



## WHYY, Inc.

Financial Statements  
Years Ended June 30, 2016 and 2015

**WHYY, Inc.**

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Financial Statements  
Years Ended June 30, 2016 and 2015

# 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, 2016 and 2015, 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, 2016 and 2015, 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 13, 2016

## Financial Statements

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# WHYY, Inc.

## Statements of Financial Position

<i>June 30,</i>	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 878,809	\$ 459,861
Investments	700,000	-
Contributions receivable, net	4,263,769	4,108,387
Grant receivable, Commonwealth of Pennsylvania	500,000	500,000
Accounts and other receivables, net of allowance for doubtful accounts of \$3,634 in 2016 and \$7,221 in 2015	1,081,015	850,202
Unbilled project revenue	2,296,412	2,648,268
Deferred project costs	75,503	81,374
Prepaid expenses and other current assets	217,242	321,169
Inventory	77,703	81,482
<b>Total Current Assets</b>	<b>10,090,453</b>	<b>9,050,743</b>
<b>Property and Equipment, Net</b>	<b>14,909,124</b>	<b>15,092,818</b>
<b>Other Assets</b>		
Deferred financing costs, net of accumulated amortization of \$163,993 in 2016 and \$158,669 in 2015	35,872	30,496
Contributions receivable	585,095	937,652
Investments	9,190,287	6,417,526
Unbilled project revenue	723,312	628,337
Beneficial interest in perpetual trusts	525,667	360,076
Broadcast licenses	1,287,229	1,287,229
	<b>12,347,462</b>	<b>9,661,316</b>
<b>Total Assets</b>	<b>\$ 37,347,039</b>	<b>\$ 33,804,877</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	778,357	1,044,925
Accrued expenses and other current liabilities	3,022,842	2,052,156
Deferred revenue	985,779	272,923
Current portion of:		
Obligation under capital lease	16,451	15,089
Long-term debt	202,215	194,209
Note payable	223,045	216,461
<b>Total Current Liabilities</b>	<b>5,228,689</b>	<b>3,795,763</b>
<b>Long-Term Liabilities</b>		
Deferred revenue	307,640	465,524
Obligation under capital lease	22,667	39,118
Long-term debt	2,679,646	2,797,061
Note payable	2,046,717	2,269,771
	<b>5,056,670</b>	<b>5,571,474</b>
<b>Total Liabilities</b>	<b>10,285,359</b>	<b>9,367,237</b>
<b>Commitments and Contingencies</b>		
<b>Unrestricted</b>		
Undesignated	12,059,004	11,302,185
Board-designated	4,886,250	2,660,671
<b>Total Unrestricted</b>	<b>16,945,254</b>	<b>13,962,856</b>
<b>Temporarily Restricted</b>	<b>6,968,642</b>	<b>7,492,591</b>
<b>Permanently Restricted</b>	<b>3,147,784</b>	<b>2,982,193</b>
<b>Total Net Assets</b>	<b>27,061,680</b>	<b>24,437,640</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 37,347,039</b>	<b>33,804,877</b>

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
<b>Operating Revenue and Support</b>				
Support:				
State of Delaware	\$ 175,000	\$ -	\$ -	\$ 175,000
Corporation for Public Broadcasting	1,760,828	586,943	-	2,347,771
<b>Total Support</b>	<b>1,935,828</b>	<b>586,943</b>	<b>-</b>	<b>2,522,771</b>
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)	-	-
<b>Total Contributions and Revenue</b>	<b>33,213,656</b>	<b>(1,110,892)</b>	<b>165,591</b>	<b>32,268,355</b>
<b>Total Support, Contributions and Revenue</b>	<b>35,149,484</b>	<b>(523,949)</b>	<b>165,591</b>	<b>34,791,126</b>
<b>Expenses</b>				
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
<b>Total Supporting Services</b>	<b>9,356,017</b>	<b>-</b>	<b>-</b>	<b>9,356,017</b>
<b>Total Expenses</b>	<b>32,167,086</b>	<b>-</b>	<b>-</b>	<b>32,167,086</b>
<b>Change in Net Assets</b>	<b>2,982,398</b>	<b>(523,949)</b>	<b>165,591</b>	<b>2,624,040</b>
<b>Net Assets, beginning of year</b>	<b>13,962,856</b>	<b>7,492,591</b>	<b>2,982,193</b>	<b>24,437,640</b>
<b>Net Assets, end of year</b>	<b>\$ 16,945,254</b>	<b>\$ 6,968,642</b>	<b>\$ 3,147,784</b>	<b>\$ 27,061,680</b>



# WHYY, Inc.

## Statement of Activities and Changes in Net Assets

<i>Year ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenue and Support</b>				
Support:				
State of Delaware	\$ 175,000	\$ -	\$ -	\$ 175,000
Corporation for Public Broadcasting	1,723,966	613,155	-	2,337,121
<b>Total Support</b>	<b>1,898,966</b>	<b>613,155</b>	<b>-</b>	<b>2,512,121</b>
<b>Contributions and Revenue</b>				
Memberships and other contributions	14,627,308	4,058	-	14,631,366
Program contracts and grants	3,762,666	5,439,732	-	9,202,398
Program underwriting	4,959,695	-	-	4,959,695
In-kind income	444,461	-	-	444,461
Realized and unrealized losses from investments	(14,257)	(21,075)	-	(35,332)
Interest and dividends	58,957	59,414	-	118,371
Change in value of beneficial interest in perpetual trust	-	-	49,984	49,984
Other	555,412	-	-	555,412
Net assets released from restrictions	4,002,582	(4,002,582)	-	-
<b>Total Contributions and Revenue</b>	<b>28,396,824</b>	<b>1,479,547</b>	<b>49,984</b>	<b>29,926,355</b>
<b>Total Support, Contributions and Revenue</b>	<b>30,295,790</b>	<b>2,092,702</b>	<b>49,984</b>	<b>32,438,476</b>
<b>Expenses</b>				
Program services:				
Production and broadcasting	21,806,660	-	-	21,806,660
Supporting Services:				
General and administrative	2,155,803	-	-	2,155,803
Fundraising	6,960,041	-	-	6,960,041
<b>Total Supporting Services</b>	<b>9,115,844</b>	<b>-</b>	<b>-</b>	<b>9,115,844</b>
<b>Total Expenses</b>	<b>30,922,504</b>	<b>-</b>	<b>-</b>	<b>30,922,504</b>
<b>Change in Net Assets</b>	<b>(626,714)</b>	<b>2,092,702</b>	<b>49,984</b>	<b>1,515,972</b>
<b>Net Assets, beginning of year</b>	<b>14,589,570</b>	<b>5,399,889</b>	<b>2,932,209</b>	<b>22,921,668</b>
<b>Net Assets, end of year</b>	<b>\$ 13,962,856</b>	<b>\$ 7,492,591</b>	<b>\$ 2,982,193</b>	<b>\$ 24,437,640</b>

*See accompanying notes to financial statements.*

# WHYY, Inc.

## Statements of Cash Flows

Year ended June 30,	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,624,040	\$ 1,515,972
Adjustments to reconcile change in net assets to net cash provided (utilized) by operating activities:		
Depreciation expense	979,011	1,092,795
Amortization of deferred financing costs	5,324	4,254
Realized and unrealized losses from investments	261,996	35,332
Change in value of beneficial interest in perpetual trusts	24,409	(49,984)
Provision for uncollectible contributions	82,860	(12,698)
Other income	(141,660)	(141,660)
Changes in:		
Contributions receivable	(75,685)	58,914
Grant receivable, Commonwealth of Pennsylvania	-	(500,000)
Accounts and other receivables, net	(230,813)	(2,881)
Unbilled project revenue	256,881	(1,520,153)
Deferred project costs	5,871	(19,738)
Prepaid expenses and other current assets	103,927	(127,729)
Inventory	3,779	80,229
Accounts payable	(266,568)	654,756
Accrued expenses	970,686	(123,993)
Deferred revenue	696,632	(981,845)
<b>Net cash provided (utilized) by operating activities</b>	<b>5,300,690</b>	<b>(38,429)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(6,608,328)	(1,880,613)
Sales of investments	2,873,571	2,081,906
Purchases of property and equipment	(795,317)	(362,790)
<b>Net cash utilized by investing activities</b>	<b>(4,530,074)</b>	<b>(161,497)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments under capital lease obligation	(15,089)	(13,840)
Principal payments on note payable	(216,470)	(210,083)
Principal payments on long-term debt	(109,409)	(188,025)
Financing fees paid	(10,700)	-
<b>Net cash utilized by financing activities</b>	<b>(351,668)</b>	<b>(411,948)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>418,948</b>	<b>(611,874)</b>
<b>Cash, beginning of year</b>	<b>459,861</b>	<b>1,071,735</b>
<b>Cash, end of year</b>	<b>\$ 878,809</b>	<b>\$ 459,861</b>
<b>Supplemental Disclosures</b>		
Interest paid in 2016 and 2015	<b>\$ 195,579</b>	<b>\$ 227,295</b>

*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
<b>Total Expenses Before Depreciation</b>	21,915,962	1,936,482	7,335,631	9,272,113	31,188,075
<b>Depreciation Expense</b>	895,107	30,463	53,441	83,904	979,011
<b>Total Expenses</b>	\$ 22,811,069	\$ 1,966,945	\$ 7,389,072	\$ 9,356,017	\$ 32,167,086

## WHYY, Inc.

### Statement of Functional Expenses

<i>Year ended June 30, 2015</i>	Program Services	Supporting Services			Total Expenses
	Production and Broadcasting	General and Administrative	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 11,239,997	\$ 1,298,900	\$ 2,733,747	\$ 4,032,647	\$ 15,272,644
Audit and professional fees	38,516	133,810	13,480	147,290	185,807
Building maintenance and operations	499,761	23,488	45,932	69,421	569,182
Direct marketing expenses	-	-	1,242,589	1,242,589	1,242,589
In-kind	327,025	-	21,000	21,000	348,025
Insurance	116,502	15,798	14,317	30,116	146,618
Interest and bank fees	193,348	108,380	318,384	426,763	620,111
Legal fees	30,492	38,857	-	38,857	69,348
Membership and development expenses	-	-	1,657,513	1,657,513	1,657,513
Office expenses and services	160,766	69,799	37,860	107,660	268,425
Other administrative costs	269,612	99,244	100,651	199,895	469,507
Postage and delivery	10,874	4,395	494,672	499,067	509,941
Production and acquisition costs	6,896,532	-	-	-	6,896,532
Public relations and promotion	13,377	283,793	-	283,793	297,169
Telecommunications and technology expenses	240,068	23,830	207,107	230,937	471,005
Transmitter and studio maintenance, supplies, power and rent	662,230	-	-	-	662,230
Travel and business expenses	86,030	28,892	28,141	57,033	143,064
<b>Total Expenses Before Depreciation</b>	<b>20,785,129</b>	<b>2,129,186</b>	<b>6,915,394</b>	<b>9,044,580</b>	<b>29,829,709</b>
<b>Depreciation Expense</b>	<b>1,021,530</b>	<b>26,617</b>	<b>44,648</b>	<b>71,265</b>	<b>1,092,795</b>
<b>Total Expenses</b>	<b>\$ 21,806,659</b>	<b>\$ 2,155,803</b>	<b>\$ 6,960,042</b>	<b>\$ 9,115,845</b>	<b>\$ 30,922,504</b>

*See accompanying notes to financial statements.*

# WHYY, Inc.

## Notes to Financial Statements

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### 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](http://why.org) and [newsworks.org](http://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

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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. Amortization of deferred financing costs was \$5,324 and \$4,254 for the years ended June 30, 2016 and 2015, respectively.

### ***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, Inc.

## Notes to Financial Statements

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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 a (decrease) increase in fair value of its share of the assets held in perpetuity by (\$24,409) and \$49,984 for the years ended June 30, 2016 and 2015, 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. There were no indications of impairment on these assets as of June 30, 2016 and 2015.

### ***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.

# WHYY, Inc.

## Notes to Financial Statements

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### *Advertising Costs*

WHYY expenses advertising costs as incurred. For the years ended June 30, 2016 and 2015, such expenses were approximately \$1,218,000 and \$1,475,000, 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 on the statement of financial position to conform to the current year presentation. These reclassifications had no effect on WHYY's previously reported 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*

WHYY had significant contributions receivable as of June 30:

	2016	2015
Contribution A (Foundation)	14%	20%

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# WHYY, Inc.

## Notes to Financial Statements

### 4. Property and Equipment

Property and equipment consist of the following at June 30:

	2016	2015
Land	\$ 1,543,979	\$ 1,543,979
Building and improvements	22,920,858	22,066,119
Transmitting, broadcasting and other equipment	17,545,295	17,604,717
	42,010,132	41,214,815
Less accumulated depreciation	(27,101,008)	(26,121,997)
Net property and equipment	\$ 14,909,124	\$ 15,092,818

Depreciation amounted to \$979,011 and \$1,092,795 for the years ended June 30, 2016 and 2015, respectively.

### 5. Investments

The nature and fair value (see Note 6) of WHYY's investments at June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Cash	\$ 3,854,968	\$ 55,367
Money market funds	392,790	171,626
Common stock	-	1,897,968
Exchange traded funds	2,759,859	463,640
Mutual funds - equity	2,148,373	2,400,880
Mutual funds - fixed income	734,297	1,428,045
Total	\$ 9,890,287	\$ 6,417,526

WHYY's investment activity resulted in net realized and unrealized losses of \$261,996 and \$35,332 for the years ended June 30, 2016 and 2015, respectively. Interest and dividend income from investment activity were \$69,496 and \$118,371 for the years ended June 30, 2016 and 2015, 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

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### 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, 2016 and 2015:

#### *Level 1 Fair Value Measurements*

Money market funds, 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 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

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
<b>Total Assets at Fair Value</b>	<b>\$ 6,035,319</b>	<b>\$ 525,667</b>	<b>\$ 6,560,986</b>

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

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, 2015:

	Level 1	Level 3	Total
Money market funds	\$ 171,626	\$ -	\$ 171,626
Common stock			
Small/mid/large core	824,798	-	824,798
Small/mid/large value	713,667	-	713,667
Mid/large growth	359,503	-	359,503
Exchange traded funds			
Domestic equity fund:			
Energy sector	83,532	-	83,532
Foreign equity fund:			
Large cap blend	202,734	-	202,734
Inflation protected funds:			
Real estate	103,087	-	103,087
Bond	74,287	-	74,287
Mutual funds - equity			
Domestic equity funds:			
Large cap blend	303,711	-	303,711
Small cap value	151,566	-	151,566
Small/large cap growth	478,754	-	478,754
Emerging markets	215,331	-	215,331
Foreign equity funds:			
Large cap blend	222,800	-	222,800
Large cap growth	457,925	-	457,925
Inflation protected funds:			
Fixed income	214,959	-	214,959
Real estate	14,140	-	14,140
Hedged Strategies funds:			
Large cap blend	148,605	-	148,605
Managed futures	193,089	-	193,089
Mutual funds - fixed income			
Bank loan	155,172	-	155,172
High Yield	5,666	-	5,666
Intermediate term	651,339	-	651,339
Nontraditional	457,473	-	457,473
Short term	158,395	-	158,395
Beneficial interest in perpetual trust	-	360,076	360,076
<b>Total Assets at Fair Value</b>	<b>\$ 6,362,159</b>	<b>\$ 360,076</b>	<b>\$ 6,722,235</b>

At June 30, 2015, WHYY's investment portfolio included \$28,834 of cash and \$26,533 of bank money market funds that are not included in the above table.

# WHYY, Inc.

## Notes to Financial Statements

At June 30, 2016, 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, 2016 and 2015, the fair value of the beneficial interest of \$525,667 and \$360,076, 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:

	2016	2015
Balance, July 1	\$ 360,076	\$ 310,092
Additional beneficial interest in perpetual trust received	190,000	-
Change in fair value of beneficial interest in perpetual trust	(24,409)	49,984
<b>Balance, June 30</b>	<b>\$ 525,667</b>	<b>\$ 360,076</b>

There were no assets or liabilities recorded at fair value on a non-recurring basis at June 30, 2016 and 2015.

### 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, 2016 and 2015 are as follows:

	2016	2015
Receivable in:		
Less than one year	\$ 5,175,585	\$ 4,933,756
One to five years	621,636	983,809
	5,797,221	5,917,565
Less allowance for uncollectible contributions receivable	(911,816)	(825,369)
	4,885,405	5,092,196
Less discounts to net present value	(36,542)	(46,157)
	\$ 4,848,864	\$ 5,046,039
Current portion	\$ 4,263,769	\$ 4,108,387
Long-term portion	585,095	937,652
	<b>\$ 4,842,684</b>	<b>\$ 5,046,039</b>

# WHYY, Inc.

## Notes to Financial Statements

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### 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, 2016 and 2015, a total of \$500,000 is due from PAID for eligible RACP expenditures incurred.

### 9. 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 next scheduled rate reset is April 30, 2018. Approximate principal payments for the next five years are due as follows: 2017, \$223,000, 2018, \$230,000, 2019, \$237,000, 2020, \$244,000 and 2021, \$251,000. On April 30, 2023, the maturity date of the note, a balloon payment of \$604,000 will become due.

The terms of the Note include certain financial covenants. WHYY has complied with all covenants as of and for the years ended June 30, 2016 and 2015.

Interest expense for the years ended June 30, 2016 and 2015 was \$71,264 and \$78,005, respectively.

The Bond Purchaser holds as collateral under the Note a first lien on Board Designated investments, and a second lien on the WHYY headquarters Philadelphia property.

This Note was refinanced on October 26, 2016 (see Note 23).

### 10. Long Term Debt

In September 2012, WHYY closed on a \$3,490,000 term loan (loan) with a bank. The loan bears interest at a fixed rate of 3.84%. Approximate principal payments for the next five years are due as follows: 2017, \$202,000, 2018, \$210,000, 2019, \$219,000, 2020, \$227,000, and 2021, 236,000. Principal prepayments are permitted up to \$1,750,000 without penalty. The loan matures in September 2022, at which time a balloon payment of \$1,395,367 will become due. The bank providing the loan holds as collateral a first lien on the WHYY headquarters property in Philadelphia.

The terms of the loan include certain financial covenants. WHYY has complied with all covenants for the years ended June 30, 2016 and June 30 2015, respectively.

Interest expense of \$112,745 and \$118,953 was incurred on the long-term debt obligation for the years ended June 30, 2016 and 2015, respectively.

# WHYY, Inc.

## Notes to Financial Statements

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This loan was refinanced on October 26, 2016 (see Note 23).

### **11. Line of Credit**

Through June 29, 2015 WHYY maintained a \$2,000,000 line of credit facility (line) 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 (2.75% and 2.43% at June 30, 2016 and 2015). The line is secured by a first lien on unrestricted assets. There were no outstanding borrowings under the line as of June 30, 2016 and June 30, 2015.

WHYY has complied with all covenants set forth in agreements related to the line for the years ended June 30, 2016 and June 30 2015.

Interest expense paid on borrowings under the line was \$7,320 and \$3,397 for the years ended June 30, 2016 and 2015, respectively.

### **12. Multiple Disbursement Term Loans**

#### ***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 2016 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% (2.75% and 2.43% at June 30, 2016 and 2015). The facility is secured by a first lien on unrestricted assets. There were no outstanding borrowings under this bridge loan as of June 30, 2016 and 2015.

#### ***Term Loan***

In September 2015, WHYY closed on a \$529,000 multiple disbursement term loan with a bank. Proceeds of this loan are being used for capital equipment and facility improvement purchases related to the RACP grant project. All borrowings under this facility will require interest-only payments through October 2016 (interest only period). During the interest-only period, the facility bears interest at 2.25% above one-month LIBOR (2.75 at June 30, 2016). The facility is secured by a lien on WHYY headquarters property in Philadelphia. A balance of \$84,800 was due on this term loan as of June 30, 2016. This loan was refinanced on October 26, 2016 (see Note 23).

# WHYY, Inc.

## Notes to Financial Statements

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### 13. 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:

	2016	2015
Other equipment	\$ 77,669	\$ 77,669
Less: accumulated depreciation	(38,551)	(23,462)
	<u>\$ 39,118</u>	<u>\$ 54,207</u>

Depreciation on equipment under a non-cancelable capital lease was \$15,089 and \$13,840 for each of the years ended June 30, 2016 and 2015, 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, 2016. 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	\$ 43,200
Less amount representing interest	(4,082)
Present value of net minimum lease payments	<u>\$ 39,118</u>

### 14. Temporarily Restricted Net Assets

Temporarily restricted net assets are donor restricted at June 30, 2016 and 2015 as follows:

	2016	2015
Capital additions	\$ 30,000	\$ 30,000
Grant funded productions and programs	6,764,636	7,035,892
Unrestricted operations in future periods	30,940	31,882
Accumulated earnings in excess of spend	143,066	394,817
<b>Total</b>	<u>\$ 6,968,642</u>	<u>\$ 7,492,591</u>



# WHYY, Inc.

## Notes to Financial Statements

### 15. Permanently Restricted Net Assets

Permanently restricted net assets June 30, 2016 and 2015 consist of the following:

	2016	2015
Endowment	\$ 2,622,117	\$ 2,622,117
Beneficial interest in perpetual trusts	525,667	360,076
<b>Total</b>	<b>\$ 3,147,784</b>	<b>\$ 2,982,193</b>

### 16. 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 a percentage (4.5% in 2016 and 2015) of the fair value of the investments to operations (based upon a rolling quarterly fair value average over twenty quarters - or five years). During the years ended June 30, 2016 and 2015, the Board authorized transfers of \$239,840 and \$205,632, respectively.

As described in Note 2, when applicable, losses on donor-restricted endowment funds are recorded as temporarily restricted. At June 30, 2016 and 2015, 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:

	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
<b>Total Funds</b>	<b>\$ 4,886,250</b>	<b>\$ 143,066</b>	<b>\$ 2,622,117</b>	<b>\$ 7,651,433</b>

# WHYY, Inc.

## Notes to Financial Statements

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment funds	\$ 2,660,671	\$ -	\$ -	\$ 2,660,671
Donor-restricted endowment funds	-	394,817	2,622,117	3,016,934
<b>Total Funds</b>	<b>\$ 2,660,671</b>	<b>\$ 394,817</b>	<b>\$ 2,622,117</b>	<b>\$ 5,677,605</b>

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

	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)
<b>Balance at June 30, 2016</b>	<b>\$ 4,886,250</b>	<b>\$ 143,066</b>	<b>\$ 2,622,117</b>	<b>\$ 7,651,433</b>

# WHYY, Inc.

## Notes to Financial Statements

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance at July 1, 2014	\$ 2,748,532	\$ 456,848	\$ 2,622,117	\$ 5,827,497
Investment income	33,469	59,414	-	92,883
Net realized/unrealized gains	(16,068)	(21,075)	-	(37,143)
Total investment return	17,401	38,339	-	55,740
Appropriation of endowment assets for expenditure	(105,262)	(100,370)	-	(205,632)
<b>Balance at June 30, 2015</b>	<b>\$ 2,660,671</b>	<b>\$ 394,817</b>	<b>\$ 2,622,117</b>	<b>\$ 5,677,605</b>

### 17. 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, 2016 and 2015, 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, 2015, 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 \$111,000. 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.

### 18. 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

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Rental expense for 2016 and 2015 were \$404,079 and \$393,669, respectively. Minimum future commitments under noncancelable operating leases at June 30, 2016, are as follows:

<i>Years ending June 30,</i>		<i>Amount</i>
2017	\$	409,000
2018		387,000
2019		403,000
2020		419,000
2021		317,000
Thereafter		2,615,000
	\$	4,550,000

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### 19. 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, 2016 and 2015 was \$141,660 for each year.

### 20. 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.

### 21. 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 2016 and 2015 were \$426,182 and \$478,904, 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, 2016 and 2015, \$149,658 and \$232,385, respectively, has been recorded in investments and accrued expenses related to the plan.

# WHYY, Inc.

## Notes to Financial Statements

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### 22. Bid Management and Option Agreement

At the initiation of an unrelated third party, in October 2015 WHYY entered into a bid management and option agreement with an unrelated third party to represent WHYY in the broadcast incentive auction currently being conducted by the Federal Communications Commission. The bid management agreement resulted in WHYY recognizing \$800,000 of revenue during 2016. The bid management agreement will have no impact on any of the WHYY licenses.

### 23. Subsequent Events

On October 26, 2016, WHYY closed on a \$5,210,000 Term Loan which consolidated the remaining balances of the Note Payable (Note 9), Long Term Debt (Note 10), and the Multiple Disbursement Term Loan (term loan) (Note 12). 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. In the event of a prepayment WHYY has the option to recalculate the amortization payments up to five (5) times during the amortization period. WHYY may also request to convert the method of amortization of the loan to straight-line amortization one (1) time during the term of the loan. The loan matures in November 2031 at which time a balloon payment of \$2,714,643 will become due. The bank providing the loan holds as collateral a first lien on the WHYY headquarters property in Philadelphia.

Subsequent events have been evaluated through December 13, 2016, the date the financial statements were available to be issued.