



WHYY, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2021 and 2020

WHYY, Inc.

Financial Statements
Years Ended June 30, 2021 and 2020

WHYY, Inc.

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Independent Auditor's Report

The Board of Directors
WHYY, Inc.
Philadelphia, Pennsylvania

Opinion

We have audited the financial statements of WHYY, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WHYY, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WHYY, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, WHYY has elected to change its method of accounting for sustainer pledges in 2021 and 2020. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WHYY Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WHY Y Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WHY Y Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 30 is presented for 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 audits 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.

BDO USA, LLP

Philadelphia, Pennsylvania
December 15, 2021

Financial Statements

WHYY, Inc.

Statements of Financial Position

| <i>June 30,</i> | 2021 | 2020 |
|--|----------------------|-------------------------|
| | | As Adjusted (Note 2) |
| Assets | | |
| Current Assets | | |
| Cash | \$ 7,598,747 | \$ 5,389,701 |
| Contributions receivable, net | 1,099,566 | 1,343,275 |
| Accounts receivable, net of allowance for doubtful accounts of \$101,530 and \$225,419 in 2021 and 2020, respectively | 1,079,742 | 807,248 |
| Grant Receivable, Commonwealth of Pennsylvania | 702,000 | - |
| Unbilled program and project revenue | 3,153,175 | 4,827,032 |
| Deferred project costs | 58,755 | 153,249 |
| Prepaid expenses and other current assets | 269,077 | 196,217 |
| Inventory | 38,320 | 54,168 |
| Total Current Assets | 13,999,382 | 12,770,890 |
| Property and Equipment, Net | 15,971,114 | 16,289,061 |
| Other Assets | | |
| Investments | 34,226,396 | 22,465,862 |
| Contributions receivable | 199,646 | - |
| Grant Receivable, Commonwealth of Pennsylvania | - | 702,000 |
| Unbilled program and project revenue | 1,320,000 | - |
| Beneficial interest in perpetual trusts | 691,326 | 562,110 |
| Broadcast licenses | 1,012,009 | 1,078,430 |
| Total Other Assets | 37,449,377 | 24,808,402 |
| Total Assets | \$ 67,419,873 | \$ 53,868,353 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 332,455 | \$ 596,386 |
| Accrued expenses and other current liabilities | 3,660,699 | 2,684,017 |
| Deferred revenue | 118,360 | 518,962 |
| Paycheck Protection Program loan | 3,656,072 | - |
| Current portion of long-term debt | 165,967 | 141,138 |
| Total Current Liabilities | 7,933,553 | 3,940,503 |
| Long-Term Liabilities | | |
| Long-term debt, net | 1,867,721 | 4,528,847 |
| Paycheck Protection Program loan | - | 3,656,072 |
| Other liabilities | 508,174 | 524,423 |
| Total Long-Term Liabilities | 2,375,895 | 8,709,342 |
| Total Liabilities | 10,309,448 | 12,649,845 |
| Net Assets | | |
| Without donor restrictions | 42,749,779 | 30,773,820 |
| With donor restrictions | 14,360,646 | 10,444,688 |
| Total Net Assets | 57,110,425 | 41,218,508 |
| Total Liabilities and Net Assets | \$ 67,419,873 | \$ 53,868,353 |

See accompanying notes to financial statements

WHYY, Inc.

Statement of Activities and Changes in Net Assets

| <i>Year ended June 30, 2021</i> | Without Donor Restictions | With Donor Restrictions | Total |
|--|---------------------------------|----------------------------|----------------------|
| Operating Revenue and Support | | | |
| Support: | | | |
| Commonwealth of Pennsylvania | \$ 107,143 | \$ - | \$ 107,143 |
| State of Delaware | 175,000 | - | 175,000 |
| Corporation for Public Broadcasting | 2,348,015 | 805,537 | 3,153,552 |
| Federal Support | 686,489 | - | 686,489 |
| Total Support | 3,316,647 | 805,537 | 4,122,184 |
| Contributions and revenue: | | | |
| Memberships and other contributions | 22,171,558 | 935,000 | 23,106,558 |
| Program contracts and grants | 9,211,447 | 6,570,619 | 15,782,066 |
| Program underwriting | 3,567,421 | - | 3,567,421 |
| In-kind income | 121,159 | - | 121,159 |
| Realized and unrealized gains from investments | 4,144,925 | 954,983 | 5,099,908 |
| Interest and dividends | 285,958 | 68,617 | 354,575 |
| Change in value of beneficial interest in perpetual trusts | - | 129,216 | 129,216 |
| Other | 682,318 | 16,123 | 698,441 |
| Net assets released from restrictions | 5,564,137 | (5,564,137) | - |
| Total Contributions and Revenue | 45,748,923 | 3,110,421 | 48,859,344 |
| Total Support, Contributions and Revenue | 49,065,570 | 3,915,958 | 52,981,528 |
| Expenses | | | |
| Program services: | | | |
| Production and broadcasting | 27,837,422 | - | 27,837,422 |
| Supporting services: | | | |
| General and administrative | 1,556,578 | - | 1,556,578 |
| Fundraising | 8,335,345 | - | 8,335,345 |
| Total Supporting Services | 9,891,923 | - | 9,891,923 |
| Total Expenses | 37,729,345 | - | 37,729,345 |
| Change in Net Assets Before FCC Capital Funding | 11,336,225 | 3,915,958 | 15,252,183 |
| FCC Capital Funding (See Note 10) | 639,734 | - | 639,734 |
| Change in Net Assets | 11,975,959 | 3,915,958 | 15,891,917 |
| Net Assets, beginning of year | 30,773,820 | 10,444,688 | 41,218,508 |
| Net Assets, end of year | \$ 42,749,779 | \$ 14,360,646 | \$ 57,110,425 |

See accompanying notes to financial statements

WHYY, Inc.

Statement of Activities and Changes in Net Assets

| <i>Year ended June 30, 2020</i> | Without Donor Restictions | With Donor Restrictions | Total |
|--|---------------------------------|----------------------------|-------------------------|
| | As Adjusted (Note 2) | | As Adjusted (Note 2) |
| Operating Revenue and Support | | | |
| Support: | | | |
| Commonwealth of Pennsylvania | \$ 107,143 | \$ - | \$ 107,143 |
| State of Delaware | 175,000 | - | 175,000 |
| Corporation for Public Broadcasting | 2,637,290 | 748,929 | 3,386,219 |
| Total Support | 2,919,433 | 748,929 | 3,668,362 |
| Contributions and revenue: | | | |
| Memberships and other contributions | 18,472,461 | 11,180 | 18,483,641 |
| Program contracts and grants | 6,645,821 | 2,080,738 | 8,726,559 |
| Program underwriting | 4,538,227 | - | 4,538,227 |
| In-kind income | 319,038 | - | 319,038 |
| Realized and unrealized gains from investments | 809,592 | 44,702 | 854,294 |
| Interest and dividends | 395,151 | 80,407 | 475,558 |
| Change in value of beneficial interest in perpetual trusts | - | (23,584) | (23,584) |
| Other | 557,916 | 14,902 | 572,818 |
| Net assets released from restrictions | 4,398,636 | (4,398,636) | - |
| Total Contributions and Revenue | 36,136,842 | (2,190,291) | 33,946,551 |
| Total Support, Contributions and Revenue | 39,056,275 | (1,441,362) | 37,614,913 |
| Expenses | | | |
| Program services: | | | |
| Production and broadcasting | 27,966,539 | - | 27,966,539 |
| Supporting services: | | | |
| General and administrative | 1,981,006 | - | 1,981,006 |
| Fundraising | 8,289,946 | - | 8,289,946 |
| Total Supporting Services | 10,270,952 | - | 10,270,952 |
| Total Expenses | 38,237,491 | - | 38,237,491 |
| Change in Net Assets Before FCC Capital Funding | 818,784 | (1,441,362) | (622,578) |
| FCC Capital Funding (See Note 10) | 1,620,860 | - | 1,620,860 |
| Change in Net Assets | 2,439,644 | (1,441,362) | 998,282 |
| Net Assets, beginning of year | 28,334,176 | 11,886,050 | 40,220,226 |
| Net Assets, end of year | \$ 30,773,820 | \$ 10,444,688 | \$ 41,218,508 |

See accompanying notes to financial statements

WHYY, Inc.

Statements of Cash Flows

| Years ended June 30, | 2021 | 2020 |
|---|---------------------|-------------------------|
| | | As Adjusted (Note 2) |
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 15,891,917 | \$ 998,282 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 1,414,306 | 1,105,164 |
| Loss on impairment in value of broadcasting licenses | 66,421 | 69,642 |
| Amortization of deferred financing costs | 4,818 | 4,818 |
| Realized and unrealized gains from investments | (5,099,908) | (854,294) |
| Change in fair value of beneficial interest in perpetual trusts | (129,216) | 23,584 |
| (Recovery of) provision for uncollectible contributions | (311,594) | 170,007 |
| Bad debt (recovery) expense | (123,889) | 89,399 |
| Other income | - | (4,907) |
| Changes in: | | |
| Contributions receivable | 355,657 | 882,129 |
| Accounts receivable | (148,605) | 794,279 |
| Unbilled program and project revenue | 353,857 | (377,605) |
| Deferred project costs | 94,494 | (59,652) |
| Prepaid expenses and other current assets | (72,860) | 37,912 |
| Inventory | 15,848 | (2,180) |
| Accounts payable | (263,931) | (220,879) |
| Accrued expenses and other current liabilities | 976,682 | (410,837) |
| Other liabilities | (16,249) | 99,266 |
| Deferred revenue | (400,602) | (377,450) |
| Net cash provided by operating activities | 12,607,146 | 1,966,678 |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (7,785,770) | (421,302) |
| Sales of investments | 1,125,144 | 319,782 |
| Purchases of property and equipment | (1,096,359) | (2,484,527) |
| Net cash utilized by investing activities | (7,756,985) | (2,586,047) |
| Cash Flows from Financing Activities | | |
| Net repayments on lines of credit | - | (335,785) |
| Proceeds from Paycheck Protection Program loan | - | 3,656,072 |
| Scheduled principal payments of long-term debt | (141,115) | (135,018) |
| Additional advanced payment of long-term debt | (2,500,000) | - |
| Net cash (utilized) provided by financing activities | (2,641,115) | 3,185,269 |
| Net Increase in Cash | 2,209,046 | 2,565,900 |
| Cash, beginning of year | 5,389,701 | 2,823,801 |
| Cash, end of year | \$ 7,598,747 | \$ 5,389,701 |
| Supplemental Disclosure of Cash Flow Information | | |
| Interest paid in 2021 and 2020 | \$ 188,542 | \$ 207,782 |

See accompanying notes to financial statements

WHYY, Inc.

Statement of Functional Expenses

| <i>Year ended June 30, 2021</i> | Program Services | Supporting Services | | | Total Expenses |
|--|--------------------------------|-------------------------------|---------------------|------------------------------|----------------------|
| | Production and Broadcasting | General and Administrative | Fundraising | Total Supporting Services | |
| Salaries and related expenses | \$ 15,223,550 | \$ 1,215,026 | \$ 4,246,577 | \$ 5,461,603 | \$ 20,685,153 |
| Consulting and professional fees | 413,512 | 37,977 | 126,983 | 164,960 | 578,472 |
| Building maintenance and operations | 427,029 | 25,038 | 50,274 | 75,312 | 502,341 |
| Direct marketing expenses | - | - | 1,077,940 | 1,077,940 | 1,077,940 |
| In-kind | - | - | 121,159 | 121,159 | 121,159 |
| Insurance | 89,796 | 47,411 | 19,446 | 66,857 | 156,653 |
| Interest and bank fees | 159,156 | 63,214 | 435,392 | 498,606 | 657,762 |
| Legal fees | 190,498 | 19,276 | - | 19,276 | 209,774 |
| Membership and development expenses | - | - | 1,512,564 | 1,512,564 | 1,512,564 |
| Office expenses and services | 222,617 | 51,329 | 56,358 | 107,687 | 330,304 |
| Other administrative costs | 294,804 | 53,382 | 75,600 | 128,982 | 423,786 |
| Postage and delivery | 3,224 | 934 | 418,187 | 419,121 | 422,345 |
| Production and acquisition costs | 7,088,727 | - | 544 | 544 | 7,089,271 |
| Public relations and promotion | 756,096 | 10,313 | 14,643 | 24,956 | 781,052 |
| Telecommunications and technology expenses | 429,634 | 25,425 | 169,917 | 195,342 | 624,976 |
| Transmitter and studio maintenance, supplies, power and rent | 1,092,476 | - | - | - | 1,092,476 |
| Travel and business expenses | 31,997 | 7,253 | 9,761 | 17,014 | 49,011 |
| Total Expenses Before Depreciation | 26,423,116 | 1,556,578 | 8,335,345 | 9,891,923 | 36,315,039 |
| Depreciation Expense | 1,414,306 | - | - | - | 1,414,306 |
| Total Expenses | \$ 27,837,422 | \$ 1,556,578 | \$ 8,335,345 | \$ 9,891,923 | \$ 37,729,345 |

See accompanying notes to financial statements

WHYY, Inc.

Statement of Functional Expenses

| <i>Year ended June 30, 2020</i> | Program Services | Supporting Services | | | Total Expenses |
|--|--------------------------------|-------------------------------|---------------------|------------------------------|----------------------|
| | Production and Broadcasting | General and Administrative | Fundraising | Total Supporting Services | |
| Salaries and related expenses | \$ 14,772,962 | \$ 1,464,371 | \$ 3,804,996 | \$ 5,269,367 | \$ 20,042,329 |
| Consulting and professional fees | 644,537 | 59,843 | 146,911 | 206,754 | 851,291 |
| Building maintenance and operations | 367,713 | 21,562 | 43,125 | 64,687 | 432,400 |
| Direct marketing expenses | - | - | 1,335,500 | 1,335,500 | 1,335,500 |
| In-kind | - | - | 127,596 | 127,596 | 127,596 |
| Insurance | 81,912 | 35,836 | 10,239 | 46,075 | 127,987 |
| Interest and bank fees | 176,233 | 128,105 | 384,183 | 512,288 | 688,521 |
| Legal fees | 117,516 | 39,284 | - | 39,284 | 156,800 |
| Membership and development expenses | - | - | 1,415,979 | 1,415,979 | 1,415,979 |
| Office expenses and services | 260,358 | 53,937 | 113,145 | 167,082 | 427,440 |
| Other administrative costs | 462,474 | 96,826 | 160,222 | 257,048 | 719,522 |
| Postage and delivery | 5,246 | 1,656 | 493,315 | 494,971 | 500,217 |
| Production and acquisition costs | 7,325,287 | - | - | - | 7,325,287 |
| Public relations and promotion | 1,139,133 | 12,217 | 21,732 | 33,949 | 1,173,082 |
| Telecommunications and technology expenses | 489,009 | 36,684 | 197,685 | 234,369 | 723,378 |
| Transmitter and studio maintenance, supplies, power and rent | 881,049 | - | - | - | 881,049 |
| Travel and business expenses | 137,946 | 30,685 | 35,318 | 66,003 | 203,949 |
| Total Expenses Before Depreciation | 26,861,375 | 1,981,006 | 8,289,946 | 10,270,952 | 37,132,327 |
| Depreciation Expense | 1,105,164 | - | - | - | 1,105,164 |
| Total Expenses | \$ 27,966,539 | \$ 1,981,006 | \$ 8,289,946 | \$ 10,270,952 | \$ 38,237,491 |

See accompanying notes to financial statements

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

1. Business

WHYY, Inc. (WHYY) is a not-for-profit public broadcasting corporation incorporated in Pennsylvania. WHYY operates WHYY-TV/Channel 12 and WDPB-TV/Channel 64, both licensed in Delaware; WNJB (89.3), WNJM (89.9), WNJN (89.7), WNJS (88.1) and WNJZ (90.3), licensed in New Jersey; WHYY-FM (90.9), licensed in Philadelphia; and Internet web site at why.org.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

The financial statements report revenue, expenses, gains, and losses in one of two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Donor restricted revenue and net assets may contain donor-imposed restrictions on the use of those assets that either expire with the passage of time or can be otherwise met by WHYY pursuant to the stipulation.

Net assets with donor restrictions may also include donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by WHYY. Investment income and investment gains earned on such net assets are recorded as net assets with donor restrictions until they are transferred to net assets without donor restrictions for use in operations, except for perpetual trusts, as noted below. Investment losses on the investments of a donor restricted endowment fund reduce net assets with donor restrictions to the extent available.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution or promise is received by WHYY. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions received with donor stipulations that limit the use of the donated assets are reported as donor restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. If a portion of the restriction is fulfilled in the same year in which the contribution is received, that portion of the contribution is reported as without donor restrictions.

Contributions restricted for the acquisition of property and equipment, which are included in donor restricted revenue, are reclassified to net assets without donor restrictions when the related assets are acquired.

Contributions and Accounts Receivable

Contributions and accounts receivable are presented net of the related allowance for doubtful accounts. WHYY provides an allowance for doubtful accounts based on management's estimate of amounts that will ultimately become uncollectible. WHYY's policy is to write-off contributions and accounts receivable balances once management has deemed them to be uncollectible.

Change in Accounting Principle (Sustainer Pledges)

On July 1, 2020, to better align with public media common practice, management changed the accounting policy for sustainer pledges whereby revenue is recognized when the cash is received rather than an estimated 12-month commitment. The fiscal year 2020 financial statements have been adjusted to apply the new method retrospectively. The following financial statement line items for fiscal year 2020 were affected by the change in accounting principle:

| Statement of Financial Position | As Originally Reported | As Adjusted | Effect of Change |
|---|------------------------|---------------|------------------|
| Contributions receivable, net | \$ 5,316,049 | \$ 1,343,275 | \$ (3,972,774) |
| Net assets, without donor restrictions | 34,746,594 | 30,773,820 | (3,972,774) |
| <hr/> | | | |
| Statement of Activities and Changes in Net Assets | As Originally Reported | As Adjusted | Effect of Change |
| Memberships and other contributions, without donor restrictions | \$ 18,861,604 | \$ 18,472,461 | \$ (389,143) |
| Change in net assets | 1,387,425 | 998,282 | (389,143) |
| Net assets, without donor restrictions, beginning of year | 31,917,807 | 28,334,176 | (3,583,631) |
| Net assets, without donor restrictions, end of year | 34,746,594 | 30,773,820 | (3,972,774) |
| <hr/> | | | |
| Statement of Cash Flows | As Originally Reported | As Adjusted | Effect of Change |
| Change in net assets | \$ 1,387,425 | \$ 998,282 | \$ (389,143) |
| Provision for uncollectible accounts | 262,087 | 170,007 | (92,080) |
| Changes in contributions receivable | 400,906 | 882,129 | 481,223 |

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Deferred Project Costs

Deferred project costs represent costs incurred on productions not yet aired and acquisition fees for which the related programming access period has not yet expired.

Inventory

Inventory is stated at the lower of cost or market on a first in, first out basis.

Property and Equipment

Purchased assets are recorded at cost, and contributed assets are recorded at fair market value on the date of contribution. Depreciation on purchased assets is calculated using the straight-line method over the estimated useful lives of assets, as follows: buildings and improvements: 15 to 39 years; and transmitting, broadcasting and other equipment: 3 to 10 years.

Deferred Financing Costs

Deferred financing costs incurred in obtaining debt are amortized to interest expense using the straight-line method, which is not materially different from the effective interest method, over the term of the related debt. Deferred financing costs are included as a reduction of the reportable long-term debt balance on the statements of financial position. Amortization of deferred financing costs was \$4,818 for each of the years ended June 30, 2021 and 2020.

Investments (see Note 5)

Investments in marketable securities are recorded at fair value. Donated securities are recorded as contributions at the fair value at time of donation.

WHYY has a long-standing investment policy for all endowment fund investments to produce a predictable stream of funding to programs/operations while seeking to maintain the purchasing power of the assets. Under this policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to produce returns that exceed the annual spending rate, while assuming a moderate level of investment risk. Actual returns may vary from the intended results. To satisfy its long-term rate of return objectives, WHYY relies on a total return strategy in which investment returns are achieved through both capital appreciation and investment income. WHYY targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Investment Cash / Statement of Cash Flows

WHYY may have cash temporarily held in an investment account as of the date of the financial statements. Such cash is intended for investment purposes and is not considered cash for purposes of the statement of cash flows.

Beneficial Interest in Perpetual Trusts

Under the terms of perpetual trusts held by third parties, WHYY is the beneficiary of income earned by those trust assets for perpetuity. When notified of a trust's existence WHYY will record a donor restricted contribution and an asset equal to the lesser of WHYY's applicable percentage of the fair

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

value of the trust's assets or present value of estimated distribution cash flows. The investment policy of the perpetual trust is determined and administered by third-party trustees. WHYY recorded an increase in fair value of its share of the assets held in perpetuity of \$129,216 for the year ended June 30, 2021 and a decrease of \$23,584 for the year ended June 30, 2020.

Changes in the fair value of trust assets are recognized as changes in net assets with donor restrictions in the period the change occurs. Income is designated for programming and recorded as income without donor restrictions in the period received from the Trustee.

Broadcast Licenses

Identifiable intangible assets with indefinite lives consist of certain FCC licenses acquired for the five New Jersey Public FM radio stations. Such intangible assets are not amortized but instead are subject to annual impairment tests. Under existing market trading conditions, the fair market value of certain broadcast licenses have been impaired by \$66,421 and \$69,642 for the years ended June 30, 2021 and 2020, respectively.

In-Kind Support and Expenses

The statements of activities reflect donated materials, facilities, and contributed services as support and expenses. The computation of the value of the donated materials and facilities is based on estimated fair value. Contributed services are valued using industry guidelines, and services rendered by corporations are valued by those organizations.

Revenue Recognition

On July 1, 2020, WHYY adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, and all the related amendments (the "revenue standard") using the modified retrospective method. This guidance requires the use of a five-step model to achieve the core underlying principle that an entity should recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. These steps include (1) identifying the contract with the customer, (2) identifying the performance obligations, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue as the entity satisfies the performance obligation(s).

WHYY elected to apply the revenue standard only to contracts that were not completed as of the adoption date. There was no cumulative effect of initially applying the revenue standard as an adjustment to the July 1, 2020 opening balance of net assets and the comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. There was no impact on the statements of financial position or activities as a result of the adoption and WHYY has determined the impact of the adoption of the revenue standard to be immaterial to the financial statements on an ongoing basis.

Revenue from contracts with customers mainly consists of program underwriting and tactical contractual arrangements with select partners. Revenue from program underwriting was \$3,567,421 and \$4,538,227 for the years ended June 30, 2021 and 2020, respectively. Revenue recognized from other contractual arrangements was \$9,883,827 and \$7,156,983 for the years ended June 30, 2021

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

and 2020, respectively, and are included as a component of both program contracts and grants and other in the statements of activities and changes in net assets.

The following provides additional detail on WHYY's revenue recognition policies:

Program Underwriting

Revenue from underwriting includes amounts received in exchange for recognition within WHYY's on-air or digital programming. WHYY recognizes underwriting revenue at the time the spots are aired or included in online programming.

Multimedia Distribution

WHYY provides programming and media content to a not-for-profit media organization for distribution over various media outlets. Under the terms of the agreement, WHYY receives a portion of the revenue earned by the customer that is attributable to the content distributed and recognizes such revenue at the point in time in which its portion of the revenue has been reported by the customer. The revenue recognized by WHYY for its fiscal year is reported by the customer prior to issuance of its annual financial statements.

Channel Sharing Arrangement

WHYY has agreement with an unrelated party which expires in February 2028, to share 30% of the capacity of the station's channel. The agreement provides for two additional terms of five years each provided there is no notice of termination as defined in the agreement. The channel sharing fee, which increases annually each January by a minimum of 3%, will be paid in advance on a quarterly basis. WHYY also has an agreement with the company that facilitated this transaction, to pay a commission of 6% for each payment received during the term of the channel sharing agreement.

Other Program Revenue

WHYY recognizes revenue and expenses on substantial projects as work progresses. Revenue earned but unbilled at year-end is accrued and classified as unbilled project revenue. Deferred revenue on uncompleted projects represents project billings in excess of cost for which revenue has not been earned as of the statement of financial position date.

Contract assets consist of billed and unbilled receivables. Billed receivables from contracts with customers were \$967,401 and \$706,252 for the years ended June 30, 2021 and 2020, respectively. Billed receivables are included in accounts receivable in the statements of financial position. Unbilled receivables from contracts with customers were \$981,499 and \$2,914,474 for the years ended June 30, 2021 and 2020, respectively. Unbilled receivables are included in unbilled program and project revenue in the statements of financial position.

WHYY does not have significant variable consideration associated with its revenue arrangements. WHYY does not have significant financing arrangements with customers as credit terms are all less than one year and WHYY does not receive significant noncash consideration from its customers to facilitate the fulfillment of contracts.

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Advertising Costs

WHYY expenses advertising costs as incurred. For the years ended June 30, 2021 and 2020, such expenses were \$1,996,894 and \$2,319,922 respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of WHYY have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated in the statement of functional expenses among the programs and supporting services benefited. Where an allocation occurs, management's methodology is primarily based on an estimate of personnel time spent in each of the functional categories. Facility expenses and interest and bank fees are allocated based on square footage utilized in each of the functional categories.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation. These reclassification had no effect on WHYY's previously reported financial position or changes in net assets.

3. Concentrations

Cash

WHYY maintains its cash accounts at a commercial bank. Such accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation. WHYY may, at times, exceed the insured limit, but has not experienced any losses in such accounts. WHYY believes it is not exposed to any significant credit risk on uninsured cash.

4. Property and Equipment

Property and equipment consist of the following at June 30:

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Land | \$ 1,543,979 | \$ 1,543,979 |
| Building and improvements | 20,801,749 | 20,782,330 |
| Transmitting, broadcasting and other equipment | 22,891,215 | 21,814,275 |
| | 45,236,943 | 44,140,584 |
| Less accumulated depreciation | (29,265,829) | (27,851,523) |
| Net property and equipment | <u>\$ 15,971,114</u> | <u>\$ 16,289,061</u> |

Depreciation amounted to \$1,414,306 and \$1,105,164 for the years ended June 30, 2021 and 2020, respectively.

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

5. Investments

The nature and fair value (see Note 6) of WHYY's investments at June 30, 2021 and 2020 are summarized as follows:

| | 2021 | 2020 |
|--------------------|----------------------|----------------------|
| Money market funds | \$ 5,947,392 | \$ 1,596,173 |
| Equities | 17,860,595 | 12,893,213 |
| Fixed income | 10,020,073 | 7,874,859 |
| Real assets | 398,336 | 101,617 |
| Total | \$ 34,226,396 | \$ 22,465,862 |

WHYY's investment activity resulted in net realized and unrealized gains of \$5,099,908 and \$854,294 for the years ended June 30, 2021 and 2020, respectively. Interest and dividend income from investment activity, net of investment expenses, were \$354,575 and \$475,558 for the years ended June 30, 2021 and 2020, respectively.

WHYY invests in various investment securities which are exposed to various risks, such as interest rates, credit and market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities (see Note 2 - Investments).

6. Fair Value of Financial Instruments

WHYY accounts for the fair value of its financial instruments in accordance with the guidance in ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3: Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

WHYY uses appropriate valuation techniques based on the available inputs to measure the fair value of its investment portfolio. When available, WHYY measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are derived principally from or corroborated by observable market data by correlation or other means. The following is a description of the valuation methodologies used for investments measured at fair value as of June 30, 2021 and 2020:

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Level 1 Fair Value Measurements

Money market funds, common stock, exchange traded funds, mutual funds, and short term debt securities are valued at the closing price reported on the active market on which the individual funds are traded.

Level 2 Fair Value Measurements

Corporate debt securities represent bonds that are sold in a dealer market that trade upon a bid-ask spread. These securities are valued using pricing matrixes.

Level 3 Fair Value Measurements

Beneficial interest in perpetual trusts are valued based on the lesser of WHYY's applicable percentage of the fair value of the trust's assets or the present value of the estimated distribution cash flows of the trusts using a series of annuity payments in perpetuity using a discount rate based on the estimated rate of return and projected growth of the underlying assets held by the third party. For each of the years ended June 30, 2021 and 2020, there were no significant transfers or purchases in beneficial interests in perpetual trusts held by third parties.

There were no assets or liabilities recorded at fair value on a non-recurring basis at June 30, 2021 and 2020.

The following tables sets forth by level, within the fair value hierarchy, WHYY's assets measured at fair value on a recurring basis at June 30, 2021 and 2020:

| <i>June 30, 2021</i> | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|-------------------|-------------------|----------------------|
| Money market funds | \$ 5,947,392 | \$ - | \$ - | \$ 5,947,392 |
| Equities | 17,860,595 | - | - | 17,860,595 |
| Fixed income | 9,540,555 | 479,518 | - | 10,020,073 |
| Real assets | 398,336 | - | - | 398,336 |
| Beneficial interest in perpetual trust | - | - | 691,326 | 691,326 |
| Total Assets at Fair Value | \$ 33,746,878 | \$ 479,518 | \$ 691,326 | \$ 34,917,722 |

| <i>June 30, 2020</i> | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|-------------------|-------------------|----------------------|
| Money market funds | \$ 1,596,173 | \$ - | \$ - | \$ 1,596,173 |
| Equities | 12,893,213 | - | - | 12,893,213 |
| Fixed income | 7,394,409 | 480,450 | - | 7,874,859 |
| Real assets | 101,617 | - | - | 101,617 |
| Beneficial interest in perpetual trust | - | - | 562,110 | 562,110 |
| Total Assets at Fair Value | \$ 21,985,412 | \$ 480,450 | \$ 562,110 | \$ 23,027,972 |

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

7. Contributions Receivable

WHYY records unconditional promises to give as contributions receivable. Pledges due beyond one year are discounted to the present value. Contributions receivable at June 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Receivable in: | | |
| Less than one year | \$ 1,405,308 | \$ 1,736,102 |
| One to five years | 199,646 | 224,646 |
| | <u>1,604,954</u> | <u>1,960,748</u> |
| Less allowance for uncollectible contributions receivable | (305,742) | (617,336) |
| | <u>1,299,212</u> | <u>1,343,412</u> |
| Less discounts to net present value | - | (137) |
| | <u>\$ 1,299,212</u> | <u>\$ 1,343,275</u> |
| Current portion | \$ 1,099,566 | \$ 1,343,275 |
| Long-term portion | 199,646 | - |
| | <u>\$ 1,299,212</u> | <u>\$ 1,343,275</u> |

8. Grant Receivable, Commonwealth of Pennsylvania

In March 2019, WHYY entered into an agreement to be the recipient of a \$702,000 RACP grant from the Commonwealth of Pennsylvania (the "Commonwealth"). Under this agreement WHYY is bound by all provisions in the agreement with the Commonwealth. The grant was awarded to fund facility upgrades to WHYY's headquarters in Philadelphia. As of both June 30, 2021 and 2020, a total of \$702,000 was due from the Commonwealth for eligible RACP expenditures incurred.

9. Long-Term Debt

Long-term debt consists of the following:

| <i>June 30,</i> | 2021 | 2020 |
|---|---------------------|---------------------|
| Term loan | \$ 2,083,477 | \$ 4,724,592 |
| Unamortized debt financing costs | (49,789) | (54,607) |
| Total long-term debt | <u>2,033,688</u> | <u>4,669,985</u> |
| Less current portion | (165,967) | (141,138) |
| Long-term debt, net of unamortized debt financing costs and current portion | <u>\$ 1,867,721</u> | <u>\$ 4,528,847</u> |

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

In October 2016, WHYY closed on a \$5,210,000 term loan which is secured by a first lien on the WHYY headquarters property in Philadelphia. The loan bears interest at a fixed rate of 3.99%. Monthly payments of principal and interest was based on a 25-year term with a 15-year maturity.

In June 2021, WHYY made a prepayment of \$2,500,000. Under the terms of the loan agreement, principal prepayments are permitted up to \$2,500,000 without penalty. In the event of a prepayment, the loan agreement includes various options on how monthly principal payments are to be made on an ongoing basis. WHYY elected the option that converts the payment schedule to straight line monthly payments of principal and interest that are necessary to pay off the loan at the maturity date in November 2031. Approximate principal payments for the next five years are due as follows: 2022, \$166,000; 2023, \$174,000; 2024, \$181,000; 2025, \$189,000 and 2026, \$197,000.

The terms of the loan agreement include certain financial covenants. WHYY has complied with all covenants for the years ended June 30, 2021 and 2020, respectively.

Interest expense of \$187,242 and \$194,294 was incurred on the term loan for the years ended June 30, 2021 and 2020, respectively.

10. Lines of Credit

Revolving Line Note

WHYY maintains a \$3,000,000 line of credit facility with a bank. In October 2021, the line agreement was amended to extend the maturity date from September 2023 to September 2024. The line is used for working capital and other general short-term purposes. Borrowings bear interest at 2.10% plus the greater of one-month LIBOR, adjusting daily or one-day (overnight) LIBOR, at the bank's discretion (2.25% and 2.23% at June 30, 2021 and 2020). The line is secured by a first lien on net assets without donor restrictions. There were no outstanding borrowings under the line as of June 30, 2021 and 2020.

Transmitter Capital Projects Bridge Financing

In January 2018, WHYY closed on an \$800,000 non-revolving line of credit with a bank. The credit facility was used to advance funds needed to complete a multi-year investment in WHYY's primary TV transmitter located in Philadelphia, Pennsylvania. This project was mandated by the Federal Communications Commission (FCC) as a result of its 2016 incentive auction and subsequent channel reassignment requirements. Advances were used to fund expenditures eligible for reimbursement from the FCC's TV Broadcast Relocation Fund. Proceeds from FCC reimbursement(s) were used to reduce outstanding bridge loan borrowings. There were no outstanding borrowings under this non-revolving line of credit as of June 30, 2020. This credit facility matured in February 2021 which was consistent with the anticipated completion of the project.

In January 2018, also in connection to this FCC-mandated initiative, WHYY closed on a \$1,200,000 non-revolving line of credit with a bank. The credit facility was used to advance funds needed to complete a multi-year investment in WHYY's secondary TV transmitter located in Seaford, Delaware. There were no outstanding borrowings under this non-revolving line of credit as of June 30, 2020. This credit facility matured in February 2021 which was consistent with the anticipated completion of the project.

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

For both non-revolving lines as set forth above, borrowings were subject to interest at one-month LIBOR plus 3.00% (3.13% at June 30, 2020). The facilities were secured by a first lien on a WHYY bank deposit account established to hold FCC reimbursement(s).

For the revolving and non-revolving lines, WHYY has complied with all covenants set forth in agreements related to the lines for the years ended June 30, 2021 and 2020.

Interest expense on borrowings under the lines was \$8,968 for the year ended June 30, 2020. There was no interest expense on borrowings under the lines in 2021.

In connection with these projects, WHYY recognized \$639,734 and \$1,620,860 in income based on the percentage of completion of the projects in 2021 and 2020, respectively. Advanced funds totaled \$403,439 at June 30, 2020 and was included in deferred revenue in the statement of financial position. The projects were completed and placed into service in August 2020 and all remaining deferrals were recognized as income.

11. Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of undesignated and Board-designated amounts for at June 30, 2021 and 2020:

| | 2021 | 2020 |
|----------------------------------|----------------------|----------------------|
| Undesignated | \$ 15,247,200 | \$ 12,834,350 |
| Board-designated endowment funds | 27,502,579 | 17,939,470 |
| Total | \$ 42,749,779 | \$ 30,773,820 |

WHYY's Board of Directors has designated funds to be set aside to establish and maintain an endowment for the purpose of securing WHYY's long and short term fiscal needs. See Note 13 for additional information on the endowment.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Capital additions | \$ 150,141 | \$ 979,932 |
| Grant funded productions and programs | 8,289,602 | 5,529,192 |
| Unrestricted operations in future periods | - | 17,970 |
| Donor restricted endowment (see Note 13) | 3,568,946 | 2,633,946 |
| Accumulated endowment earnings in excess of spend (see Note 13) | 1,660,631 | 721,538 |
| Beneficial interests in perpetual trusts | 691,326 | 562,110 |
| Total | \$ 14,360,646 | \$ 10,444,688 |

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

13. Endowment

WHYY's endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

WHYY seeks to achieve a balance between growth of endowment capital and current income generated from the same by deploying the assets using a diversified, multi-asset-class approach. This strategy consists primarily of equity-related investments, fixed income investments, cash and/or inflation hedges.

The use of donor restricted net assets and related income and gains is limited by Pennsylvania Statute Act 141. WHYY has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment funds. Each year, WHYY determines the amount that can be spent, subject to donor restrictions. WHYY has elected to utilize the "total return concept" for administering its donor restricted and board designated funds by transferring up to 4.5% of the trailing fair value of the investments to operations, as calculated according to WHYY's endowment spending policy. The transfer may be limited under certain circumstances as defined in the policy. In addition, strategic reserve funds have been established within the board designated funds to fund key projects with transfers to be approved by the Board of Directors. During the years ended June 30, 2021 and 2020, the Board authorized transfers of \$1,101,110 and \$449,635, respectively.

As described in Note 2, when applicable, losses on donor-restricted endowment funds are recorded as donor restricted. At June 30, 2021 and 2020, the fair value of investments exceeded the related historic cost value of the specific donor restricted endowment funds.

Endowment funds activity is summarized as follows at June 30:

| | 2021 | | |
|---|----------------------------|-------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Balance at July 1, 2020 | \$ 17,939,470 | \$ 3,355,484 | \$ 21,294,954 |
| Additions | 6,436,195 | 935,000 | 7,371,195 |
| Investment income | 275,069 | 68,617 | 343,686 |
| Net realized/unrealized gains | 3,868,448 | 954,983 | 4,823,431 |
| Total investment return | 4,143,517 | 1,023,600 | 5,167,117 |
| Appropriation of endowment assets for expenditure | (1,016,603) | (84,507) | (1,101,110) |
| Balance at June 30, 2021 | \$ 27,502,579 | \$ 5,229,577 | \$ 32,732,156 |

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

| | 2020 | | |
|--|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Balance at July 1, 2019 | \$ 15,161,914 | \$ 3,356,427 | \$ 18,518,341 |
| Additions | 1,961,850 | 21,642 | 1,983,492 |
| Investment income | 333,904 | 70,595 | 404,499 |
| Net realized/unrealized gains | 793,555 | 44,702 | 838,257 |
| Total investment return | 1,127,459 | 115,297 | 1,242,756 |
| Appropriation of endowment assets for expenditure | (311,753) | (137,882) | (449,635) |
| Balance at June 30, 2020 | \$ 17,939,470 | \$ 3,355,484 | \$ 21,294,954 |

14. Liquidity and Funds Available

WHYY's financial assets available within one year of the statement of financial position date for general expenditures and scheduled principal payments on debt are as follows at June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Cash | \$ 7,598,747 | \$ 5,389,701 |
| Contributions receivable, current | 1,099,566 | 1,343,275 |
| Accounts receivable, net | 1,079,742 | 807,248 |
| Unbilled program and project revenue, current | 3,153,175 | 4,827,032 |
| Grants receivable, Commonwealth of Pennsylvania | 702,000 | - |
| Less donor restricted current assets | (7,119,743) | (5,825,094) |
| Total | \$ 6,513,487 | \$ 6,542,162 |

As part of WHYY's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The objective of this structure is to optimize the sources and uses of available funds for programs and operations based on WHYY's projected cash flow.

Endowment funds consist of donor-restricted endowments and board designated endowments. Income from donor-restricted endowments that are restricted for specific purposes are not available for general expenditure. As described in Note 13, a determination of the amount available for distributions is performed annually utilizing the total return concept and approved releases from the strategic reserve funds. Although WHYY does not intend to spend its investments in excess of its spending policy, these amounts could be made available if necessary.

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

15. Tax Status

WHYY is an organization described under Section 501(c)(3) of the *Internal Revenue Code* and is therefore exempt under Section 501(a) of the *Internal Revenue Code*.

As of June 30, 2021 and 2020, WHYY did not identify any uncertain tax positions taken or expected to be taken in a tax return which would require adjustment to its financial statements. In addition, WHYY believes it has not engaged in any activities for which its tax-exempt status would not be sustained under Internal Revenue Service examination. WHYY's income tax returns are generally open for examination by U.S. federal and state taxing authorities for the past three years. The Corporation is not currently under examination by any U.S. federal or state income taxing authority.

WHYY engages in certain activities unrelated to its tax-exempt purpose. These activities result in unrelated business income that is taxable at normal corporate rates. There was no income tax provision or benefit recorded for the years ended June 30, 2021 and 2020. As of June 30, 2021, WHYY has net operating loss carry forwards, expiring at various dates through 2038, of approximately \$45,000. The deferred tax asset resulting from the net operating loss carry forward has been fully reserved since its use is not considered more-likely-than-not.

16. Commitments

WHYY leases office space, broadcasting tower space for the transmission of its radio and television signals, and other equipment under operating leases that expire at various dates through 2029.

Rental expense for 2021 and 2020 were \$652,480 and \$536,491, respectively. Approximate minimum future commitments under noncancelable operating leases at June 30, 2021 are as follows:

| <i>Years ending June 30,</i> | <i>Amount</i> |
|------------------------------|---------------|
| 2022 | \$ 550,000 |
| 2023 | 393,000 |
| 2024 | 269,000 |
| 2025 | 239,000 |
| 2026 | 239,000 |
| Thereafter | 760,000 |
| | <hr/> |
| | \$ 2,450,000 |

17. Risks and Uncertainties

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of WHYY will depend on certain developments, including the duration and spread of the virus and emergence of variants. This pandemic has adversely affected global economic activity and contributed to volatility in financial markets. While WHYY's investments have generated significant gains and WHYY had adapted from both an administrative and operational standpoint, the ultimate impact on WHYY's operational performance, investment portfolio and financial results continues to present potential material uncertainty and risk.

CARES Act

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

There is no certainty that WHYY will be eligible for many of these provisions, however, on April 15, 2020, WHYY received loan proceeds of \$3,656,072 under the Paycheck Protection Program (the "PPP loan"). The Paycheck Protection Program (or "PPP") was established under the CARES Act and is administered by the U.S. Small Business Administration. The PPP loan to WHYY is being made through a national banking association (the "Lender"). The application for the PPP loan required WHYY to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of WHYY and took into account current business activity and liquidity and funds available.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. No assurance is provided that WHYY will obtain forgiveness of the PPP loan in whole or in part.

The term of the PPP loan is two years. If the loan proceeds are not forgiven, monthly principal and interest payments on the outstanding principal balance will be amortized over the term of the note beginning in September 2021 until maturity in April 2022, when the entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable in full. The annual interest rate on the PPP loan is 1.00%, which was originally to be deferred for the first six months of the term of the loan. In October 2020, the U.S. Small Business Administration (the "SBA") extended the deferral period to the date that the SBA remits a borrower's loan forgiveness amount to the lender, or, for borrowers that do not apply for loan forgiveness, ten months after the end of a borrower's loan forgiveness covered period. WHYY submitted its application for loan forgiveness on July 26, 2021, pursuant to guidelines established by the government.

The promissory note evidencing the PPP loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding, collection of all amounts owing from WHYY, and/or filing suit and obtaining judgment against WHYY.

WHYY, Inc.

Notes to Financial Statements June 30, 2021 and 2020

18. Lease Agreements

In June 2004 and February 2005, WHYY entered into lease agreements with an unrelated party which expired in June 2019 and February 2020, respectively. This party leases certain channels not used or reserved by WHYY. Cash of \$2,125,000 was received by WHYY under the terms of the agreements. This amount was recognized as revenue on a straight-line basis over the 15-year term of the lease agreements. Revenue recognized for the year ended June 30, 2020 was \$4,907.

19. Licenses

WHYY-TV, Wilmington, Delaware, and WDPB-TV, Seaford, Delaware, operate under licenses granted by the FCC, which expire on August 1, 2023. Additionally, WHYY-FM, Philadelphia, Pennsylvania, maintains a license with the FCC that expires on August 1, 2022.

In 2012, the FCC licenses of five New Jersey FM radio stations, WNJB, WNJM, WNJN, WNJS and WNJZ were purchased from the New Jersey Public Broadcasting Authority. The licenses of all these stations expire on June 1, 2022.

20. Employee Benefit Plans

WHYY provides pension benefits for certain eligible employees under two defined contribution plans covering union and nonunion employees. WHYY's contributions to the plans for 2021 and 2020 were \$571,135 and \$481,944, respectively.

21. Subsequent Events

Subsequent events have been evaluated through December 15, 2021, the date the financial statements were available to be issued.

Supplementary Information

WHYY, Inc.
Supplemental Schedule of Activities by Grantee
June 30, 2021

| <i>Year ended June 30, 2021</i> | TV | FM | Total |
|--|---------------------|----------------------|----------------------|
| Operating Revenue and Support | | | |
| Support: | | | |
| Commonwealth of Pennsylvania | \$ 107,143 | \$ - | \$ 107,143 |
| State of Delaware | 175,000 | - | 175,000 |
| Corporation for Public Broadcasting | 2,566,214 | 587,338 | 3,153,552 |
| Federal Support | 686,489 | - | 686,489 |
| Total Support | 3,534,846 | 587,338 | 4,122,184 |
| Contributions and Revenue | | | |
| Memberships and other contributions | 15,635,204 | 7,471,354 | 23,106,558 |
| Program contracts and grants | 3,294,386 | 12,487,680 | 15,782,066 |
| Program underwriting | 975,698 | 2,591,723 | 3,567,421 |
| In-kind income | 21,749 | 99,410 | 121,159 |
| Realized and unrealized gains from investments | 2,549,954 | 2,549,954 | 5,099,908 |
| Interest and dividends | 177,287 | 177,288 | 354,575 |
| Change in value of beneficial interest in perpetual trusts | 88,737 | 40,479 | 129,216 |
| Other | 671,923 | 26,518 | 698,441 |
| Total Contributions and Revenue | 23,414,938 | 25,444,406 | 48,859,344 |
| Total Support, Contributions and Revenue | 26,949,784 | 26,031,744 | 52,981,528 |
| Expenses | | | |
| Program services: | | | |
| Production and broadcasting | 16,421,720 | 11,415,702 | 27,837,422 |
| Supporting services: | | | |
| General and administrative | 1,062,271 | 494,307 | 1,556,578 |
| Fundraising | 5,268,054 | 3,067,291 | 8,335,345 |
| Total Supporting Services | 6,330,325 | 3,561,598 | 9,891,923 |
| Total Expenses | 22,752,045 | 14,977,300 | 37,729,345 |
| Change in Net Assets Before FCC Capital Funding | 4,197,739 | 11,054,444 | 15,252,183 |
| FCC Capital Funding | 604,478 | 35,256 | 639,734 |
| Change in Net Assets | \$ 4,802,217 | \$ 11,089,700 | \$ 15,891,917 |