

Educational Broadcasting Corporation

(A New York Not-for-Profit Corporation Chartered by
the Board of Regents)

and Controlled Subsidiaries

Consolidated Financial Statements as of
and for the Years Ended June 30, 2007 and
2006, Supplemental Schedules for the
Years Ended June 30, 2007 and 2006, and
Independent Auditors' Report

EDUCATIONAL BROADCASTING CORPORATION
(A New York Not-for-Profit Corporation Chartered by the Board of Regents)
AND CONTROLLED SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Educational Broadcasting Corporation:

We have audited the accompanying consolidated statements of financial position of Educational Broadcasting Corporation (a New York not-for-profit corporation chartered by the Board of Regents) and controlled subsidiaries (the "Company") as of June 30, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Educational Broadcasting Corporation and controlled subsidiaries at June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 4, the consolidated financial statements include investments valued at \$41.1 million (19.0% of net assets) and \$33.7 million (16.3% of net assets) as of June 30, 2007 and 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of functional expenses on pages 16-17 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Company's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte + Touche LLP

December 11, 2007

EDUCATIONAL BROADCASTING CORPORATION
(A New York Not-for-Profit Corporation Chartered by the Board of Regents)
AND CONTROLLED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 6,123,000	\$ 6,507,000
Investments (Notes 2, 4, 5, 7, 12 and 14)	113,149,000	95,143,000
Accounts receivable (Net of allowance for doubtful accounts of \$182,000 and \$178,000, respectively)	4,601,000	3,608,000
Grants and gifts receivable—Net (Note 3)	72,472,000	68,087,000
Costs incurred for programs not yet telecast	21,620,000	23,215,000
Prepaid expense and other assets (Note 15)	4,705,000	4,579,000
Property and equipment—Net (Notes 6 and 7)	31,050,000	31,173,000
Excess of purchase price over net tangible assets acquired (Note 2)	5,854,000	5,854,000
Broadcast license (Note 2)	<u>7,700,000</u>	<u>7,700,000</u>
TOTAL	<u>\$ 267,274,000</u>	<u>\$ 245,866,000</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 26,068,000	\$ 26,421,000
Deferred revenue (Note 13)	14,186,000	386,000
Line of credit (Note 7)	-	2,000,000
Notes payable (Note 7)	<u>10,250,000</u>	<u>10,250,000</u>
Total liabilities	<u>50,504,000</u>	<u>39,057,000</u>
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
NET ASSETS:		
Unrestricted:		
Operations	41,632,000	41,419,000
Nonspendable (Note 4)	34,688,000	21,978,000
Board designated	<u>1,739,000</u>	<u>1,739,000</u>
Total unrestricted	78,059,000	65,136,000
Temporarily restricted (Note 8)	80,347,000	86,546,000
Permanently restricted (Note 9)	<u>58,364,000</u>	<u>55,127,000</u>
Total net assets	<u>216,770,000</u>	<u>206,809,000</u>
TOTAL	<u>\$ 267,274,000</u>	<u>\$ 245,866,000</u>

See notes to consolidated financial statements.

