

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

**Financial Statements
as of June 30, 2019
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

November 21, 2019

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, 2019, 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

(Continued)

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, 2019, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, WMHT Educational Telecommunications, Inc. implemented Accounting Standard Updates 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited WMHT Educational Telecommunications, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

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

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,490,926	\$ 698,259
Accounts receivables, net	479,241	1,444,829
Investments	8,027,426	7,591,912
Capital campaign and other pledges receivable	350,230	325,254
Prepaid expenses and other assets	<u>153,897</u>	<u>186,405</u>
Total current assets	<u>10,501,720</u>	<u>10,246,659</u>
PROPERTY AND EQUIPMENT, net	<u>8,621,088</u>	<u>8,337,186</u>
BROADCAST LICENSES, net	<u>1,024,378</u>	<u>1,063,034</u>
OTHER LONG-TERM ASSETS:		
Capital campaign and other pledges receivable, net	7,570	500
Long-term prepaid expenses	618,609	637,321
Assets held under charitable gift annuity agreements	268,214	251,194
Ownership interest in investee companies	675,010	721,185
Other long-term assets	<u>10,215</u>	<u>8,472</u>
Total other long-term assets	<u>1,579,618</u>	<u>1,618,672</u>
	<u>\$ 21,726,804</u>	<u>\$ 21,265,551</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current installments of long-term debt	\$ 345,000	\$ 330,000
Current installments of charitable gift annuity agreements	9,267	12,708
Accounts payable	251,145	1,193,680
Accrued expenses and other liabilities	394,736	335,699
Deferred revenue	<u>797,242</u>	<u>60,075</u>
Total current liabilities	<u>1,797,390</u>	<u>1,932,162</u>
LONG-TERM LIABILITIES, less current installments:		
Long-term debt	1,473,076	1,804,315
Charitable gift annuity agreements	<u>36,937</u>	<u>31,985</u>
Total long-term liabilities	<u>1,510,013</u>	<u>1,836,300</u>
Total liabilities	<u>3,307,403</u>	<u>3,768,462</u>
NET ASSETS:		
Without donor restrictions	18,309,151	17,455,339
With donor restrictions	<u>110,250</u>	<u>41,750</u>
Total net assets	<u>18,419,401</u>	<u>17,497,089</u>
	<u>\$ 21,726,804</u>	<u>\$ 21,265,551</u>

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019 (With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
SUPPORT AND REVENUE:				
Contributions and memberships	\$ 4,085,529	\$ 7,500	\$ 4,093,029	\$ 3,880,368
New York State Department of Education grants	1,156,379	-	1,156,379	1,156,380
Corporation for Public Broadcasting grants	1,370,553	-	1,370,553	1,285,686
Program underwriting	946,707	-	946,707	857,224
Production revenue and underwriting	421,115	61,000	482,115	248,959
Other revenue	181,892	-	181,892	174,498
Capital campaign contributions	23,244	-	23,244	1,760
Interest and dividends	168,492	-	168,492	128,222
Other grants	53,793	-	53,793	57,304
Video and book sales, net of discounts	11,585	-	11,585	16,000
Contributions from charitable gift annuity agreements	8,489	-	8,489	113,199
Capital grants	546,878	-	546,878	1,659,995
Temporarily restricted net assets released from restriction	-	-	-	-
Total support and revenue	8,974,656	68,500	9,043,156	9,579,595
EXPENSES:				
Program services:				
Television activities	3,521,052	-	3,521,052	3,459,949
Radio activities	914,516	-	914,516	834,348
Educational activities	202,690	-	202,690	252,058
Public communications	326,063	-	326,063	294,154
Total program services	4,964,321	-	4,964,321	4,840,509
Management and general	1,451,646	-	1,451,646	1,332,620
Fund raising/development	1,993,178	-	1,993,178	1,789,984
Total expenses	8,409,145	-	8,409,145	7,963,113
CHANGE IN NET ASSETS BEFORE OTHER REVENUE, EXPENSES, GAINS, AND LOSSES	565,511	68,500	634,011	1,616,482
OTHER REVENUE, EXPENSES, GAINS, AND LOSSES:				
Net realized and unrealized gains on investments	343,742	-	343,742	480,808
Change in charitable gift annuity agreements	(9,267)	-	(9,267)	(12,708)
Equity loss on share of investee companies	(46,174)	-	(46,174)	(5,131)
Loss on sale of fixed assets	-	-	-	(61,961)
Total other revenue, expenses, gains, and losses	288,301	-	288,301	401,008
CHANGE IN NET ASSETS	853,812	68,500	922,312	2,017,490
NET ASSETS - beginning of year	17,455,339	41,750	17,497,089	15,479,599
NET ASSETS - end of year	\$ 18,309,151	\$ 110,250	\$ 18,419,401	\$ 17,497,089

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019 (With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 922,312	\$ 2,017,490
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	600,529	598,317
Interest expense related to deferred financing costs	13,761	13,761
Bad debt expense	-	1
Loss on sale of fixed assets	-	61,961
Equity loss on share of investee companies	46,175	5,131
Net realized and unrealized (gain) on investments	(343,742)	(480,808)
Change in value of charitable gift annuity agreements	9,267	12,708
Changes in:		
Accounts receivable	965,588	(1,087,386)
Capital campaign and other pledges receivable	(32,046)	(9,417)
Prepaid expenses and other assets	32,508	47,311
Other long-term assets	16,969	18,424
Accounts payable	(1,023,207)	(5,016)
Accrued expenses and other liabilities	59,037	25,265
Deferred revenue	737,167	(12,504)
Charitable gift annuity agreement obligations	(7,756)	(15,301)
Net cash flow from operating activities	<u>1,996,562</u>	<u>1,189,937</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,392,692	2,875,420
Purchases of investments	(3,501,484)	(2,945,873)
Payments for the purchase of property and equipment	<u>(845,775)</u>	<u>(872,198)</u>
Net cash flow from investing activities	<u>(954,567)</u>	<u>(942,651)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	<u>(330,000)</u>	<u>(315,000)</u>
Net cash flow from financing activities	<u>(330,000)</u>	<u>(315,000)</u>
CHANGE IN CASH	711,995	(67,714)
CASH - beginning of year	<u>698,259</u>	<u>765,973</u>
CASH - end of year	<u>\$ 1,410,254</u>	<u>\$ 698,259</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for interest expense	<u>\$ 32,405</u>	<u>\$ 27,712</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Purchases of property and equipment included in accounts payable	<u>\$ 80,672</u>	<u>\$ 968,393</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, 2019 (With Comparative Totals for 2018)

	Program Services				Management and General	Fund Raising/ Development	2019 Total	2018 Total
	Television	Radio	Educational	Public Communications				
Salaries	\$ 864,915	\$ 389,599	\$ 97,808	\$ 139,977	\$ 674,848	\$ 842,345	\$ 3,009,492	\$ 2,923,754
Broadcast rights	963,565	84,959	-	-	-	-	1,048,524	985,898
Benefits and payroll taxes	243,726	96,858	22,551	47,736	151,916	190,834	753,621	734,921
Depreciation	357,632	112,804	13,643	13,643	54,377	48,430	600,529	598,317
Outside services	398,925	34,254	10,321	140	63,629	72,287	579,556	403,706
Postage and shipping	3,110	472	41	113,156	4,040	315,208	436,027	394,776
Network fees	260,833	57,479	-	-	-	-	318,312	306,586
Computer service	25,092	30,198	2,327	5,260	103,239	112,150	278,266	253,662
Bank and other fees	6,266	2	-	-	53,266	121,321	180,855	178,181
Utilities	158,668	2,141	-	-	-	-	160,809	170,303
Cost of goods sold	-	32	-	-	-	158,512	158,544	169,587
Maintenance	101,516	4,026	34,667	-	1,249	27	141,485	171,513
Travel and entertainment	17,879	6,209	4,447	1,793	65,965	29,749	126,042	110,269
Insurance	-	-	-	-	99,348	-	99,348	101,749
Rent	34,882	55,480	-	-	-	-	90,362	67,372
Telephone	13,380	17,778	-	720	2,604	45,087	79,569	84,199
Consulting and professional	-	-	-	-	61,651	14,400	76,051	57,506
Membership	17,245	-	11,143	-	47,180	-	75,568	73,986
Printing	49	1,767	189	-	14,288	22,530	38,823	35,744
Interest	-	-	-	-	32,405	-	32,405	41,473
Advertising	226	15,823	1,620	1,189	1,600	10,517	30,975	20,835
Other material and supplies	11,786	2,474	3,933	66	6,013	5,708	29,980	35,921
Dues and subscriptions	318	2,161	-	-	12,161	3,066	17,706	17,761
Equipment rental	12,859	-	-	-	1,867	932	15,658	9,591
Studio materials and supplies	12,144	-	-	2,383	-	-	14,527	7,628
Security	8,226	-	-	-	-	-	8,226	5,952
Videotape	6,310	-	-	-	-	75	6,385	1,922
Talent fees	1,500	-	-	-	-	-	1,500	-
Bad debt, net	-	-	-	-	-	-	-	1
2019 Totals	\$ 3,521,052	\$ 914,516	\$ 202,690	\$ 326,063	\$ 1,451,646	\$ 1,993,178	\$ 8,409,145	\$ 7,963,113
2018 Totals	\$ 3,459,949	\$ 834,348	\$ 252,058	\$ 294,154	\$ 1,332,620	\$ 1,789,984		

The accompanying notes are an integral part of these statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for WMHT's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications;
- Requiring qualitative and quantitative disclosure regarding WMHT's liquidity and availability of resources (Note 3);
- Eliminating the requirement to disclose the components of investment returns as well as reporting investment return net of external and direct internal investment expenses; and
- Requiring in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions.

ASU 2016-14 is effective for WMHT's year ended June 30, 2019, and was applied retrospectively with the exception of the disclosure regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these financial statements.

As a result of adopting ASU 2016-14 using the retrospective transition method, on July 1, 2018, WMHT reclassified net assets with donor restrictions to net assets without donor restrictions on the financial statements related to the placed in service approach. Prior to this adoption, net assets with donor restrictions represented contributed resources used to purchase buildings and equipment under prior years' capital campaigns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle (Continued)

This change in accounting principle has the following impact to WMHT's financial statements at July 1, 2018:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Change</u>
Net assets with donor restrictions	\$ 2,041,161	\$ 41,750	\$ (1,999,411)
Net assets without donor restrictions	\$ 15,455,928	\$ 17,455,339	\$ 1,999,411

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, 2019 and 2018.

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.

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, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,000 was used to present the value of pledges during the years ended June 30, 2019 and 2018. In addition, WMHT determined that no allowance for potential uncollectible pledges was necessary at both June 30, 2019 and 2018.

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 2019 or 2018.

Gifts of Long-Lived Assets

WMHT reports gifts of property and equipment as support without donor restrictions 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 support with donor restrictions. WMHT's expirations of donor restrictions occur when the donated or acquired long-lived assets are placed in service.

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 \$521,853 and \$483,197 at June 30, 2019 and 2018, respectively. Amortization expense was approximately \$39,000 for the years ended June 30, 2019 and 2018. 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, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018. Amortization over the next four years is expected to be approximately \$14,000 annually, with the fifth year expected to be approximately \$7,000.

Financial Reporting

WMHT reports its activities and the related net assets using two net asset categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include resources which are available for the support of WMHT's operating activities.

Net assets with donor restrictions represent resources that are restricted by a donor for use for a particular purpose or in a particular future period. WMHT has approximately \$76,000 and \$7,000 of net assets with donor restrictions at June 30, 2019 and 2018, respectively. At June 30, 2019, net assets with donor restriction resources were designated for RISE and production projects. Restrictions associated with these contributions are satisfied once donor stipulations are met.

Net assets with donor restrictions also include 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. Net assets with donor restrictions in perpetuity at both June 30, 2019 and 2018 were \$7,000.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Note 16 for the fair value hierarchy.

Functional Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management, fundraising and general expenses include executive, financial administration, information systems, and personnel expenses and are allocated on our membership numbers.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments Measured at Fair Value (Continued)

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 16 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. LIQUIDITY

The following reflects the WMHT's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. At June 30, 2019, WMHT's financial assets available to meet cash needs for general expenditures within one year are:

Financial assets:	
Cash	\$ 1,490,926
Accounts receivable, net	479,241
Investments	8,027,426
Capital campaign and other pledges receivable	<u>350,230</u>
	10,347,823
Less: Assets unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	<u>(110,250)</u>
Financial assets available to meet cash need for general expenditure within one year	<u>\$ 10,237,573</u>

WMHT is substantially supported by member contributions, as well as operating and capital grants. In addition, some support is received from production and underwriting. WMHT has arrangements with these funding sources to collect at varying times throughout the year and on a timely basis.

3. LIQUIDITY (Continued)

At June 30, 2019, management believes there are significant liquid assets available for use to continue the mission of WMHT for a sustained period of time. In the event of an unanticipated cash need, WMHT has an available line of credit (Note 11) and the ability to sell investments. In addition, WMHT can also manage vendor relationships to extend payment terms where possible.

4. ACCOUNTS RECEIVABLE, NET

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

	<u>2019</u>	<u>2018</u>
Program underwriting	\$ 367,498	\$ 332,001
Production	29,822	9,615
Interest receivable	16,469	16,082
Grants receivable - FCC & PBS/T-Mobile	76,029	1,097,919
Other receivables	<u>726</u>	<u>515</u>
	490,544	1,456,132
Less: Allowance for doubtful accounts	<u>(11,303)</u>	<u>(11,303)</u>
Accounts receivable, net	<u>\$ 479,241</u>	<u>\$ 1,444,829</u>

5. INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 341,342	\$ 468,943
Fixed income notes and treasuries	2,747,533	2,311,334
Mutual funds	180,296	56,427
Exchange traded funds	<u>4,758,256</u>	<u>4,755,208</u>
	<u>\$ 8,027,427</u>	<u>\$ 7,591,912</u>

6. CAPITAL CAMPAIGN AND OTHER PLEDGES RECEIVABLE, NET

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

	<u>2019</u>	<u>2018</u>
Collections due within 1 year	\$ 353,590	\$ 326,254
Collections due within 2-4 years	<u>5,210</u>	<u>500</u>
	358,800	326,754
Less: Allowance for doubtful accounts	-	-
Less: Discount to present value	<u>(1,000)</u>	<u>(1,000)</u>
Accounts receivables and pledges, net	<u>\$ 357,800</u>	<u>\$ 325,754</u>

7. PREPAID EXPENSES AND OTHER ASSETS

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

	<u>2019</u>	<u>2018</u>
Current portion of prepaid expenses and other current assets	\$ 153,897	\$ 186,405
Long-term prepaid expense (ground lease)	<u>618,609</u>	<u>637,321</u>
	<u>\$ 772,506</u>	<u>\$ 823,726</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, 2019 and 2018. The annual rent expense of \$18,712 is expected through 2054. The current portion of other prepaid expenses is expected to amortize within 2020.

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building	\$ 9,215,849	\$ 9,215,849
Transmitter and tower	2,007,510	1,266,492
Studio and technical equipment	5,516,609	5,506,198
Furniture, fixtures and equipment	1,376,818	1,361,847
Vehicles	31,559	31,559
Construction in progress	<u>933,706</u>	<u>854,331</u>
	19,082,051	18,236,276
Less: Accumulated depreciation	<u>(10,460,963)</u>	<u>(9,899,090)</u>
Property and equipment, net	<u>\$ 8,621,088</u>	<u>\$ 8,337,186</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was approximately \$601,000 and \$598,000, respectively.

9. 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, 2019 and 2018.

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.

10. 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 \$221,115 and \$232,796 as of June 30, 2019 and 2018, 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).

WMHT's ownership interest in Centralcast is \$453,895 and \$488,389 as of June 30, 2019 and 2018, 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, 2019 and 2018, respectively. Refer to Note 14 for additional investment information.

11. LINE OF CREDIT

WMHT has a \$1,000,000 working capital line of credit, of which \$0 was outstanding at June 30, 2019 and 2018. 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% (5.4375% as of both June 30, 2019 and 2018).

Interest expense on the line of credit was approximately \$0 and \$400 for the years ended June 30, 2019 and 2018, respectively.

12. LONG-TERM DEBT

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

	<u>2019</u>	<u>2018</u>
Bond payable, due in various installments, including interest of approximately 1.95% at June 30, 2019 and 1.56% at June 30, 2018, maturing December 2023	\$ 1,880,000	\$ 2,210,000
Less: Current installments	<u>345,000</u>	<u>330,000</u>
	1,535,000	1,880,000
Less: Unamortized deferred financing costs	<u>61,924</u>	<u>75,685</u>
	<u>\$ 1,473,076</u>	<u>\$ 1,804,315</u>

12. LONG-TERM DEBT (Continued)

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, 2020. The letter of credit (issued by a Bank) has an open balance at June 30, 2019 of \$1,880,000 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, 2019 and 2018.

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

2020	\$	345,000
2021		360,000
2022		375,000
2023		390,000
2024		410,000
	\$	<u>1,880,000</u>

Interest expense related to long-term debt was \$32,405 and \$27,270 for the years ended June 30, 2019 and 2018, respectively.

13. 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 \$167,947 and \$171,467 for the years ended June 30, 2019 and 2018, respectively.

14. 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 \$97,048 and \$74,377 during the years ended June 30, 2019 and 2018, respectively.

14. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

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

2020	\$	96,408
2021		70,658
2022		70,204
2023		68,370
2024		62,289
Thereafter		<u>525,048</u>
	\$	<u>892,977</u>

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 \$131,340 and \$135,506 during the years ended June 30, 2019 and 2018, respectively.

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

2020	\$	67,919
2021		<u>8,051</u>
	\$	<u>75,970</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.

15. RISK AND UNCERTAINTIES

Significant Concentration

Approximately 23% and 25% of WMHT's total support and revenue was derived from two funding sources for the years ended June 30, 2019 and 2018, respectively. No other funding source accounted for more than 10% of WMHT's total support and revenue.

16. FAIR VALUE MEASUREMENTS

The following investments are measured at fair value on a recurring basis using the following inputs at June 30, 2019:

<u>Description</u>	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u>
<i>Investments:</i>				
Money market funds	\$ 341,342	\$ -	\$ -	\$ 341,342
Fixed income notes and treasuries	2,747,533	-	-	2,747,533
<i>Mutual funds:</i>				
Fixed income funds	180,296	-	-	180,296
<i>Exchange traded funds:</i>				
International developed markets	106,291	-	-	106,291
U.S. large capitalization	4,264,908	-	-	4,264,908
U.S. mid capitalization	273,467	-	-	273,467
U.S. small capitalization	113,590	-	-	113,590
Total investments	<u>8,027,427</u>	<u>-</u>	<u>-</u>	<u>8,027,427</u>
<i>Charitable Gift Annuities:</i>				
Money market funds	9	-	-	9
<i>Mutual funds:</i>				
Fixed income funds	90,520	-	-	90,520
<i>Exchange traded funds:</i>				
Fixed income funds	14,953	-	-	14,953
International developed markets	3,956	-	-	3,956
U.S. large capitalization	151,110	-	-	151,110
U.S. mid capitalization	5,319	-	-	5,319
U.S. small capitalization	2,348	-	-	2,348
Total charitable gift annuities	<u>268,215</u>	<u>-</u>	<u>-</u>	<u>268,215</u>
Total	<u>\$ 8,295,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,295,642</u>

16. FAIR VALUE MEASUREMENTS (Continued)

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

<u>Description</u>	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <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>

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 21, 2019, which is the date the financial statements were issued.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

Schedule I

**SCHEDULE OF DISCRETE INFORMATION FOR CORPORATION FOR PUBLIC BROADCASTING
COMMUNITY SERVICES GRANTEEES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Television</u>	<u>Radio</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions and memberships	\$ 3,042,980	\$ 1,050,049	\$ 4,093,029
New York State Department of Education grants	1,097,908	58,471	1,156,379
Corporation for Public Broadcasting grants	1,233,710	136,843	1,370,553
Program underwriting	620,638	326,069	946,707
Production revenue and underwriting	482,115	-	482,115
Other revenue	114,020	67,872	181,892
Capital campaign contributions	-	23,244	23,244
Interest and dividends	160,484	8,008	168,492
Other grants	49,470	4,323	53,793
Video and book sales, net of discounts	11,585	-	11,585
Contributions from charitable gift annuity agreements	8,489	-	8,489
Capital grants	546,878	-	546,878
Temporarily restricted net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 <u>7,368,277</u>	 <u>1,674,879</u>	 <u>9,043,156</u>
EXPENSES:			
Programming and production	3,276,814	914,516	4,191,330
Broadcasting	348,046	98,881	446,927
Program information and production	277,154	48,909	326,063
Management and general	1,248,416	203,231	1,451,647
Fundraising and membership development	<u>1,634,406</u>	<u>358,772</u>	<u>1,993,178</u>
 Total expenses	 <u>6,784,836</u>	 <u>1,624,309</u>	 <u>8,409,145</u>
OTHER REVENUE, EXPENSES, GAINS, AND LOSSES:			
Net realized and unrealized gains on investments	327,123	16,619	343,742
Change in charitable gift annuity agreements	<u>(9,267)</u>	<u>-</u>	<u>(9,267)</u>
 Total other revenue, expenses, gains, and losses	 <u>\$ 317,856</u>	 <u>\$ 16,619</u>	 <u>\$ 334,475</u>

The accompanying notes are an integral part of this schedule.