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# *Consolidated Financial Report*

# *Greater New Orleans Educational Television Foundation and Subsidiary*

## *June 30, 2004*

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## Consolidated Financial Report

## Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 2004

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# FINANCIAL SECTION

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, 2004, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the 2003 consolidated financial statements, and in our report dated August 28, 2003, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. 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, 2004, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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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.

In accordance with Government Auditing Standards, we have also issued a report dated September 7, 2004 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
September 7, 2004.

Exhibit A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 2004
(with comparative totals for 2003)

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 5,456,119 | $ 1,616,451 |
| Accounts receivable less allowance for uncollectible accounts | 1,231,587 | 261,365 |
| Unconditional promises to give | 51,076 | 29,500 |
| Capital Campaign (TelePlex) pledges receivable | 995,109 | 1,264,842 |
| Prepaid expenses and deposits | 79,135 | 73,533 |
| Inventory | 16,405 | 11,544 |
| Investments | 2,042,930 | 2,190,172 |
| Property and equipment, net of accumulated depreciation | 3,260,497 | 3,057,222 |
| Total assets | $ 13,132,858 | $ 8,504,629 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 485,045 | $ 161,726 |
| Funds held for others | 1,348,521 | 1,288,717 |
| Notes payable to bank | 2,630,984 | 2,497,823 |
| Unearned revenue | 3,429,408 | - |
| Total liabilities | 7,893,958 | 3,948,266 |
| **Commitments and Contingencies** (Notes 3, 10, and 11) | - | - |
| **Net Assets** | | |
| Unrestricted | 2,020,422 | 2,036,915 |
| Temporarily restricted | 2,270,594 | 1,571,564 |
| Permanently restricted | 947,884 | 947,884 |
| Total net assets | 5,238,900 | 4,556,363 |
| Total liabilities and net assets | $ 13,132,858 | $ 8,504,629 |

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, 2004
(with comparative totals for 2003)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals 2004 | Totals 2003 |
|---|---|---|---|---|---|
| **Support and Revenues** | | | | | |
| Support: | | | | | |
| Contributions | $ 1,867,335 | $ 120,970 | | $ 1,988,305 | $ 1,894,281 |
| Grants from the Corporation for Public Broadcasting | 587,022 | | | 587,022 | 469,522 |
| Broadcasting services for Louisiana Educational Television Authority | 357,734 | | | 357,734 | 272,209 |
| Other grants | 163,956 | 431,560 | | 595,516 | 277,178 |
| Other support | 107,266 | | | 107,266 | 106,588 |
| In-kind support | 247,071 | | | 247,071 | 328,097 |
| Revenues: | | | | | |
| Auction sales, net | 521,053 | | | 521,053 | 523,777 |
| Cookbook sales, net | (1,225) | | | (1,225) | 2,626 |
| Miscellaneous | - | | | - | 57,717 |
| Contract and production services | 2,651,701 | | | 2,651,701 | 2,007,399 |
| Investment income | 109,174 | 215,072 | | 324,246 | 98,928 |
| Total support and revenues | 6,611,087 | 767,602 | | 7,378,689 | 6,038,322 |
| Net assets released from restrictions: | | | | | |
| Expiration of time restrictions | 68,572 | (68,572) | | - | - |
| Total support, revenues, and other support | 6,679,659 | 699,030 | | 7,378,689 | 6,038,322 |
| **Expenses** | | | | | |
| Program services | 4,831,872 | | | 4,831,872 | 4,217,492 |
| Management and general | 851,353 | | | 851,353 | 775,668 |
| Development | 1,012,927 | | | 1,012,927 | 1,018,808 |
| Total expenses | 6,696,152 | | | 6,696,152 | 6,011,968 |
| **Increase (Decrease) in Net Assets** | (16,493) | 699,030 | | 682,537 | 26,354 |
| **Net Assets** | | | | | |
| Beginning of year | 2,036,915 | 1,571,564 | $ 947,884 | 4,556,363 | 4,530,009 |
| End of year | $ 2,020,422 | $ 2,270,594 | $ 947,884 | $ 5,238,900 | $ 4,556,363 |

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, 2004
(with comparative totals for 2003)

| | Program Services | Supporting Services: Management and General | Supporting Services: Development | Total Expenses 2004 | Total Expenses 2003 |
|---|---|---|---|---|---|
| Advertising | $ 30,167 | $ 4,097 | $ | $ 34,264 | $ 39,691 |
| Bad debt expense | | | 23,925 | 23,925 | - |
| Board of trustees' expenses | | 134 | | 134 | 319 |
| Building and grounds maintenance | | 35,790 | | 35,790 | 46,199 |
| Building rental | | 49,401 | | 49,401 | 49,401 |
| CPB Teleplex Expenses | | | | - | 16,959 |
| Direct mail solicitation | | | 64,274 | 64,274 | 66,149 |
| Donated goods and services | | 10,690 | | 10,690 | 32,752 |
| Employee travel and other personnel costs | 121,402 | 18,858 | 13,914 | 154,174 | 127,672 |
| Equipment rental and maintenance cost | 550,205 | 10,615 | 16,031 | 576,851 | 638,022 |
| Insurance | 192,353 | 18,096 | 6,802 | 217,251 | 175,975 |
| Interest | | 146,988 | | 146,998 | 82,919 |
| Membership premiums | | | 116,781 | 116,781 | 103,529 |
| Office supplies | 15,849 | 16,664 | 18,895 | 51,408 | 39,484 |
| Other expenses | 45,857 | 28,321 | 45,118 | 119,296 | 90,362 |
| Postage and shipping | 23,812 | 8,656 | 67,653 | 100,121 | 80,961 |
| Printing | 54,010 | 50 | 60,353 | 114,413 | 96,972 |
| Production costs | 90,629 | | 11,750 | 102,379 | 81,510 |
| Professional services | 130,135 | 44,246 | 68,954 | 243,335 | 204,262 |
| Program rental fees | 563,982 | | | 563,982 | 501,743 |
| Salaries, payroll taxes and employee benefits | 2,106,664 | 433,564 | 444,335 | - 2,984,563 | - 2,629,867 |
| Station dues | 123,840 | | | 123,840 | 102,135 |
| Taxes | 726 | | | 726 | 1,512 |
| Telephone | 41,061 | 9,145 | 38,104 | 88,310 | 82,129 |
| Tower rental | 120,000 | | | 120,000 | 120,000 |
| Utilities | 117,011 | | | 117,011 | 129,198 |
| | 4,327,703 | 835,315 | 996,889 | 6,159,907 | 5,539,722 |
| Depreciation and amortization | 504,169 | 16,038 | 16,038 | 536,245 | 472,246 |
| Total functional expenses | $ 4,831,872 | $ 851,353 | $ 1,012,927 | $ 6,696,152 | $ 6,011,968 |

See notes to consolidated financial statements.

Exhibit D

# CONSOLIDATED STATEMENT OF CASH FLOWS

## Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 2004
(with comparative totals for 2003)

| | 2004 | 2003 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Increase in net assets | $ 682,537 | $ 26,354 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 536,245 | 472,246 |
| Provision for recoveries on receivables | 637 | (60,670) |
| Realized and unrealized gains on investments | (265,167) | (36,991) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable and unconditional promises to give | (992,435) | 56,120 |
| Capital campaign receivables | 269,733 | 270,902 |
| Prepaid expenses and deposits | (5,602) | 12,167 |
| Inventory | (4,861) | (5,942) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 323,319 | (124,765) |
| Funds held for others | 59,804 | 115,936 |
| Unearned revenue | 3,429,408 | - |
| Net cash provided by operating activities | 4,033,618 | 725,357 |
| **Cash Flows From Investing Activities** | | |
| Proceeds from sales and maturities of investments | 773,242 | 234,272 |
| Purchases of investments | (360,833) | (95,997) |
| Purchases of property and equipment | (739,520) | (1,360,568) |
| Net cash used in investing activities | (327,111) | (1,222,293) |
| **Cash Flows From Financing Activities** | | |
| New borrowings | 750,000 | 2,329,000 |
| Payments on notes payable | (616,839) | (1,149,475) |
| Net cash provided by financing activities | 133,161 | 1,179,525 |
| Net increase in cash and cash equivalents | 3,839,668 | 682,589 |
| **Cash and Cash Equivalents** | | |
| Beginning of year | 1,616,451 | 933,862 |
| End of year | $ 5,456,119 | $ 1,616,451 |

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 2004

## 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 Subsidiary 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 accounting principles generally accepted in the United States of America 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, 2004, 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 periods 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 $36,147 and $35,510 at June 30, 2004 and 2003, respectively.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i. Allowance for Uncollectible Accounts (Continued)

The Foundation provides for estimated pledges receivable (unconditional promises to give) based on management's analysis of specific promises made. The balance of the allowance for uncollectible Capital Campaign pledges receivable is $25,000 as of June 30, 2004. No allowance was deemed necessary at June 30, 2003.

### 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 for 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.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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. Emmis Televisions Broadcasting, L.P. acquired the transmitter facilities and assumed the rights and obligations of the original exchange agreement. 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 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. On November 30, 2003, the existing agreement was terminated by a new agreement under which the Foundation was paid a buyout payment of $3,500,000 (described in Note 2(m)) and a new transmitter tower, owned by the Foundation, was constructed. The Foundation will continue to receive the substantially free lease on the transmittal facilities, which is $1 per year for twenty years through November 30, 2023 (as described in Note 10). The lessor is no longer responsible for any direct operating costs. The prior agreement for the lease of the transmitter facilities was through January 31, 2069.

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 $544,745 includes all proceeds received from auction sales and cash contributions received by the Foundation for support of the auctions. Cost of merchandise sold of $23,692 includes the cost of items purchased by the Foundation. Net auction revenue of $521,053 is reported on the consolidated statement of activities.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### m. Deferred Revenue - Transmitter

The Foundation received $3,500,000 under the new agreement with Emmis Televisions Broadcasting, L.P. for the exchange of operating frequencies with WVUE which covers a twenty year period. This amount is being amortized on a straight line basis over the life of the agreement, which makes the Foundation responsible for the payment of the operating expenses of the transmittal facilities.

### n. Program Rental Fees

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

### o. Unemployment Benefits

In lieu of unemployment 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.

### p. 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.

### q. 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 at Fidelity Investments which are reported as investments (Note 7).

## Note 3 - CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Foundation maintains cash balances at several local financial institutions. At June 30, 2004, cash deposits in excess of Federal Deposit Insurance Corporation limits totaled $5,101,052.

## Note 4 - 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 (1983) and the Capital Campaign (TelePlex) are restricted for the acquisition of property and equipment. 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 funded 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 assets acquired with grant funds. The restrictions apply during a ten-year period beginning on the date of the grant. All of these restricted periods have expired.

Temporarily restricted net assets at June 30, 2004 and 2003 are available for the following purposes or periods:

| | 2004 | 2003 |
|---|---|---|
| Capital Campaign (TelePlex) | $1,348,521 | $1,288,717 |
| CPB TelePlex grant | 15,641 | 21,555 |
| Capital Campaign (1983) contributions to be used for property and equipment acquisitions | 108,971 | 108,971 |
| Department of Commerce Teleplex Grant - equipment to be acquired with grant funds which stipulate a ten-year period of use | 538,723 | 107,163 |
| Realized and unrealized gains on endowment fund | 207,662 | 15,658 |
| Contributions due for subsequent periods | 51,076 | 29,500 |
| Totals | $2,270,594 | $1,571,564 |

## Note 4 - RESTRICTIONS ON ASSETS (Continued)

Permanently restricted net assets are endowment principal of $947,884 which includes cash and investments. 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 unrestricted net assets.

## Note 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give of $51,076 consist of amounts due from membership drives and program underwriting and is restricted for subsequent periods. All amounts are due within one year.

## Note 6 - CAPITAL CAMPAIGN (TELEPLEX) PLEDGES RECEIVABLE/ FUNDS HELD FOR OTHERS

During the year ended June 30, 2002, WYES-TV entered into a Capital Campaign with WLAE-TV. The purpose of the campaign is to raise funds to purchase digital broadcasting equipment and to furnish a digital broadcasting center (the Teleplex) on the lakefront campus of the University of New Orleans. The stations are committed to raise $4 million. Additional funding will come from the State of Louisiana and the Federal Government. WYES-TV is responsible for raising funds from the local community and WLAE-TV is responsible for governmental funding. (WYES's 50% share is shown under the Department of Commerce Teleplex Grant as temporarily restricted net assets in Note 4.)

As of June 30, 2004, the stations have raised pledges of $2,669,832. Donor payments of $1,618,432 have been received.

| | |
|---|---|
| Pledges received | $2,669,832 |
| Less discount | (31,291) |
| Less allowance for uncollectible Capital Campaign promises to give | (25,000) |
| Pledge revenue | 2,613,541 |
| Less cash received | (1,618,432) |
| Pledges receivable at June 30, 2004 | $ 995,109 |

## Note 6 - CAPITAL CAMPAIGN (TELEPLEX) PLEDGES RECEIVABLE/ FUNDS HELD FOR OTHERS (Continued)

The expectation is that the equipment purchased will be owned jointly with WLAE-TV, with each owning fifty percent. Pledges to the Capital Campaign and interest earned on invested funds are allocated fifty percent to the Foundation and reported as support and revenue and fifty percent as funds held for others (WLAE-TV), a liability. At June 30, 2004, funds held for WLAE-TV was $1,348,521.

## Note 7 - INVESTMENTS

Investments include amounts held in investment accounts at Charles Schwab & Co. and at Fidelity Investments, Inc. Details of investments are as follows:

| Investments By Type | June 30, 2004 Cost | June 30, 2004 Market Value |
|---|---|---|
| Mutual funds | $1,606,236 | $1,582,429 |
| Corporate bonds | 203,388 | 231,552 |
| Money market funds | 228,949 | 228,949 |
| Total investments | $2,038,573 | $2,042,930 |

| Investments By Type | June 30, 2003 Cost | June 30, 2003 Market Value |
|---|---|---|
| Mutual funds | $2,104,604 | $1,596,229 |
| Corporate bonds | 511,954 | 563,501 |
| Money market funds | 30,442 | 30,442 |
| Total investments | $2,647,000 | $2,190,172 |

**Note 7 - INVESTMENTS (Continued)**

The market values and costs of investments held at June 30, 2004 and 2003 are as follows:

| | Cost | Market Value | Market Value Over (Under) Cost |
|---|---|---|---|
| Balances at June 30, 2004 | $2,038,573 | $2,042,930 | $ 4,357 |
| Balances at June 30, 2003 | $2,647,000 | $2,190,172 | (456,828) |
| Unrealized gain for the year | | | $ 461,185 |

Investment return for the year ended June 30, 2004 is summarized as follows:

| | |
|---|---|
| Interest and dividend income | $ 64,109 |
| Unrealized gain for the year | 461,185 |
| Realized loss, net | (196,018) |
| Custodian fees | (5,030) |
| Net investment income | $ 324,246 |

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. Such gains are reported as increases in unrestricted net assets. Losses reduce temporarily restricted net assets.

## Note 8 - PROPERTY AND EQUIPMENT

At June 30, 2004 and 2003, the cost of property and equipment and accumulated depreciation were as follows:

| | 2004 | 2003 |
|---|---|---|
| Remote production equipment | $5,179,424 | $4,589,050 |
| Equipment | 5,255,371 | 5,115,999 |
| Leasehold improvements | 733,086 | 733,086 |
| Office equipment | 677,869 | 668,095 |
| | 11,845,750 | 11,106,230 |
| Less accumulated depreciation | (8,585,253) | (8,049,008) |
| Net property and equipment | $ 3,260,497 | $ 3,057,222 |

Depreciation expense was $536,245 and $472,246 for the years ended June 30, 2004 and 2003, respectively.

## Note 9 - NOTES PAYABLE TO BANK

The Foundation is obligated on a note payable to Whitney National Bank with a balance of $1,980,984 at June 30, 2004. The note is due in sixty equal monthly installments of principal and interest of $46,179 through July 2008. The note bears interest at 5.75% and is secured by mobile unit equipment which was purchased with the proceeds.

The Foundation is obligated to Whitney National Bank under two lines of credit agreements with outstanding balances totaling $650,000 as of June 30, 2004. Interest is payable monthly under the two lines at 4.5% and 4.25%, respectively. The two notes are due on demand but must be repaid by August 2004 and June 2009, respectively.

## Note 9 - NOTES PAYABLE TO BANK (Continued)

Future principal payments to be made on this note is as follows:

| Year Ending June 30, | Amounts |
|---|---|
| 2005 | $1,103,122 |
| 2006 | 479,875 |
| 2007 | 508,206 |
| 2008 | 539,781 |
| Total | $2,630,984 |

## Note 10 - 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 are leased through November 30, 2023, at $1 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 values of direct operating costs of $66,981 are also recorded based on actual costs incurred as reported by the lessor during the five month period ended November 30, 2003, the date that the prior exchange agreement was terminated as described in Note 2(b).

The Foundation recorded the value of certain in-kind goods and services received of $10,690 and $32,752 for the years ended June 30, 2004 and 2003, respectively.

Exhibit E
(Continued)

**Note 10 - IN-KIND SUPPORT - RENTAL VALUE OF LEASED FACILITIES AND OTHER (Continued)**

The fair rental values of the above described properties have been recorded as support and expenses in the years ended June 30, 2004 and 2003, respectively, as follows:

| | 2004 | 2003 |
|---|---|---|
| Support | | |
| Studio and office building in-kind rent | $ 49,400 | $ 49,401 |
| Transmitter in-kind rent: | | |
| Tower and facility | 120,000 | 120,000 |
| Direct operating costs | 66,981 | 125,944 |
| Other goods and services | 10,690 | 32,752 |
| Total in-kind support | $247,071 | $328,097 |

| | 2004 | 2003 |
|---|---|---|
| Expenses | | |
| Tower rental | $120,000 | $120,000 |
| Building rental | 49,400 | 49,401 |
| Donated goods and services | 10,690 | 32,752 |
| Utilities | 31,856 | 63,712 |
| Equipment rental and maintenance cost | 27,106 | 54,214 |
| Insurance | 8,019 | 8,018 |
| Total expenses | $247,071 | $328,097 |

Numerous volunteers have donated significant amounts of time to the Foundation's fund-raising campaigns and programs. 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.

## 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, 2004, at a minimum cost of $500,000. Approximately $183,000 has been expended for permanent improvements through June 30, 2004. No additional contracts or commitments for construction or additional improvements have been entered into as of June 30, 2004. The Foundation has a verbal agreement to not enforce the required completion date as long as the broadcast studio is located within the City of New Orleans.

## 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 profits 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 (described in Note 13). 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, 2004, the Foundation reported a profit from its unrelated business income activities of $147,649, which was offset by prior net operating losses carried forward. Accordingly, no income tax expense was recorded for the year.

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, | |
|---|---|
| 2013 | $106,428 |
| 2019 | 216,796 |
| 2020 | 118,486 |
| 2021 | 103,389 |
| 2022 | 36,189 |
| Total | $581,288 |

## Note 13 - SUBSIDIARY NET OPERATING LOSSES

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

Yescom's operations resulted in net income of $49,782 after deduction of expenses for the year ended at June 30, 2004. The Federal and Louisiana net operating loss carryforward of $14,837 at June 30, 2003 was used to reduce the current year taxable income, resulting in an approximate income tax expense of $5,000 for the year.

## Note 14 - BROADCAST HOURS

Broadcast hours of the television station were 8,760 (unaudited) for the year ended June 30, 2004.

## Note 15 - RETIREMENT PLAN

The Foundation has a retirement program whereby its employees 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, 2004, thirty-one employees were participating in the program. Retirement expenses under this plan amounted to $74,740 and $64,586 for the years ended June 30, 2004 and 2003, respectively.

## Note 16 - CASH FLOWS INFORMATION

Cash payments of interest during the years ended June 30, 2004 and 2003 were $146,988 and $82,919, respectively.

# SUPPLEMENTAL INFORMATION

Schedule 1

# CONSOLIDATING STATEMENT OF FINANCIAL POSITION

## Greater New Orleans Educational Television Foundation and Subsidiary

June 30, 2004

| | Foundation | Yescom | Eliminations | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 5,437,503 | $ 18,616 | | $ 5,456,119 |
| Accounts receivable less allowance for uncollectible accounts | 807,809 | 423,778 | | 1,231,587 |
| Unconditional promises to give | 51,076 | | | 51,076 |
| Capital Campaign pledges receivable | 995,109 | | | 995,109 |
| Prepaid expenses and deposits | 79,135 | | | 79,135 |
| Inventory | 16,405 | | | 16,405 |
| Investments | 2,042,930 | | | 2,042,930 |
| Property and equipment, net of accumulated depreciation | 3,260,497 | | | 3,260,497 |
| Investment in Yescom (subsidiary) | 10,000 | | $ (10,000) | - |
| Due from subsidiary | 362,801 | | (362,801) | - |
| Total assets | $ 13,063,265 | $ 442,394 | $ (372,801) | $ 13,132,858 |
| **Liabilities** | | | | |
| Accounts payable and accrued expenses | $ 382,090 | $ 102,955 | | $ 485,045 |
| Fund held for others | 1,348,521 | | | 1,348,521 |
| Notes payable | 2,630,984 | | | 2,630,984 |
| Deferred revenue - transmitter | 3,429,408 | | | 3,429,408 |
| Due to parent | | 362,801 | $ (362,801) | - |
| Total liabilities | 7,791,003 | 465,756 | (362,801) | 7,893,958 |
| **Net Assets and Capital Deficiency** | | | | |
| Common stock | | 10,000 | (10,000) | - |
| Net assets (deficit): | | | | |
| Unrestricted and accumulated deficit | 2,053,784 | (33,362) | | 2,020,422 |
| Temporarily restricted | 2,270,594 | | | 2,270,594 |
| Permanently restricted | 947,884 | | | 947,884 |
| Total net assets and capital deficiency | 5,272,262 | (23,362) | (10,000) | 5,238,900 |
| Total liabilities, net assets and capital deficiency | $ 13,063,265 | $ 442,394 | $ (372,801) | $ 13,132,858 |

Schedule 2

# CONSOLIDATING STATEMENT OF ACTIVITIES

## Greater New Orleans Educational Television Foundation and Subsidiary

For the year ended June 30, 2004

| | Foundation | Yescom | Eliminations | Totals |
|---|---|---|---|---|
| **Changes in Unrestricted Net Assets** | | | | |
| Support and revenues: | | | | |
| Support: | | | | |
| Contributions | $ 1,867,335 | | | $ 1,867,335 |
| Grants from the Corporation for Public Broadcasting | 587,022 | | | 587,022 |
| Broadcasting services for Louisiana Educational Television Authority | 357,734 | | | 357,734 |
| Other grants | 163,956 | | | 163,956 |
| Other support | 107,266 | | | 107,266 |
| In-kind support | 247,071 | | | 247,071 |
| Revenues: | | | | |
| Auction sales, net | 521,053 | | | 521,053 |
| Cookbook sales, net loss | (1,225) | | | (1,225) |
| Contract and production services | 625,723 | $ 2,605,978 | $ (580,000) | 2,651,701 |
| Investment income | 109,174 | | | 109,174 |
| Total unrestricted support and revenues | 4,585,109 | 2,605,978 | (580,000) | 6,611,087 |
| Net assets released from restrictions: | | | | |
| Expiration of time restrictions | 68,572 | | | 68,572 |
| Total unrestricted support, revenues, and other support | 4,653,681 | 2,605,978 | (580,000) | 6,679,659 |
| Expenses: | | | | |
| Program services | 2,952,090 | 2,459,782 | (580,000) | 4,831,872 |
| Management and general | 754,939 | 96,414 | | 851,353 |
| Development | 1,012,927 | | | 1,012,927 |
| Total expenses | 4,719,956 | 2,556,196 | (580,000) | 6,696,152 |
| Increase (decrease) in unrestricted net assets | (66,275) | 49,782 | $ - | (16,493) |

**Schedule 2**
**(Continued)**

| | Foundation | Yescom | Eliminations | Totals |
|---|---|---|---|---|
| **Changes in Temporarily Restricted Net Assets** | | | | |
| Support: | | | | |
| Contributions | 51,076 | | | 51,076 |
| Capital campaign pledges | 69,894 | | | 69,894 |
| Teleplex - government grant | 431,560 | | | 431,560 |
| Endowment gains on investments | 207,662 | | | 207,662 |
| Interest on capital campaign pledges | 7,410 | | | 7,410 |
| Total support | 767,602 | | | 767,602 |
| Net assets released from restrictions | (68,572) | | | (68,572) |
| Increase in temporarily restricted net assets | 699,030 | | | 699,030 |
| **Changes in Permanently Restricted Net Assets** | - | | | - |
| **Increase (Decrease) in Net Assets** | 632,755 | 49,782 | | 682,537 |
| **Net Assets (Deficit)** | | | | |
| Beginning of year | 4,639,507 | (83,144) | | 4,556,363 |
| End of year | $ 5,272,262 | $ (33,362) | | $ 5,238,900 |

## CONSOLIDATED SCHEDULE OF SUPPORT AND REVENUES

**Greater New Orleans Educational Television Foundation and Subsidiary**

For the year ended June 30, 2004

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals |
|---|---|---|---|---|
| **Support and Revenues** | | | | |
| Support: | | | | |
| Contributions: | | | | |
| Membership and general | $ 1,142,425 | $ | $ | $ 1,142,425 |
| Capital campaign | | 69,894 | | 69,894 |
| Major gifts | 189,192 | | | 189,192 |
| Program underwriting | 227,872 | 51,076 | | 278,948 |
| National production underwriting | 173,750 | | | 173,750 |
| Support from commercial station | 134,096 | | | 134,096 |
| Total contributions | 1,867,335 | 120,970 | - | 1,988,305 |
| Grants from the Corporation for Public Broadcasting | 587,022 | | | 587,022 |
| Broadcasting services for Louisiana Educational Television Authority | 357,734 | | | 357,734 |
| Other grants: | | | | |
| Grants - foundations and agencies | 146,943 | | | 146,943 |
| Teleplex - government grant | | 431,560 | | 431,560 |
| Training grants | 17,013 | | | 17,013 |
| Total other grants | 163,956 | 431,560 | | 595,516 |
| Other support: | | | | |
| Special events | 72,896 | | | 72,896 |
| Miscellaneous | 34,370 | | | 34,370 |
| Total other support | 107,266 | | | 107,266 |
| In-kind support: | | | | |
| Rent: | | | | |
| Transmitter | 186,981 | | | 186,981 |
| Land | 49,400 | | | 49,400 |
| Goods and services | 10,690 | | | 10,690 |
| Total in-kind support | 247,071 | | | 247,071 |
| Total support | 3,330,384 | 552,530 | - | 3,882,914 |

Schedule 3
(Continued)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals |
|---|---|---|---|---|
| **Support and Revenues** | | | | |
| Total support (carried forward) | 3,330,384 | 552,530 | - | 3,882,914 |
| Revenues: | | | | |
| Auction sales, net | 521,053 | | | 521,053 |
| Cookbook sales, net | (1,225) | | | (1,225) |
| Contract and production services: | | | | |
| Production services | 172,873 | | | 172,873 |
| Contract services | 2,433,105 | | | 2,433,105 |
| Tower rental | 45,723 | | | 45,723 |
| Total contract and production services | 2,651,701 | | | 2,651,701 |
| Investment income (loss) | | | | |
| Interest income, net of custodian fees | 51,669 | 7,410 | | 59,079 |
| Net unrealized gains on investments | 253,523 | 207,662 | | 461,185 |
| Net realized losses on investments | (196,018) | | | (196,018) |
| Total investment income (loss) | 109,174 | 215,072 | | 324,246 |
| Total revenues | 3,280,703 | 215,072 | | 3,495,775 |
| *Total support and revenues* | $ 6,611,087 | $ 767,602 | $ - | $ 7,378,689 |

# SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Bourgeois Bennett

# 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 and Subsidiary as of and for the year ended June 30, 2004, and have issued our report thereon dated September 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether Greater New Orleans Educational Television 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 Television 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



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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 Board of Trustees, management and the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
September 7, 2004.

# SCHEDULE OF FINDINGS

## Greater New Orleans Educational Television Foundation

For the year ended June 30, 2004

### 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

Greater New Orleans Educational Television Foundation did not receive federal awards during the year ended June 30, 2004.

### Section II - Financial Statement Findings

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2004.

### 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, 2004

### Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2003.
No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2003.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2003.

### Section II -Internal Control and Compliance Material To Federal Awards

*Greater New Orleans Education Television Foundation did not receive federal awards during* the year ended June 30, 2003.

### Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2003.

# MANAGEMENT'S CORRECTIVE ACTION PLAN

## Greater New Orleans Educational Television Foundation

For the year ended June 30, 2004

### Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2004.
No reportable conditions were reported during the audit of the financial statements or the year ended June 30, 2004.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2004.

### Section II - Internal Control and Compliance Material To Federal Awards

Greater New Orleans Educational Television Foundation did not receive federal awards during the year ended June 30, 2004.

### Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2004.