

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

**Financial Statements
as of June 30, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

November 5, 2018

To the Board of Trustees of
WMHT Educational Telecommunications, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of WMHT Educational Telecommunications, Inc. (a New York nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMHT Educational Telecommunications, Inc. as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited WMHT Educational Telecommunications, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 698,259	\$ 765,973
Accounts receivables, net	1,444,829	357,444
Investments	7,591,912	7,150,246
Capital campaign and other pledges receivable	325,254	314,096
Prepaid expenses and other assets	<u>186,405</u>	<u>233,716</u>
Total current assets	<u>10,246,659</u>	<u>8,821,475</u>
PROPERTY AND EQUIPMENT, net	<u>8,337,186</u>	<u>7,118,217</u>
BROADCAST LICENSES, net	<u>1,063,034</u>	<u>1,101,690</u>
OTHER LONG-TERM ASSETS:		
Capital campaign and other pledges receivable, net	500	2,241
Long-term prepaid expenses	637,321	656,034
Assets held under charitable gift annuity agreements	251,194	141,599
Ownership interest in investee companies	721,185	726,316
Other long-term assets	<u>8,472</u>	<u>8,183</u>
Total other long-term assets	<u>1,618,672</u>	<u>1,534,373</u>
	<u>\$ 21,265,551</u>	<u>\$ 18,575,755</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current installments of long-term debt	\$ 330,000	\$ 315,000
Current installments of charitable gift annuity agreements	12,708	11,184
Accounts payable	1,193,680	230,303
Accrued expenses and other liabilities	335,699	310,434
Deferred revenue	<u>60,075</u>	<u>72,579</u>
Total current liabilities	<u>1,932,162</u>	<u>939,500</u>
LONG-TERM LIABILITIES, less current installments:		
Long-term debt	1,804,315	2,120,554
Charitable gift annuity agreements	<u>31,985</u>	<u>36,102</u>
Total long-term liabilities	<u>1,836,300</u>	<u>2,156,656</u>
Total liabilities	<u>3,768,462</u>	<u>3,096,156</u>
NET ASSETS:		
Unrestricted	15,455,928	13,241,313
Temporarily restricted	2,034,161	2,231,286
Permanently restricted	<u>7,000</u>	<u>7,000</u>
Total net assets	<u>17,497,089</u>	<u>15,479,599</u>
	<u>\$ 21,265,551</u>	<u>\$ 18,575,755</u>

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
SUPPORT AND REVENUE:					
Contributions and memberships	\$ 3,880,368	\$ -	\$ -	\$ 3,880,368	\$ 4,773,172
New York State Department of Education grants	1,156,380	-	-	1,156,380	1,197,673
Corporation for Public Broadcasting grants	1,285,686	-	-	1,285,686	1,283,386
Program underwriting	857,224	-	-	857,224	799,899
Production revenue and underwriting	248,959	-	-	248,959	592,388
Other revenue	174,498	-	-	174,498	155,508
Capital campaign contributions	1,760	-	-	1,760	20,194
Interest and dividends	128,222	-	-	128,222	130,539
Other grants	57,304	-	-	57,304	37,241
Video and book sales, net of discounts	16,000	-	-	16,000	18,079
Contributions from charitable gift annuity agreements	113,199	-	-	113,199	2,698
Capital grants	1,659,995	-	-	1,659,995	4,050
Temporarily restricted net assets released from restriction	<u>197,125</u>	<u>(197,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,776,720</u>	<u>(197,125)</u>	<u>-</u>	<u>9,579,595</u>	<u>9,014,827</u>
EXPENSES:					
Program services:					
Television activities	3,459,949	-	-	3,459,949	3,830,189
Radio activities	834,348	-	-	834,348	856,815
Educational activities	252,058	-	-	252,058	192,582
Public communications	<u>294,154</u>	<u>-</u>	<u>-</u>	<u>294,154</u>	<u>354,681</u>
Total program services	4,840,509	-	-	4,840,509	5,234,267
Management and general	1,332,620	-	-	1,332,620	1,334,265
Fund raising/development	<u>1,789,984</u>	<u>-</u>	<u>-</u>	<u>1,789,984</u>	<u>1,960,070</u>
Total expenses	<u>7,963,113</u>	<u>-</u>	<u>-</u>	<u>7,963,113</u>	<u>8,528,602</u>
CHANGE IN NET ASSETS					
BEFORE OTHER REVENUE, EXPENSES, GAINS, AND LOSSES	<u>1,813,607</u>	<u>(197,125)</u>	<u>-</u>	<u>1,616,482</u>	<u>486,225</u>
OTHER REVENUE, EXPENSES, GAINS, AND LOSSES:					
Net realized and unrealized gains on investments	480,808	-	-	480,808	560,161
Change in charitable gift annuity agreements	(12,708)	-	-	(12,708)	(11,184)
Equity loss on share of investee companies	(5,131)	-	-	(5,131)	(31,516)
(Loss) gain on sale of fixed assets	<u>(61,961)</u>	<u>-</u>	<u>-</u>	<u>(61,961)</u>	<u>3,645</u>
Total other revenue, expenses, gains, and losses	<u>401,008</u>	<u>-</u>	<u>-</u>	<u>401,008</u>	<u>521,106</u>
CHANGE IN NET ASSETS	2,214,615	(197,125)	-	2,017,490	1,007,331
NET ASSETS - beginning of year	<u>13,241,313</u>	<u>2,231,286</u>	<u>7,000</u>	<u>15,479,599</u>	<u>14,472,268</u>
NET ASSETS - end of year	<u>\$ 15,455,928</u>	<u>\$ 2,034,161</u>	<u>\$ 7,000</u>	<u>\$ 17,497,089</u>	<u>\$ 15,479,599</u>

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,017,490	\$ 1,007,331
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	598,317	688,251
Interest expense related to deferred financing costs	13,761	13,761
Bad debt expense	1	5,175
Loss (gain) on sale of fixed assets	61,961	(3,645)
Equity loss on share of investee companies	5,131	31,516
Net realized and unrealized (gain) on investments	(480,808)	(560,161)
Change in value of charitable gift annuity agreements	12,708	11,184
Changes in:		
Accounts receivable	(1,087,386)	49,235
Capital campaign and other pledges receivable	(9,417)	(11,957)
Prepaid expenses and other assets	47,311	(33,801)
Other long-term assets	18,424	32,555
Accounts payable	(5,016)	(89,669)
Accrued expenses and other liabilities	25,265	(59,660)
Deferred revenue	(12,504)	(68,807)
Charitable gift annuity agreement obligations	(15,301)	(13,881)
Net cash flow from operating activities	<u>1,189,937</u>	<u>997,427</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,875,420	2,278,819
Purchases of investments	(2,945,873)	(2,560,753)
Proceeds from sale of property and equipment	-	6,102
Payments for the purchase of property and equipment	<u>(872,198)</u>	<u>(186,603)</u>
Net cash flow from investing activities	<u>(942,651)</u>	<u>(462,435)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	<u>(315,000)</u>	<u>(300,000)</u>
Net cash flow from financing activities	<u>(315,000)</u>	<u>(300,000)</u>
CHANGE IN CASH	(67,714)	234,992
CASH - beginning of year	<u>765,973</u>	<u>530,981</u>
CASH - end of year	<u>\$ 698,259</u>	<u>\$ 765,973</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for interest expense	<u>\$ 27,712</u>	<u>\$ 19,391</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Purchases of property and equipment included in accounts payable	<u>\$ 968,393</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)

	Program Services				Management and General	Fund Raising/ Development	2018 Total	2017 Total
	Television	Radio	Educational	Public Communications				
Salaries	\$ 933,620	\$ 351,208	\$ 129,938	\$ 130,584	\$ 656,102	\$ 722,302	\$ 2,923,754	\$ 2,819,687
Broadcast rights	911,499	74,399	-	-	-	-	985,898	1,011,417
Benefits and payroll taxes	264,589	84,112	44,562	44,749	135,048	161,861	734,921	716,677
Depreciation	360,383	108,556	13,626	13,626	48,172	53,954	598,317	688,251
Outside services	316,670	31,611	640	140	10,543	44,102	403,706	561,026
Postage and shipping	2,052	917	238	95,527	3,909	292,133	394,776	452,373
Network fees	251,572	55,014	-	-	-	-	306,586	296,763
Computer service	19,590	37,667	1,970	4,879	100,186	89,370	253,662	263,169
Bank and other fees	1,483	-	-	-	56,220	120,478	178,181	185,719
Maintenance	128,977	5,600	34,667	-	2,269	-	171,513	232,564
Utilities	167,654	2,649	-	-	-	-	170,303	207,629
Cost of goods sold	-	64	51	-	-	169,472	169,587	314,490
Travel and entertainment	11,953	6,211	6,578	1,730	58,140	25,657	110,269	136,129
Insurance	-	-	-	-	101,749	-	101,749	105,990
Telephone	15,278	18,856	350	370	2,575	46,770	84,199	99,255
Membership	16,582	-	10,924	-	46,480	-	73,986	72,891
Rent	18,712	48,660	-	-	-	-	67,372	63,572
Consulting and professional	5,917	-	-	-	37,189	14,400	57,506	48,455
Interest	-	-	-	-	41,473	-	41,473	33,152
Other material and supplies	12,028	5,453	6,902	13	10,674	851	35,921	72,164
Printing	-	1,005	555	-	5,494	28,690	35,744	50,399
Advertising	389	-	1,057	153	2,360	16,876	20,835	22,777
Dues and subscriptions	688	2,091	-	-	11,985	2,997	17,761	12,470
Equipment rental	7,539	-	-	-	2,052	-	9,591	15,371
Studio materials and supplies	5,245	-	-	2,383	-	-	7,628	19,175
Security	5,952	-	-	-	-	-	5,952	9,671
Videotape	1,577	275	-	-	-	70	1,922	10,591
Bad debt, net	-	-	-	-	-	1	1	5,175
Talent fees	-	-	-	-	-	-	-	1,600
2018 Totals	\$ 3,459,949	\$ 834,348	\$ 252,058	\$ 294,154	\$ 1,332,620	\$ 1,789,984	\$ 7,963,113	\$ 8,528,602
2017 Totals	\$ 3,830,189	\$ 856,815	\$ 192,582	\$ 354,681	\$ 1,334,265	\$ 1,960,070		

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. THE ORGANIZATION

WMHT Educational Telecommunications, Inc. (WMHT) is a not-for-profit organization that was incorporated under the laws of New York State. WMHT operates non-commercial public television stations (WMHT/Channel 17, WMHT - PBS World, WMHT - Create TV, and WMHT – PBS Kids) and three non-commercial public FM radio stations (WMHT - FM 89.1, WRHV - FM 88.7, and WEXT - FM 97.7) in the Capital District region of New York State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

WMHT's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash consists of bank demand deposit accounts. WMHT's cash balances may at times exceed federally insured limits. WMHT has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

Accounts Receivable

Accounts receivable are carried at the original invoice amount, less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. WMHT has established an allowance for doubtful accounts of \$11,303 as of June 30, 2018 and 2017.

Accounts are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on accounts receivable.

Investments

Investments are reported at fair value as determined by quoted market prices for which all significant inputs are observable, directly or indirectly. The net realized and unrealized gains on investments are reported directly in the accompanying statement of activities.

Marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible those changes in the values of marketable securities will occur in the near term and that such changes could materially affect that amounts reported in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, and (3) the intent and ability of WMHT to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. WMHT determined that there were no other-than-temporary impairments at both June 30, 2018 and 2017.

Capital Campaign and Other Pledges Receivable

WMHT records capital campaign pledges as revenue in the period received using the present value of estimated future cash flows discounted at an appropriate rate. A discount rate of approximately 3% was used to present the value of pledges during the years ended June 30, 2018 and 2017. In addition, WMHT has established an allowance for potential uncollectible pledges of approximately \$0 and \$1,100 at June 30, 2018 and 2017, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Management follows the practice of capitalizing expenditures which materially change capacities or extend useful lives of assets. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. When buildings and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is included in the statement of activities. Depreciation is computed on a straight-line basis over the useful lives of the assets varying from three to forty-five years.

Donated property is recognized as contributions in the accompanying statements at their estimated fair market value at the date of receipt.

Long-Lived Assets

WMHT assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2018 or 2017.

Gifts of Long-Lived Assets

WMHT reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and Capital Campaign gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, WMHT's policy is to imply a time restriction, based on the assets' estimated useful lives. WMHT's expirations of donor restrictions occur when the donated or acquired long-lived assets are placed in service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts of Long-Lived Assets (Continued)

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets carrying amount over the fair value of the asset.

Broadcast Licenses

Capitalized broadcast licenses pertain to costs incurred in obtaining the initial radio broadcasting license and are amortized over forty years. The broadcast license is stated at cost of \$1,546,231, net of accumulated amortization of \$483,197 and \$444,541 at June 30, 2018 and 2017, respectively. Amortization expense was approximately \$39,000 for the years ended June 30, 2018 and 2017. Amortization over the next five years is expected to be approximately \$39,000 annually.

WMHT evaluates broadcast licenses for impairment whenever events or changes in circumstances indicate that a license's carrying amount may not be recoverable. No impairment was recorded for either year ended June 30, 2018 and 2017.

Deferred Financing Costs

Financing costs incurred related to the bond issue and letter of credit, which includes an underwriting discount and other financing costs. These costs are recognized as interest expense on a straight-line basis over the life of the bond and letter of credit. Amortization expense was approximately \$14,000 for each of the years ended June 30, 2018 and 2017. Amortization over the next five years is expected to be approximately \$14,000 annually.

Financial Reporting

WMHT reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include resources which are available for the support of WMHT's operating activities.

Temporarily restricted net assets represent resources that are restricted by a donor for use for a particular purpose or in a particular future period. WMHT has approximately \$2,034,000 and \$2,231,000 of temporarily restricted net assets at June 30, 2018 and 2017, respectively, which represents contributed resources used to purchase buildings and equipment under prior years' capital campaigns. Restrictions associated with these contributions are satisfied through the passage of time over the useful life of the assets purchased.

Permanently restricted net assets includes resources whose use by WMHT is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. Permanently restricted net assets at both June 30, 2018 and 2017 were \$7,000.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition

Membership support, which is comprised of unrestricted contributions primarily through pledges, is recognized as support when the unconditional promise is made.

Grants awarded for operating purposes (primarily Corporation for Public Broadcasting and New York State Department of Education grants) are recognized as support when grants are awarded since no direct value or specific performance is required in exchange by WMHT.

Production revenue, production underwriting revenue, and the related expenses of production are recognized when production is completed and available for initial broadcast.

Program underwriting is recognized in the period in which the contract is entered since the underwriter receives no substantive reciprocal value, and cancellation of the contract is remote.

Fair Value Measurement

WMHT uses various valuation techniques in determining fair value. A hierarchy for inputs used in measuring fair value has been established that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of WMHT. Unobservable inputs are inputs that reflect WMHT's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that WMHT has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

WMHT's investments and assets held under charitable gift annuity agreements are valued utilizing Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

WMHT currently has no assets or liabilities measured using Level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

WMHT currently has no assets or liabilities measured using Level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by WMHT in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Refer to footnote 15 for the fair value hierarchy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various programs and other services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited.

Financial Instruments Measured at Fair Value

WMHT has financial instruments in the accompanying statements of financial position. WMHT makes estimates regarding the valuation of assets and liabilities measured at fair value in the financial statements. These assets and liabilities include cash, investments, assets held under charitable gift annuities, and long term debt.

The following methods and assumptions were used in estimating the fair value of financial instruments:

Cash: The carrying amount reported in the statements of financial position for cash approximates fair value due to the short-term nature of these instruments. Cash is valued using Level 1 inputs.

Investments and charitable gift annuity assets: The carrying amount reported in the statements of financial position for investments is stated at fair value. Fair values are based on quoted market inputs or estimated fair value. Investments are valued using Level 1 inputs. Refer to note 15 for additional disclosures.

Debt: The fair value of long-term debt obligations is estimated using discounted cash flow analyses, based on the participating institution's incremental borrowing rates for similar types of borrowing arrangements. The fair value of long-term debt approximates the carrying value using Level 2 inputs.

Income Taxes

WMHT is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. WMHT has been classified as a publicly-supported organization that is not a private foundation.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Program underwriting	\$ 332,001	\$ 320,045
Production	9,615	32,665
Interest receivable	16,082	13,784
Grant receivable - FCC grant	1,097,919	-
Other receivables	515	2,253
	<u>1,456,132</u>	<u>368,747</u>
Less: Allowance for doubtful accounts	<u>(11,303)</u>	<u>(11,303)</u>
Accounts receivable, net	<u>\$ 1,444,829</u>	<u>\$ 357,444</u>

4. INVESTMENTS

Investments, at fair value, consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 468,943	\$ 190,590
Fixed income notes and treasuries	2,311,334	1,941,573
Mutual funds	56,427	55,539
Exchange traded funds	<u>4,755,208</u>	<u>4,962,544</u>
	<u>\$ 7,591,912</u>	<u>\$ 7,150,246</u>

Net investment earnings consisted of the following for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 128,222	\$ 130,539
Net realized and unrealized gains	<u>480,808</u>	<u>560,161</u>
	<u>\$ 609,030</u>	<u>\$ 690,700</u>

5. CAPITAL CAMPAIGN AND OTHER PLEDGES RECEIVABLE, NET

Accounts and pledges receivable, net consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Collections due within 1 year	\$ 325,254	\$ 314,096
Collections due within 2-4 years	<u>1,500</u>	<u>6,000</u>
	326,754	320,096
Less: Allowance for doubtful accounts	-	(1,083)
Less: Discount to present value	<u>(1,000)</u>	<u>(2,676)</u>
Accounts receivables and pledges, net	<u>\$ 325,754</u>	<u>\$ 316,337</u>

6. PREPAID EXPENSES AND OTHER ASSETS

The balance of prepaid expenses and other assets is presented as follows at June 30:

	<u>2018</u>	<u>2017</u>
Current portion of prepaid expenses and other current assets	\$ 186,405	\$ 233,716
Long-term prepaid expense (ground lease)	<u>637,321</u>	<u>656,034</u>
	<u>\$ 823,726</u>	<u>\$ 889,750</u>

Included in prepaid expenses and other assets is a fifty-year ground lease agreement with Rensselaer Polytechnic Institute to lease the property on which WMHT's building lies. The entire lease of \$935,610 was paid in advance and is being expensed using the straight-line method over the life of the lease. Rent expense was \$18,712 for each of the years ended June 30, 2018 and 2017. The annual rent expense of \$18,712 is expected through 2054. The current portion of other prepaid expenses is expected to amortize within 2019.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Building	\$ 9,215,849	\$ 9,210,524
Transmitter and tower	1,266,492	1,432,982
Studio and technical equipment	5,506,198	5,508,553
Furniture, fixtures and equipment	1,361,847	1,410,028
Vehicles	31,559	31,559
Construction in progress	<u>854,331</u>	<u>-</u>
	18,236,276	17,593,646
Less: Accumulated depreciation	<u>(9,899,090)</u>	<u>(10,475,429)</u>
Property and equipment, net	<u>\$ 8,337,186</u>	<u>\$ 7,118,217</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was approximately \$598,000 and \$688,000, respectively.

8. CHARITABLE GIFT ANNUITY AGREEMENTS

A split-interest agreement is a trust or other arrangement under which WMHT receives benefits that are shared with other beneficiaries. WMHT's significant split interest agreements consist of charitable gift annuity agreements. Under New York State Insurance Law, WMHT is required to maintain qualified reserves reported herein as assets reserved under charitable gift annuity agreements. WMHT maintains a segregated reserve which is in excess of the minimum required reserve of \$100,000 as of June 30, 2018 and 2017.

The obligations under the agreements are reported herein as liabilities under charitable gift annuity agreements. The obligations are estimated at the time of the agreement based on the present value of future cash flows expected to be paid to the donors.

The obligations are subject to adjustments to reflect amortization of any discount and changes in the life expectancies of the donors. The assumptions used in computing the liabilities under charitable gift annuity agreements include discount rates ranging from 1.2% to 6.2% and life expectancies based on published single and multiple life expectancy tables.

9. OWNERSHIP INTEREST IN INVESTEE COMPANIES

WMHT has an equity ownership in Capital Region Broadcasters LLC (CRB), which was formed by six of the seven commercial and non-commercial television broadcasters licensed to serve the Capital Region. WMHT's ownership interest in CRB is \$232,796 and \$245,880 as of June 30, 2018 and 2017, respectively. CRB acquired a parcel of land in the Town of New Scotland, New York, where it has constructed a digital telecommunications tower and a building that houses the stations' digital television transmitters and associated equipment. WMHT is a 17.5% owner and holds a membership certificate.

Centralcast, LLC (Centralcast), a Delaware limited liability company, was formed by eight non-commercial television broadcasters during 2012. Centralcast was organized exclusively for the charitable purpose described in Section 501(c)(3) of the Internal Revenue Code (Code).

9. OWNERSHIP INTEREST IN INVESTEE COMPANIES (Continued)

WMHT's ownership interest in Centralcast is \$488,389 and \$480,436 as of June 30, 2018 and 2017, respectively. Centralcast was formed to construct and operate a joint master control facility in Syracuse, New York. WMHT is a 10% owner and holds a membership certificate. WMHT paid Centralcast \$111,295 (\$25,000 infrastructure fees and \$86,295 for service fees) during the years ended June 30, 2018 and 2017, respectively. Refer to footnote 13 for additional investment information.

10. LINE OF CREDIT

WMHT has a \$1,000,000 working capital line of credit, of which \$0 was outstanding at June 30, 2018 and 2017. The line of credit is collateralized by certain assets of WMHT and was renewed in February 2015. Interest is currently charged at the greater of the 30-day LIBOR rate plus 2.85% (3.25% as of both June 30, 2018 and 2017).

Interest expense on the line of credit was approximately \$400 and \$300 for the years ended June 30, 2018 and 2017, respectively.

11. LONG-TERM DEBT

A summary of WMHT's long-term debt is as follows:

	<u>2018</u>	<u>2017</u>
Bond payable, due in various installments, including interest of approximately 1.56% at June 30, 2018 and 0.96% at June 30, 2017, maturing December 2021	\$ 2,210,000	\$ 2,525,000
Less: Current installments	<u>330,000</u>	<u>315,000</u>
	1,880,000	2,210,000
Less: Unamortized deferred financing costs	<u>75,685</u>	<u>89,446</u>
	<u>\$ 1,804,315</u>	<u>\$ 2,120,554</u>

WMHT has a \$5,235,000 mortgage agreement. The mortgage was issued pursuant to the tax exempt bond issued by the Rensselaer County Industrial Developmental Agency (IDA) to finance the purchase, renovation, and construction of an addition to the facility located in Rensselaer County and to purchase equipment to be used as a broadcasting facility. The borrowing is collateralized by a first mortgage also collateralized by a direct pay letter of credit, which expires June 22, 2019. The letter of credit (issued by a Bank) has an open balance at June 30, 2018 of \$2,210,000, and is secured by the assets financed by the tax exempt bond issue.

The bond payable, as disclosed above, contains a financial covenant measured annually at June 30. It was determined that WMHT was in compliance with the covenant for the years ended June 30, 2018 and 2017.

11. LONG-TERM DEBT (Continued)

A summary of WMHT's future minimum maturities of long-term debt is as follows:

2019	\$	330,000
2020		345,000
2021		360,000
2022		375,000
2023		390,000
Thereafter		<u>410,000</u>
	\$	<u>2,210,000</u>

Interest expense related to long-term debt was \$27,270 and \$19,085 for the years ended June 30, 2018 and 2017, respectively.

12. PENSION PLAN

WMHT participates in a retirement plan invested with the College Retirement Equities Fund of the Teachers Insurance and Annuity Association (TIAA-CREF). The Plan is a defined contribution plan which covers all eligible full-time employees. WMHT's contributions to the Plan are discretionary. Plan contributions by participants are made on a tax-deferred basis under an agreement for salary reduction in accordance with Section 403(b) of the Internal Revenue Service Code (Tax Sheltered Annuity). Retirement expense was \$171,467 and \$153,223 for the years ended June 30, 2018 and 2017, respectively.

13. COMMITMENTS AND CONTINGENCIES

Operating Leases

WMHT leases land, vehicles, and equipment under non-cancellable operating leases. The leases require monthly payments ranging from \$247 to \$2,208. These leases expire on various dates through July 2053. Rent expense on these leases totaled \$74,377 and \$72,728 during the years ended June 30, 2018 and 2017, respectively.

A summary of future minimum lease payments are as follows as of June 30:

2019	\$	87,845
2020		83,990
2021		57,990
2022		57,787
2023		58,338
Thereafter		<u>543,760</u>
	\$	<u>889,710</u>

13. COMMITMENTS AND CONTINGENCIES (Continued)

Maintenance Contracts

WMHT has certain equipment under maintenance contracts. These contracts require monthly payments ranging from \$69 to \$2,889 and expire on various dates through June 2021. Expenses incurred on these contracts totaled \$135,506 and \$139,114 during the years ended June 30, 2018 and 2017, respectively.

A summary of WMHT's future minimum maintenance payments under the terms of the maintenance contracts are as follows as of June 30:

2019	\$	94,141
2020		15,309
2021		<u>10,638</u>
	\$	<u>120,088</u>

Investment in Centralcast, LLC

Under a joint master control provider agreement, the members of Centralcast, including WMHT, are required to pay quarterly infrastructure and service fees approximating \$21,600. The quarterly fees may be adjusted annually and will be paid through the end of the agreement, which expires September 1, 2019. The agreement will automatically renew for one additional two year term without proper notice.

14. RISK AND UNCERTAINTIES

Significant Concentration

Approximately 25% and 28% of WMHT's total support and revenue was derived from two funding sources for the years ended June 30, 2018 and 2017, respectively. No other funding source accounted for more than 10% of WMHT's total support and revenue.

15. FAIR VALUE MEASUREMENTS

The following investments are measured at fair value on a recurring basis using the following inputs at June 30, 2018:

<u>Description</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
<i>Investments:</i>				
Money market funds	\$ 468,943	\$ -	\$ -	\$ 468,943
Fixed income notes and treasuries	2,311,334	-	-	2,311,334
<i>Mutual funds:</i>				
Fixed income funds	56,427	-	-	56,427
<i>Exchange traded funds:</i>				
International developed markets	330,551	-	-	330,551
U.S. large capitalization	3,994,075	-	-	3,994,075
U.S. mid capitalization	301,632	-	-	301,632
U.S. small capitalization	128,950	-	-	128,950
Total investments	<u>7,591,912</u>	<u>-</u>	<u>-</u>	<u>7,591,912</u>
<i>Charitable Gift Annuities:</i>				
Money market funds	21,674	-	-	21,674
<i>Mutual funds:</i>				
Fixed income funds	70,062	-	-	70,062
<i>Exchange traded funds:</i>				
Fixed income funds	-	-	-	-
International developed markets	11,632	-	-	11,632
U.S. large capitalization	139,997	-	-	139,997
U.S. mid capitalization	5,325	-	-	5,325
U.S. small capitalization	2,504	-	-	2,504
Total charitable gift annuities	<u>251,194</u>	<u>-</u>	<u>-</u>	<u>251,194</u>
Total	<u>\$ 7,843,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,843,106</u>

15. FAIR VALUE MEASUREMENTS (Continued)

The following are measured at fair value on a recurring basis at June 30, 2017:

<u>Description</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
<i>Investments:</i>				
Money market funds	\$ 190,590	\$ -	\$ -	\$ 190,590
Fixed income notes and treasuries	1,941,573	-	-	1,941,573
<i>Mutual funds:</i>				
Fixed income funds	55,539	-	-	55,539
<i>Exchange traded funds:</i>				
Fixed income funds	397,694	-	-	397,694
International developed markets	332,868	-	-	332,868
U.S. large capitalization	3,795,213	-	-	3,795,213
U.S. mid capitalization	302,570	-	-	302,570
U.S. small capitalization	134,199	-	-	134,199
Total investments	<u>7,150,246</u>	<u>-</u>	<u>-</u>	<u>7,150,246</u>
<i>Charitable Gift Annuities:</i>				
Money market funds	4,046	-	-	4,046
<i>Mutual funds:</i>				
U.S. large capitalization	4,231	-	-	4,231
<i>Exchange traded funds:</i>				
Fixed income funds	51,046	-	-	51,046
International developed markets	6,496	-	-	6,496
U.S. large capitalization	68,913	-	-	68,913
U.S. mid capitalization	4,764	-	-	4,764
U.S. small capitalization	2,103	-	-	2,103
Total charitable gift annuities	<u>141,599</u>	<u>-</u>	<u>-</u>	<u>141,599</u>
Total	<u>\$ 7,291,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,291,845</u>

16. SUBSEQUENT EVENTS

Subsequent to year end, WMHT entered into an asset purchase agreement with Empire Broadcasting Corporation, whereby WMHT has committed to purchase an FM translator for approximately \$275,000.

Subsequent events have been evaluated through November 5, 2018, which is the date the financial statements were issued.