

**MONTGOMERY COMMUNITY TELEVISION, INC.**

**June 30, 2005**

**MONTGOMERY COMMUNITY TELEVISION, INC.**

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## Independent Auditors' Report

To the Board of Directors of  
Montgomery Community Television, Inc.

We have audited the accompanying statements of financial position of Montgomery Community Television, Inc. as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Montgomery Community Television, Inc.'s management. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Montgomery Community Television, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Stacy Malone, Company, P.C.*

Baltimore, Maryland  
December 8, 2005

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

|                                       | June 30,<br>2005 | June 30,<br>2004 |
|---------------------------------------|------------------|------------------|
| <b>ASSETS</b>                         |                  |                  |
| Cash and cash equivalents             | \$ 743,135       | \$ 706,914       |
| Accrued interest receivable           | 186              | 48               |
| Accounts receivable                   |                  |                  |
| Contracts                             | 138,919          | 48,586           |
| Other                                 | -                | 790              |
| Prepaid expenses                      | 11,366           | 27,494           |
| Property and equipment, net           | 89,609           | 110,117          |
| Deposits                              | 28,805           | 28,805           |
| Total assets                          | \$ 1,012,020     | \$ 922,754       |
| <br><b>LIABILITIES AND NET ASSETS</b> |                  |                  |
| <b>LIABILITIES</b>                    |                  |                  |
| Accounts payable                      | \$ 61,606        | \$ 20,015        |
| Accrued compensation                  | 285,005          | 270,569          |
| Deferred rent                         | 106,722          | 92,546           |
| Total liabilities                     | 453,333          | 383,130          |
| <br><b>NET ASSETS</b>                 |                  |                  |
| Unrestricted                          | 558,687          | 539,624          |
| Total liabilities and net assets      | \$ 1,012,020     | \$ 922,754       |

The Notes to Financial Statements are an integral part of these statements.

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**STATEMENTS OF ACTIVITIES**

|  | Year Ended<br>June 30,<br>2005 | Year Ended<br>June 30,<br>2004 |
|--|--------------------------------|--------------------------------|
| <b>REVENUE</b>                           |                                |                                |
| County contracts                         | \$ 2,375,464                   | \$ 2,287,818                   |
| Production                               | 5,324                          | 15,993                         |
| Training                                 | 45,380                         | 50,925                         |
| Interest                                 | 4,801                          | 3,182                          |
| Grants and contributions                 | 22,365                         | -                              |
| Other                                    | 10,143                         | 15,770                         |
| Total revenue                            | 2,463,477                      | 2,373,688                      |
| <b>EXPENSES</b>                          |                                |                                |
| Program services                         | 1,922,406                      | 2,000,113                      |
| Administration                           | 518,911                        | 357,956                        |
| Fundraising                              | 3,097                          | -                              |
| Total expenses                           | 2,444,414                      | 2,358,069                      |
| <b>CHANGE IN UNRESTRICTED NET ASSETS</b> | 19,063                         | 15,619                         |
| <b>UNRESTRICTED NET ASSETS</b>           |                                |                                |
| Beginning of year                        | 539,624                        | 524,005                        |
| End of year                              | \$ 558,687                     | \$ 539,624                     |

The Notes to Financial Statements are an integral part of these statements.

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**STATEMENTS OF CASH FLOWS**

|   | Year Ended<br>June 30,<br>2005 | Year Ended<br>June 30,<br>2004 |
|---|--------------------------------|--------------------------------|
| <b>OPERATING ACTIVITIES</b>   |                                |                                |
| Change in unrestricted net assets   | \$ 19,063                      | \$ 15,619                      |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                                |                                |
| Depreciation and amortization   | 51,070                         | 62,259                         |
| Increase in deferred rent   | 14,176                         | 22,443                         |
| Changes in operating assets and liabilities   |                                |                                |
| Accrued interest receivable   | (138)                          | (7)                            |
| Accounts receivable   | (89,543)                       | 41,483                         |
| Prepaid expenses  | 16,128                         | 11,004                         |
| Accounts payable  | 41,591                         | (26,410)                       |
| Accrued compensation  | 14,436                         | 39,282                         |
| Net cash provided by operating activities   | 66,783                         | 165,673                        |
| <b>INVESTING ACTIVITIES</b>   |                                |                                |
| Purchases of property and equipment   | (30,562)                       | (64,728)                       |
| Net cash used in investing activities   | (30,562)                       | (64,728)                       |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 36,221                         | 100,945                        |
| <b>CASH AND CASH EQUIVALENTS</b>  |                                |                                |
| Beginning of year   | 706,914                        | 605,969                        |
| End of year   | \$ 743,135                     | \$ 706,914                     |

The Notes to Financial Statements are an integral part of these statements.

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Montgomery Community Television, Inc. ("MCT") was formed in 1984 as a nonprofit organization. The principal function of MCT is to provide public access programming over the cable television system in Montgomery County, Maryland. A summary of significant accounting policies is as follows:

**Net Assets**

Unrestricted net assets generally result from revenues generated by MCT in providing services and carrying out its programs. There are no temporarily or permanently restricted net assets.

**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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the ordinary course of business, MCT may have funds on deposit with banks in excess of FDIC insured limits.

**Allowance for Doubtful Accounts**

Management is of the opinion that all accounts receivable are fully collectible; therefore, no allowance for doubtful accounts is provided.

**Property and Equipment**

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated equipment is similarly capitalized. Expenditures for normal maintenance and repairs are charged to current operations, while expenditures for major replacements are capitalized. Upon the sale or retirement of property and equipment, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is included in operations for the year.

MCT provides for depreciation of property and equipment on the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Amortization of leasehold improvements is provided over the remaining terms of the leases.

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Donated Services**

A number of volunteers have donated time to MCT. The value of the donated time is not reflected in the financial statements, since the services provided did not require specialized skills and there is no objective basis available to measure the value of the services.

**Income Taxes**

MCT is classified as a Section 501(c)(3) organization under the Internal Revenue Code (the "IRC"). As such, MCT's operations are generally not subject to federal or state income taxes. The IRC provides that certain production service revenue is unrelated business income and subject to income taxes. No income tax provision is reflected in these financial statements as allocable production expenses exceed this revenue.

**NOTE 2 - COUNTY CONTRACTS**

A significant portion of MCT's revenue is provided by Montgomery County (the "County") through two separate contracts, namely, the Master Contract and the Combined Services Contract. The following is a summary description of each contract:

**Master Contract**

The Master Contract provides funds to MCT from the County's Cable TV Fund for the main purpose of operating two community access channels and producing a local news program. The contract also specifies that MCT is to provide training services and equipment to community members for use in developing locally produced or locally sponsored programming. The Master Contract has been extended to June 30, 2006. The compensation for services provided from July 1, 2005 through June 30, 2006 will be a maximum amount not to exceed \$2,274,000.

**Combined Services Contract**

The Combined Services Contract provides funds to MCT to provide certain technical assistance with cable television production to the Executive and Legislative Branch of the County Government in order to create programming on the Montgomery County government access channel, known as County Cable Montgomery ("Channel 55"). The Combined Services Contract has been extended to July 1, 2006. The compensation for goods and services provided from July 2, 2005 through July 1, 2006 will be a maximum amount not to exceed \$356,000. The term of the contract may be renewed, at the County's discretion through June 30, 2006.

The County has the option to terminate these contracts ten days after written notice is provided to MCT.

During the term of the contract the County also provides equipment for MCT's use. The value of this equipment has not been reflected in the financial statements.



**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

**NOTE 2 - COUNTY CONTRACTS (Cont'd.)**

A summary of revenue by contract recognized by MCT is as follows for the years ended June 30:

|                            | <u>2005</u>         | <u>2004</u>         |
|----------------------------|---------------------|---------------------|
| Master Contract            | \$ 2,080,000        | \$ 1,999,350        |
| Combined Services Contract | <u>295,464</u>      | <u>288,468</u>      |
|                            | <u>\$ 2,375,464</u> | <u>\$ 2,287,818</u> |

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

|  | <u>2005</u>      | <u>2004</u>       |
|--|------------------|-------------------|
| Office equipment                               | \$ 336,482       | \$ 315,424        |
| Furniture and fixtures                         | 171,642          | 171,642           |
| Video equipment                                | 1,956,042        | 1,948,838         |
| Automobiles                                    | 83,526           | 83,526            |
| Leasehold improvements                         | <u>710,826</u>   | <u>708,526</u>    |
|  | 3,258,518        | 3,227,956         |
| Less accumulated depreciation and amortization | <u>3,168,909</u> | <u>3,117,839</u>  |
|  | <u>\$ 89,609</u> | <u>\$ 110,117</u> |

Under the terms of the Master Contract, MCT may not use video equipment purchased with County funds after November 14, 1986 as collateral without prior County approval. MCT may not sell or dispose of any of the video equipment purchased after November 14, 1986 without first offering such equipment back to the County. Additionally, all furniture, office equipment, video equipment, vehicles and other similar types of personal property purchased with funds provided by the County under the Master Contract is to become the property of the County upon the termination or expiration of the contract.

**NOTE 4 - ACCRUED COMPENSATION**

Accrued compensation consists of the following at June 30:

|              | <u>2005</u>       | <u>2004</u>       |
|--------------|-------------------|-------------------|
| Vacation pay | \$ 65,002         | \$ 67,514         |
| Salaries     | 37,253            | 46,055            |
| Retirement   | <u>182,750</u>    | <u>157,000</u>    |
|              | <u>\$ 285,005</u> | <u>\$ 270,569</u> |

**MONTGOMERY COMMUNITY TELEVISION, INC.  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

**NOTE 5 - DEFERRED RENT**

The deferred rent balance at June 30, 2005 and 2004 represents the cumulative difference between the rent expense recorded for financial statement purposes in accordance with Accounting Principles Generally Accepted in the United States ("GAAP") and the rent actually due and paid under the operating lease agreements. GAAP rent expense is recognized on a straight-line basis, calculated by dividing the total minimum rent to be paid during the term of the leases by the lease terms.

An analysis of deferred rent is as follows for the years ended June 30:

|   | <u>2005</u>       | <u>2004</u>      |
|---|-------------------|------------------|
| GAAP rent for the year                          | \$ 307,964        | \$ 307,964       |
| Minimum rent actually due and paid for the year | <u>(293,788)</u>  | <u>(285,521)</u> |
| Deferred rent for the year                      | 14,176            | 22,443           |
| Deferred rent balance, beginning of year        | <u>92,546</u>     | <u>70,103</u>    |
| Deferred rent balance, end of year              | <u>\$ 106,722</u> | <u>\$ 92,546</u> |

**NOTE 6 - DEFINED CONTRIBUTION RETIREMENT PLAN**

MCT has a defined contribution retirement plan (the "Plan") which covers employees that meet certain age and length of service requirements. Contributions to the Plan equal 10% of each covered employee's annual salary. The contributions vest over a five-year period at 20% per year. Non-vested retirement contributions are credited back to the Plan upon termination of an employee thereby reducing MCT's annual contribution. For the years ended June 30, 2005 and 2004, MCT's expense amounted to \$115,278 and \$79,590, respectively.

MCT has determined that certain part-time employees have been improperly excluded from the Plan. In order to correct this matter, management has filed an application under the Internal Revenue Service's Voluntary Correction Program. At June 30, 2005 the total amount management has accrued to correct the matter is \$182,750.

**NOTE 7 - OPERATING LEASES**

MCT leases office space and equipment under operating leases, which expire between 2005 - 2011. The office space leases also contain a provision for contingent rental payments to cover MCT's proportionate share of operating costs and real estate taxes. The following schedule indicates the composition of total rent expense for the years ended June 30:

|                 | <u>2005</u>       | <u>2004</u>       |
|-----------------|-------------------|-------------------|
| Minimum rent    | \$ 307,964        | \$ 307,964        |
| Contingent rent | <u>63,313</u>     | <u>72,629</u>     |
|                 | <u>\$ 371,277</u> | <u>\$ 380,593</u> |

**MONTGOMERY COMMUNITY TELEVISION, INC.  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

**NOTE 7 - OPERATING LEASES (Cont'd.)**

Future minimum rental payments under these leases are as follows as of June 30, 2005:

|                      |                     |
|----------------------|---------------------|
| Year Ending June 30, |                     |
| 2006                 | \$ 298,175          |
| 2007                 | 307,119             |
| 2008                 | 316,333             |
| 2009                 | 325,823             |
| 2010                 | 335,598             |
| Thereafter           | <u>345,666</u>      |
|                      | <u>\$ 1,928,714</u> |

**NOTE 8 - RELATED PARTY TRANSACTION**

MCT has entered into an agreement to provide physical space to establish and operate a computer training classroom with a nonprofit organization affiliated with a Board member. This agreement expires May 2006. MCT will receive a percentage of the class registration fees. MCT will also provide access to the internet. All computer equipment will be provided by the related party.

**SUPPLEMENTARY INFORMATION**

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2005**

|                               | Program Services  |                   |                   |                   |                   | Supporting Services |                   | Total Expenses  |                     |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-----------------|---------------------|
|                               | Training          | Creative Services | Operations        | Programming       | News              | Total               | Administration    |                 | Fundraising         |
| <b>Personnel</b>              |                   |                   |                   |                   |                   |                     |                   |                 |                     |
| Salaries full time            | \$ 148,533        | \$ 266,507        | \$ 185,166        | \$ 112,997        | \$ 82,046         | \$ 795,249          | \$ 219,085        | \$ -            | \$ 1,014,334        |
| Salaries part time            | 30,709            | 98,856            | 14,422            | 3,177             | 30,312            | 177,476             | 4,020             | -               | 181,496             |
| Salaries full time - overtime | 828               | 3,396             | 14,879            | 6,979             | 998               | 27,080              | 822               | -               | 27,902              |
| Salaries part time - overtime | 96                | 37                | 262               | -                 | 580               | 975                 | -                 | -               | 975                 |
| Employee benefits             | 40,378            | 82,458            | 52,231            | 40,027            | 28,641            | 243,735             | 79,655            | -               | 323,390             |
| Total personnel               | <u>220,544</u>    | <u>451,254</u>    | <u>266,960</u>    | <u>163,180</u>    | <u>142,577</u>    | <u>1,244,515</u>    | <u>303,582</u>    | <u>-</u>        | <u>1,548,097</u>    |
| <b>Direct expenses</b>        |                   |                   |                   |                   |                   |                     |                   |                 |                     |
| Employee recruitment cost     | 584               | 646               | 271               | -                 | -                 | 1,501               | -                 | -               | 1,501               |
| Equipment rentals             | -                 | -                 | 47                | -                 | -                 | 47                  | -                 | -               | 47                  |
| Travel and transportation     | (756)             | 399               | 641               | (540)             | 823               | 567                 | 8,319             | -               | 8,886               |
| Postage and shipping          | 160               | 2,827             | 90                | 56                | 199               | 3,332               | 1,005             | 449             | 4,786               |
| Printing and reproduction     | 4,321             | 3,059             | -                 | 47                | -                 | 7,427               | 288               | 2,648           | 10,363              |
| Periodicals and publications  | 1,323             | 807               | 807               | 807               | 77                | 3,821               | 2,538             | -               | 6,359               |
| Representation                | 600               | 74                | -                 | -                 | 258               | 932                 | 1,520             | -               | 2,452               |
| Outside labor                 | 8,446             | 1,548             | -                 | -                 | 428               | 10,422              | 28,355            | -               | 38,777              |
| Auto maintenance              | -                 | 180               | 325               | -                 | 2,306             | 2,811               | -                 | -               | 2,811               |
| Video tape stock              | 2,080             | 6,136             | 11,180            | 132               | -                 | 19,528              | -                 | -               | 19,528              |
| Production supplies           | 27                | -                 | 708               | -                 | -                 | 735                 | -                 | -               | 735                 |
| Production equipment          | 429               | -                 | 7,953             | -                 | -                 | 8,382               | -                 | -               | 8,382               |
| Advertising and promotion     | 7,514             | 4,122             | 719               | 719               | -                 | 13,074              | 2,027             | -               | 15,101              |
| Graphic design                | 120               | -                 | -                 | -                 | -                 | 120                 | -                 | -               | 120                 |
| Music licensing               | -                 | -                 | -                 | 542               | -                 | 542                 | -                 | -               | 542                 |
| Contract teachers             | 9,385             | -                 | -                 | -                 | -                 | 9,385               | -                 | -               | 9,385               |
| Consulting services           | 5,370             | -                 | 35,367            | -                 | -                 | 40,737              | 24,086            | -               | 64,823              |
| Video equipment maintenance   | -                 | 1,101             | 16,508            | -                 | -                 | 17,609              | 576               | -               | 18,185              |
| Computer software             | -                 | -                 | -                 | -                 | -                 | -                   | 20,099            | -               | 20,099              |
| Computer equipment            | -                 | -                 | 5,759             | -                 | -                 | 5,759               | 7,596             | -               | 13,355              |
| Bank charges                  | -                 | -                 | -                 | -                 | -                 | -                   | 1,621             | -               | 1,621               |
| Supplies                      | 1,240             | 393               | 1,633             | 115               | 15                | 3,396               | 3,587             | -               | 6,983               |
| Telephone                     | -                 | 1,384             | 691               | -                 | 1,625             | 3,700               | 1,073             | -               | 4,773               |
| Special services              | -                 | -                 | -                 | 663               | -                 | 663                 | -                 | -               | 663                 |
| Total direct expenses         | <u>40,843</u>     | <u>22,676</u>     | <u>82,699</u>     | <u>2,541</u>      | <u>5,731</u>      | <u>154,490</u>      | <u>102,690</u>    | <u>3,097</u>    | <u>260,277</u>      |
| <b>Indirect expenses</b>      |                   |                   |                   |                   |                   |                     |                   |                 |                     |
| Rent                          | 122,299           | 59,825            | 44,243            | 44,283            | 55,638            | 326,288             | 58,231            | -               | 384,519             |
| Utilities                     | 9,551             | (349)             | 3,790             | 3,790             | 6,652             | 23,434              | 5,577             | -               | 29,011              |
| Insurance                     | 15,925            | 16,490            | 6,318             | 6,318             | -                 | 45,051              | 6,318             | -               | 51,369              |
| Repairs and maintenance       | 6,078             | 1,838             | 2,411             | 2,412             | 4,713             | 17,452              | 15,616            | -               | 33,068              |
| Professional fees             | 12,686            | 4,182             | 5,033             | 5,033             | 8,954             | 35,888              | 14,054            | -               | 49,942              |
| Other                         | 1,916             | 758               | 760               | 760               | 1,225             | 5,419               | 1,298             | -               | 6,717               |
| Postage                       | 971               | 317               | 386               | 385               | 689               | 2,748               | 385               | -               | 3,133               |
| Telephone                     | 4,083             | 1,328             | 1,620             | 1,620             | 2,900             | 11,551              | 3,271             | -               | 14,822              |
| Supplies                      | 3,840             | 1,127             | 1,524             | 1,524             | 2,850             | 10,865              | 1,524             | -               | 12,389              |
| Total indirect expenses       | <u>177,349</u>    | <u>85,516</u>     | <u>66,085</u>     | <u>66,125</u>     | <u>83,621</u>     | <u>478,696</u>      | <u>106,274</u>    | <u>-</u>        | <u>584,970</u>      |
| <b>Depreciation</b>           | <u>8,941</u>      | <u>8,941</u>      | <u>8,941</u>      | <u>8,941</u>      | <u>8,941</u>      | <u>44,705</u>       | <u>6,365</u>      | <u>-</u>        | <u>51,070</u>       |
| Total expenses                | <u>\$ 447,677</u> | <u>\$ 568,387</u> | <u>\$ 424,685</u> | <u>\$ 240,787</u> | <u>\$ 240,870</u> | <u>\$ 1,922,406</u> | <u>\$ 518,911</u> | <u>\$ 3,097</u> | <u>\$ 2,444,414</u> |

**MONTGOMERY COMMUNITY TELEVISION, INC.**  
**SCHEDULE OF EXPENSES BY REVENUE SOURCE**  
**Year Ended June 30, 2005**

|                               | Public<br>Access    | News              | Council           | Executive         | Production<br>Services | Total               |
|-------------------------------|---------------------|-------------------|-------------------|-------------------|------------------------|---------------------|
| <b>Personnel</b>              |                     |                   |                   |                   |                        |                     |
| Salaries full time            | \$ 694,224          | \$ 112,618        | \$ 111,931        | \$ 75,986         | \$ 19,575              | \$ 1,014,334        |
| Salaries part time            | 86,149              | 37,291            | 26,923            | 23,574            | 7,559                  | 181,496             |
| Salaries full time - overtime | 23,625              | 1,156             | 2,309             | 267               | 545                    | 27,902              |
| Salaries part time - overtime | 358                 | 602               | (3)               | -                 | 18                     | 975                 |
| Employee benefits             | 221,029             | 49,230            | 18,881            | 12,591            | 21,659                 | 323,390             |
| Total personnel               | <u>1,025,385</u>    | <u>200,897</u>    | <u>160,041</u>    | <u>112,418</u>    | <u>49,356</u>          | <u>1,548,097</u>    |
| <b>Direct expenses</b>        |                     |                   |                   |                   |                        |                     |
| Employee recruitment cost     | 1,501               | -                 | -                 | -                 | -                      | 1,501               |
| Equipment rentals             | 47                  | -                 | -                 | -                 | -                      | 47                  |
| Travel and transportation     | 8,063               | 823               | -                 | -                 | -                      | 8,886               |
| Postage and shipping          | 4,170               | 199               | -                 | -                 | 417                    | 4,786               |
| Printing and reproduction     | 10,363              | -                 | -                 | -                 | -                      | 10,363              |
| Periodicals and publications  | 6,282               | 77                | -                 | -                 | -                      | 6,359               |
| Representation                | 2,194               | 258               | -                 | -                 | -                      | 2,452               |
| Outside labor                 | 38,349              | 428               | -                 | -                 | -                      | 38,777              |
| Auto maintenance              | 505                 | 2,306             | -                 | -                 | -                      | 2,811               |
| Video tape stock              | 19,528              | -                 | -                 | -                 | -                      | 19,528              |
| Production supplies           | 735                 | -                 | -                 | -                 | -                      | 735                 |
| Production equipment          | 8,382               | -                 | -                 | -                 | -                      | 8,382               |
| Advertising and promotion     | 15,123              | -                 | -                 | -                 | (22)                   | 15,101              |
| Graphic design                | 120                 | -                 | -                 | -                 | -                      | 120                 |
| Music licensing               | 542                 | -                 | -                 | -                 | -                      | 542                 |
| Contract teachers             | 9,385               | -                 | -                 | -                 | -                      | 9,385               |
| Consulting services           | 64,823              | -                 | -                 | -                 | -                      | 64,823              |
| Video equipment maintenance   | 18,185              | -                 | -                 | -                 | -                      | 18,185              |
| Computer software             | 20,099              | -                 | -                 | -                 | -                      | 20,099              |
| Computer equipment            | 13,355              | -                 | -                 | -                 | -                      | 13,355              |
| Bank charges                  | 1,621               | -                 | -                 | -                 | -                      | 1,621               |
| Supplies                      | 6,968               | 15                | -                 | -                 | -                      | 6,983               |
| Telephone                     | 2,457               | 1,625             | 691               | -                 | -                      | 4,773               |
| Special services              | 663                 | -                 | -                 | -                 | -                      | 663                 |
| Total direct expenses         | <u>253,460</u>      | <u>5,731</u>      | <u>691</u>        | <u>-</u>          | <u>395</u>             | <u>260,277</u>      |
| <b>Indirect expenses</b>      |                     |                   |                   |                   |                        |                     |
| Rent                          | 246,598             | 85,683            | 12,374            | 10,539            | 29,325                 | 384,519             |
| Utilities                     | 16,690              | 8,904             | 1,059             | 903               | 1,455                  | 29,011              |
| Insurance                     | 31,715              | -                 | 1,767             | 1,505             | 16,382                 | 51,369              |
| Repairs and maintenance       | 24,910              | 6,108             | 674               | 574               | 802                    | 33,068              |
| Professional fees             | 33,546              | 11,924            | 1,408             | 1,199             | 1,865                  | 49,942              |
| Other                         | 4,276               | 1,695             | 213               | 181               | 352                    | 6,717               |
| Postage                       | 1,877               | 916               | 108               | 92                | 140                    | 3,133               |
| Telephone                     | 9,540               | 3,853             | 453               | 386               | 590                    | 14,822              |
| Supplies                      | 7,387               | 3,725             | 426               | 363               | 488                    | 12,389              |
| Total indirect expenses       | <u>376,539</u>      | <u>122,808</u>    | <u>18,482</u>     | <u>15,742</u>     | <u>51,399</u>          | <u>584,970</u>      |
| <b>Depreciation</b>           |                     |                   |                   |                   |                        |                     |
|                               | <u>51,070</u>       | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>               | <u>51,070</u>       |
| Total expenses                | <u>\$ 1,706,454</u> | <u>\$ 329,436</u> | <u>\$ 179,214</u> | <u>\$ 128,160</u> | <u>\$ 101,150</u>      | <u>\$ 2,444,414</u> |