EDUCATIONAL BROADCASTING FOUNDATION, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended July 31, 1998 and 1997

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS

EDUCATIONAL BROADCASTING FOUNDATION, INC.

Years Ended July 31, 1998 and 1997

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SPILSBURY, HAMILTON, LEGENDRE & PACIERA

CERTIFIED PUBLIC ACCOUNTANTS
4731 CANAL ST.
NEW ORLEANS, LA. 70119
(504) 486-5573
FAX (504) 486-6091

KEITH T. HAMILTON, C.P.A.
LEROY P. LEGENDRE, C.P.A.
KIRTH M. PACIERA, C.P.A.
RENE G. GAUTREAU, C.P.A.

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the Educational Broadcasting Foundation, Inc. as of July 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards and *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 presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Educational Broadcasting Foundation, Inc. at July 31, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 1998 on our consideration of Educational Broadcasting Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Board of Trustees
Educational Broadcasting Foundation, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all respects material in relation to the financial statements taken as a whole.

Spilsbury, Hamilton, Legendre & Paciocco

October 6, 1998

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 1998 AND 1997

ASSETS

	1998	1997
CURRENT ASSETS		
Cash and cash equivalents	$ 78,056	$ 53,064
Short-term investments	508,935	395,000
Accounts receivable	209,123	231,842
Interest receivable	2,254	5,743
Prepaid interest expense	0	356,307
Prepaid expenses - Other	82,588	81,995
Grants receivable	2,000	0
Trade receivable	10,051	9,556
Other receivables	7,269	0
Due from related parties	4,591	0
Total Current Assets	904,867	1,133,507
PROPERTY AND EQUIPMENT		
Automotive and mobile units	15,771	15,771
Broadcasting equipment	2,509,111	2,463,888
Furniture and fixtures	231,793	177,737
Production equipment	2,573,385	2,477,878
Leasehold improvements	9,677	19,322
	5,339,737	5,154,596
Less: Accumulated depreciation	4,242,007	4,007,103
Total Property and Equipment	1,097,730	1,147,493
OTHER ASSETS		
Investment in joint venture	205,518	209,084
Total Assets	$2,208,115	$2,490,084

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
(Continued)
JULY 31, 1998 AND 1997

	1998	1997
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 168,694	$ 143,866
Accrued expenses	43,727	47,784
Deferred revenue	56,874	55,576
Refundable advances	90,146	0
Long-term debt/Related parties - Current maturities	409,010	456,307
Total Current Liabilities	768,451	703,533
LONG-TERM LIABILITIES		
Long-term debt/Related parties - Net of current maturities	3,265,875	3,674,885
Total Liabilities	4,034,326	4,378,418
NET ASSETS		
Unrestricted (Deficit)	(1,826,211)	(1,888,334)
Total Liabilities and Net Assets	$2,208,115	$2,490,084

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 1998 AND 1997

	1998	1997
REVENUE, GAINS AND OTHER SUPPORT		
Contributions:		
The Will Woods Foundation	$ 494,408	$ 494,408
Other	72,818	65,173
Underwriting and membership income	536,541	604,499
Special event income	176,251	171,383
Grants:		
Corporation for Public Broadcasting	372,413	437,773
Federal	199,312	80,000
State	307,972	338,361
Local	24,927	183,443
Other	4,039	35,126
Telecasting, production, royalty and miscellaneous revenue	704,077	617,166
Interest income	24,455	21,775
Total Revenue, Gains and Other Support	2,917,213	3,049,107
EXPENSES AND LOSSES		
Program Services:		
Post-production	387,860	355,354
Programming and production	513,774	433,359
Broadcasting	517,913	533,401
Program information	47,032	149,846
Telecommunications program	236,188	0
Supporting Services:		
Fund-raising and membership development	312,259	344,526
Management and general	837,404	843,406
Total Expenses	2,852,430	2,659,892
Loss on disposition of equipment	2,660	0
Total Expenses and Losses	2,855,090	2,659,892
INCREASE IN NET ASSETS	62,123	389,215
Net Assets (Deficit) -		
Beginning of year	(1,888,334)	(2,277,549)
End of Year	$(1,826,211)	$(1,888,334)

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 62,123	$389,215
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Contributions - Debt forgiveness by The Will Woods Foundation	(396,308)	(396,308)
Depreciation and amortization	251,009	227,361
Loss on disposal of assets	2,660	0
Equity in losses of joint venture	32,558	27,687
Net decrease in receivables and prepaid expenses	374,654	377,420
Net increase in accounts payable, accrued expenses, and refundable advances	106,513	4,982
Net increase (decrease) in deferred revenue	1,298	(244,480)
Net (increase) decrease in grants receivable	(2,000)	20,833
Net (increase) in trade receivable	(495)	(1,208)
Net Cash Provided by Operating Activities	432,012	405,502
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(199,502)	(363,282)
Advances to joint venture	(28,992)	(19,590)
(Advances) repayment to employee	0	2,000
Purchase of investments	(508,935)	(395,000)
Proceeds from maturity of investments	395,000	102,195
Net (increase) in amount due from related parties	(4,591)	0
Net Cash (Used for) Investing Activities	(347,020)	(673,677)

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
(Continued)
YEARS ENDED JULY 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on funds borrowed from bank and lease company	$ 0	$(13,065)
Payments on long-term debt - Related parties	(60,000)	(60,000)
Net Cash (Used for) Financing Activities	(60,000)	(73,065)
Net Increase (Decrease) in Cash and Cash Equivalents	24,992	(341,240)
Cash and Cash Equivalents -		
Beginning of Year	53,064	394,304
End of Year	$ 78,056	$ 53,064

Supplemental Disclosures of Cash Flow Information

	1998	1997
Cash paid during the year for -		
Interest	$ 64	$1,294
Income taxes	$ 0	$ 0

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 1998 AND 1997

A. General Information

Organization

Educational Broadcasting Foundation, Inc. ("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

Assets and liabilities, and support, revenue and expenses are recognized on the accrual basis of accounting.

The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted Net Assets - Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that may or will be met by actions of the Corporation and/or the passage of time.

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

The Corporation has no temporarily restricted or permanently restricted assets, liabilities or activities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Corporation considers all investments with a maturity of 90 days or less from date of purchase to be cash equivalents.

Summary of Significant Accounting Policies (Cont'd)

Investments

The Corporation has adopted *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 reported at their fair values in the *Statement of Financial Position*. Unrealized gains and losses are included in the change in net assets.

Revenue Recognition

Contributions, subscriptions and membership income, and grants for which donor receives no material benefit in exchange are recorded as revenue in the statement of activity when received. Other unrestricted revenues are recognized as earned either upon receipt or accrual. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrance of the related liability.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Corporation have been summarized on a functional basis in the Statement of Financial Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounts Receivable - Recognition of Bad Debts

The Corporation considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. The Corporation wrote off $1,175 and $2,000 *respectively for the years ended July 31, 1998 and 1997.*

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at 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 $500.

Summary of Significant Accounting Policies (Cont'd)

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. Accordingly, actual results could differ from those estimates.

Deferred Revenue

Deferred revenue represents funds received by the station for future production or airing of programs. This revenue is recognized when the cost associated with the production or airing is incurred.

Refundable Advances

The Corporation records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account is reported as follows:

Refundable advances, beginning of year	$ 0
Grant awards received	407,770
Grant expenditures	(317,624)
Refundable advances, beginning of year	$ 90,146

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 $82,588 and $79,194 at July 31, 1998 and 1997 respectively is included in *Prepaid Expenses - Other* in the financial statements.

Program Underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the periods covered.

Summary of Significant Accounting Policies (Cont'd)

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit grantmaking 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. 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.

The Grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

Income Tax

The Corporation is exempt from Federal income taxes on income other than unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. Due to unrelated business income net operating loss carryforwards, the Corporation did not have to make any provision for income taxes for the years ended July 31, 1998 and 1997.

The following summarizes the net operating loss and expiration dates of those losses for Federal tax purposes:

Summary of Significant Accounting Policies (Cont'd)

Income Tax (Cont'd)

Year of Expiration	Federal
July 31, 2006	$ 3,962
July 31, 2007	$ 41,307
July 31, 2008	$237,379
July 31, 2009	$214,369
July 31, 2010	$ 14,071
July 31, 2013	$ 19,571

Reclassifications

Certain reclassifications have been made to the prior period's financial statements in order to conform them to the classifications used for the current year.

C. Cash

Cash consists of the following.

	1998	1997
Cash on hand	$ 1,165	$ 1,014
Cash on deposit	76,891	44,193
Cash in savings and investment accounts	0	7,857
Total	$78,056	$53,064

D. Short-term Investments

Investments at July 31, 1998 consisted of an investment in the Marquis Treasury Securities Money Market Fund, which invests exclusively in obligations issued by the U. S. Treasury, totaling $505,890. The fund earns interest at a variable rate on a daily basis. In addition, the Corporation had stock investments in the following corporations:

Bank One Corporation	$ 465
Whitney Holding Corporation	370
Citicorp Corporation	2,210
	$3,045

Investments at July 31, 1997 consist of certificates of deposit totaling $395,000. The certificates bear interest ranging from 4.45% to 5.44%, and have maturities of six months and seven months with penalties for early withdrawal.

E. Property and Equipment

Property and equipment at July 31, 1998 consists of:

	Cost	Accumulated Depreciation
Automotive and mobile units	$ 15,771	$ 15,530
Broadcasting equipment	2,509,111	2,319,297
Furniture and fixtures	231,793	109,862
Production equipment	2,573,385	1,795,691
Leasehold improvements	9,677	1,627
Total	$5,339,737	$4,242,007

Property and equipment at July 31, 1997 consists of:

	Cost	Accumulated Depreciation
Automotive and mobile units	$ 15,771	$ 15,375
Broadcasting equipment	2,463,888	2,276,621
Furniture and fixtures	177,737	85,083
Production equipment	2,477,878	1,616,225
Leasehold improvements	19,322	13,799
Total	$5,154,596	$4,007,103

Depreciation expense of $251,009 and $227,361 is included in program and supporting services for the years ended July 31, 1998 and 1997 respectively. The breakdown of this depreciation by expense category is as follows.

	1998	1997
Program Services:		
Programming, production and post-production	$180,489	$150,033
Broadcasting	42,676	54,690
	223,165	204,723
Supporting Services:		
Management and general	27,844	22,638
Total Depreciation Expense	$251,009	$227,361

F. Investment in Joint Venture

The Corporation has a twenty-five percent interest in a joint venture formed to construct and operate a transmission 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, 1997 and 1996.

	1997	1996
Current assets and total assets	$1,335,446	$1,285,036
Less: Current liabilities and total liabilities	0	0
Net assets	$1,335,446	$1,285,036
Revenue	$ 28,275	$ 22,845
Expenses	115,513	90,518
Net excess (expenses) over revenue	$(87,238)	$(67,673)
Corporate interest:		
Share of net expenses over revenue	$(21,809)	$(16,918)
Depreciation of Educational Broadcasting Foundation's portion of the joint venture's depreciable assets	(10,749)	(10,769)
Total net excess (expenses) over revenue *	$(32,558)	$(27,687)

* (Since this amount represents the Corporation's cost of operating its broadcasting tower, it is shown as a functional expense under *Broadcasting*.)

	1997	1996
Equity in net assets (including depreciation)	$176,526	$189,494
Advance to joint venture	28,992	19,590
Net advances and equity in joint venture	$205,518	$209,084

G. Long-term Debt

Long-term debt - Related parties consists of the following notes:

	1998	1997
1. Promissory Note A	$3,674,885	$3,674,885
2. Promissory Note B	0	456,307
	$3,674,885	$4,131,192

1. *Promissory Note A.* This unsecured note, which originally was payable to the Archdiocese of New Orleans, was transferred to The Will Woods Foundation in conjunction with the transfer agreement. The note bears no interest until its maturity on July 31, 1998. Upon maturity, the note becomes payable in ten yearly installments of $409,010 plus interest accrued on the unpaid balance at 7% per annum with the final installment due July 31, 2008.

2. *Promissory Note B.* This unsecured note, which originally was payable to the Archdiocese of New Orleans, was transferred by the Archdiocese to The Will Woods Foundation. The note had a face value of $4,563,071, including prepaid interest of $3,563,071. The prepaid interest is being charged to operations, using a straight-line method over the 10-year life of the note. This note was payable in ten yearly installments of $456,307, including interest, with the final payment due July 31, 1998. Prior to the due date of any installment, had the Corporation satisfactorily exhibited to The Will Woods Foundation an inability to pay any portion of the installment due, The Will Woods Foundation may have granted forgiveness to the extent of the unpaid amount. For the years ended July 31, 1998 and 1997, the Archdiocese and The Will Woods Foundation forgave $396,308 per year. This note was paid in full or forgiven in total as of July 31, 1998.

Interest expense of $356,371 and $357,601 for the years ended July 31, 1998 and 1997 respectively was charged to management and general expenses.

The aggregate amount of maturities for long-term indebtedness for each of the five years subsequent to July 31, 1998 is as follows.

Long-term Debt (Cont'd)

Fiscal year ending July 31,	
1999	$ 409,010
2000	409,010
2001	409,010
2002	409,010
Thereafter	2,038,845
	$3,674,885

H. Related Party Transactions

On June 8, 1995, a transfer of control of the Corporation was executed between the Archdiocese of New Orleans and The Will Woods Foundation. The transfer was approved by the Federal Communications Commission on April 26, 1995. As part of the agreement, the Archdiocese contributed various notes originally issued by the Archdiocese to The Will Woods Foundation. The Corporation had loans totaling $3,674,885 and $4,131,192 payable to The Will Woods Foundation at July 31, 1998 and 1997 respectively.

As part of a letter agreement dated May 3, 1994 which was consummated on June 15, 1995, The Will Woods Foundation entered into a cooperative endeavor with the Louisiana Educational Television Authority (LETA). For a financial consideration, Will Woods 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 EBF.

During the normal course of business, the Corporation advances funds to The Will Woods Foundation. As of July 31, 1998, the amount owed by The Will Woods Foundation was $4,591.

I. Contributed Services

Contributed professional services were recorded as revenue and expenses in the *Statement of Financial 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, principally donated professional services, amounted to $65,000 for the years ended July 31, 1998 and 1997.

K. Employee Benefits

On June 30, 1995, the Corporation elected to participate in The Will Woods Foundation Employee Retirement Plan. This profit-sharing plan allows the annual contribution by the employer to be discretionary.

Employer contributions to the plans during the years ended July 31, 1998 and 1997 were $25,033 and $21,364 respectively.

L. Leases

On June 9, 1995, the Corporation obligated itself under an operating lease for office and studio space which expires June 2000. The lease provided for rent of $8,500 per month for a term of three years and could be canceled by either party with 60 days notice. The lease payment included a utilities charge of $2,500 per month. As of July 1998, the Corporation negotiated new terms with the above lessor which would allow the Corporation to maintain its studio facilities rent-free until a new location was found, but no later than June 2000.

The Corporation entered into an agreement with another lessor as of July 1, 1998 to rent office space through June 30, 2000. This lease provides for rent of $1,615 per month for 24 months, with an option to renew for an additional 12 months. Total rental expense was $66,000 for 1998 and $72,000 for 1997.

The future minimum rental payments due under this lease are as follows:

July 31,	
1999	$19,380
2000	$17,765

M. Concentration of Credit Risk

In 1998, the Corporation was within Federally-insured limits to the extent of its cash balances.

In 1997, the Corporation had cash in excess of the Federally-insured limit in one financial institution. The balance is categorized as follows.

Amount insured by FDIC and SPIC	$100,000
Uninsured	329,829
Total balances	$429,829

Concentration of Credit Risk (Cont'd)

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.

SUPPLEMENTARY INFORMATION

EDUCATIONAL BROADCASTING FOUNDATION, INC.
SCHEDULES OF EXPENSES
YEAR ENDED JULY 31, 1998
(With Comparative Totals for Year Ended July 31, 1997)

	Program		
	Post Production	Programming and Production	Broad casting
Advertising	$ 10,884	$ 0	$ 0
Automotive and travel	738	1,352	3,739
Bad debt expense	1,175	0	0
Depreciation	180,334	155	42,676
Donated services	0	0	0
Dues and subscriptions	65	1,949	140
Equipment purchases	0	0	0
Fringe benefits	8,221	16,356	28,385
Insurance	0	0	0
Interest	0	0	0
Maintenance	790	4,154	64,335
Meetings, conferences, including travel	2,591	1,404	367
Miscellaneous	3,886	367	994
Office supplies	753	434	2,746
Payroll taxes	6,851	11,756	18,393
Postage and shipping	3,020	2,320	1,774
Printing	2,527	1,473	394
Professional services	26,326	88,692	41,092
Program purchases and license fees	0	179,742	0
Rent	977	1,926	784
Salaries	119,269	180,306	195,126
Supplies	3,588	6,964	16,572
Tape expense	15,757	11,597	0
Telephone	108	2,827	2,064
Tower	0	0	34,307
Training	0	0	0
Utilities	0	0	64,025
Total Expenses	$387,860	$513,774	$517,913

Services		Supporting Services			
Program Information	Tele- communications Program	Fund Raising and Membership Development	Management and General	Total 1998	Total 1997
$ 0	$ 0	$ 21,230	$ 231	$ 32,345	$ 18,010
49	0	16	202	6,096	5,350
0	0	0	0	1,175	2,000
0	0	0	27,844	251,009	227,361
0	0	51,110	0	51,110	74,409
0	0	748	2,379	5,281	10,604
0	224,638	0	0	224,638	0
3,135	422	7,738	10,669	74,926	55,891
0	0	0	39,001	39,001	39,956
0	0	0	356,371	356,371	357,601
0	0	744	20,617	90,640	84,798
1,409	0	3,559	8,297	17,627	9,422
0	317	17,310	7,878	30,752	51,167
177	0	1,817	8,407	14,334	12,831
3,453	0	5,320	9,896	55,669	53,100
535	0	11,884	3,825	23,358	23,591
0	0	28,560	1,332	34,286	35,312
506	359	4,061	34,818	195,854	324,840
0	0	0	0	179,742	173,008
2,100	0	70	64,855	70,712	87,172
35,418	10,452	156,013	189,430	886,014	787,207
0	0	2,031	0	29,155	34,186
0	0	0	0	27,354	29,701
0	0	48	20,215	25,262	25,202
0	0	0	0	34,307	28,687
250	0	0	0	250	0
0	0	0	31,137	95,162	108,486
$47,032	$236,188	$312,259	$837,404	$2,852,430	$2,659,892

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

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

We have audited the financial statements of Educational Broadcasting Foundation, Inc. as of and for the year ended July 31, 1998, and have issued our report thereon dated October 6, 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 Educational Broadcasting Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions 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 Educational Broadcasting 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 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 Audit Committee, management, and the U.S. Department of Commerce. However, this report is a matter of public record and its distribution is not limited.

Spilsbury, Hamilton, Legendre & Paciera

October 6, 1998