

EDUCATIONAL BROADCASTING FOUNDATION, INC.

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

Year Ended July 31, 2022

EDUCATIONAL BROADCASTING FOUNDATION, INC.

Year Ended July 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

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RENE G. GAUTREAU, C.P.A.
(1958-2019)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Educational Broadcasting Foundation, Inc. (the "Corporation") (non-profit corporation), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of July 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Educational Broadcasting Foundation, Inc.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Board of Trustees
Educational Broadcasting Foundation, Inc.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer with Public Funds is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer with Public Funds is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Corporation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and

Board of Trustees
Educational Broadcasting Foundation, Inc.

not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Paciera, Gautreau & Priest, LLC

Metairie, Louisiana
October 12, 2022

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2022
(With Summarized Financial Information
at July 31, 2021)

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$1,156,414	\$1,039,877
Accounts receivable, net	55,720	68,295
Promises to give, net	42,078	87,116
Prepaid expenses	41,779	52,914
Inventory	<u>1,860</u>	<u>1,884</u>
<i>Total Current Assets</i>	<u>1,297,851</u>	<u>1,250,086</u>
<u>PROPERTY AND EQUIPMENT</u>		
Automotive and mobile units	57,270	57,270
Broadcasting equipment	2,308,606	2,065,429
Furniture and fixtures	9,843	7,228
Production equipment	361,826	361,826
Tools and other equipment	<u>131,397</u>	<u>131,397</u>
<i>Total Property and Equipment</i>	2,868,942	2,623,150
Less: Accumulated depreciation	<u>1,679,543</u>	<u>1,529,147</u>
<i>Net Property and Equipment</i>	<u>1,189,399</u>	<u>1,094,003</u>
<u>OTHER ASSETS</u>		
Investment in joint venture	121,417	135,083
Due from related affiliate	<u>0</u>	<u>182,896</u>
<i>Total Other Assets</i>	<u>121,417</u>	<u>317,979</u>
<i>Total Assets</i>	<u>\$2,608,667</u>	<u>\$2,662,068</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
(Continued)
JULY 31, 2022
(With Summarized Financial Information
at July 31, 2021)

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 72,021	\$ 64,095
Accrued expenses	39,037	34,495
Other liabilities	<u>0</u>	<u>141,767</u>
<i>Total Current Liabilities</i>	<u>111,058</u>	<u>240,357</u>
<u>LONG-TERM LIABILITIES</u>		
Long-term debt	<u>2,798,939</u>	<u>2,981,836</u>
<i>Total Long-Term Liabilities</i>	<u>2,798,939</u>	<u>2,981,836</u>
<i>Total Liabilities</i>	<u>2,909,997</u>	<u>3,222,193</u>
<u>NET ASSETS</u>		
Without donor restrictions	(577,701)	(657,946)
With donor restrictions	<u>276,371</u>	<u>97,821</u>
<i>Total Net Assets (Deficit)</i>	<u>(301,330)</u>	<u>(560,125)</u>
<i>Total Liabilities and Net Assets</i>	<u>\$2,608,667</u>	<u>\$2,662,068</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2022
(With Summarized Financial Information
for the Year Ended July 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
<u>OPERATING REVENUES, GAINS (LOSSES), AND</u>		
<u>OTHER SUPPORT</u>		
Contributions:		
Willwoods Community	\$ 319,988	\$ 0
Other	39,141	0
Underwriting contributions	110,699	285,050
Special event income	84,446	0
Grants:		
Corporation for Public Broadcasting	633,992	0
Paycheck Protection Program	141,767	0
State of Louisiana	250,000	0
Creative services income	218,526	0
Miscellaneous income	26,331	0
Investment return, net	4,740	0
(Loss) from joint venture	(33,575)	0
In-kind contributions	119,438	0
Net assets released from restrictions	<u>106,500</u>	<u>(106,500)</u>
<i>Total Operating Revenues, Gains (Losses), and Other Support</i>	<u>2,021,993</u>	<u>178,550</u>
<u>OPERATING EXPENSES</u>		
Program Services:		
Creative services	272,855	0
Programming and production	693,414	0
Broadcasting	511,710	0
Supporting Services:		
Fund-raising and development	83,369	0
Management and general	<u>444,885</u>	<u>0</u>
<i>Total Operating Expenses</i>	<u>2,006,233</u>	<u>0</u>
Change in Net Assets from Operations	15,760	178,550
<u>UNUSUAL ITEM</u>		
Repack reimbursements	<u>64,485</u>	<u>0</u>
<u>CHANGE IN NET ASSETS</u>	80,245	178,550
Net Assets (Deficit) -		
Beginning of year	<u>(657,946)</u>	<u>97,821</u>
End of year	\$ <u>(577,701)</u>	\$ <u>276,371</u>

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

<u>Total</u> <u>2022</u>	<u>Total</u> <u>2021</u>
\$ 319,988	\$ 232,448
39,141	62,474
395,749	121,098
84,446	115,195
633,992	814,935
141,767	141,767
250,000	250,000
218,526	290,755
26,331	35,237
4,740	1,395
(33,575)	(34,896)
119,438	92,788
<u>0</u>	<u>0</u>
<u>2,200,543</u>	<u>2,123,196</u>
272,855	252,326
693,414	540,141
511,710	473,970
83,369	84,075
<u>444,885</u>	<u>319,927</u>
<u>2,006,233</u>	<u>1,670,439</u>
194,310	452,757
<u>64,485</u>	<u>38,532</u>
258,795	491,289
<u>(560,125)</u>	<u>(1,051,414)</u>
\$ <u>(301,330)</u>	\$ <u>(560,125)</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2022
(With Summarized Financial Information for the Year Ended July 31, 2021)

	<u>Program Services</u>		
	<u>Creative Services</u>	<u>Programming and Production</u>	<u>Broadcasting</u>
Advertising	\$ 0	\$ 98,070	\$ 0
Automotive and travel	1,987	2,693	1,899
Bad debt expense	3,900	12,800	0
Depreciation	0	6,658	150,384
Dues and subscriptions	382	422	0
Fringe benefits	23,235	40,646	25,497
Gifts and donations	0	0	0
Insurance	3,766	7,382	22,439
Interest	0	0	0
Maintenance	1,667	4,744	58,061
Miscellaneous	183	1,588	0
Office supplies	1,647	7,090	1,595
Payroll taxes	7,270	17,320	9,065
Postage and shipping	9	443	493
Professional development	22,613	8,011	0
Professional services	106,207	178,983	10,403
Program purchases and license fees	0	25,206	31,276
Rent	3,610	10,231	11,376
Salaries and commissions	90,215	242,023	124,499
Supplies	1,786	18,284	5,363
Taxes	430	0	0
Telephone	3,948	10,820	7,858
Tower depreciation	0	0	7,986
Utilities	0	0	43,516
<i>Total Expenses</i>	<u>\$272,855</u>	<u>\$693,414</u>	<u>\$511,710</u>

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

Supporting Services

<u>Fund-raising and Development</u>	<u>Management and General</u>	<u>Total 2022</u>	<u>Total 2021</u>
\$ 5,709	\$ 950	\$ 104,729	\$ 81,546
10	1,881	8,470	5,413
0	0	16,700	7,000
0	174	157,216	175,563
0	585	1,389	307
7,322	14,313	111,013	59,398
0	5,078	5,078	2,551
527	7,950	42,064	45,082
0	243,788	243,788	157,563
735	3,046	68,253	56,289
0	7,450	9,221	4,640
426	739	11,497	9,499
3,185	4,232	41,072	37,114
411	459	1,815	1,721
185	5,391	36,200	10,318
14,728	83,595	393,916	351,150
0	95	56,577	62,428
2,295	3,763	31,275	29,569
43,690	58,116	558,543	480,319
1,829	0	27,262	15,448
0	0	430	0
2,317	3,280	28,223	29,045
0	0	7,986	8,498
<u>0</u>	<u>0</u>	<u>43,516</u>	<u>39,978</u>
<u>\$83,369</u>	<u>\$444,885</u>	<u>\$2,006,233</u>	<u>\$1,670,439</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2022
(With Summarized Financial Information
for the Year Ended July 31, 2021)

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 258,795	\$ 491,289
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	157,216	175,563
Tower depreciation	7,986	8,498
Loss from joint venture	33,575	34,896
Repack Reimbursements	(64,485)	(38,532)
Net (increase) decrease in accounts receivables, promises to give, prepaid expenses, and deposits	68,747	(103,431)
Net decrease in inventory	24	225
Net increase (decrease) in accounts payable and accrued expenses	9,853	(19,023)
Net (decrease) in other liabilities	<u>(141,767)</u>	<u>(25,631)</u>
Net Cash Provided by Operating Activities	<u>329,944</u>	<u>523,854</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(249,997)	(27,695)
Advances to joint venture	<u>(27,895)</u>	<u>(27,895)</u>
Net Cash (Used for) Investing Activities	<u>(277,892)</u>	<u>(55,590)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on loan payables	0	(34,952)
Repack Reimbursements	<u>64,485</u>	<u>38,532</u>
Net Cash Provided by Financing Activities	<u>64,485</u>	<u>3,580</u>
Net Increase in Cash and Cash Equivalents	116,537	471,844
Cash and Cash Equivalents -		
Beginning of Year	<u>1,039,877</u>	<u>568,033</u>
End of Year	<u>\$1,156,414</u>	<u>\$1,039,877</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JULY 31, 2022
(With Summarized Financial Information
for the Year Ended July 31, 2021)

	<u>2022</u>	<u>2021</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for -		
Interest	\$ <u>0</u>	\$ <u>1,315</u>
Income taxes	\$ <u>430</u>	\$ <u>0</u>
Noncash Investing and Financing Transactions		
Assets acquired with liabilities	\$ <u>2,615</u>	\$ <u>0</u>
Loan payable offset with amount due from related party	\$ <u>182,897</u>	\$ <u>0</u>

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

A. General Information

Organization

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

B. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended July 31, 2021, from which the summarized information was derived.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Summary of Significant Accounting Policies (Cont'd)

Estimates

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

Cash and Cash Equivalents

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

The Corporation had no restricted cash at July 31, 2022.

Accounts Receivable and Contract Balance

The opening and closing balances of receivables from contracts with customers and contract assets and contract liabilities are as follows:

	<u>Beginning of Year</u>	<u>End of Year</u>
Receivables from contracts with customers net	\$68,295	\$55,720
Contract assets	0	0
Contract liabilities	0	0

Allowance for Doubtful Accounts

Accounts receivable and Promises to Give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or Promises to Give. Net receivables are due within one year. Allowance for doubtful accounts is \$7,000 at July 31, 2022.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Summary of Significant Accounting Policies (Cont'd)

Inventory

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

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at the date of receipt. Depreciation is calculated by the straight-line method over the estimated useful life of the assets, which range from five to ten years. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

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

Investment Return, Net

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

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

Contributions

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Summary of Significant Accounting Policies (Cont'd)

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

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

Donations of facilities are recorded as contributions at fair value at date of donation. Donated facilities are valued and reported at estimated fair value in the financial statements based on current rates for similar facilities. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the use of the donated facility to a specific purpose.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Donated services are valued and reported at estimated fair value in the financial statements based on current rates for similar services.

Revenue Recognition

Creative Services income is recognized as revenues when the revenues are earned. Revenues are earned when the Corporation delivers the program production to the customer. All revenues earned during fiscal year 2022 were based on the transfer of goods or services at a point in time.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Summary of Significant Accounting Policies (Cont'd)

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 \$20,281 at July 31, 2022 is included in *Prepaid expenses* in the financial statements.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

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

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

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

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

Advertising Costs

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

Commissions - Independent Consultants

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Summary of Significant Accounting Policies (Cont'd)

Community Service Grants

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

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

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

In addition, in October 2021, CPB granted emergency disaster funding to the Corporation from CPB's system support funds to replace the Corporation's tape library system and satellite dish damaged due to Hurricane Ida. The grant is reported on the accompanying financial statements as "Without Donor Restrictions" since the purpose restrictions were met during the fiscal year.

Income Tax

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Summary of Significant Accounting Policies (Cont'd)

Income Tax (Cont'd)

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of July 31, 2022, management of the Corporation believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended July 31, 2019 and later remain subject to examination by the taxing authorities.

Due to unrelated business income net operating loss carry-forwards, the Corporation did not have to make any provision for income taxes for the year ended July 31, 2022. In 2022, the Corporation generated a net operating loss of \$50,429 for UBIT. The net operating losses carried forward at July 31, 2022 was \$1,606,780.

Subsequent Events

Subsequent events have been evaluated through October 12, 2022, which is the date the financial statements were available to be issued.

C. Property and Equipment

Property and equipment at July 31, 2022 consists of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Automotive and mobile units	\$ 57,270	\$ 57,270
Broadcasting equipment	2,308,606	1,131,741
Furniture and fixtures	9,843	7,402
Production equipment	361,826	352,083
Tools and other equipment	<u>131,397</u>	<u>131,047</u>
<i>Total</i>	<u>\$2,868,942</u>	<u>\$1,679,543</u>

Depreciation expense of \$157,216 is included in program and supporting services for the year ended July 31, 2022.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Property and Equipment (Cont'd)

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

D. Investment in Joint Venture - Programmatic Investment

The Corporation has a twenty-five percent interest in a joint venture formed to construct and operate a transmission tower, Bayou Bienvenue Tower. This investment is accounted for using the equity method, in which the Corporation's share of excess (deficient) revenue over expenses from the joint venture is directly reflected in the financial statements, and the investment is adjusted for its share of excess (deficient) revenue over expenses and any additional investment in the joint venture. The following information summarizes the activity of the joint venture through December 31, 2021.

Total assets	\$1,982,201
Less: Total liabilities	<u>0</u>
Net assets	<u>\$1,982,201</u>
Revenue	\$ 61,800
Expenses	<u>(196,100)</u>
Excess (expenses) over revenue	<u>\$ (134,300)</u>
Corporate interest:	
Share of net (expenses) over revenue	\$ (33,575)
Depreciation of Educational Broadcasting Foundation's portion of the joint venture's depreciable assets	<u>(7,986)</u>
Total excess (expenses) over revenue	<u>\$ (41,561)</u>
Equity in net assets (including depreciation)	\$ 100,496
Net advance to Joint Venture	<u>20,921</u>
Net advances and equity in joint venture	<u>\$ 121,417</u>

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

E. Promises to give, net

Unconditional promises to give at July 31, 2022 are as follows:

Receivable is:

Less than one year	\$49,078
Less allowance for uncollectible promises	(7,000)
Less discounts	<u>0</u>

Promises to give, net	<u>\$42,078</u>
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The table below presents information about the changes in unconditional promises to give (net) for the year ended July 31, 2022:

Beginning balance	\$ 87,116
New promises received	9,584
Collections	(41,822)
Write-offs	<u>(12,800)</u>
Ending Balance	<u>\$ 42,078</u>

F. Long-term Debt

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

In November 2013, the Corporation signed a promissory note to Willwoods Community in the amount of \$2,981,836. The note was payable in 60 monthly installments and accrued interest at 7% per annum. In August 2018, the Corporation refinanced the existing debt accruing interest at 7% for the first year until July 31, 2019 and then at the rate of LIBOR one year rate plus 5%, maturing July 31, 2023. For the year ended July 31, 2022, the Corporation paid \$0 toward principal and \$0 toward interest and Willwoods Community forgave \$243,788 of interest expense. In January 2022, Willwoods Community agreed to reduce the promissory note by \$182,897, which was the amount that was payable to the Corporation as part of a previous agreement to pay the Corporation the cash surrender value of the life insurance policies purchased on key employees of both entities. At July 31, 2022, the balance due was \$2,798,939.

In September 2022, Willwoods Community stated intentions to renew the promissory note for another five-year term before the July 31, 2023 maturity date.

Total interest expense was \$243,788 for the year ended July 31, 2022.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

G. Related Party Transactions

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

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

During the normal course of business, there are invoices for services between Willwoods Community, Willwoods Community Management, and the Corporation. These invoices netted to payables in the amount of \$17,910 to Willwoods Community and \$9 to Willwoods Community Management, Inc. for the year ended July 31, 2022. In addition, at July 31, 2022, there was a receivable for \$1,144 from Willwoods Community Management, Inc. and \$882 from Willwoods Community. During the year, Willwoods Community paid the Corporation \$42,576 for Creative Services.

As stated in Note F, Willwoods Community forgave interest on debt from the Corporation in the amount of \$243,788 for the year ended July 31, 2022. Willwoods Community also donated \$76,200 of cash to the Corporation. In addition, in 2022 the Corporation received underwriting contributions totaling \$2,350 from Willwoods Community and \$12,000 from Willwoods Community Management.

The Corporation paid Willwoods Community \$102,528 in management fees for the year ended July 31, 2022.

The Corporation uses office space owned by Pontchartrain Housing Corporation I, Inc. During 2022, the Corporation recognized \$27,008 of donated facilities use which is included in "In-kind contributions" on the Statement of Activities and in "Rent" on the Statement of Functional Expenses.

The Joint Venture disclosed in Note D has a management agreement with the Corporation. Fees received during 2022 totaled \$18,000.

See Note F for disclosures of related-party debt.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

H. In-Kind Contributions

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

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

In-kind contributions, received and provided for the year ended July 31, 2022 consisted of the following:

Advertising	\$ 92,430
Rent	<u>27,008</u>
Total	<u>\$119,438</u>

I. Employee Benefits

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

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

Employer contributions to the plan during the year ended July 31, 2022 were \$14,439.

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

J. Concentration of Credit Risk

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

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Concentration of Credit Risk (Cont'd)

The Corporation maintains its cash balances in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At July 31, 2022 the Corporation's uninsured cash balances totaled \$617,355.

K. Concentration of Support and Revenue

The Corporation received approximately 28% of its annual revenue from the Corporation for Public Broadcasting.

The Corporation received approximately 18% of its annual revenue from related parties.

L. Special Event Expense

Total special event expense for ongoing and major activities for the year ended July 31, 2022 was \$5,709.

M. Restrictions on Net Assets

At July 31, 2022, net assets with donor restrictions totaling \$276,371 relate to underwriting contributions whose donors have restricted their funding for a specific program production. The donor's restriction is met once the program has been produced and aired.

During 2022, \$106,500 was released from restrictions due to the satisfaction of donor restrictions.

N. Unusual Item - Repack Reimbursements

Beginning in October 2017, the Corporation received funds from the Federal Communication Commission to move its television station to a new channel. During 2022, \$64,485 of repack reimbursements were received

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

O. Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of July 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial Assets	\$1,375,629
Less: Cash and Promises to Give unavailable for general expenditures within one year due to donor-restricted underwriting contributions	(276,371)
Investment in Joint Venture	<u>(121,417)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>977,841</u></u>

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

P. Conditional Contribution - Paycheck Protection Program

During 2021, the Corporation applied for and received \$141,767 from the Small Business Administration (SBA)'s Paycheck Protection Program, which is included in "Other liabilities" in the Statement of Financial Position. The transfer of assets was deemed to be a conditional contribution upon receipt of the funds and the Corporation adopted a policy to recognize contribution income when the SBA approves its loan forgiveness application.

In March 2022, the SBA forgave the loan and related interest payments in full. The amount forgiven is reported as a Paycheck Protection Program Grant in the Statement of Activities.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

Q. Company Conditions

As indicated in the accompanying financial statements, the Corporation's total liabilities exceeded its total assets by approximately \$301,330. The liabilities include approximately \$2.8 million in long-term debt that is held by Willwoods Community and no amounts are expected to become due in 2023.

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

R. Risk and Uncertainties

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

S. Adoption of New Accounting Pronouncement

During the year, the Corporation adopted a new accounting pronouncement: *Accounting Standards Update No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* ("ASU 2020-07").

ASU 2020-07 requires organizations to present contributed nonfinancial assets in a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to disaggregate the contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.

Management has analyzed the provisions of ASU 2020-07, and has concluded that no changes to their financial statement presentation is needed. The adoption of this accounting pronouncement had no effect on the previously reported change in net assets for the year ended July 31, 2021.

EDUCATIONAL BROADCASTING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JULY 31, 2022

T. Recently Issued Accounting Standards

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

The Corporation is currently assessing the impact of this pronouncement on the financial statements.

SUPPLEMENTARY INFORMATION

EDUCATIONAL BROADCASTING FOUNDATIONS, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER WITH PUBLIC FUNDS
YEAR ENDED JULY 31, 2022

<u>Title</u>	<u>Name</u>	Salaries Paid by <u>Appropriation</u>	Benefits Paid by <u>Appropriation</u>
President	Ron Yager	\$32,000	\$0
General Manager	Jim Dotson	<u>26,000</u>	<u>0</u>
		<u>\$58,000</u>	<u>\$0</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Educational Broadcasting Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Educational Broadcasting Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Educational Broadcasting Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Educational Broadcasting Foundation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on

Board of Trustees
Educational Broadcasting Foundation, Inc.

a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Educational Broadcasting Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Metairie, Louisiana
October 12, 2022

PACIERA, GAUTREAU & PRIEST, LLC
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