



WHYY, Inc.

Financial Statements
Years Ended June 30, 2017 and 2016

WHYY, Inc.

Financial Statements
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WHYY, Inc.

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Independent Auditor's Report

The Board of Directors
WHYY, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of WHYY, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WHY, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Philadelphia, Pennsylvania
December 21, 2017

Financial Statements

WHYY, Inc.

Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Current Assets		
Cash	\$ 611,417	\$ 878,809
Investments	-	700,000
Contributions receivable, net	4,583,383	4,263,769
Grant receivable, Commonwealth of Pennsylvania	500,000	500,000
Accounts receivable, net of allowance for doubtful accounts of \$3,634 in 2017 and 2016	1,245,073	1,081,015
Other receivables (See Note 20)	8,029,295	-
Unbilled project revenue	3,002,088	2,296,412
Deferred project costs	42,552	75,503
Prepaid expenses and other current assets	119,555	217,242
Inventory	63,063	77,703
Total Current Assets	18,196,426	10,090,453
Property and Equipment, Net	14,308,937	14,909,124
Other Assets		
Contributions receivable	238,880	585,095
Investments	11,116,057	9,190,287
Unbilled project revenue	173,711	723,312
Beneficial interest in perpetual trusts	565,278	525,667
Broadcast licenses	1,148,072	1,287,229
	13,241,998	12,311,590
Total Assets	\$ 45,747,361	\$ 37,311,167
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 347,752	\$ 778,357
Accrued expenses and other current liabilities	2,391,433	3,022,842
Deferred revenue	433,772	985,779
Current portion of:		
Obligation under capital lease	17,936	16,451
Long-term debt	625,033	425,260
Total Current Liabilities	3,815,926	5,228,689
Long-Term Liabilities		
Deferred revenue	169,516	307,640
Obligation under capital lease	4,731	22,667
Long-term debt, net	4,920,734	4,690,491
	5,094,981	5,020,798
Total Liabilities	8,910,907	10,249,487
Commitments and Contingencies		
Unrestricted		
Undesignated	13,795,105	12,059,004
Board-designated	13,421,007	4,886,250
Total Unrestricted	27,216,112	16,945,254
Temporarily Restricted	6,432,947	6,968,642
Permanently Restricted	3,187,395	3,147,784
Total Net Assets	36,836,454	27,061,680
Total Liabilities and Net Assets	\$ 45,747,361	\$ 37,311,167

See accompanying notes to financial statements

WHYY, Inc.

Statement of Activities and Changes in Net Assets

<i>Year ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Support:				
Commonwealth of Pennsylvania	\$ 31,250	\$ -	\$ -	\$ 31,250
State of Delaware	175,000	-	-	175,000
Corporation for Public Broadcasting	1,888,079	629,360	-	2,517,439
Total Support	2,094,329	629,360	-	2,723,689
Contributions and revenue:				
Memberships and other contributions	17,411,960	2,709	-	17,414,669
Program contracts and grants	5,101,626	3,506,907	-	8,608,533
Program underwriting	5,251,123	-	-	5,251,123
In-kind income	240,602	-	-	240,602
Realized and unrealized gains from investments	510,969	302,587	-	813,556
Interest and dividends	132,129	48,983	-	181,112
Change in value of beneficial interest in perpetual trusts	-	-	39,611	39,611
Broadcast auction related revenue	8,700,000	-	-	8,700,000
Other	469,803	587,848	-	1,057,651
Net assets released from restrictions	5,614,089	(5,614,089)	-	-
Total Contributions and Revenue	43,432,301	(1,165,055)	39,611	42,306,857
Total Support, Contributions and Revenue	45,526,630	(535,695)	39,611	45,030,546
Expenses				
Program services:				
Production and broadcasting	25,270,347	-	-	25,270,347
Supporting services:				
General and administrative	2,177,301	-	-	2,177,301
Fundraising	7,808,124	-	-	7,808,124
Total Supporting Services	9,985,425	-	-	9,985,425
Total Expenses	35,255,772	-	-	35,255,772
Change in Net Assets	10,270,858	(535,695)	39,611	9,774,774
Net Assets, beginning of year	16,945,254	6,968,642	3,147,784	27,061,680
Net Assets, end of year	\$ 27,216,112	\$ 6,432,947	\$ 3,187,395	\$ 36,836,454

See accompanying notes to financial statements

WHYY, Inc.

Statement of Activities and Changes in Net Assets

<i>Year ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Support:				
State of Delaware	\$ 175,000	\$ -	\$ -	\$ 175,000
Corporation for Public Broadcasting	1,760,828	586,943	-	2,347,771
Total Support	1,935,828	586,943	-	2,522,771
Contributions and revenue:				
Memberships and other contributions	16,927,031	4,058	190,000	17,121,089
Program contracts and grants	4,790,230	4,236,028	-	9,026,258
Program underwriting	4,941,481	-	-	4,941,481
In-kind income	290,052	-	-	290,052
Realized and unrealized losses from investments	(110,284)	(151,712)	-	(261,996)
Interest and dividends	40,230	29,266	-	69,496
Change in value of beneficial interest in perpetual trusts	-	-	(24,409)	(24,409)
Other	1,106,384	-	-	1,106,384
Net assets released from restrictions	5,228,532	(5,228,532)	-	-
Total Contributions and Revenue	33,213,656	(1,110,892)	165,591	32,268,355
Total Support, Contributions and Revenue	35,149,484	(523,949)	165,591	34,791,126
Expenses				
Program services:				
Production and broadcasting	22,811,069	-	-	22,811,069
Supporting services:				
General and administrative	1,966,945	-	-	1,966,945
Fundraising	7,389,072	-	-	7,389,072
Total Supporting Services	9,356,017	-	-	9,356,017
Total Expenses	32,167,086	-	-	32,167,086
Change in Net Assets	2,982,398	(523,949)	165,591	2,624,040
Net Assets, beginning of year	13,962,856	7,492,591	2,982,193	24,437,640
Net Assets, end of year	\$ 16,945,254	\$ 6,968,642	\$ 3,147,784	\$ 27,061,680

See accompanying notes to financial statements

WHYY, Inc.

Statements of Cash Flows

<i>Year ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 9,774,774	\$ 2,624,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	923,732	979,011
Loss on impairment in value of broadcasting licenses	139,157	-
Loss on debt extinguishment	35,872	-
Amortization of deferred financing costs	3,212	5,324
Realized and unrealized (gains) losses from investments	(813,556)	261,996
Change in value of beneficial interest in perpetual trusts	(39,611)	24,409
Provision for uncollectible contributions	166,360	82,860
Other income	(141,660)	(141,660)
Changes in:		
Contributions receivable	(139,759)	(75,685)
Accounts and other receivables, net	(8,193,353)	(230,813)
Unbilled project revenue	(156,075)	256,881
Deferred project costs	32,951	5,871
Prepaid expenses and other current assets	97,687	103,927
Inventory	14,640	3,779
Accounts payable	(430,605)	(266,568)
Accrued expenses and other current liabilities	(631,409)	970,686
Deferred revenue	(548,471)	696,632
Net cash provided by operating activities	93,886	5,300,690
Cash Flows from Investing Activities		
Purchases of investments	(4,522,158)	(6,608,328)
Sales of investments	4,109,944	2,873,571
Purchases of property and equipment	(323,545)	(795,317)
Net cash utilized by investing activities	(735,759)	(4,530,074)
Cash Flows from Financing Activities		
Principal payments under capital lease obligation	(16,451)	(15,089)
Principal payments on long-term debt	(5,246,794)	(325,879)
Proceeds from refinancing long-term debt and bridge financing	5,710,000	-
Financing fees paid	(72,274)	(10,700)
Net cash provided (utilized) by financing activities	374,481	(351,668)
Net (Decrease) Increase in Cash	(267,392)	418,948
Cash, beginning of year	878,809	459,861
Cash, end of year	\$ 611,417	\$ 878,809
Supplemental Disclosure of Cash Flow Information		
Interest paid in 2017 and 2016	\$ 225,341	\$ 195,579

Supplemental Disclosure of Cash Flow of Noncash Financing Activities

During 2017, WHYY wrote-off deferred financing costs of \$163,993 with an unamortized carrying value of \$35,872 in conjunction with the refinancing of long-term debt.

See accompanying notes to financial statements

WHYY, Inc.

Statement of Functional Expenses

<i>Year ended June 30, 2017</i>	Program Services	Supporting Services			Total Expenses
	Production and Broadcasting	General and Administrative	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 12,697,048	\$ 1,450,144	\$ 3,195,014	\$ 4,645,158	\$ 17,342,206
Audit and professional fees	374,767	101,190	24,561	125,751	500,518
Building maintenance and operations	646,370	27,407	51,639	79,046	725,416
Direct marketing expenses	104,641	-	1,103,023	1,103,023	1,207,664
In-kind	35,000	-	205,602	205,602	240,602
Insurance	109,555	19,403	11,051	30,454	140,009
Interest and bank fees	198,730	142,218	338,918	481,136	679,866
Legal fees	20,357	7,479	-	7,479	27,836
Membership and development expenses	-	-	1,789,223	1,789,223	1,789,223
Office expenses and services	391,449	76,713	78,102	154,815	546,264
Other administrative costs	381,256	258,156	112,110	370,266	751,522
Postage and delivery	3,505	3,835	528,212	532,047	535,552
Production and acquisition costs	7,713,157	411	3,824	4,235	7,717,392
Public relations and promotion	431,843	4,650	19,670	24,320	456,163
Telecommunications and technology expenses	386,752	25,187	237,180	262,367	649,119
Transmitter and studio maintenance, supplies, power and rent	764,236	-	-	-	764,236
Travel and business expenses	159,180	35,467	63,805	99,272	258,452
Total Expenses Before Depreciation	24,417,846	2,152,260	7,761,934	9,914,194	34,332,040
Depreciation Expense	852,501	25,041	46,190	71,231	923,732
Total Expenses	\$ 25,270,347	\$ 2,177,301	\$ 7,808,124	\$ 9,985,425	\$ 35,255,772

See accompanying notes to financial statements

WHYY, Inc.

Statement of Functional Expenses

<i>Year ended June 30, 2016</i>	Program Services	Supporting Services			Total Expenses
	Production and Broadcasting	General and Administrative	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 11,932,943	\$ 1,361,236	\$ 2,940,788	\$ 4,302,024	\$ 16,234,967
Audit and professional fees	89,955	133,626	42,229	175,855	265,810
Building maintenance and operations	556,106	26,998	51,104	78,102	634,208
Direct marketing expenses	-	-	1,177,979	1,177,979	1,177,979
In-kind	35,790	-	254,262	254,262	290,052
Insurance	109,312	15,466	10,956	26,422	135,734
Interest and bank fees	185,651	107,054	306,006	413,060	598,711
Legal fees	47,857	-	-	-	47,857
Membership and development expenses	-	-	1,593,535	1,593,535	1,593,535
Office expenses and services	264,966	82,685	48,234	130,919	395,885
Other administrative costs	250,474	121,009	113,793	234,802	485,276
Postage and delivery	4,181	3,959	525,570	529,529	533,710
Production and acquisition costs	7,234,839	-	15,910	15,910	7,250,749
Public relations and promotion	19,335	33,631	985	34,616	53,951
Telecommunications and technology expenses	258,365	21,133	213,799	234,932	493,297
Transmitter and studio maintenance, supplies, power and rent	796,780	-	-	-	796,780
Travel and business expenses	129,408	29,685	40,481	70,166	199,574
Total Expenses Before Depreciation	21,915,962	1,936,482	7,335,631	9,272,113	31,188,075
Depreciation Expense	895,107	30,463	53,441	83,904	979,011
Total Expenses	\$ 22,811,069	\$ 1,966,945	\$ 7,389,072	\$ 9,356,017	\$ 32,167,086

See accompanying notes to financial statements

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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 sites at why.org and newsworks.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 three classes of net assets - unrestricted, temporarily restricted, and permanently restricted.

Unrestricted revenue and net assets are those that are not restricted by donors.

Temporarily restricted revenue and net assets 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.

Permanently restricted net assets are subject to 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 permanently restricted net assets are recorded as temporarily restricted net assets until they are transferred to unrestricted net assets for use in operations, except for perpetual trusts, as noted below. Investment losses on the investments of a permanently restricted endowment fund reduce temporarily restricted net assets 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.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same year in which the contribution is received, the contribution is reported as unrestricted.

Contributions restricted for the acquisition of property and equipment, which are included in temporarily restricted revenue, are reclassified to unrestricted net assets 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.

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. Depreciation on equipment under a non-cancelable capital lease is calculated using the lower of the estimated useful life or the lease term and is included in depreciation expense.

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. In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), which resulted in the reclassification of deferred financing costs from assets to inclusion as a reduction of the reportable long-term debt balance on the statements of financial position. The standard did not have a material impact on the statements of financial position and had no impact on previously reported change in net assets or the cash flows provided by or used in operations. Amortization of deferred financing costs was \$3,212 and \$5,324 for the years ended June 30, 2017 and 2016, respectively.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Investments

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 4.5% annual spending policy, 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 a 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 permanently restricted contribution and an asset equal to the lesser of WHYY's applicable percentage of the fair 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 (decrease) in fair value of its share of the assets held in perpetuity by \$39,611 and (\$24,409) for the years ended June 30, 2017 and 2016, respectively.

Changes in the fair value of trust assets are recognized as changes in permanently restricted net assets in the period the change occurs. Income is designated for programming and recorded as unrestricted investment income in the period received from the Trustee.

Broadcast Licenses

Identifiable intangible assets with indefinite lives consist of certain FCC licenses acquired for the 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 the broadcast licenses have been impaired by \$139,157 for the year ended June 30, 2017. There was no indication of impairment on these assets as of June 30, 2016.

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.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Program Revenue Recognition

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.

Advertising Costs

WHYY expenses advertising costs as incurred. For the years ended June 30, 2017 and 2016, such expenses were approximately \$1,554,374 and \$1,372,986, respectively.

Functional Expense

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.

Reclassifications

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

3. Concentrations

Cash

WHYY maintains its cash in interest-bearing 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.

Contributions Receivable

At June 30, 2016, approximately 14% of contributions receivable were from one donor. There were no donors with contributions receivable in excess of 10% for the year ended June 30, 2017.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

4. Property and Equipment

Property and equipment consist of the following at June 30:

	2017	2016
Land	\$ 1,543,979	\$ 1,543,979
Building and improvements	22,996,354	22,920,858
Transmitting, broadcasting and other equipment	17,793,344	17,545,295
	42,333,677	42,010,132
Less accumulated depreciation	(28,024,740)	(27,101,008)
Net property and equipment	\$ 14,308,937	\$ 14,909,124

Depreciation amounted to \$923,732 and \$979,011 for the years ended June 30, 2017 and 2016, respectively.

5. Investments

The nature and fair value (see Note 6) of WHYY's investments at June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Cash	\$ 330,637	\$ 3,854,968
Money market funds	314,630	392,790
Common stock	826,021	-
Corporate bonds	451,264	-
Exchange traded funds	2,023,967	2,759,859
Mutual funds - equity	5,480,398	2,148,373
Mutual funds - fixed income	1,543,391	734,297
Treasury bonds	145,749	-
Total	\$ 11,116,057	\$ 9,890,287

WHYY's investment activity resulted in net realized and unrealized gains (losses) of \$813,556 and (\$261,996) for the years ended June 30, 2017 and 2016, respectively. Interest and dividend income from investment activity were \$181,112 and \$69,496 for the years ended June 30, 2017 and 2016, 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 statement of financial position and statement of activities.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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, 2017 and 2016:

Level 1 Fair Value Measurements

Money market funds, common stock, exchange traded funds and mutual funds 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 trust are valued based 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 trust 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.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

The following table sets forth by level, within the fair value hierarchy, WHYY's assets measured at fair value on a recurring basis at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 314,630	\$ -	\$ -	\$ 314,630
Common stock (large core)	826,021	-	-	826,021
Treasury bonds (intermediate term)	145,749	-	-	145,749
Exchange traded funds:				
Developed international equity	205,847	-	-	205,847
Developed markets large cap blend	161,064	-	-	161,064
Developed small/mid cap blend	21,624	-	-	21,624
Emerging markets	134,758	-	-	134,758
Inflation protected bond	44,238	-	-	44,238
Intermediate term bond	574,460	-	-	574,460
Large cap blend	410,335	-	-	410,335
Large cap growth	23,209	-	-	23,209
Large cap value	13,506	-	-	13,506
Long term bond	71,425	-	-	71,425
Master limited partnership	34,898	-	-	34,898
Mid cap blend	55,664	-	-	55,664
Real estate	82,469	-	-	82,469
Small cap blend	190,470	-	-	190,470
Domestic equity funds:				
Asset allocation	2,203,706	-	-	2,203,706
Large cap blend	2,381,605	-	-	2,381,605
Large cap growth	323,185	-	-	323,185
Large cap value	15,871	-	-	15,871
Small cap blend	6,661	-	-	6,661
Small cap growth	151,499	-	-	151,499
Small cap value	3,750	-	-	3,750
Foreign equity funds:				
Developed international equity	193,724	-	-	193,724
Emerging markets	152,903	-	-	152,903
Emerging equity	31,751	-	-	31,751
Inflation protected funds (real estate)	15,743	-	-	15,743
Mutual funds - fixed income:				
High yield bond	7,441	-	-	7,441
Intermediate term bond	548,805	-	-	548,805
Short term bond	875,424	-	-	875,424
Taxable bond funds	111,721	-	-	111,721
Corporate bonds (intermediate term)	-	451,264	-	451,264
Beneficial interest in perpetual trust	-	-	565,278	565,278
Total Assets at Fair Value	\$10,334,156	\$ 451,264	\$ 565,278	\$11,350,698

At June 30, 2017, WHYY's investment portfolio included \$330,637 of cash that is not included in the above table.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

The following table sets forth by level, within the fair value hierarchy, WHYY's assets measured at fair value on a recurring basis at June 30, 2016:

	Level 1	Level 3	Total
Money market funds	\$ 392,790	\$ -	\$ 392,790
Exchange traded funds:			
Large cap blend	1,531,316	-	1,531,316
Real estate	44,074	-	44,074
Short-term bond	497,409	-	497,409
Intermediate-term bond	501,248	-	501,248
Inflation-protected bond	185,812	-	185,812
Domestic equity funds:			
Large cap blend	169,956	-	169,956
Large cap growth	1,026,693	-	1,026,693
Small/large cap blend	14,364	-	14,364
Large cap value	131,859	-	131,859
Small/large cap growth	69,896	-	69,896
Real estate funds	55,544	-	55,544
Foreign equity funds:			
Large cap blend	184,447	-	184,447
Global equity funds	324,714	-	324,714
Emerging equity	6,008	-	6,008
Hedged strategies funds:			
Managed futures	142,653	-	142,653
Inflation protected funds:			
Real estate	22,239	-	22,239
Mutual funds - fixed income:			
High yield	14,920	-	14,920
Intermediate term	113,685	-	113,685
Nontraditional	335,418	-	335,418
Taxable bond funds	270,274	-	270,274
Beneficial interest in perpetual trust	-	525,667	525,667
Total Assets at Fair Value	\$ 6,035,319	\$ 525,667	\$ 6,560,986

At June 30, 2016, WHYY's investment portfolio included \$3,840,542 of cash and \$14,426 of bank money market funds that are not included in the above table.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

At June 30, 2017, WHYY has beneficial interests in perpetual trusts held by third parties which are recorded at their fair value on a recurring basis. At June 30, 2017 and 2016, the fair value of the beneficial interest of \$565,278 and \$525,667, respectively, is considered Level 3 under the fair value hierarchy. The following table summarizes the changes in fair value of the beneficial interest in the perpetual trust held by WHYY:

	2017	2016
Balance, July 1	\$ 525,667	\$ 360,076
Additional beneficial interest in perpetual trust received	-	190,000
Change in fair value of beneficial interest in perpetual trust	39,611	(24,409)
Balance, June 30	\$ 565,278	\$ 525,667

There were no assets or liabilities recorded at fair value on a non-recurring basis at June 30, 2017 and 2016.

7. Contributions Receivable

WHYY records unconditional promises to give as contributions receivable. Pledges due beyond one year are discounted to the present value using discount rates ranging from 0.61% to 4.92%. Contributions receivable at June 30, 2017 and 2016 are as follows:

	2017	2016
Receivable in:		
Less than one year	\$ 5,661,559	\$ 5,169,406
One to five years	272,260	621,636
	5,933,819	5,791,042
Less allowance for uncollectible contributions receivable	(1,078,176)	(911,816)
	4,855,643	4,879,226
Less discounts to net present value	(33,380)	(36,542)
	\$ 4,822,263	\$ 4,842,864
Current portion	\$ 4,583,383	\$ 4,263,769
Long-term portion	238,880	585,095
	\$ 4,822,263	\$ 4,842,684

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

8. Grant Receivable, Commonwealth of Pennsylvania

WHYY is the subrecipient under a \$500,000 grant from the Commonwealth of Pennsylvania (the "Commonwealth") to the Philadelphia Authority for Industrial Development ("PAID") under the Redevelopment Assistance Capital Program ("RACP"). Under this agreement WHYY is bound by all provisions in the agreement between PAID and the Commonwealth. The grant was awarded to fund facility upgrades to WHYY's headquarters in Philadelphia. At June 30, 2017 and 2016, a total of \$500,000 is due from PAID for eligible RACP expenditures incurred.

9. Long-Term Debt

Bridge Financing

In June 2015, WHYY closed on a \$500,000 multiple disbursement term loan (bridge loan) with a bank. The credit facility will be used to advance funds available to WHYY under its RACP grant agreement of equal value discussed in Note 8 to the financial statements that are pending reimbursement. Upon receipt, the RACP grant proceeds will be applied to outstanding borrowings.

The facility is scheduled to mature in December 2017 following reimbursement of total grant proceeds available to WHYY under its RACP agreement and subsequent reduction to amounts outstanding under the facility. Borrowings bear interest at one-month LIBOR plus 2.25% (3.31% and 2.75% at June 30, 2017 and 2016). The facility is secured by a first lien on unrestricted assets. A total of \$500,000 was due under this bridge loan as of June 30, 2017. There were no outstanding borrowings under this bridge loan as of June 30, 2016.

Note Payable

In April 1998, on behalf of WHYY, the Borough of Langhorne Manor Higher Education and Health Authority (the Authority) issued and sold \$5,000,000 in Revenue Bonds (WHYY Inc. Project), Series of 1998 (the Bonds) to Wilmington Trust Company (the Bond Purchaser).

WHYY borrowed \$5,000,000 (proceeds from the sale of the Bonds) from the Authority under a Bond purchase and loan agreement (the Note). To secure the Authority's obligation to the Bond Purchaser, the Authority assigned to the Bond Purchaser the Note and substantially all of the Authority's rights therein. The 25-year tax-exempt Bonds and Note initially carried an interest rate of 4.83%, which reset periodically (at a maximum rate of 5.2%). On April 30, 2009, the rate reset to a rate of 3.0%.

The Bond Purchaser held as collateral under the Note a first lien on Board Designated investments, and a second lien on the WHYY headquarters Philadelphia property. On October 26, 2016, WHYY refinanced the remaining balance of the Note Payable.

Multi Disbursement Term Loan

In September 2015, WHYY closed on a \$529,000 multiple disbursement term loan with a bank. Proceeds of this loan were being used for capital equipment and facility improvement purchases related to the RACP grant project. All borrowings under this facility required interest-only payments through October 2016 (interest only period). During the interest-only period, the facility carried interest at 2.25% above one-month LIBOR. The facility was secured by a lien on WHYY headquarters

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

property in Philadelphia. On October 26, 2016, WHYY refinanced the remaining balance of the multi disbursement term loan.

Term Loan

In September 2012, WHYY closed on a 10-year \$3,490,000 term loan with a bank. The loan carried interest at a fixed rate of 3.84%. Principal prepayments were permitted up to \$1,750,000 without penalty. The bank providing the loan held as collateral a first lien on the WHYY headquarters property in Philadelphia. On October 26, 2016, WHYY refinanced the remaining balance of the term loan.

Consolidated Term Loan

On October 26, 2016, WHYY closed on a \$5,210,000 term loan consolidating the remaining balances of the term loan, note payable and the multiple disbursement term loan. The loan bears interest at a fixed rate of 3.99%. Monthly payments of principal and interest is based on a 25-year term with a 15-year maturity. Principal prepayments are permitted up to \$2,500,000 without penalty. Approximate principal payments for the next five years are due as follows: 2018, \$125,000; 2019, \$130,000; 2020, \$136,000; 2021, \$141,000 and 2022, \$147,000. The loan matures in November 2031 at which a balloon payment of \$2,718,267 will become due. The bank providing the loan holds as collateral a first lien on the WHYY headquarters property in Philadelphia.

The refinancing was accounted for as a debt extinguishment. The loss on extinguishment which consisted of unamortized financing costs that were written off to interest expense was \$35,872.

Long-term debt consists of the following:

<i>June 30,</i>	2017	2016
Consolidated term loan	\$ 5,114,829	\$ -
Note payable	-	2,269,762
Term loan	-	2,797,061
Multi disbursement term loan	-	84,800
Bridge financing	500,000	-
Unamortized debt financing costs	(69,062)	(35,872)
Total long-term debt	5,545,767	5,115,751
Less current portion	(625,033)	(425,260)
Long-term debt, net of current portion	\$ 4,920,734	\$ 4,690,491

The terms of both the original and new term loans include certain financial covenants. WHYY has complied with all covenants for the years ended June 30, 2017 and June 30 2016, respectively.

Interest expense of \$205,148 and \$184,010 was incurred on original and new term loans for the years ended June 30, 2017 and 2016, respectively.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

10. Line of Credit

Through June 29, 2015 WHYY maintained a \$2,000,000 line of credit facility with a bank. On June 30, 2015, the line agreement was amended to increase availability by \$1,000,000 to \$3,000,000 and to extend the maturity date from September 2015 to September 2018. The line is used for working capital and other general corporate purposes. Borrowings bear interest at 2.25% plus the greater of one-month LIBOR, adjusting daily or one-day (overnight) LIBOR, at the bank's discretion (3.31% and 2.75% at June 30, 2017 and 2016). The line is secured by a first lien on unrestricted assets. There were no outstanding borrowings under the line as of June 30, 2017 and June 30, 2016.

WHYY has complied with all covenants set forth in agreements related to the line for the years ended June 30, 2017 and June 30 2016.

Interest expense paid on borrowings under the line was \$2,255 and \$7,320 for the years ended June 30, 2017 and 2016, respectively.

11. Capital Lease Equipment and Obligations

WHYY leases certain equipment under a non-cancelable capital lease expiring in 2018. The following is a schedule of the capital lease asset:

	2017	2016
Other equipment	\$ 77,669	\$ 77,669
Less: accumulated depreciation	(55,002)	(38,551)
	<u>\$ 22,667</u>	<u>\$ 39,118</u>

Depreciation on equipment under a non-cancelable capital lease was \$16,451 and \$15,089 for each of the years ended June 30, 2017 and 2016, respectively.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2017. Interest is imputed at 8.67%, which represented the lessor's implicit rate of return at the inception of the lease.

Total minimum lease payments	\$ 24,000
Less amount representing interest	(1,333)
Present value of net minimum lease payments	<u>\$ 22,667</u>

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are donor restricted at June 30, 2017 and 2016 as follows:

	2017	2016
Capital additions	\$ 30,000	\$ 30,000
Grant funded productions and programs	5,931,029	6,764,636
Unrestricted operations in future periods	28,649	30,940
Accumulated earnings in excess of spend	443,269	143,066
Total	\$ 6,432,947	\$ 6,968,642

13. Permanently Restricted Net Assets

Permanently restricted net assets June 30, 2017 and 2016 consist of the following:

	2017	2016
Endowment	\$ 2,622,117	\$ 2,622,117
Beneficial interest in perpetual trusts	565,278	525,667
Total	\$ 3,187,395	\$ 3,147,784

14. 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. The use of permanently restricted net assets and related income and gains is limited by Pennsylvania Statute Act 141. 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 permanently restricted and board designated funds by transferring up to 4.5% of the 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. During the years ended June 30, 2017 and 2016, the Board authorized transfers of \$99,205 and \$239,840, respectively.

As described in Note 2, when applicable, losses on donor-restricted endowment funds are recorded as temporarily restricted. At June 30, 2017 and 2016, the fair value of investments exceeded the related historic cost value of the specific permanently restricted endowment funds.

WHYY, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Endowment funds consist of the following at June 30:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment funds	\$ 13,421,007	\$ -	\$ -	\$ 13,421,007
Donor-restricted endowment funds	-	443,269	2,622,117	3,065,386
Total Funds	\$ 13,421,007	\$ 443,269	\$ 2,622,117	\$ 16,486,393

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment funds	\$ 4,886,250	\$ -	\$ -	\$ 4,886,250
Donor-restricted endowment funds	-	143,066	2,622,117	2,765,183
Total Funds	\$ 4,886,250	\$ 143,066	\$ 2,622,117	\$ 7,651,433

Endowment funds activity is summarized as follows for the years ended June 30:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance at July 1, 2016	\$ 4,886,250	\$ 143,066	\$ 2,622,117	\$ 7,651,433
Investment income	106,254	48,983	-	155,237
Net realized/unrealized gains	476,341	302,587	-	778,928
Total investment return	582,595	351,570	-	934,165
Additional contributions	8,000,000	-	-	8,000,000
Appropriation of endowment assets for expenditure	(47,838)	(51,367)	-	(99,205)
Balance at June 30, 2017	\$ 13,421,007	\$ 443,269	\$ 2,622,117	\$ 16,486,393

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance at July 1, 2015	\$ 2,660,671	\$ 394,817	\$ 2,622,117	\$ 5,677,605
Investment income	14,867	29,266	-	44,133
Net realized/unrealized losses	(101,956)	(151,712)	-	(253,668)
Total investment return	(87,089)	(122,445)	-	(209,534)
Additional contributions	2,423,203	-	-	2,423,203
Appropriation of endowment assets for expenditure	(110,535)	(129,305)	-	(239,840)
Balance at June 30, 2016	\$ 4,886,250	\$ 143,066	\$ 2,622,117	\$ 7,651,433

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, 2017 and 2016, 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. As of June 30, 2017, expenses incurred by WHYY in conducting these unrelated activities have exceeded revenues derived there from and have resulted in net operating loss carry forwards, expiring at various dates through 2023 of approximately \$94,000. The deferred tax asset resulting from the net operating loss carry forward (NOL) has been fully reserved, since the use of NOL is not considered more-likely-than-not.

16. Commitments and Contingencies

WHYY leases 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.

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Rental expense for 2017 and 2016 were \$402,504 and \$404,079, respectively. Minimum future commitments under noncancelable operating leases at June 30, 2017, are as follows:

<i>Years ending June 30,</i>	<i>Amount</i>
2018	\$ 457,000
2019	473,000
2020	490,000
2021	504,000
2022	497,000
Thereafter	2,320,000
	<hr/>
	\$ 4,741,000

17. Lease Agreements

In June 2004 and February 2005, WHYY entered into lease agreements with an unrelated party which expire 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 is recognized as revenue on a straight-line basis over the 15-year term of the lease agreements. Revenue recognized for June 30, 2017 and 2016 was \$141,660 for each year.

18. 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.

19. 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 2017 and 2016 were \$548,293 and \$426,182, respectively. In addition, WHYY has a nonqualified supplemental retirement plan for an employee. This plan is fully funded and was frozen in a previous year. At June 30, 2017 and 2016, \$65,111 and \$149,658, respectively, has been recorded in investments and accrued expenses related to the plan.

20. Bid Management and Option Agreement

In October 2015 WHYY entered into a bid management and option agreement with an unrelated third party to represent WHYY in the broadcast television incentive auction that was conducted by the Federal Communications Commission. While WHYY did not receive a winning bid in the auction, certain provisions in the bid management and option agreement resulted in WHYY recognizing \$8,700,000 of revenue during 2017 and \$800,000 in 2016. All proceeds from this transaction were

WHYY, Inc.

Notes to Financial Statements June 30, 2017 and 2016

placed in board-designated endowment funds. The bid management agreement had no impact on any of the WHYY licenses.

At June 30, 2017, proceeds owed to WHYY of \$8,000,000 are included in other receivables and were received subsequent to year-end.

21. Subsequent Events

Subsequent events have been evaluated through December 21, 2017, the date the financial statements were available to be issued.