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EDUCATIONAL BROADCASTING FOUNDATION, INC.

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Years Ended July 31, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 2 2 1999

EDUCATIONAL BROADCASTING FOUNDATION, INC.

Years Ended July 31, 1999 and 1998

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CERTIFIED PUBLIC ACCOUNTANTS

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, 1999 and 1998, 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, 1999 and 1998, 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 September 15, 1999 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 & Paciera*

September 15, 1999

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
JULY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 89,179	\$ 78,056
Short-term investments	408,303	508,935
Accounts receivable	144,755	209,123
Interest receivable	1,392	2,254
Due from employees	1,748	0
Prepaid expenses - Other	95,701	82,588
Grants receivable	30,997	2,000
Trade receivable	0	10,051
Other receivables	20,261	7,269
Due from related parties	<u>57,632</u>	<u>4,591</u>
Total Current Assets	<u>849,968</u>	<u>904,867</u>
<u>PROPERTY AND EQUIPMENT</u>		
Automotive and mobile units	140,271	15,771
Broadcasting equipment	2,508,642	2,509,111
Furniture and fixtures	242,111	231,793
Production equipment	2,537,244	2,573,385
Leasehold improvements	<u>38,864</u>	<u>9,677</u>
	5,467,132	5,339,737
Less: Accumulated depreciation	<u>4,302,281</u>	<u>4,242,007</u>
Total Property and Equipment	<u>1,164,851</u>	<u>1,097,730</u>
<u>OTHER ASSETS</u>		
Investment in joint venture	<u>179,238</u>	<u>205,518</u>
Total Assets	<u>\$2,194,057</u>	<u>\$2,208,115</u>

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 (Continued)  
 JULY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 147,936	\$ 168,694
Accrued expenses	38,316	43,727
Accrued interest payable	243,382	0
Deferred revenue	78,050	56,874
Refundable advances	0	90,146
Long-term debt/Related parties - Current maturities	<u>204,805</u>	<u>409,010</u>
<i>Total Current Liabilities</i>	712,489	768,451
<u>LONG-TERM LIABILITIES</u>		
Long-term debt/Related parties - Net of current maturities	<u>3,272,080</u>	<u>3,265,875</u>
<i>Total Liabilities</i>	3,984,569	4,034,326
<u>NET ASSETS</u>		
Unrestricted (Deficit)	( <u>1,790,512</u> )	( <u>1,826,211</u> )
<i>Total Liabilities and Net Assets</i>	<u>\$2,194,057</u>	<u>\$2,208,115</u>

See accompanying notes to financial statements.



EDUCATIONAL BROADCASTING FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JULY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>REVENUE, GAINS AND OTHER SUPPORT</u>		
Contributions:		
Willwoods Community	\$ 236,200	\$ 494,408
Other	105,874	72,818
Underwriting and membership income	491,025	536,541
Special event income	171,110	176,251
Grants:		
Corporation for Public Broadcasting	328,827	372,413
Federal	73,141	199,312
State	363,890	307,972
Local	45,073	24,927
Other	42,261	4,039
Telecasting, production, royalty and miscellaneous revenue	969,781	704,077
Interest income	<u>16,709</u>	<u>24,455</u>
<i>Total Revenue, Gains and Other Support</i>	<u>2,843,891</u>	<u>2,917,213</u>
<u>EXPENSES AND LOSSES</u>		
Program Services:		
Post-production	699,342	387,860
Programming and production	493,130	513,774
Broadcasting	551,114	517,913
Program information	59,225	47,032
Grants and telecommunications programs	29,816	236,188
Supporting Services:		
Fund-raising and membership development	301,803	312,259
Management and general	<u>670,133</u>	<u>837,404</u>
<i>Total Expenses</i>	2,804,563	2,852,430
Loss on disposition of equipment	3,523	2,660
Unrealized loss on investments	<u>106</u>	<u>0</u>
<i>Total Expenses and Losses</i>	<u>2,808,192</u>	<u>2,855,090</u>
	35,699	62,123
<u>INCREASE IN NET ASSETS</u>		
Net Assets (Deficit) -		
Beginning of year	<u>(1,826,211)</u>	<u>(1,888,334)</u>
End of Year	<u>\$(1,790,512)</u>	<u>\$(1,826,211)</u>

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
 STATEMENTS OF CASH FLOWS  
YEARS ENDED JULY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 35,699	\$ 62,123
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Contributions - Debt forgiveness by Willwoods Community	(132,000)	(396,308)
Depreciation and amortization	290,861	251,009
Loss on disposal of assets	3,523	2,660
Equity in losses of joint venture	44,045	32,558
Net decrease in receivables and prepaid expenses	39,125	374,654
Net increase in accounts payable, accrued expenses, and refundable advances	127,067	106,513
Net increase in deferred revenue	21,176	1,298
Net (increase) in grants receivable	(28,997)	(2,000)
Net (increase) decrease in trade receivable	<u>10,051</u>	<u>(495)</u>
 Net Cash Provided by Operating Activities	 <u>410,550</u>	 <u>432,012</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(361,505)	(199,502)
Advances to joint venture	(17,765)	(28,992)
Purchase of investments	0	(508,935)
Proceeds from sale of investments	100,632	395,000
Net (increase) in amount due from related parties	(53,041)	(4,591)
Loans to employees	<u>(1,748)</u>	<u>0</u>
 Net Cash (Used for) Investing Activities	 <u>(333,427)</u>	 <u>(347,020)</u>

See accompanying notes to financial statements.



EDUCATIONAL BROADCASTING FOUNDATION, INC.  
 STATEMENTS OF CASH FLOWS  
 (Continued)  
YEARS ENDED JULY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on long-term debt - Related parties	\$(66,000)	\$(60,000)
Net Cash (Used for) Financing Activities	<u>(66,000)</u>	<u>(60,000)</u>
Net Increase in Cash and Cash Equivalents	11,123	24,992
Cash and Cash Equivalents -		
Beginning of Year	<u>78,056</u>	<u>53,064</u>
End of Year	<u>\$ 89,179</u>	<u>\$ 78,056</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for -		
Interest	\$ <u>38</u>	\$ <u>64</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>

See accompanying notes to financial statements.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 1999 AND 1998

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

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

The financial statements are presented in accordance with 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 does not consider any of its investments in repurchase agreements or mutual funds to be cash equivalents, regardless of their original maturities. Those short-term investments are stated at cost, which approximates market value. At July 31, 1999 and 1998, short-term investments amounted to \$404,783 and \$505,8960 respectively.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Summary of Significant Accounting Policies (Cont'd)

Investments

The Corporation 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 incurrence 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 benefitted.

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. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. The Corporation wrote off \$8,976 and \$1,175 respectively for the years ended July 31, 1999 and 1998.

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.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Summary of Significant Accounting Policies (Cont'd)

Property and Equipment (Cont'd)

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

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	\$ 90,146
Grant awards received	73,141
Grant expenditures	<u>(163,287)</u>
Refundable advances, end of year	\$ <u>0</u>

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 \$95,701 and \$82,588 at July 31, 1999 and 1998 respectively is included in *Prepaid Expenses - Other* in the financial statements.



EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Summary of Significant Accounting Policies (Cont'd)

Program Underwriting

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

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 carry-forwards, the Corporation did not have to make any provision for income taxes for the years ended July 31, 1999 and 1998.

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Summary of Significant Accounting Policies (Cont'd)

Income Tax (Cont'd)

<u>Year of Expiration</u>	<u>Federal</u>
July 31, 2006	\$ 3,962
2007	\$ 41,307
2008	\$237,379
2009	\$214,369
2010	\$ 14,071
2013	\$ 19,571
2014	\$103,573

C. Short-term Investments

Investments at July 31, 1999 consisted of an investment in the One Group U.S. Securities Money Market Fund, which invests exclusively in obligations issued by the U. S. Treasury, totaling \$404,783. Investments at July 31, 1998 consisted of an investment in the Bank One Corporate Cash Sweep Account 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:

	<u>1999</u>	<u>1998</u>
Bank One Corporation	\$ 491	\$ 465
Whitney Holding Corporation	891	370
Citicorp Corporation	<u>2,138</u>	<u>2,210</u>
	<u>\$3,520</u>	<u>\$3,045</u>

D. Property and Equipment

Property and equipment at July 31, 1999 consists of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Automotive and mobile units	\$ 140,271	\$ 20,861
Broadcasting equipment	2,508,642	2,359,384
Furniture and fixtures	242,111	116,655
Production equipment	2,537,244	1,794,350
Leasehold improvements	<u>38,864</u>	<u>11,031</u>
Total	<u>\$5,467,132</u>	<u>\$4,302,281</u>



EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Property and Equipment (Cont'd)

Property and equipment at July 31, 1998 consists of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
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	<u>9,677</u>	<u>1,627</u>
<i>Total</i>	<u>\$5,339,737</u>	<u>\$4,242,007</u>

Depreciation expense of \$290,861 and \$251,009 is included in program and supporting services for the years ended July 31, 1999 and 1998 respectively. The breakdown of this depreciation by expense category is as follows.

	<u>1999</u>	<u>1998</u>
Program Services:		
Programming, production and post-production Broadcasting	\$204,913 <u>40,486</u>	\$180,489 <u>42,676</u>
	245,399	223,165
Supporting Services:		
Management and general	<u>45,462</u>	<u>27,844</u>
<i>Total Depreciation Expense</i>	<u>\$290,861</u>	<u>\$251,009</u>

E. 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, 1998 and 1997.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Investment in Joint Venture (Cont'd)

	<u>1998</u>	<u>1997</u>
Current assets and total assets	\$1,282,162	\$1,335,446
Less: Current liabilities and total liabilities	<u>0</u>	<u>0</u>
Net assets	<u>\$1,282,162</u>	<u>\$1,335,446</u>
Revenue	\$ 39,890	\$ 28,275
Expenses	<u>173,189</u>	<u>115,513</u>
Net excess (expenses) over revenue	<u>\$(133,299)</u>	<u>\$(87,238)</u>
Corporate interest:		
Share of net expenses over revenue	\$(33,320)	\$(21,809)
Depreciation of Educational Broadcasting Foundation's portion of the joint venture's depreciable assets	<u>(10,725)</u>	<u>(10,749)</u>
Total net excess (expenses) over revenue *	<u>\$(44,045)</u>	<u>\$(32,558)</u>

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

	<u>1998</u>	<u>1997</u>
Equity in net assets (including depreciation)	\$161,473	\$176,526
Advance to joint venture	<u>17,765</u>	<u>28,992</u>
Net advances and equity in joint venture	<u>\$179,238</u>	<u>\$205,518</u>

F. Long-term Debt

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

	<u>1999</u>	<u>1998</u>
1. Promissory Note A	\$3,476,885	\$3,674,885
2. Promissory Note B	<u>0</u>	<u>0</u>
	<u>\$3,476,885</u>	<u>\$3,674,885</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)  
JULY 31, 1999 AND 1998

Long-term Debt (Cont'd)

1. *Promissory Note A.* This unsecured note, which originally was payable to the Archdiocese of New Orleans, was transferred to Willwoods Community in conjunction with the transfer agreement. The note bore no interest until its maturity on July 31, 1998. Upon maturity, the note became 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. For the year ended July 31, 1999, Willwoods Community forgave \$132,000.
  
2. *Promissory Note B.* This unsecured note, which originally was payable to the Archdiocese of New Orleans, was transferred by the Archdiocese to Willwoods Community. The note had a face value of \$4,563,071, including prepaid interest of \$3,563,071. The prepaid interest was 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 Willwoods Community an inability to pay any portion of the installment due, Willwoods Community may have granted forgiveness to the extent of the unpaid amount. For the year ended July 31, 1998, Willwoods Community forgave \$396,308. This note was paid in full or forgiven in total as of July 31, 1998.

Interest expense of \$243,420 and \$356,371 for the years ended July 31, 1999 and 1998 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, 1999 is as follows.

Fiscal year ending July 31,	
2000	\$ 204,805
2001	409,010
2002	409,010
2003	409,010
Thereafter	<u>2,045,050</u>
	<u>\$3,476,885</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

G. Related Party Transactions

As part of a letter agreement dated May 3, 1994 which was consummated on June 15, 1995, Willwoods Community entered into a cooperative endeavor 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.

During the normal course of business, there are invoices for services between funds to Willwoods Community and the Corporation. As of July 31, 1999, the amount owed by Willwoods Community was \$4,120.

During the normal course of business, the Corporation also advances funds to Educare, which is a joint venture between Willwoods Community and another non-profit organization. As of July 31, 1999, the amount owed to the Corporation by the joint venture is \$53,512.

H. 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 and donated facilities, amounted to \$121,000 and \$65,000 respectively for the years ended July 31, 1999 and 1998.

I. Employee Benefits

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

As of January 1, 1999, the Corporation offers a 401(k) pension plan to its employees (Willwoods Community Employee Profit-Sharing and 401(k) Plan). Employees electing to participate in this Plan do not have to contribute any portion of their salary, but may elect to contribute up to a 10% maximum. The Corporation may make a matching discretionary contribution which could match up to 50% of the first 3% of the employee's contribution; and may also make a discretionary profit-sharing contribution.



EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

Employee Benefits (Cont'd)

The Plan administrator is Willwoods Community, and the Plan Trustee is James R. Kelly.

Employer contributions to the plans during the years ended July 31, 1999 and 1998 were \$19,977 and \$25,033 respectively.

J. 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 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.

Effective January 1, 1999 and through the remaining term of the lease, the Corporation rented additional office space for rent of \$3,442 per month. On February 16, 1998, the Corporation entered into an agreement with another lessor as of May 1, 1998 to rent premises to operate telecommunications equipment through April 30, 2001. This lease provides for rent of \$700 per month for three years, with an option to renew for an additional three years.

Total rental expense was \$32,169 for 1999 and \$66,000 for 1998.

The future minimum rental payments due under these leases are as follows:

July 31, 2000	\$46,262
July 31, 2001	\$ 6,300

K. Concentration of Credit Risk

The Corporation maintains its cash balance in one financial institution where balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At July 31, 1999, the Corporation had uninsured cash balances totaling \$3,825. In 1998, the Corporation was within Federally-insured limits to the extent of its cash balances.

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JULY 31, 1999 AND 1998

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.

L. Fund-Raising Expense

Total fund-raising expense for the years ended July 31, 1999 and 1998 was \$18,584 and \$14,392 respectively. These costs are classified as miscellaneous expenses.



SUPPLEMENTARY INFORMATION

EDUCATIONAL BROADCASTING FOUNDATION, INC.  
SCHEDULE OF EXPENSES  
YEAR ENDED JULY 31, 1999  
(With Comparative Totals for Year Ended July 31, 1998)

	Program		
	Post Production	Programming and Production	Broad- casting
Advertising	\$ 11,488	\$ 0	\$ 0
Automotive and travel	3,571	4,261	4,073
Bad debt expense	8,976	0	0
Depreciation	199,582	5,331	40,486
Donated facilities	25,500	0	25,500
Donated services	271	0	0
Dues and subscriptions	1,423	7,028	0
Equipment purchases	0	0	0
Fringe benefits	13,658	16,083	25,088
Insurance	0	0	0
Interest	0	0	0
Maintenance	2,932	2,274	67,779
Meetings, conferences, including travel	29,010	2,168	356
Miscellaneous	8,962	463	0
Office supplies	1,405	1,174	3,619
Payroll taxes	14,048	10,656	18,121
Postage and shipping	3,770	1,434	2,914
Printing	2,435	574	163
Professional services	95,614	83,471	48,835
Program purchases and license fees	0	163,739	0
Rent	44,317	0	3,369
Salaries	202,716	162,693	180,531
Supplies	20,963	6,470	5,070
Tape expense	0	25,142	11,262
Telephone	5,402	169	2,449
Tower	0	0	45,045
Training	3,299	0	250
Utilities	0	0	66,204
<b>Total Expenses</b>	<b><u>\$699,342</u></b>	<b><u>\$493,130</u></b>	<b><u>\$551,114</u></b>

<u>Services</u>		<u>Supporting Services</u>			
<u>Program Information</u>	<u>Grants and Tele-communications Programs</u>	<u>Fund Raising and Membership Development</u>	<u>Management and General</u>	<u>Total 1999</u>	<u>Total 1998</u>
\$ 271	\$ 0	\$ 17,117	\$ 879	\$ 29,755	\$ 32,345
0	0	34	44	11,983	6,096
0	0	0	0	8,976	1,175
0	0	0	45,462	290,861	251,009
0	0	0	0	51,000	0
0	0	34,835	4,247	39,353	51,110
198	0	247	2,635	11,531	5,281
0	0	0	0	0	224,638
3,059	429	6,510	10,158	74,985	74,926
0	0	0	42,612	42,612	39,001
0	0	0	243,420	243,420	356,371
545	0	779	16,297	90,606	90,640
3,070	10	2,728	4,357	41,699	17,627
0	0	18,835	2,800	31,060	30,752
81	0	98	6,652	13,029	14,334
3,517	0	5,152	6,241	57,735	55,669
604	0	9,923	5,931	24,576	23,358
0	0	30,715	1,453	35,340	34,286
1,596	19,814	3,514	59,392	312,236	195,854
0	0	0	0	163,739	179,742
0	0	0	20,542	68,228	70,712
37,775	9,563	169,810	156,288	919,376	886,014
109	0	425	2,610	35,647	29,155
0	0	0	0	36,404	27,354
8,400	0	1,081	37,881	55,382	25,262
0	0	0	0	45,045	34,307
0	0	0	100	3,649	250
0	0	0	132	66,336	95,162
<u>\$59,225</u>	<u>\$29,816</u>	<u>\$301,803</u>	<u>\$670,133</u>	<u>\$2,804,563</u>	<u>\$2,852,430</u>

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

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

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

MEMBERS OF  
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SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

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, 1999, and have issued our report thereon dated September 15, 1999. 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

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

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 solely for the information and use of the Audit Committee, management, and the U.S. Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

*Spilsbury, Hamilton, Legendre & Paciera*

September 15, 1999



## SPILSBURY, HAMILTON, LEGENDRE &amp; PACIERA

KEITH T. HAMILTON, C.P.A.  
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September 15, 1999

Mr. James R. Kelly  
Educational Broadcasting Foundation, Inc.  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Educational Broadcasting Foundation, Inc. for the year ended July 31, 1999, we considered the Corporation's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency, and reducing expenses. This letter does not affect our report dated September 15, 1999 on the financial statements of Educational Broadcasting Foundation, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with the Corporation's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows.

Credit Card Controls

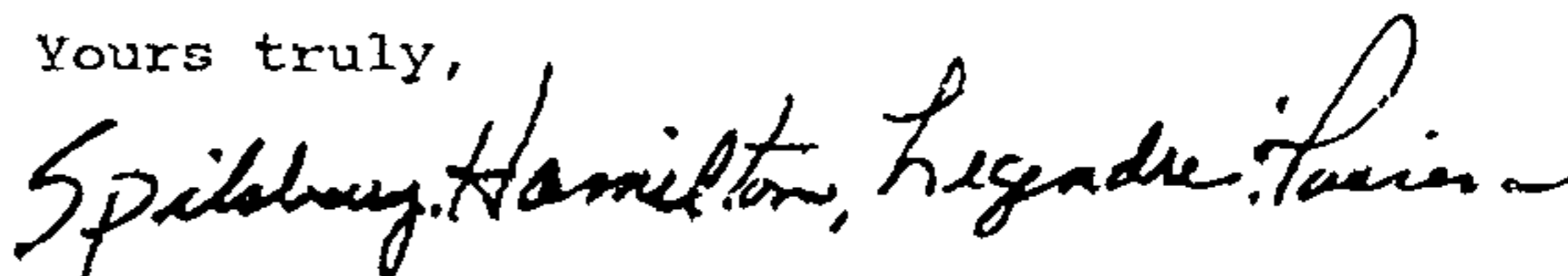
During the audit, it came to our attention that some individuals were charging personal items on the Corporation credit card. Management immediately addressed this issue with the employees of the Corporation with a memo concerning procedures as it relates to corporate credit card usage. We suggest that procedures and policies be formalized and established concerning cash advances and credit card usage. In addition, we could not locate necessary support for items charged to corporate credit cards. In order to comply with applicable documentation requirements, we recommend that all charged expenses be properly supported with the appropriate documentation and that written procedures be instituted to make employees aware of any consequences should they be unable to provide the necessary support.



Educational Broadcasting Foundation, Inc.  
September 15, 1999  
Page 2

We would be happy to assist you in implementing any of the recommendations contained in this letter, and would like to express our appreciation to the management of Educational Broadcasting Foundation, Inc. and their staff for the assistance and cooperation afforded us during our audit.

Yours truly,



SPILSBURY, HAMILTON, LEGENDRE AND PACIERA  
Certified Public Accountants



December 1, 1999

Rene' Gautreau  
Spilsbury, Hamilton, Legendre & Paciera  
Certified Public Accountants  
4731 Canal St.  
New Orleans, La. 70119

Dear Mr. Gautreau,

We have reviewed your management letter concerning credit card controls and cash advances and have created a policy governing their use.

The policy prohibits an employee from charging personal items, even though they have intentions of reimbursing the station. The policy also requires an employee to provide satisfactory supporting documentation for items charged, items paid from cash advances or items paid for by the employee and requesting reimbursement. Employees must reimburse the station for those purchases that do not have satisfactory supporting documentation. We plan to make this policy part of the employee handbook.

If you have any further questions concerning this matter, please advise.

Sincerely,

Patrick L. Marks  
Finance Director