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Consolidated Financial Report

Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 1998

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Consolidated Financial Report

Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 1998

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Greater New Orleans Educational Television Foundation,
New Orleans, Louisiana.

We have audited the accompanying consolidated statement of financial position of Greater New Orleans Educational Television Foundation and Subsidiary as of June 30, 1998, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presented. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater New Orleans Educational Television Foundation and Subsidiary as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Information for the year ended June 30, 1997 is presented for comparative purposes only and was extracted from the consolidated financial statement presentation by net asset class for that year, on which we expressed an unqualified opinion dated September 13, 1997. The consolidated statements of activities and functional expenses 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 1997, from which the summarized information was derived.

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In accordance with Government Auditing Standards, we have also issued a report dated September 17, 1998 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental information (Schedules 1 through 3) is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
September 17, 1998.

Exhibit A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 1998
(with comparative totals for 1997)

	1998	1997
Assets		
Cash and cash equivalents	$ 164,509	$ 207,461
Accounts receivable less allowance for uncollectible accounts	293,272	207,280
Unconditional promises to give	67,533	167,361
Interest receivable	16,280	16,280
Prepaid expenses and deposits	148,404	144,038
Inventory	68,161	102,297
Investments	3,210,756	2,712,931
Property and equipment, net of accumulated depreciation	1,783,102	1,806,573
Total assets	$ 5,752,017	$ 5,364,221
Liabilities		
Accounts payable and accrued expenses	$ 321,792	$ 133,675
Unearned revenue	61,308	32,651
Notes payable	603,767	878,386
Total liabilities	986,867	1,044,712
Commitments and Contingencies (Notes 3 and 11)	-	-
Net Assets		
Unrestricted	3,131,767	2,810,930
Temporarily restricted	745,499	620,695
Permanently restricted	887,884	887,884
Total net assets	4,765,150	4,319,509
Total liabilities and net assets	$ 5,752,017	$ 5,364,221

See notes to consolidated financial statements.

Exhibit B

CONSOLIDATED STATEMENT OF ACTIVITIES

Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 1998
(with comparative totals for 1997)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 1998	Totals 1997
Support and Revenues					
Support:					
Contributions	$ 1,579,776	$ 67,533		$ 1,647,309	$ 1,541,133
Grants from the Corporation for Public Broadcasting	393,590			393,590	442,873
Broadcasting services for Louisiana *Educational Television Authority*	311,958			311,958	313,800
Other grants	86,886			86,886	91,342
Other support	112,981			112,981	82,858
In-kind support	322,683			322,683	574,114
Revenues:					
Auction sales, net	568,253			568,253	579,250
Cookbook sales, net	42,261			42,261	63,532
Contract and production services	1,189,382			1,189,382	1,127,665
Investment income	465,819	132,540		598,359	461,055
Total support and revenues	5,073,589	200,073		5,273,662	5,277,622
Net assets released from restrictions:					
Expiration of time restrictions	75,269	(75,269)			
Total support, revenues, and other support	5,148,858	124,804		5,273,662	5,277,622
Expenses					
Program services	3,249,436			3,249,436	3,509,282
Management and general	793,363			793,363	734,285
Development	785,222			785,222	707,027
Total expenses	4,828,021			4,828,021	4,950,594
Increase in net assets before *cumulative effect of changes in* accounting principles	320,837	124,804		445,641	327,028
Cumulative effect on prior years of a change in the method of accounting for investments				-	189,370
Increase in Net Assets	320,837	124,804		445,641	516,398
Net Assets at the Beginning of the Year	2,810,930	620,695	$ 887,884	4,319,509	3,803,111
Net Assets at the End of the Year	$3,131,767	$ 745,499	$ 887,884	$4,765,150	$4,319,509

See notes to consolidated financial statements.

Exhibit C

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 1998
(with comparative totals for 1997)

	Program Services	Supporting Services: Management and General	Supporting Services: Development	Total Expenses 1998	Total Expenses 1997
Advertising	$ 35,436	$ 5,760		$ 41,196	$ 35,751
Bad debt expense	31,437		$ 3,869	35,306	9,266
Board of trustees' expenses		1,166		1,166	1,454
Building and grounds maintenance		16,954		16,954	17,861
Building rental		49,401		49,401	72,001
Direct mail solicitation			30,709	30,709	29,912
Donated goods and services		28,660	27,916	56,576	65,333
Employee travel and other personnel costs	112,967	22,971	23,829	159,767	144,264
Equipment rental and maintenance cost	205,546	16,341	23,521	245,408	232,743
Insurance	64,046	11,496	2,886	78,428	93,993
Interest		56,461		56,461	76,413
Membership premiums			56,006	56,006	42,827
Office supplies	7,233	11,542	19,270	38,045	34,260
Other expenses	13,466	3,825	19,539	36,830	34,784
Postage and shipping	19,338	8,525	40,802	68,665	56,377
Printing	42,495	48	31,324	73,867	80,086
Production costs	99,500		17,728	117,228	112,901
Professional services	69,336	35,913	88,661	193,910	250,739
Program rental fees	446,881			446,881	470,966
Salaries, payroll taxes and employee benefits	1,337,599	510,249	351,957	2,199,805	1,986,944
Satellite interconnect fee	29,627			29,627	29,829
Station dues	60,642			60,642	59,026
Telephone	36,380	10,889	37,719	84,988	74,376
Tower rental	120,000			120,000	355,400
Utilities	109,251			109,251	123,361
	2,841,180	790,201	775,736	4,407,117	4,490,867
Depreciation and amortization	408,256	3,162	9,486	420,904	459,727
Total functional expenses	$3,249,436	$ 793,363	$ 785,222	$4,828,021	$4,950,594

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 1998
(with comparative totals for 1997)

	1998	1997
Cash Flows From Operating Activities		
Increase in net assets	$ 445,641	$ 516,398
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	420,904	459,727
Provision for losses (recoveries) on receivables		(5,500)
Cumulative effect of adoption of new accounting principles		(189,370)
Realized and unrealized gains on investments	(519,414)	(380,705)
(Increase) decrease in operating assets:		
Accounts receivable and unconditional promises to give	13,836	48,487
Interest receivable	-	3,931
Prepaid expenses and deposits	(4,366)	13,460
Inventory	34,136	11,451
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	188,117	(134,685)
Unearned revenue	28,657	32,651
Net cash provided by operating activities	607,511	375,845
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	1,423,833	1,569,131
Purchases of investments	(1,402,244)	(1,431,578)
Purchases of property and equipment	(397,433)	(203,979)
Net cash used in investing activities	(375,844)	(66,426)
Cash Flows From Financing Activities		
Payments on notes payable	(274,619)	(263,639)
Net increase (decrease) in cash and cash equivalents	(42,952)	45,780
Cash and Cash Equivalents		
Beginning of year	207,461	161,681
End of year	$ 164,509	$ 207,461

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Greater New Orleans Educational Television Foundation and Subsidiary

New Orleans, Louisiana

June 30, 1998

Note 1 - NATURE OF ACTIVITIES

WYES-TV is a community-owned, nonprofit Public television station serving a total market area of 1.7 million viewers in the Metropolitan New Orleans, Southeastern Louisiana, and Mississippi Gulf Coast Regions. Affiliated with the Public Broadcasting Service, WYES-TV is licensed to the Greater New Orleans Educational Television Foundation and governed by a board of trustees comprised of civic-minded individuals and distinguished community leaders.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes

The Greater New Orleans Educational Television Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Louisiana to provide educational television broadcast service to the New Orleans area. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5). Net operating profits from unrelated business income are subject to Federal income tax.

Effective July 1, 1982, the Foundation incorporated a wholly-owned subsidiary, Yescom Enterprises, Inc. (Yescom). The purpose of this corporation is to engage primarily in providing remote production services to third parties on a for-profit basis. All revenues generated by Yescom are dedicated to the Foundation and are used to fulfill the Foundation's exempt purpose.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Basis of Accounting

The consolidated financial statements of the Greater New Orleans Educational Television Foundation and Subsidiary are prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

c. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-For-Profit Organizations." Under SFAS No. 117, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

d. Consolidation

The accompanying consolidated financial statements show the combined assets, liabilities and transactions of the Foundation and its subsidiary. All intercompany transactions and balances have been eliminated in consolidation.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Use of Estimates

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

f. Investments

Investments are carried at fair market value, based on quoted market prices for the investments.

g. Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the year ended June 30, 1998 all promises to give were recognized as assets and revenues. All promises are deemed by management to be collectible.

h. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

i. Allowance for Uncollectible Accounts

The Foundation provides for estimated uncollectible accounts receivable on a specific account basis as determined by management. The allowance for doubtful accounts was $102,500 at June 30, 1998.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Inventory

The inventory of cookbooks held for sale is carried at lower of cost or market as determined under the first-in, first-out (FIFO) method.

k. Property and Equipment

The Foundation records all property and equipment acquisitions at cost except for those donated to the Foundation, which are recorded at estimated value as of the date of donation. Such donations are reported as unrestricted support. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment acquired with funds received through grants or contributions which stipulate a time period for the asset to be maintained are reported as temporarily restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets as an expiration of time restrictions as the assets are depreciated or the time period expires.

Depreciation and amortization are determined using the straight-line method and are intended to write-off the cost of the property and equipment over their estimated useful lives.

l. In-Kind Support

On June 8, 1970, the Foundation exchanged operating frequencies with WVUE, a station owned and operated at that time by Screen Gems Broadcasting of Louisiana, Inc. The exchange agreement required certain items of compensation to be paid to the Foundation. One of the stipulated items of compensation was the lease of the transmitter facilities at a nominal amount of rent. The Foundation's policy is to record the appraised rental value as revenue and recognize a corresponding amount as an expense of fulfilling its exempt purposes. An independent appraisal was used

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. In-Kind Support (Continued)

to establish the value of this lease. The Foundation also records as support and expenses the in-kind value of maintenance, utilities and other direct costs of the transmission facilities based on the actual costs incurred as reported by the lessor. The Foundation records the value of the substantially free use of the land occupied by its studio and office building and recognizes a similar amount as expense.

The Foundation annually conducts two auctions to sell contributed and purchased merchandise and other items. Gross auction revenue of $632,069 includes all proceeds received from auction sales and cash contributions received by the Foundation for support of the auctions. Cost of merchandise sold of $63,816 includes the cost of items purchased by the Foundation. Net auction revenue of $568,253 is reported on the consolidated statement of activities. The value of contributed merchandise based on the donors' estimates of the retail market value of their merchandise aggregated $888,049 for the year ended June 30, 1998. The value of the items donated for auction is not recorded.

The Foundation records the in-kind value of goods and services contributed to support the conduct of the auctions and related development expenses and various other in-kind goods and services.

m. Program Rental Fees

Costs incurred for the acquisition of programs are amortized by an accelerated method until subsequent broadcasts have negligible benefit.

n. Unemployment Benefits

In lieu of tax contributions, the Foundation has elected under the Louisiana Employment Security Law to reimburse the State of Louisiana for benefits paid by the State and charged against the account of the Foundation. The Foundation recognizes this expense in the period for which the benefits are billed by the State.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Allocated Expenses

The costs of providing the various programs and other activities are summarized in the consolidated statement of functional expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

p. Statement of Cash Flows

The Foundation considers investments in money market funds to be cash equivalents, except for money market funds maintained in the Charles Schwab & Co. Institutional Account and the FNBC Collateralized Loan Account held at Marquis Investments, Inc. which are reported as investments (Note 5).

Note 3 - RESTRICTIONS ON ASSETS

Temporarily restricted and permanently restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. Cash and investments raised through the Capital Campaign are restricted for the acquisition of property and equipment and restrictions on such funds are considered to expire when payment for the designated purpose is made.

In prior years, the Foundation was awarded two grants by the U.S. Department of Commerce, Public Telecommunications Facilities Program which provided certain percentages of the cost of new equipment. The terms of these grants provide for repayment under certain conditions which generally relate to a change in ownership from nonprofit to proprietary or changes in uses of such assets acquired with grant funds. The restrictions apply during a ten-year period beginning on the date of the grant.

Note 3 - RESTRICTIONS ON ASSETS (Continued)

Temporarily restricted net assets at June 30, 1998 are available for the following purposes or periods:

Capital Development Program contributions to be used for property and equipment acquisitions	$108,971
Equipment acquired with grant funds which stipulate a ten-year period of use	134,416
Contributions due for subsequent periods	67,533
Production expenses for a program to be broadcast	100,000
Net realized and unrealized investment gains on endowment principal which is available for future operations	334,579
Total	$745,499

Permanently restricted net assets of $887,884 consist of cash and investments which are endowment principal. Interest and dividends earned from such assets are unrestricted and available for operations. Realized and unrealized gains on such assets are available for future operations and are classified as temporarily restricted net assets until expended as described in Note 5.

Note 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists of amounts due from membership drives and program underwriting and is comprised of the following:

Restricted for subsequent periods	$67,533

All amounts are due within one year.

Note 5 - INVESTMENTS

Investments include amounts held in an investment account at Charles Schwab & Co., and an investment account at Marquis Investments, Inc. and certificates of deposit. Details of investments are as follows:

Investments By Type	June 30, 1998 Cost	June 30, 1998 Market Value
Money Market Funds:		
Marquis Treasury Money Market	$ 81,330	$ 81,330
Schwab Money Market Fund	405,334	405,334
Corporate Stocks	1,045,850	1,933,204
Corporate Bonds	666,580	678,922
Certificate of Deposit	111,966	111,966
Total investments	$2,311,060	$3,210,756

Investments By Type	June 30, 1997 Cost	June 30, 1997 Market Value
Money Market Funds:		
Marquis Treasury Money Market	$ 214,677	$ 214,677
Schwab Money Market Fund	122,824	122,824
Corporate Stocks	1,085,142	1,643,515
Corporate Bonds	613,068	624,770
Certificate of Deposit	107,145	107,145
Total investments	$2,142,856	$2,712,931

Note 5 - INVESTMENTS (Continued)

Market value in excess of cost on investments held at June 30, 1998 and 1997 is as follows:

	Cost	Market Value	Excess of Market Value Over Cost
Balances at June 30, 1998	$2,311,061	$3,210,756	$899,695
Balances at June 30, 1997	$2,142,856	$2,712,931	570,075
Unrealized gain for the year			$329,620

Investment return for the year ended June 30, 1998 is summarized as follows:

Interest and dividend income	$ 95,034
Unrealized gain for the year	329,620
Realized gains, net	189,794
Custodian fees	(16,089)
Total	$598,359

The State of Louisiana has adopted the Uniform Management of Institutional Funds Act. Management has interpreted state law to allow the Board of Trustees to spend the portion of realized and unrealized gains on investments that pertain to endowment principal (permanently restricted) for the purpose for which the endowment fund was established, after considering the long and short term needs of the Foundation, price level trends, and general economic conditions. Therefore, $132,540 of the net investment gain which is attributed to endowment funds is reported as an increase in temporarily restricted net assets for the year ended June 30, 1998.

Certain investments which are valued at $287,439 are pledged to secure a note payable described in Note 7.

Note 6 - PROPERTY AND EQUIPMENT

At June 30, 1998 and 1997, the cost of property and equipment and accumulated depreciation were as follows:

	1998	1997
Remote production equipment	$3,585,136	$3,282,485
Equipment	4,501,748	4,487,973
Leasehold improvements	684,201	638,825
Office equipment	445,267	409,636
	9,216,352	8,818,919
Less accumulated depreciation	(7,433,250)	(7,012,346)
Net property and equipment	$1,783,102	$1,806,573

Depreciation expense was $420,904 and $459,727 for the years ended June 30, 1998 and 1997, respectively.

Note 7 - NOTES PAYABLE

The Foundation is obligated on a note payable to the First National Bank of Commerce, with a balance due at June 30, 1998, of $157,333. The note is due on demand, or if no demand, in sixty monthly principal payments of $9,833 plus interest at 7.5%. The note is secured by cash and investments in three securities, which are held in an investment account at an institution affiliated with the bank. The value of these pledged securities is $287,439. Interest expense incurred on this note was $16,831 and $25,804 for the years ended June 30, 1998 and 1997, respectively.

The Foundation is obligated on a note payable to Whitney National Bank with a balance due at June 30, 1998, of $446,434. The note is due in sixty equal monthly installments of principal and interest of $16,354. The note bears interest at 7.3% and is secured by camera equipment which was purchased with the proceeds. Interest expense incurred on this note was $39,630 and $50,609 for the years ended June 30, 1998 and 1997, respectively.

Note 8 - IN-KIND SUPPORT - RENTAL VALUE OF LEASED FACILITIES AND OTHER

The television studio and office building are located on land leased through January 31, 2035 at $1 per year. An independent appraisal established a fair rental value for the land at approximately $49,400 per year.

The television station transmission tower, antenna, and land is leased through June 7, 2069, at $600 per year. An independent appraisal set a fair rental value for the tower, antenna, and land at approximately $120,000 per year. The in-kind value of direct operating costs are also recorded based on actual costs incurred as reported by the lessor.

The Foundation recorded the value of in-kind goods and services received in support of the two auctions of $27,916 and $42,153 and other goods and services of $28,660 and $23,180 for the years ended June 30, 1998 and 1997, respectively.

The fair rental values of the above described properties have been recorded as support and expenses in the years ended June 30, 1998 and 1997, respectively, as follows:

	1998	1997
Support		
Studio and office building in-kind rent	$ 49,400	$ 72,000
Transmitter in-kind rent:		
Tower and facility	120,000	355,400
Direct operating costs	96,707	81,381
Other goods and services	56,576	65,333
Total in-kind support	$322,683	$574,114
Expenses		
Tower rental	$120,000	$355,400
Building rental	49,400	72,000
Donated goods and services	56,576	65,333
Utilities	47,791	61,005
Equipment rental and maintenance cost	40,916	12,376
Insurance	8,000	8,000
Total expenses	$322,683	$574,114

Note 8 - IN-KIND SUPPORT - RENTAL VALUE OF LEASED FACILITIES AND OTHER (Continued)

Numerous volunteers have donated significant amounts of time to the Foundation's fund-raising campaigns and programs. Although no amounts have been reflected in the financial statements because they did not meet the criteria for recognition under Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," management estimates the fair value of those services to be approximately $260,899 and $329,002 for the years ended June 30, 1998 and 1997, respectively.

Note 9 - COOKBOOK SALES

The Foundation has entered into several joint ventures and distribution agreements in conjunction with a variety of cooking series, most of which were produced by the Foundation. Details of revenues and expenses for the years ended June 30, 1998 and 1997 are as follows:

	1998	1997
Sales of cookbooks and reimbursement of expenses	$132,305	$372,170
Cost of cookbooks sold and fulfillment expenses	(90,044)	(308,638)
Cookbook sales, net	$ 42,261	$ 63,532

Note 10 - CHANGE IN THE METHOD OF ACCOUNTING FOR INVESTMENTS

In prior years, the Foundation recorded investments in marketable securities at cost. Effective July 1, 1996, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. As permitted by SFAS No. 124, the Foundation has

Note 10 - CHANGE IN THE METHOD OF ACCOUNTING FOR INVESTMENTS (Continued)

applied the provisions of this new statement by reflecting the cumulative effect of the change, amounting to \$189,370, in the consolidated statement of activities. The adjustment represents unrealized gains on investments as of July 1, 1996 that had not previously been recognized in the consolidated financial statements. Assuming this new statement had been applied retroactively, the Foundation's increase in net assets for the year ended June 30, 1997 would have been \$327,028.

Note 11 - COMMITMENT

The television studio and office building are located on land leased from the City of New Orleans for a fifty-year period ending January 31, 2035, at \$1 per year. The lease requires the Foundation to construct additional permanent leasehold improvements on the property by February 1, 2001, at a minimum cost of \$500,000. Approximately \$183,000 has been expended for permanent improvements through June 30, 1998. No additional contracts or commitments for construction or additional improvements have been entered into as of June 30, 1998.

Note 12 - UNRELATED BUSINESS INCOME

Revenues from certain projects are considered unrelated business income of a nonprofit organization by the Internal Revenue Service. Any net operating profit derived from such projects are subject to Federal unrelated business income tax.

The Foundation derives revenue from the rental of the remote production vehicle and the studio equipment and facilities to Yescom. This income is reported as unrelated business income in the Foundation's Exempt Organization Business Income Tax Return (Form 990T). For the year ended June 30, 1998, the Foundation incurred a net loss on its unrelated business income activities of \$152,375.

Note 12 - UNRELATED BUSINESS INCOME (Continued)

Net operating losses, which are carried forward to reduce any future net operating profits subject to Federal unrelated business income tax, will expire if not used as follows:

Year Ending June 30,	Amount
2001	$ 70,897
2012	163,884
2013	152,375
Total	$387,156

Note 13 - SUBSIDIARY NET OPERATING LOSSES

Yescom Enterprises, Inc. (Yescom), the Foundation's wholly-owned subsidiary, derives income by providing remote production services through the use of the remote production vehicle, production services at the Foundation's facility, and other services to third parties. That income is reported in Yescom's U.S. Corporation Income Tax Returns.

Yescom's operations have accumulated net operating losses of $377,590 after deduction of expenses allocated to the projects, which all pertains to Yescom Enterprises, Inc., at June 30, 1998. Federal and Louisiana net operating losses, which can be carried forward to reduce any future net operating profits subject to income taxes, will expire if not used as follows:

Year Ending June 30,	Amount
2003	$132,269
2004	62,603
2005	72,669
2006	110,049
Total	$377,590

Note 14 - BROADCAST HOURS

Broadcast hours of the television station were 6,522 (unaudited) for the year ended June 30, 1998.

Note 15 - RETIREMENT PLAN

The Foundation has established a retirement program for its employees to participate in the TIAA-CREF Retirement Annuity Program, a Tax-Sheltered Annuity. The program requires the Foundation to match the 3% contribution of an employee with a 7% contribution. As of June 30, 1998, twenty-seven employees were participating in the program. Retirement expenses under this plan amounted to \$45,852 and \$58,323 for the years ended June 30, 1998 and 1997, respectively.

Note 16 - CONCENTRATION OF CREDIT RISK

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. Accounts receivable consists of receivables from three corporations for which production services were provided which are approximately 37% of the total balance at June 30, 1998, and the remaining accounts are concentrated in the telecommunications and retailing industries, the majority of which are located in the New Orleans area.

Note 17 - CASH FLOWS INFORMATION

Cash payments of interest during the years ended June 30, 1998 and 1997, were \$56,461 and \$76,413, respectively.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 1998

	Foundation	Yescom	Eliminations	Totals
Assets				
Cash and cash equivalents	$ 153,599	$ 10,910		$ 164,509
Accounts receivable less allowance for uncollectible accounts	94,334	198,938		293,272
Unconditional promises to give	67,533			67,533
Interest receivable	16,280			16,280
Prepaid expenses and deposits	148,404			148,404
Inventory	68,161			68,161
Investments	3,210,756			3,210,756
Property and equipment, net of accumulated depreciation	1,783,102			1,783,102
Investment in Yescom (subsidiary)	10,000		$ (10,000)	-
Due from subsidiary	598,543		(598,543)	-
Total assets	$ 6,150,712	$ 209,848	$ (608,543)	$ 5,752,017
Liabilities				
Accounts payable and accrued expenses	$ 295,400	$ 26,392		$ 321,792
Unearned revenue	31,308	30,000		61,308
Notes payable	603,767	598,543	$ (598,543)	603,767
Total liabilities	930,475	654,935	(598,543)	986,867
Net Assets and Capital Deficiency				
Common stock		10,000	(10,000)	-
Net assets (deficit):				
Unrestricted and accumulated deficit	3,586,854	(455,087)		3,131,767
Temporarily restricted	745,499			745,499
Permanently restricted	887,884			887,884
Total net assets and capital deficiency	5,220,237	(445,087)	(10,000)	4,765,150
Total liabilities, net assets and capital deficiency	$ 6,150,712	$ 209,848	$ (608,543)	$ 5,752,017

CONSOLIDATING STATEMENT OF ACTIVITIES

Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 1998

	Foundation	Yescom	Eliminations	Totals
Changes in Unrestricted Net Assets				
Support and revenues:				
Support:				
Contributions	$1,579,776			$1,579,776
Grants from the Corporation for Public Broadcasting	393,590			393,590
Broadcasting services for Louisiana Educational Television Authority	311,958			311,958
Other grants	86,886			86,886
Other support	112,981			112,981
In-kind support	322,683			322,683
Revenues:				
Auction sales, net	568,253			568,253
Cookbook sales, net	42,261			42,261
Contract and production services	187,414	$1,150,817	$ (148,849)	1,189,382
Investment income	465,819			465,819
Total unrestricted support and revenues	4,071,621	1,150,817	(148,849)	5,073,589
Net assets released from restrictions:				
Expiration of time restrictions	75,269			75,269
Total unrestricted support, revenues, and other support	4,146,890	1,150,817	(148,849)	5,148,858
Expenses:				
Program services	2,424,370	973,915	(148,849)	3,249,436
Management and general	736,266	57,097		793,363
Development	785,222			785,222
Total expenses	3,945,858	1,031,012	(148,849)	4,828,021
Increase in unrestricted net assets	201,032	119,805	$ 0	320,837

	Foundation	Yescom	Eliminations	Totals
Changes in Temporarily Restricted Net Assets				
Support:				
Contributions	67,533			67,533
Investment income	132,540			132,540
Total support	200,073			200,073
Net assets released from restrictions	(75,269)			(75,269)
Increase in temporarily restricted net assets	124,804			124,804
Increase in Net Assets	325,836	119,805		445,641
Net Assets (Deficit)				
Beginning of year	4,894,401	(574,892)		4,319,509
End of year	$5,220,237	$ (455,087)		$4,765,150

CONSOLIDATED SCHEDULE OF SUPPORT AND REVENUES

Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 1998

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Support:			
Contributions:			
Membership and general	$ 909,214	$ 67,533	$ 976,747
Major gifts	130,690		130,690
Program underwriting	381,916		381,916
National production underwriting	101,520		101,520
Support from commercial station	56,436		56,436
Total contributions	1,579,776	67,533	1,647,309
Grants from the Corporation for Public Broadcasting	393,590		393,590
Broadcasting services for Louisiana Educational Television Authority	311,958		311,958
Other grants:			
Grants - foundations and agencies	55,888		55,888
Training grants	30,998		30,998
Total other grants	86,886		86,886
Other support:			
Special events	50,855		50,855
Miscellaneous	62,126		62,126
Total other support	112,981		112,981
In-kind support:			
Rent:			
Transmitter	216,707		216,707
Land	49,400		49,400
Goods and services	56,576		56,576
Total in-kind support	322,683		322,683
Total support	2,807,874	67,533	2,875,407

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Total support (carried forward)	2,807,874	67,533	2,875,407
Revenues:			
Auction sales, net	568,253		568,253
Cookbook sales, net	42,261		42,261
Contract and production services:			
Production services	477,329		477,329
Contract services	673,488		673,488
Tower rental	38,565		38,565
Total contract and production services	1,189,382		1,189,382
Investment income			
Interest income, net of custodian fees	78,945		78,945
Net unrealized gain on investments	197,080	132,540	329,620
Net realized loss on investments	189,794		189,794
Total investment income	465,819	132,540	598,359
Total revenues	2,265,715	132,540	2,398,255
Total support and revenues	$ 5,073,589	$ 200,073	$ 5,273,662

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees,
Greater New Orleans Educational Television Foundation,
New Orleans, Louisiana.

We have audited the consolidated financial statements of Greater New Orleans Educational Television Foundation as of and for the year ended June 30, 1998, and have issued our report thereon dated September 17, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greater New Orleans Educational Televison Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal

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control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management and the Legislative Auditor and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
September 17, 1998.

SCHEDULE OF FINDINGS

Greater New Orleans Educational Television Foundation

For the year ended June 30, 1998

Section I Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes _X_ no
- Reportable condition(s) identified that are not considered to be material weakness ___ yes _X_ none reported

Noncompliance material to financial statements noted? ___ yes _X_ no

b) Federal Awards

For the year ended June 30, 1998 Greater New Orleans Educational Television Foundation was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section II Financial Statement Findings

There were no financial statement findings required to be reported for the year ended June 30, 1998.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Greater New Orleans Educational Television Foundation

For the year ended June 30, 1998

Section I Internal Control and Compliance Material to the Financial Statements

For the year ended June 30, 1997 there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material To Federal Awards

For the year ended June 30, 1997 there were no internal control or compliance issues material to federal awards reported.

Section III Management Letter

Not applicable.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Greater New Orleans Educational Television Foundation

For the year ended June 30, 1998

Section I Internal Control and Compliance Material to the Financial Statements

For the year ended June 30, 1998 there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material To Federal Awards

For the year ended June 30, 1998 Greater New Orleans Educational Television Foundation was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

Not applicable.