

**ATLANTA EDUCATIONAL
TELECOMMUNICATIONS
COLLABORATIVE, INC.**

Financial Statements as of
June 30, 2009 and 2008
(With Independent Auditors' Report)

**ATLANTA EDUCATIONAL
TELECOMMUNICATIONS COLLABORATIVE, INC.**

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Independent Auditors' Report

To the Board of Directors
Atlanta Educational Telecommunications
Collaborative, Inc.:

We have audited the accompanying financial statements of the Atlanta Educational Telecommunications Collaborative, Inc. (AETC) as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the management of AETC. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AETC as of June 30, 2009 and 2008 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Banks, Finley, White & Co.

November 30, 2009.

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC

Management's Discussion and Analysis
For the Year Ended June 30, 2009

Introduction and Reporting Entity

The following discussion and analysis is an overview of the financial position and activities of the Atlanta Educational Telecommunications Collaborative, Inc. (AETC), a component unit of the Atlanta Independent School System (the "School System"). Management of AETC has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

AETC is a nonprofit private corporation incorporated in the State of Georgia and governed by a self-perpetuating Board of Directors, two of whom are representatives of the School System.

AETC was incorporated in 1994 for the purpose of operating and managing the broadcast properties of the School System under contract. This contract is currently on a month to month extension while AETC and the Atlanta Independent School System negotiate a new contract. The Atlanta Independent School System holds the FCC licenses to non-commercial radio and television stations, WABE 90.1FM, and WPBA. In radio, AETC broadcasts both analog and digital signals. In television, AETC converted to a digital only signal in February 2009. In addition, AETC operates and manages the School System's local access cable channel, Cable 22. The School System owns the land, buildings, towers, transmission equipment and television master control equipment used in AETC operations. These assets are reported in the School System's financial statements. Other assets are owned by AETC and reported in these financial statements.

The radio analog broadcast of WABE is characterized as a dual format station: news and music, primarily classical music. Programming is acquired primarily from National Public Radio. Additional programming is acquired from Public Radio International, American Public Media and several smaller public broadcasting programmers. WABE locally produces classical and cultural programming. The analog signal is the primary radio broadcast of WABE and during fiscal 2009 the station had an average cume (unique listeners) of 374,000 weekly. In the digital spectrum, WABE received permission from the FCC and began broadcasting three digital signals in December 2006. The primary signal, 90.1-1 is a digital simulcast of WABE analog. The second signal, 90.1-2, is all music; and the third signal, 90.1-3, is all news. The digital signals currently are not measured because digital radio is a new technology with very limited market penetration.

The television broadcast of WPBA provides educational, informational, cultural and entertainment programming. WPBA is a Public Broadcasting Service (PBS) member station and 35% of its new programming is obtained from PBS. Additional new

programming is acquired from American Public Television. During fiscal 2009 the station had an average cume of 565,000 households weekly.

The local access cable channel, Cable 22, provides continuous arts programming. It reaches only Comcast subscribers living in the city of Atlanta.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Atlanta Educational Telecommunications Collaborative, Inc.'s basic financial statements. AETC's financial statements consist of the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the Notes to Financial Statements.

The Statements of Net Assets present information on all of AETC's assets, liabilities and net assets as of June 30, 2008 and June 30, 2009. The difference between the assets and liabilities is net assets. Over time, increases or decreases in net assets should serve as a useful indicator of whether the financial position of AETC is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes to Net Assets present the operating revenues and expenses, the non-operating revenues and expenses and the resulting changes to net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Results for Fiscal Year Ended June 30, 2008 and 2009 are provided.

The Statements of Cash Flows show the sources and uses of cash from operations, non-capital financing activities, capital and related financing activities and investing activities for the Fiscal Year Ended June 30, 2008 and 2009.

The Notes to the Financial Statements help explain some of the information in the financial statements and provide more detailed data.

The financial statements only include the operations of the Atlanta Educational Telecommunications Collaborative, Inc. AETC is considered a component unit of the Atlanta Independent School System for financial reporting purposes and the School System includes AETC's financial operations in its financial statements.

Financial Analysis of the Statements

AETC's condensed financial statements are presented below for FY 2009 and FY 2008.

Condensed Statements of Net Assets

	<u>2009</u>	<u>2008</u>
Assets:		
Current Assets	\$ 7,435,264	\$ 6,816,630
Property and equipment, net	389,363	481,834
Total assets	7,824,627	7,298,464
Liabilities:		
Current Liabilities	757,780	560,529
Total Liabilities	757,780	560,529
Net Assets:		
Investment in capital assets, net of related debt	389,363	481,834
Restricted for Programs	-	-
Unrestricted	6,677,484	6,256,101
Total Net Assets	\$ 7,066,847	\$ 6,737,935

Condensed Statements of Revenues, Expenses and Changes in Net Assets

Operating Revenues		
Public broadcasting entities	\$ 1,608,783	\$ 1,351,247
Public support revenues	9,284,454	9,298,671
Grant revenues	219,507	455,835
In-kind contributions	1,938,413	1,269,262
Total Support, Revenues and Reclassifications	13,051,157	12,375,015
Operating Expenses:		
Programming, production, broadcasting and information services	5,624,205	5,283,671
Underwriting and fundraising services	3,085,695	3,120,490
Management and general services and depreciation	4,189,682	3,485,546
Total Expenses	12,899,582	11,889,707
Non-Operating Revenues	177,337	333,211
Increase in Net Assets	328,912	818,519
Net Assets, Beginning of Year	6,737,935	5,919,416
Net Assets, End of Year	\$ 7,066,847	\$ 6,737,935

Condensed Statements of Cash Flows

Net cash in flows (out flows) from operating activities	\$ 1,873,524	\$ (602,239)
Net cash in flows (out flows) from financing & investing activities	(415,275)	485,400
Net Increase (Decrease) in Cash and Cash Equivalents	1,458,249	(116,839)
Cash and cash equivalents, beginning of year	3,333,642	3,450,481
Cash and cash equivalents, end of year	\$ 4,791,891	\$ 3,333,642

Financial Highlights

While the recession impacted AETC in FY09, the overall financial position of AETC as of June 30, 2009 improved year to year and remains strong. Assets exceeded liability by \$7,066,847 at year end, compared to \$6,737,935 in net assets as of June 30, 2008. The increase in net assets was \$328,912, or 4.9%.

Operating Revenues increased \$676,142, an increase of 5.5% from fiscal 2008 to fiscal 2009. This increase in revenues came in two areas: Public Broadcasting entities and In-kind contributions. Revenue from Public Broadcasting entities increased by \$257,536, or 19.1%, over FY08 due to the receipt of three additional Corporation for Public Broadcasting (CPB) grants as well as an increase of the annual CPB Community Service Grant. The majority of the additional CPB revenue funded new or expanded programs. Revenue from In-kind contributions increased by \$669,151, or 52.7%, over FY08. This increase was from an in-kind contribution of professional services to the development of the new Lens on Atlanta program (see "Other Significant Matters" on the next page) and from an increase in the value of in-kind the School System administrative support assignable to the stations. Grant revenues declined \$236,328, or 51.9%, from FY08 due to the end of the Investor Protection Trust grant. Public support revenues, individual giving and underwriting, were essentially flat year over year with a decline of \$14,217, or 0.2%. However, the performance of individual giving and underwriting diverged in FY09. Individual giving increased by \$303,095, or 6.1%, over FY08; underwriting, however, declined \$317,312, or 7.3%, from FY08. The decline in underwriting was directly related to the impact of the recession. Non-Operating Revenues declined by \$155,874 as a result of realized and unrealized losses in the marketable securities of the AETC's board designated endowment.

Operating Expenses increased \$1,009,875, an increase of 8.5% over FY08. The majority, 66.3%, of this increase resulted from the increase of In-kind expenses, the expense side of the In-kind revenues discussed above. In-kind expenses are booked to management and general services which accounts for the 20.2% increase in the expenses in this area. Programming, production, broadcasting and information services increased by \$340,534, or 6.5% over FY08. This increase was the result of several factors: increased television programming acquisition expenses; initial program development work on Lens on Atlanta, partially offset by grant funding; and continued growth of the radio news function. The expenses of Underwriting and fundraising services were essentially flat, decreasing by \$34,795, or 1.1%, from FY08.

Net Increase in cash flows was positive in FY09 and \$1,575,088 higher than in FY08. The reimbursement from the School System received by AETC for the acquisition and installation of digital master control accounts for \$1,100,719 of the total increase. Under the terms of the agreement with the School System authorizing the digital television master control center, AETC agreed to expend all funds for the project and invoice the School System only upon completion. Since the project was not fully complete as of June 30, 2008 AETC carried an accounts receivable of \$1,100,719 for the project at year

end and was reimbursed for the total project in FY09. The remaining increase in net cash flow resulted from higher CPB grant funding and higher individual contribution levels.

Other Significant Matters

In FY09 AETC sought and was awarded a grant from CPB funding in part the development of a new public media service, Lens on Atlanta. In January 2009, the first of those grant funds were received and an initial team was hired to develop the first Lens on Atlanta service, Public Square. Lens on Atlanta is the first public broadcasting-sponsored, regionally focused online community in the country. Its first component, Public Square, provides a social networking platform designed to promote citizen activism, encourage civic discourse and effect positive change in Atlanta.

In another significant initiative, AETC and the Metropolitan Atlanta Arts and Culture Coalition (MAACC) conducted a series of meeting over the course of fiscal 2009 to discuss how the two organizations could work more effectively together. The culmination of these discussions was the decision of MAACC to transfer Atlanta Planit, the online arts and culture calendaring creation of MAACC, to AETC. AETC sees the Atlanta Planit site as a natural part of the Lens on Atlanta project and agreed to assume the responsibility for the site. A contract between AETC and MAACC was agreed to in principal by year end but was not executed until after the beginning of the Fiscal Year 2010.

Request for Information

This financial report is designed to provide the School System, donors, members, foundations, investment managers and taxpayers with a general overview of the Atlanta Educational Telecommunications Collaborative, Inc.'s finances and to account for the funding it receives. Questions concerning any of the information provided in this report can be addressed to: Atlanta Educational Telecommunications Collaborative, Inc., Finance Department, 740 Bismark Road, Atlanta, Georgia 30324

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,791,891	\$ 3,333,642
Receivables	699,917	2,039,122
Investments	1,831,826	1,348,377
Prepaid expenses	<u>111,630</u>	<u>95,489</u>
Total Current Assets	7,435,264	6,816,630
Capital assets	<u>389,363</u>	<u>481,834</u>
TOTAL ASSETS	<u><u>\$ 7,824,627</u></u>	<u><u>\$ 7,298,464</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 121,275	\$ 148,285
Accrued salaries and fringe benefits	376,780	366,164
Deferred revenues	<u>259,725</u>	<u>46,080</u>
Total Current Liabilities	<u>757,780</u>	<u>560,529</u>
Net Assets:		
Investment in capital assets, net of related debt	389,363	481,834
Unrestricted	<u>6,677,484</u>	<u>6,256,101</u>
Total Net Assets	<u>7,066,847</u>	<u>6,737,935</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,824,627</u></u>	<u><u>\$ 7,298,464</u></u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Revenues, Expenses and Changes in Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Public broadcasting entities	\$ 1,608,783	\$ 1,351,247
Contributions, subscription membership fees	5,254,443	4,951,348
Underwriting contributions	4,030,011	4,347,323
Grant income	219,507	455,835
In-kind contributions	<u>1,938,413</u>	<u>1,269,262</u>
 Total Operating Revenues	 <u>13,051,157</u>	 <u>12,375,015</u>
Operating Expenses:		
Programming and Production	3,917,394	3,701,959
Broadcasting	1,539,403	1,403,091
Program Information	167,408	178,621
Management and general	3,988,048	3,298,293
Underwriting	1,132,989	1,164,187
Fundraising	1,952,706	1,956,303
Depreciation	<u>201,634</u>	<u>187,253</u>
 Total Operating Expenses	 <u>12,899,582</u>	 <u>11,889,707</u>
 Operating Income	 <u>151,575</u>	 <u>485,308</u>
 Non-Operating Revenues (Expenses)		
Rental Income	217,677	238,096
Other Revenues (Expenses)	<u>(40,340)</u>	<u>95,115</u>
 Total Non-Operating Revenues	 <u>177,337</u>	 <u>333,211</u>
 Increase in Net Assets	 <u>328,912</u>	 <u>818,519</u>
 Net Assets, Beginning of Year,	 <u>6,737,935</u>	 <u>5,919,416</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 7,066,847</u></u>	 <u><u>\$ 6,737,935</u></u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Cash Flows
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Cash received from contributors, members and grants	\$ 12,665,594	\$ 10,034,202
Cash paid to suppliers and employees	<u>(10,792,070)</u>	<u>(10,636,441)</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,873,524</u>	<u>(602,239)</u>
Cash Flows from Non-capital Financing Activities:		
Tower and channel rentals	217,677	238,096
Other	<u>(136,039)</u>	<u>(85,843)</u>
Cash flows Provided by (Used in) non-capital financing activities	<u>81,638</u>	<u>152,253</u>
Cash Flows from Capital Financing Activities:		
Acquisitions of capital assets	<u>(109,162)</u>	<u>(87,433)</u>
Cash used in capital financing activities	<u>(109,162)</u>	<u>(87,433)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,460,159)	(659,112)
Sales/maturities of investments	976,709	898,734
Investment income	<u>95,699</u>	<u>180,958</u>
Net cash provided by (Used in) investing activities	<u>(387,751)</u>	<u>420,580</u>
Increase (Decrease) in Cash and Cash Equivalents	1,458,249	(116,839)
Cash and Cash Equivalents:		
Beginning of Year	<u>3,333,642</u>	<u>3,450,481</u>
END OF YEAR	<u><u>\$ 4,791,891</u></u>	<u><u>\$ 3,333,642</u></u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Cash Flows, Continued
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in Net Assets	\$ 151,575	\$ 485,308
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	201,634	187,253
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts receivable	1,339,205	(1,072,776)
Decrease (Increase) in Prepaid expenses	(16,141)	8,901
Increase (Decrease) in Accounts payable	(27,010)	5,148
Increase (Decrease) in Other liabilities	10,616	(217,298)
Increase (Decrease) in Deferred revenues	<u>213,645</u>	<u>1,225</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITES	 <u>\$ 1,873,524</u>	 <u>\$ (602,239)</u>

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

**ATLANTA EDUCATIONAL
TELECOMMUNICATIONS COLLABORATIVE, INC.**

Notes to the Financial Statements
June 30, 2008 and 2009

Note 1 - Background and Significant Accounting Policies

Reporting Entity

Atlanta Educational Telecommunications Collaborative, Inc. (AETC) was established for charitable and educational purposes including, but not limited to, enhancing public education of the Atlanta Independent School System (the "School System") primarily through broadcasting educational programs. To this end, AETC entered into a management and operation agreement (the "Agreement") with the School System, licensee of stations WPBA-TV and WABE-FM and Cable Channel 22, (collectively referred to as "Stations"), and owner of certain real and personal property and equipment (the "Broadcast Facilities" - see Note 4) associated with and related to the operations of the Stations. AETC manages and operates the respective stations in accordance with rule and regulations of the Federal Communications Commission, Corporation for Public Broadcasting, Public Broadcasting Service and National Public Radio. The Agreement is currently under a month to month extension pending the completion of contract negotiation for a new term. The contract negotiations are actively in progress. It is anticipated that the new contract will be executed by December 31, 2009.

Basis of Presentation

In the 2007 fiscal year, AETC adopted the provisions of GASB Statement No.34 (Statement 34). *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities and their component units, which includes a statement of net assets , a statement of revenues, expenses and changes in net assets, and a statement of cash flows prepared on the direct method. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted and unrestricted.

Notes to the Financial Statements, Continued

Note 1 - Background and Significant Accounting Policies, continued

Net Assets

Net asset activities and their defined purposes used by AETC are as follows:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt, excluding unexpended proceeds, that are attributable to the acquisition, construction or improvement of those assets. At June 30, there was no related debt.

Restricted net assets - Consists of net assets with constraints placed on the use by external groups, such as creditors, grantors and contributors.

Unrestricted net assets - All other net assets that do not meet the definition of "Restricted" or "Invested in capital assets, net of related debt." Unrestricted net assets includes the AETC's board designated endowment of \$881,661 and \$128,931 for maintenance of capital assets.

Federal and State Income Taxes

AETC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements.

In-kind Contributions

Donated services, materials and supplies are recorded at fair value at the time of the donation and are recognized as both contributions and expenses.

Compensated Absences

Compensated absences relative to vacation leave are accrued as a liability as earned by employees up to a maximum of 80 hours. No accrual is recorded for sick leave since employees are only eligible to receive compensation for legitimate illnesses and do not receive payment for unused sick leave.

Capital Assets

Equipment acquired for \$2,000 or more is capitalized at cost. Equipment is depreciated over the estimated useful life ranging from 5 to 7 years using the straight-line method.

Notes to the Financial Statements, Continued

Note 1 - Background and Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instrument purchases with an original maturity of three months or less are considered cash and/or cash equivalents.

Investments

Investments consist of marketable equity securities, mutual funds and certificates of deposit with original maturities greater than three months. Investments are carried at fair values determined at the date of the statement of net assets based on quoted market prices.

Use of Estimates

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

Note 2 - Receivables

A summary of receivables as of June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Accounts/pledges receivable	\$ 602,968	\$ 842,603
Grant receivables	84,799	92,875
School System Receivable	-	1,100,719
Other receivables	<u>12,150</u>	<u>2,925</u>
Total Receivables	<u>\$ 699,917</u>	<u>\$ 2,039,122</u>

Note 3 - Deposits and Investments

Custodial Credit Risk – Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, AETC will not be able to recover its deposits. Based on the analysis of deposits there is custodial risk to AETC.

Notes to the Financial Statements, Continued

Note 3 - Deposits and Investments, continued

At June 30, 2009, the carrying amount of AETC's deposits, including cash accounts, certificates of deposit, and short-term investments, was \$5,913,066 and the fair value and bank balance was \$5,861,503. Of the bank balances at June 30, 2009, \$1,353,494 was covered by federal depository insurance and the remaining balance was not collateralized by any securities held by the pledging financial institution's trust department or agent in AETC's name.

Custodial credit risks for *investments*, is the risk that in the event of the failure of the counterparty to the transactions, AETC will not be able to recover the value of its investments. AETC's investment policy does not address custodial credit risk. AETC maintains equity securities in investment accounts at a financial institution, which are protected by Securities Investor Protection Corporation ("SIPC") up to \$500,000 in the aggregate, from which \$100,000 is used to protect cash. Investment values in excess of SIPC coverage are \$381,661.

Interest Rate Risk – interest rate risk is the possibility that changes in interest rates could adversely affect an investment's fair value. AETC currently does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

AETC has the ability and generally has the intention to hold all investments until their respective maturity dates. As of June 30, 2009, AETC was invested in investment vehicles with maturities of less than one year to over six years.

Credit Risk – credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Credit quality ratings are disclosed below for held investments. AETC has no policy regarding credit risk for its investments including certificates of deposit.

As of June 30, 2009, AETC had the following investments with their ratings and maturities, respectively:

Type of Investments	<u>Fair Value</u>	<u>Ratings</u>			<u>Maturities</u>		
		<u>AAA</u>	<u>AA</u>	<u>A</u>	Less than <u>1 Yr</u>	<u>1-5 yrs</u>	<u>6 + yrs</u>
Corporate Bonds	\$ 162,933	\$26,066	\$84,151	\$52,716	\$ -	\$ 110,217	\$52,716
US & Agency Obligations	<u>58,691</u>	<u>58,691</u>	<u>-</u>	<u>-</u>	<u>30,951</u>	<u>-</u>	<u>27,740</u>
Total Securities	221,624	<u>\$84,757</u>	<u>\$84,151</u>	<u>\$52,716</u>	<u>\$ 30,951</u>	<u>\$110,217</u>	<u>\$80,456</u>
<u>Other Investments</u>							
Equity and Equity Funds	489,027						
Short-Term Investments- Certificates of Deposit	<u>1,121,175</u>						
Total Investments	<u>\$1,831,826</u>						

Notes to the Financial Statements, Continued

Note 3 - Deposits and Investments, continued

Concentration of Credit Risk – is the risk of loss that may be attributed to the magnitude of a AETC’s investment in a single issue. AETC does have a policy concerning the composition of its investment portfolio.

Investments in any one issuer that represents 5% or more of the total investments were as follows as of June 30, 2009:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
Corporate Bonds	Corporate Bonds	9%
Equity Mutual Funds	Equity	12%
International Mutual Funds	International	6%
Mid Cap Mutual Funds	Mid Cap	6%

Foreign Currency risk is the risk that changes in exchange rates could adversely affect the fair value of its investments or deposits. As of year-end, AETC had investments in foreign equity mutual funds totaling \$114,591. AETC does not currently have a foreign currency risk policy.

Although all the foreign equity securities are American Depository Receipts (ADR;s), this does not eliminate the foreign currency risk involved in purchasing foreign securities.

Realized and unrealized gains and losses were negligible for the years ended June 30, 2009 and 2008 and therefore, have been included with other income in the Statements of Revenues, Expenses and Changes in Net Assets.

Note 4 - Capital Assets

Capital assets balances as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Equipment and furniture	\$ 1,041,752	\$ 2,268,066
Equipment purchased under capital leases	201,639	186,416
Leasehold improvements	<u>11,486</u>	<u>126,652</u>
	1,254,877	2,581,134
Less: Accumulated depreciation	<u>(865,514)</u>	<u>(2,099,300)</u>
Capital Assets	<u>\$ 389,363</u>	<u>\$ 481,834</u>

Notes to the Financial Statements, Continued

Note 4 - Capital Assets, continued

Depreciation expense for the years ended June 30, 2009 and 2008 was \$201,634 and \$187,253, respectively.

As part of the Agreement with the School System for the Stations mentioned in Note 1, all real and personal property and equipment that comprised the Broadcast Facilities of the Stations at the time of the initial contract with AETC or property acquired by the School System for the Broadcast Facilities since that time remain the property of the School System. AETC, in turn, leases the Broadcast Facilities from the School System for \$10.00 a year. While the property is reported as part of the capital assets in the School System's financial statements, a summary of the Broadcast Facilities follows:

Land	\$	45,000
Building and building improvements		505,262
Equipment and Furnishings		4,145,039
Towers and Transmitters		<u>3,590,510</u>
	\$	<u>8,285,811</u>

The Telecommunications Act of 1996 mandated the transition of television broadcasting to digital. AETC and the School System agreed upon a plan to meet the requirements of the Act. Funding for this project was to be provided by the School System on a cost-reimbursement basis. Reimbursed projects from the School System and the related costs incurred by AETC net to zero and therefore, have no effect on these financial statements.

The first phase of the project was the installation of a digital television transmitter, a digital radio transmitter, digital-analog conversion facilities, and the erection of a new tower. This phase was completed in 2005 at a total cost of \$2,688,018. These project costs accrue to benefit the School System as capital assets. Two grants, \$312,004 from PTFP and \$75,000 from CPB, were received for this phase and the total cost is inclusive of those funds.

The second phase of the project was the installation of a digital master control center for television. In July 2007 the School System agreed to fund this project up to \$1,300,000 and AETC agreed to fund any expenses exceeding this limit. The project was substantially completed in April 2008 when WPBA began transmitting a digital broadcast signal to the tower site. This project was fully completed in FY09.

Notes to the Financial Statements, Continued

Note 4 – Capital Assets, continued

With the completion of the second phase of the digital conversion, the School System’s funding commitment ended. Other aspects of the digital conversion have been or are currently being funded by AETC. AETC funded the conversion of the radio control rooms to multi-channel digital and the digital upgrade of the television’s editing equipment. AETC has also completed smaller renovation projects to improve its office facilities. AETC also plans to fund the conversion of the television studio control to digital and, as of June 30, had pending a grant request to the Public Television Facility Program for backup generating capacity for the broadcast facilities.

Note 5 - Donated Goods and Services

The value of donated goods and services included as in-kind contribution revenues in the Statements of Revenues, Expenses and Changes in Net Assets and the corresponding program expenses for the year ended June 30, 2009, are as follows:

	<u>Television</u>	<u>Radio</u>	<u>Totals</u>
Broadcast Facilities	\$ 781,131	\$ 810,296	\$ 1,591,427
Consulting Services	172,500	172,500	345,000
Food and Beverages	<u>993</u>	<u>993</u>	<u>1,986</u>
 Total	 <u>\$ 954,624</u>	 <u>\$ 983,789</u>	 <u>\$ 1,938,413</u>

Note 6 - Operating Leases

AETC leases equipment under non-cancelable leases. Future minimum lease payments under the non-cancelable operating leases are as follows:

<u>Year Ending</u> <u>June 30</u>		
2010	\$	15,825
2011		5,064
2012		<u>5,064</u>
 Totals	 \$	 <u>25,953</u>

Lease expenses relating to the above lease obligations for the years ended June 30, 2009 and 2008 amounted to \$30,912 and \$32,711, respectively.

Notes to the Financial Statements, Continued

Note 7 - Retirement Plans

AETC has a Tax Deferred or 403(b) retirement plan (the "Plan"). All employees are eligible to participate in the Plan. The Plan may be terminated at any time, at AETC's sole discretion.

After completing six months of employment, AETC contributes \$1.00 for every \$1.00 of the first 1% of an employee's elective contribution and \$.30 for every \$1.00 of the next 9% of an employee's elective deferral, up to a maximum of 10% of the employee's compensation, which can vary from plan year to plan year. Contributions to the Plan on behalf of Plan participants are made on a bi-weekly basis. Employees may contribute on a tax deferred basis any amount up to the lesser of 100% of their compensation or \$16,500 for 2009.

AETC's contributions amounted to \$90,810 and \$79,193 for the years ended June 30, 2009 and 2008, respectively.

The Plan is administered by the Director of Human Resources of AETC.

Note 8 – Nonqualified 457(b) Plan

AETC has a Nonqualified Deferred Compensation or 457(b) retirement plan. Director level employees and above are eligible to participate in the 457(b) plan. The 457(b) plan may be terminated at any time, at AETC's sole discretion.

AETC does not contribute anything to the 457(b) plan. The 457(b) has \$68,619 in Plan Assets, and \$68,543 in Plan Liabilities.

The 457(b) plan is administered by the Director of Human Resources of AETC.