WHYY, Inc.

Financial Statements
Years Ended June 30, 2018 and 2017

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO
International Limited, a UK company limited by guarantee.

WHYY, Inc.

Financial Statements
Years Ended June 30, 2018 and 2017

Contents

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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, 2018 and 2017, 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 WHYY, Inc. as of June 30, 2018 and 2017, 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 17, 2018

Financial Statements

WHYY, Inc.

Statements of Financial Position

June 30,		**2018**		2017
Assets				
Current Assets				
Cash	**$**	**1,063,116**	$	611,417
Contributions receivable, net		**4,806,310**		4,583,383
Grant receivable, Commonwealth of Pennsylvania		**-**		500,000
Accounts receivable, net of allowance for doubtful accounts of $90,000 and $3,634 in 2018 and 2017, respectively		**1,980,545**		1,245,073
Other receivables		**-**		8,029,295
Unbilled project revenue		**3,148,045**		3,002,088
Deferred project costs		**95,119**		42,552
Prepaid expenses and other current assets		**135,310**		119,555
Inventory		**63,980**		63,063
Total Current Assets		**11,292,425**		18,196,426
Property and Equipment, Net		**14,215,673**		14,308,937
Other Assets				
Contributions receivable		**1,187,207**		238,880
Investments		**20,391,910**		11,116,057
Unbilled project revenue		**35,000**		173,711
Beneficial interest in perpetual trusts		**587,898**		565,278
Broadcast licenses		**1,148,072**		1,148,072
Total Other Assets		**23,350,087**		13,241,998
Total Assets	**$**	**48,858,185**	$	45,747,361
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	**$**	**1,206,806**	$	347,752
Accrued expenses and other current liabilities		**2,416,901**		2,391,433
Deferred revenue		**669,612**		433,772
Current portion of:				
Obligation under capital lease		**4,731**		17,936
Long-term debt		**130,186**		625,033
Total Current Liabilities		**4,428,236**		3,815,926
Long-Term Liabilities				
Deferred revenue		**437,491**		169,516
Obligation under capital lease		**-**		4,731
Lines of credit, bank		**28,467**		-
Long-term debt, net		**4,795,367**		4,920,734
Total Long-Term Liabilities		**5,261,325**		5,094,981
Total Liabilities		**9,689,561**		8,910,907
Commitments and Contingencies				
Unrestricted				
Undesignated		**15,284,248**		13,795,105
Board-designated		**14,181,599**		13,421,007
Total Unrestricted		**29,465,847**		27,216,112
Temporarily Restricted		**6,492,762**		6,432,947
Permanently Restricted		**3,210,015**		3,187,395
Total Net Assets		**39,168,624**		36,836,454
Total Liabilities and Net Assets	**$**	**48,858,185**	$	45,747,361

See accompanying notes to financial statements

WHYY, Inc.

Statement of Activities and Changes in Net Assets

Year ended June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Support:				
Commonwealth of Pennsylvania	$ 35,714	$ -	$ -	$ 35,714
State of Delaware	140,000	-	-	140,000
Corporation for Public Broadcasting	2,115,819	705,273	-	2,821,092
Total Support	2,291,533	705,273	-	2,996,806
Contributions and revenue:				
Memberships and other contributions	17,512,628	1,439,956	-	18,952,584
Program contracts and grants	5,129,085	3,928,287	-	9,057,372
Program underwriting	5,745,572	-	-	5,745,572
In-kind income	215,886	-	-	215,886
Realized and unrealized gains from investments	681,169	216,101	-	897,270
Interest and dividends	293,331	54,990	-	348,321
Change in value of beneficial interest in perpetual trusts	-	-	22,620	22,620
Other	497,185	14,549	-	511,734
Net assets released from restrictions	6,299,341	(6,299,341)	-	-
Total Contributions and Revenue	36,374,197	(645,458)	22,620	35,751,359
Total Support, Contributions and Revenue	38,665,730	59,815	22,620	38,748,165
Expenses				
Program services:				
Production and broadcasting	26,144,762	-	-	26,144,762
Supporting services:				
General and administrative	2,088,131	-	-	2,088,131
Fundraising	8,183,102	-	-	8,183,102
Total Supporting Services	10,271,233	-	-	10,271,233
Total Expenses	36,415,995	-	-	36,415,995
Change in Net Assets	2,249,735	59,815	22,620	2,332,170
Net Assets, beginning of year	27,216,112	6,432,947	3,187,395	36,836,454
Net Assets, end of year	$ 29,465,847	$ 6,492,762	$ 3,210,015	$ 39,168,624

See accompanying notes to financial statements

WHYY, Inc.

Statement of Activities and Changes in Net Assets

Year ended June 30, 2017	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	4,082,205	-	9,183,831
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	12,550	-	482,353
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.

Statements of Cash Flows

Years ended June 30,		**2018**		2017
Cash Flows from Operating Activities				
Change in net assets	**$**	**2,332,170**	$	9,774,774
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense		**892,447**		923,732
Loss on disposal of property and equipment		**36,990**		-
Loss on impairment in value of broadcasting licenses		**-**		139,157
Loss on debt extinguishment		**-**		35,872
Amortization of deferred financing costs		**4,819**		3,212
Realized and unrealized gains from investments		**(897,270)**		(813,556)
Change in fair value of beneficial interest in perpetual trusts		**(22,620)**		(39,611)
Provision for uncollectible contributions		**221,265**		166,360
Other income		**(141,660)**		(141,660)
Changes in:				
Contributions receivable		**(1,392,519)**		(139,759)
Grants receivable, Commonwealth of Pennsylvania		**500,000**		-
Accounts and other receivables, net		**7,293,823**		(8,193,353)
Unbilled project revenue		**(7,246)**		(156,075)
Deferred project costs		**(52,567)**		32,951
Prepaid expenses and other current assets		**(15,755)**		97,687
Inventory		**(917)**		14,640
Accounts payable		**859,054**		(430,605)
Accrued expenses and other current liabilities		**25,468**		(631,409)
Deferred revenue		**645,475**		(548,471)
Net cash provided by operating activities		**10,280,957**		93,886
Cash Flows from Investing Activities				
Purchases of investments		**(9,701,787)**		(4,522,158)
Sales of investments		**1,323,204**		4,109,944
Purchases of property and equipment		**(836,173)**		(323,545)
Net cash utilized by investing activities		**(9,214,756)**		(735,759)
Cash Flows from Financing Activities				
Net borrowings on lines of credit		**28,467**		-
Principal payments under capital lease obligation		**(17,936)**		(16,451)
Principal payments on long-term debt		**(625,033)**		(4,746,794)
Proceeds from refinancing long-term debt		**-**		5,210,000
Financing fees paid		**-**		(72,274)
Net cash (utilized) provided by financing activities		**(614,502)**		374,481
Net Increase (Decrease) in Cash		**451,699**		(267,392)
Cash, beginning of year		**611,417**		878,809
Cash, end of year	**$**	**1,063,116**	$	611,417
Supplemental Disclosure of Cash Flow Information				
Interest paid in 2018 and 2017	**$**	**250,585**	$	210,152

Supplemental Disclosure of Cash Flow of Noncash Financing Activities

During 2018, in connection with the sale of a building, WHYY disposed of $3,126,860 of property and equipment with a net book value of $36,990.

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

Year ended June 30, 2018	Program Services Production and Broadcasting	Supporting Services General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and related expenses	$ 13,011,408	$ 1,405,922	$ 3,498,692	$ 4,904,614	$ 17,916,022
Audit and professional fees	494,734	130,294	179,243	309,537	804,271
Building maintenance and operations	392,517	22,233	43,931	66,164	458,681
Direct marketing expenses	-	-	1,315,196	1,315,196	1,315,196
In-kind	-	-	215,886	215,886	215,886
Insurance	112,903	19,409	11,162	30,571	143,474
Interest and bank fees	193,675	118,654	359,572	478,226	671,901
Legal fees	11,328	34,571	-	34,571	45,899
Membership and development expenses	-	-	1,549,992	1,549,992	1,549,992
Office expenses and services	509,997	105,234	109,729	214,963	724,960
Other administrative costs	445,364	140,389	133,367	273,756	719,120
Postage and delivery	10,885	2,761	452,385	455,146	466,031
Production and acquisition costs	7,914,009	47	2,416	2,463	7,916,472
Public relations and promotion	771,582	5,152	12,602	17,754	789,336
Telecommunications and technology expenses	395,229	31,010	217,305	248,315	643,544
Transmitter and studio maintenance, supplies, power and rent	875,667	-	-	-	875,667
Travel and business expenses	188,566	43,191	35,339	78,530	267,096
Total Expenses Before Depreciation	25,327,864	2,058,867	8,136,817	10,195,684	35,523,548
Depreciation Expense	816,898	29,264	46,285	75,549	892,447
Total Expenses	$ 26,144,762	$ 2,088,131	$ 8,183,102	$ 10,271,233	$ 36,415,995

See accompanying notes to financial statements

WHYY, Inc.

Statement of Functional Expenses

Year ended June 30, 2017	Program Services Production and Broadcasting	Supporting Services General and Administrative	Fundraising	Total Supporting Services	Total Expenses
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

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 whyy.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.

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. 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 $4,819 and $3,212 for the years ended June 30, 2018 and 2017, respectively.

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 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 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 in fair value of its share of the assets held in perpetuity by $22,620 and $39,611 for the years ended June 30, 2018 and 2017, 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 for the year ended June 30, 2018.

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.

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, 2018 and 2017, such expenses were approximately $1,675,775 and $1,554,374, 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

There were no donors with contributions receivable in excess of 10% for the year ended June 30, 2017. At June 30, 2018, approximately 25% of contributions receivable were from one donor.

4. Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Land	$ 1,543,979	$ 1,543,979
Building and improvements	20,669,549	22,996,354
Transmitting, broadcasting and other equipment	17,829,462	17,793,344
	40,042,990	42,333,677
Less accumulated depreciation	(25,827,317)	(28,024,740)
Net property and equipment	$ 14,215,673	$ 14,308,937

Depreciation amounted to $892,447 and $923,732 for the years ended June 30, 2018 and 2017, respectively.

5. Investments

The nature and fair value (see Note 6) of WHYY's investments at June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Cash	$ -	$ 330,637
Money market funds	1,639,604	314,630
Common stock	853,625	826,021
Corporate bonds	403,736	451,264
Exchange traded funds	1,646,264	594,006
Domestic mutual funds - equity	11,787,460	5,668,410
Foreign mutual funds - equity	391,079	597,636
Inflation protected funds (real estate)	-	98,212
Mutual funds - fixed income	34,871	51,679
Short term bonds	3,491,692	2,037,813
Treasury bonds	143,579	145,749
Total	$ 20,391,910	$ 11,116,057

WHYY's investment activity resulted in net realized and unrealized gains of $897,270 and $813,556 for the years ended June 30, 2018 and 2017, respectively. Interest and dividend income from investment activity were $348,321 and $181,112 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017:

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.

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, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,639,604	$ -	$ -	$ 1,639,604
Common stock (large core)	853,625	-	-	853,625
Treasury bonds (intermediate term)	143,579	-	-	143,579
Exchange traded funds:				
Developed international equity	413,449	-	-	413,449
Developed markets large cap blend	186,475	-	-	186,475
Developed small/mid cap blend	23,082	-	-	23,082
Emerging markets	377,366	-	-	377,366
Inflation protected bond	38,602	-	-	38,602
Mortgage backed securities	70,842	-	-	70,842
Taxable municipal bond funds	70,578	-	-	70,578
Mid cap blend	43,826	-	-	43,826
Real estate	169,332	-	-	169,332
Small cap blend	252,712	-	-	252,712
Domestic equity funds:				
Asset allocation	6,585,868	-	-	6,585,868
Large cap blend	4,135,145	-	-	4,135,145
Large cap growth	403,256	-	-	403,256
Large cap value	404,796	-	-	404,796
Small cap growth	234,517	-	-	234,517
Small cap value	23,878	-	-	23,878
Foreign equity funds:				
Developed international equity	391,079	-	-	391,079
Mutual funds – fixed income:				
High yield bond	10,983	-	-	10,983
Intermediate term bond	23,888	-	-	23,888
Short term bonds				
Taxable bond funds	3,491,692	-	-	3,491,692
Corporate bonds (intermediate term)	-	403,736	-	403,736
Beneficial interest in perpetual trust	-	-	587,898	587,898
Total Assets at Fair Value	$ 19,988,174	$ 403,736	$ 587,898	$ 20,979,808

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 markets large cap blend	161,064	-	-	161,064
Developed small/mid cap blend	21,624	-	-	21,624
Emerging markets	121,347	-	-	121,347
Intermediate term bond	72,597	-	-	72,597
Long term bond	71,425	-	-	71,425
Master limited partnership	34,898	-	-	34,898
Mid cap blend	55,664	-	-	55,664
Small cap blend	55,387	-	-	55,387
Domestic equity funds:				
Asset allocation	2,203,706	-	-	2,203,706
Large cap blend	2,791,941	-	-	2,791,941
Large cap growth	346,394	-	-	346,394
Large cap value	29,376	-	-	29,376
Small cap blend	141,744	-	-	141,744
Small cap growth	151,499	-	-	151,499
Small cap value	3,750	-	-	3,750
Foreign equity funds:				
Developed international equity	431,322	-	-	431,322
Emerging markets	166,314	-	-	166,314
Inflation protected funds (real estate)	98,212	-	-	98,212
Mutual funds – fixed income:				
High yield bond	7,441	-	-	7,441
Inflation linked bond	44,238	-	-	44,238
Short term bonds				
Taxable bond funds	2,037,813	-	-	2,037,813
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.

At June 30, 2018, 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, 2018 and 2017, the fair value of the beneficial interest of $587,898 and $565,278, 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:

	2018	2017
Balance, July 1	$ 565,278	$ 525,667
Additional beneficial interest in perpetual trust received	-	-
Change in fair value of beneficial interest in perpetual trust	22,620	39,611
Balance, June 30	$ 587,898	$ 565,278

There were no assets or liabilities recorded at fair value on a non-recurring basis at June 30, 2018 and 2017.

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 2.33% to 4.89%. Contributions receivable at June 30, 2018 and 2017 are as follows:

	2018	2017
Receivable in:		
Less than one year	$ 6,105,751	$ 5,661,559
One to five years	1,245,286	272,260
	7,351,037	5,933,819
Less allowance for uncollectible contributions receivable	(1,299,441)	(1,078,176)
	6,051,596	4,855,643
Less discounts to net present value	(58,079)	(33,380)
	$ 5,993,517	$ 4,822,263
Current portion	$ 4,806,310	$ 4,583,383
Long-term portion	1,187,207	238,880
	$ 5,993,517	$ 4,822,263

8. Grant Receivable, Commonwealth of Pennsylvania

WHYY was 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 was 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, a total of $500,000 was due from PAID for eligible RACP expenditures incurred. The balance of the grant was fully received as of June 30, 2018.

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 was used to advance funds available to WHYY under its RACP grant agreement of equal value discussed in Note 8 to the financial statements.

Borrowings were subject to interest at one-month LIBOR plus 2.25%. The facility was secured by a first lien on unrestricted assets. A total of $500,000 was due under this bridge loan as of June 30, 2017. In December 2017, the RACP grant proceeds were received from the Commonwealth of Pennsylvania and simultaneously the bank was paid in full.

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 resets 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 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: 2019, $130,000; 2020, $136,000; 2021, $141,000; 2022, $147,000 and 2023, $153,000. The loan matures in November 2031 at which time 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:

June 30,	**2018**	2017
Consolidated term loan	**$ 4,989,796**	$ 5,114,829
Bridge financing	**-**	500,000
Unamortized debt financing costs	**(64,243)**	(69,062)
Total long-term debt	**4,925,553**	5,545,767
Less current portion	**(130,186)**	(625,033)
Long-term debt, net of current portion	**$ 4,795,367**	$ 4,920,734

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, 2018 and 2017, respectively.

Interest expense of $212,745 and $205,148 was incurred on the original and new term loans for the years ended June 30, 2018 and 2017, respectively.

10. Lines of Credit

Revolving Line Note

WHYY maintains a $3,000,000 line of credit facility with a bank. In December 2017, the line agreement was amended to extend the maturity date from September 2018 to September 2021. The line is used for working capital and other general corporate 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 (4.23% and 3.31% at June 30, 2018 and 2017). The line is secured by a first lien on unrestricted assets. There were no outstanding borrowings under the line as of June 30, 2018 and 2017.

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 is used to advance funds needed to complete a multi-year investment in WHYY's primary TV transmitter located in Philadelphia, PA. This project is mandated by the Federal Communications Commission (FCC) as a result of its 2016 incentive auction and subsequent channel reassignment requirements. Advances will be used to fund expenditures eligible for reimbursement from the FCC's TV Broadcast Relocation Fund. Proceeds from FCC reimbursement(s) will be used to reduce outstanding bridge loan borrowings. A total of $9,974 was outstanding under this non-revolving line of credit as of June 30, 2018.

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 is used to advance funds needed to complete a multi-year investment in WHYY's secondary TV transmitter located in Seaford, Delaware. A total of $18,493 was outstanding under this non-revolving line of credit as of June 30, 2018.

For both non-revolving lines as set forth above, borrowings are subject to interest at one-month LIBOR plus 3.00% (5.13% at June 30, 2018). The facilities are secured by a first lien on a WHYY bank deposit account established to hold FCC reimbursement(s). The maturity dates of the credit facilities coincide with the expected completion date of the Project in February 2021.

For the revolving and non-revolving lines, WHYY has complied with all covenants set forth in agreements related to the line for the years ended June 30, 2018 and 2017.

Interest expense paid on borrowings under the lines was $117 and $2,255 for the years ended June 30, 2018 and 2017, respectively.

11. Capital Lease Equipment and Obligations

WHYY leases certain equipment under a non-cancelable capital lease expiring in 2019. The following is a schedule of the capital lease asset:

		2018		2017
Other equipment	**$**	**77,669**	$	77,669
Less: accumulated depreciation		**(72,938)**		(55,002)
	$	**4,731**	$	22,667

Depreciation on equipment under a non-cancelable capital lease was $17,936 and $16,451 for each of the years ended June 30, 2018 and 2017, 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, 2018. 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	$	**4,800**
Less amount representing interest		**(69)**
Present value of net minimum lease payments	$	**4,731**

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are donor restricted at June 30, 2018 and 2017 as follows:

		2018		2017
Capital additions	**$**	**30,000**	$	30,000
Grant funded productions and programs		**5,765,684**		5,931,029
Unrestricted operations in future periods		**28,649**		28,649
Accumulated earnings in excess of spend		**668,429**		443,269
Total	**$**	**6,492,762**	$	6,432,947

13. Permanently Restricted Net Assets

Permanently restricted net assets June 30, 2018 and 2017 consist of the following:

		2018		2017
Endowment	**$**	**2,622,117**	$	2,622,117
Beneficial interest in perpetual trusts		**587,898**		565,278
Total	**$**	**3,210,015**	$	3,187,395

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.

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 permanently 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 permanently 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. During the years ended June 30, 2018 and 2017, the Board authorized transfers of $192,920 and $99,205, respectively.

As described in Note 2, when applicable, losses on donor-restricted endowment funds are recorded as temporarily restricted. At June 30, 2018 and 2017, the fair value of investments exceeded the related historic cost value of the specific permanently restricted endowment funds.

Endowment funds consist of the following at June 30:

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment funds	**$ 14,181,599**	**$ -**	**$ -**	**$ 14,181,599**
Donor-restricted endowment funds	**-**	**668,429**	**2,622,117**	**3,290,546**
Total Funds	**$ 14,181,599**	**$ 668,429**	**$ 2,622,117**	**$ 17,472,145**

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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

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

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Balance at July 1, 2017	**$ 13,421,007**	**$ 443,269**	**$ 2,622,117**	**$ 16,486,393**
Investment income	**248,840**	**54,990**	**-**	**303,830**
Net realized/unrealized gains	**658,741**	**216,101**	**-**	**874,842**
Total investment return	**907,581**	**271,091**	**-**	**1,178,672**
Appropriation of endowment assets for expenditure	**(146,989)**	**(45,931)**	**-**	**(192,920)**
Balance at June 30, 2018	**$ 14,181,599**	**$ 668,429**	**$ 2,622,117**	**$ 17,472,145**

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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

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, 2018 and 2017, 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, 2018, 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 $89,000. 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.

Rental expense for 2018 and 2017 were $458,872 and $402,504, respectively. Approximate minimum future commitments under noncancelable operating leases at June 30, 2018 are as follows:

Years ending June 30,	Amount
2019	$ **482,000**
2020	**503,000**
2021	**517,000**
2022	**518,000**
2023	**480,000**
Thereafter	**1,856,000**
	$ **4,356,000**

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, 2018 and 2017 was $141,660 for each year. Minimum future lease income under the lease agreements will amount to $130,599 in 2019 and $4,907 in 2020.

18. Channel Sharing

In February 2018 WHYY agreed to share 30% of the capacity of the station’s channel with an unrelated party that expires in February 2028. 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.

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 2018 and 2017 were $520,029 and $548,293, 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, 2018 and 2017, $63,444 and $65,111, respectively, has been recorded in investments and accrued expenses related to the plan.

21. 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. All proceeds from this transaction were placed in board-designated endowment funds. The bid management agreement had no impact on any of the WHYY licenses.

At June 30, 2017, a receivable of $8,000,000 was due under this agreement and the balance was included in Other Receivables. The balance was fully received as of June 30, 2018.

22. Subsequent Events

Subsequent events have been evaluated through December 17, 2018, the date the financial statements were available to be issued.