017 and later remain subject to examination by the taxing authorities.

Due to unrelated business income net operating loss carry-forwards, the Corporation did not have to make any provision for income taxes for the year ended July 31, 2020. In 2020, the Corporation generated an additional net operating loss of \$75,892 which expires in the year 2039. The net operating losses expire as follows:

<u>Tax Year</u>	<u>Amount</u>
2026	\$ 78,416
2028	80,840
2029	81,835
2030	192,740
2031	126,679
2032	202,190
2033	152,093
2034	170,089
2035	121,097
2036	161,972
2037	89,400
2038	150,937
2039	75,892
	<u>\$1,684,180</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Subsequent Events

Subsequent events have been evaluated through November 23, 2020, which is the date the financial statements were available to be issued.

C. Property and Equipment

Property and equipment at July 31, 2020 consists of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Automotive and mobile units	\$ 57,270	\$ 53,639
Broadcasting equipment	2,102,194	865,450
Furniture and fixtures	7,228	7,228
Production equipment	361,826	333,633
Tools and other equipment	<u>131,397</u>	<u>130,399</u>
<i>Total</i>	<u>\$2,659,915</u>	<u>\$1,390,349</u>

Depreciation expense of \$177,037 is included in program and supporting services for the year ended July 31, 2020.

Property and equipment include certain major items acquired with grants from various governmental agencies. Some of these agencies maintain a reversionary interest in the items acquired for a period of years subsequent to the grant award.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 (Continued)
JULY 31, 2020

D. Investment in Joint Venture - Programmatic Investment

The Corporation has a twenty-five percent interest in a joint venture formed to construct and operate a transmission tower, Bayou Bienvenue Tower. This investment is accounted for using the equity method, in which the Corporation's share of excess (deficient) revenue over expenses from the joint venture is directly reflected in the financial statements, and the investment is adjusted for its share of excess (deficient) revenue over expenses and any additional investment in the joint venture. The following information summarizes the activity of the joint venture through December 31, 2019.

Total assets	\$2,077,847
Less: Total liabilities	<u>0</u>
Net assets	<u>\$2,077,847</u>
Revenue	\$ 122,306
Expenses	<u>188,322</u>
Excess (expenses) over revenue	\$ <u>(66,016)</u>
Corporate interest:	
Share of net (expenses) over revenue	\$ (16,504)
Depreciation of Educational Broadcasting Foundation's portion of the joint venture's depreciable assets	<u>(8,800)</u>
Total excess (expenses) over revenue	\$ <u>(25,304)</u>
Equity in net assets (including depreciation)	\$ 135,661
Net advance to Joint Venture	<u>14,921</u>
Net advances and equity in joint venture	<u>\$ 150,582</u>

E. Promises to Give, net

Unconditional promises to give at July 31, 2020 are as follows:

Receivable is:

Less than one year	\$101,667
Less allowance for uncollectible promises	0
Less discounts	<u>0</u>
Promises to give, net	<u>\$101,667</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Promises to Give, net (Cont'd)

The table below presents information about the changes in unconditional promises to give for the year ended July 31, 2020:

Beginning balance	\$107,998
New promises received	55,867
Collections	(49,673)
Write-off of uncollectible promises to give	<u>(12,525)</u>
Ending Balance	<u>\$101,667</u>

F. Long-term Debt

The Corporation's obligations under long-term debt consist of the following:

In November 2013, the Corporation signed a promissory note to Willwoods Community in the amount of \$2,981,836. The note was payable in 60 monthly installments and accrued interest at 7% per annum. In August 2018, the Corporation refinanced the existing debt accruing interest at 7% for the first year until July 31, 2019 and then at the rate of LIBOR one year rate plus 5%, maturing July 31, 2023. For the year ended July 31, 2020, the Corporation paid \$-0- toward principal and \$-0- toward interest and Willwoods Community forgave \$162,510 of interest expense. At July 31, 2020, the balance due was \$2,981,836.

In April 2015, the Corporation purchased a vehicle and signed a promissory note in the amount of \$34,008. The note is payable in 60 monthly installments of \$580, including interest calculated at 0.9% per annum. The vehicle serves as collateral for the note payable. The final payment was made on March 27, 2020. At July 31, 2020, the balance due was \$0.

In March 2016, the Corporation purchased equipment and signed a promissory note to a related party in the amount of \$208,000. That note is payable in 60 monthly installments of \$3,973, including interest calculated at 5.5% per annum. At July 31, 2020, the balance due was \$34,952.

Total interest expense was \$166,312 for the year ended July 31, 2020.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Long-term Debt

The aggregate amount of maturities for long-term indebtedness for each of the five years subsequent to July 31, 2020 is as follows:

Fiscal year ending July 31,	
2021	\$ 34,952
2022	0
2023	2,981,836
2024	0
2025	0
Thereafter	<u>0</u>
	<u>\$3,016,788</u>

G. Related Party Transactions

As part of a letter agreement dated May 3, 1994, Willwoods Community entered into a cooperative endeavor on June 15, 1995 with the Louisiana Educational Television Authority (LETA). For a financial consideration, Willwoods transferred to LETA one-half of the voting membership, one-half of the representation on the Board of Educational Broadcasting Foundation, and one-half of the fixed assets of Educational Broadcasting Foundation, Inc. Willwoods Community retained the other one-half.

The chair of this Corporation also serves as president and/or chief operating officer of Willwoods Community, Willwoods Community Management, Inc., and Pontchartrain Housing Corporation I, Inc.

During the normal course of business, there are invoices for services between Willwoods Community, Willwoods Community Management, and the Corporation. These invoices netted to payables in the amount of \$4,483 from Willwoods Community and \$44 from Willwoods Community Management, Inc. for the year ended July 31, 2020. In addition, at July 31, 2020, there was a receivable for \$1,114 from Willwoods Community Management, Inc. and \$5,562 from Willwoods Community. During the year, Willwoods Community paid the Corporation \$34,550 for Creative Services.

As stated in Note F, Willwoods Community forgave debt from the Corporation in the amount of \$162,510 for the year ended July 31, 2020. Willwoods Community also donated \$138,495 of cash to the Corporation. In addition, in 2020 the Corporation received underwriting contributions totaling \$11,625 from Willwoods Community and \$9,000 from Willwoods Community Management.

The Corporation paid Willwoods Community \$102,528 in management fees for the year ended July 31, 2020.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Related Party Transactions (Cont'd)

The Corporation uses office space owned by Pontchartrain Housing Corporation I, Inc. During 2020, the Corporation recognized \$27,008 of donated facilities use which is included in "In-kind contributions" on the Statement of Activities and in "Rent" on the Statement of Functional Expenses.

The Joint Venture disclosed in Note D has a management agreement with the Corporation. Fees received during 2020 totaled \$18,000.

See Note F for disclosures of related party debt.

H. Contributed Services

Contributed services received and provided were recorded as revenue and expenses accordingly, in the *Statement of Activities* at the fair value of the support.

No amounts have been reflected in the financial statements for volunteer services. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation with campaign solicitations and various committee assignments.

In-kind contributions, received and provided also consisted of advertising services which amounted to \$66,460 for the year ended July 31, 2020.

I. Employee Benefits

The Corporation offers a profit-sharing and 401(k) plan through Willwoods Community to its employees. Employees electing to participate in the plan may elect to contribute the maximum allowed by law. The Corporation may elect to contribute a discretionary employer contribution.

The Plan administrator is Willwoods Community, and the Plan Trustee is Ron Yager.

Employer contributions to the plan during the year ended July 31, 2020 were \$17,400.

In addition, the Corporation contributed \$11,254 for supplemental retirement benefits for key employees.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

J. Operating Lease

The Corporation leased studio space under a three-year noncancellable operating lease that expired in May 2019. The lease term was extended through August 31, 2019. The Corporation incurred lease expense, for this lease, of \$1,894 for the year ended July 31, 2020.

K. Concentration of Credit Risk

The Corporation extends unsecured credit to its customers, a significant portion of whom are in the broadcasting business. Financial instruments that potentially subject the Corporation to credit risk include these accounts, which are shown in the financial statements as Accounts Receivable and Promises to Give.

The Corporation maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At July 31, 2020 the Corporation's uninsured cash balances totaled \$276,430.

L. Concentration of Support and Revenue

The Corporation received approximately 25% of its annual revenue from the Corporation for Public Broadcasting.

The Corporation received approximately 16% of its annual revenue from related parties.

The Corporation received approximately 18% of its annual revenue from Repack Reimbursements from the Federal Communications Commission.

M. Special Event Expense

Total special event expense for ongoing and major activities for the year ended July 31, 2020 was \$14,381.

N. Restrictions on Net Assets

At July 31, 2020, net assets with donor restrictions totaling \$96,821 relate to underwriting contributions whose donors have restricted their funding for a specific program production. The donor's restriction is met once the program has been produced and aired.

During 2020, \$39,750 was released from restrictions due to the satisfaction of donor restrictions.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

O. Unusual and Infrequent Item - Repack Reimbursements

Beginning in October 2017, the Corporation received funds from the Federal Communication Commission to move its television station to a new channel. The total amount of the repack reimbursement received as of July 31, 2020 was \$1,363,822.

P. Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of July 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial Assets	\$969,142
Less: Cash and Promises to Give unavailable for general expenditures within one year due to donor-restricted underwriting contributions	<u>96,821</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$872,321</u>

As part of its liquidity management, the Corporation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Q. Conditional Contribution - Payroll Protection Program

During the fiscal year, the Corporation applied for and received \$167,398 from the Small Business Administration (SBA)'s Paycheck Protection Program (PPP), which is included in "Other Liabilities" in the Statement of Financial Position. The transfer of assets was deemed to be a conditional contribution upon receipt of the funds and the Corporation adopted a policy to recognize contribution income when the SBA approves its loan forgiveness application.

R. Adoption of Accounting Pronouncement

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, "Statement of Cash Flows: Restricted Cash" (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The amendments in the ASU do not

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2020

Adoption of Accounting Pronouncement (Cont'd)

provide a definition of restricted cash or restricted cash equivalents. The Corporation has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

S. Recently Issued Accounting Standards

FASB has issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for the July 31, 2021 year end.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statement of financial position as well as additional disclosures. This ASU will be effective for the July 31, 2023 year end.

The Corporation is currently assessing the impact of these pronouncements on the financial statements.

T. Company Conditions

As indicated in the accompanying financial statements, the Corporation's total liabilities exceeded its total assets by \$1 million. The liabilities include approximately \$3 million in long-term debt that is held by Willwoods Community and no amounts are expected to become due in 2021.

As a result, management believes the Corporation can meet its obligations for the twelve-month period following the date the financial statements are available to be issued.

U. Risk and Uncertainties

During March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. As a result of the pandemic, economic uncertainties have arisen that could impact the operational and financial performance of the Corporation. Management is carefully monitoring the situation and evaluating its options. No adjustments have been made to these financial statements as a result of this uncertainty.

SUPPLEMENTARY INFORMATION

EDUCATIONAL BROADCASTING FOUNDATIONS, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER WITH PUBLIC FUNDS
YEAR ENDED JULY 31, 2020

<u>Title</u>	<u>Name</u>	<u>Salary Paid by Appropriation</u>	<u>Benefits Paid by Appropriation</u>
President	Ron Yager	\$30,000	\$0
General Manager	Jim Dotson	<u>25,000</u>	<u>0</u>
		<u>\$55,000</u>	<u>\$0</u>

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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

To the Board of Trustees of
Educational Broadcasting Foundation, Inc.
New Orleans, Louisiana

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 Educational Broadcasting Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Educational Broadcasting Foundation, Inc.'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 Educational Broadcasting Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Educational Broadcasting Foundation, Inc.'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 a 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

**Board of Trustees
Educational Broadcasting Foundation, Inc.**

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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Educational Broadcasting Foundation, Inc.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pacura, Hunter ; Priest, UC

Metairie, Louisiana
November 23, 2020