WPSU-TV AND WPSU-FM
PUBLIC TELECOMMUNICATIONS ENTITIES
OPERATED BY THE PENNSYLVANIA STATE UNIVERSITY

AUDITED COMBINED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

WPSU-TV and WPSU-FM
The Pennsylvania State University:

We have audited the accompanying combined statements of financial position of WPSU-TV and WPSU-FM (the "Stations"), Public Telecommunications Entities, both of which are under common ownership and common management, and are operated by The Pennsylvania State University, as of June 30, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Stations' preparation and fair presentation of the combined 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 Stations' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Stations as of June 30, 2016 and 2015, and the changes in their combined net assets and combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 15, 2016

WPSU-TV AND WPSU-FM
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
THE PENNSYLVANIA STATE UNIVERSITY
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	JUNE 30, 2016			JUNE 30, 2015		
	TV	FM	TOTAL	TV	FM	TOTAL
Current assets:						
Cash	$ 7,544,101	$ 191,285	$ 7,735,386	$ 7,704,618	$ 376,159	$ 8,080,777
Accounts receivable	374,519	11,422	385,941	715,075	5,624	720,699
Prepaid expense	31,834	70,802	102,636	41,572	74,908	116,480
Contributions receivable, net	24,410	15,092	39,502	31,339	14,086	45,425
Total current assets	7,974,864	288,601	8,263,465	8,492,604	470,777	8,963,381
Noncurrent assets:						
Deferred production costs	18,857	-	18,857	19,760	-	19,760
Contributions receivable, net	-	-	-	1,662	-	1,662
Prepaid expense	16,393	-	16,393	17,882	-	17,882
Property and equipment, net	6,017,662	433,131	6,450,793	6,323,654	473,888	6,797,542
Beneficial interest in perpetual trust	69,790	69,790	139,580	73,202	73,202	146,404
Investments	728,617	277,209	1,005,826	771,672	293,618	1,065,290
Total noncurrent assets	6,851,319	780,130	7,631,449	7,207,832	840,708	8,048,540
Total assets	$ 14,826,183	$ 1,068,731	$ 15,894,914	$ 15,700,436	$ 1,311,485	$ 17,011,921
Current liabilities:						
Accounts payable and accrued expenses	$ 351,795	$ 47,311	$ 399,106	$ 347,062	$ 49,653	$ 396,715
Deferred revenue	320,306	-	320,306	847,437	-	847,437
Total current liabilities	672,101	47,311	719,412	1,194,499	49,653	1,244,152
Noncurrent liabilities:						
Deferred revenue	-	-	-	6,727	-	6,727
Total noncurrent liabilities	-	-	-	6,727	-	6,727
Total liabilities	672,101	47,311	719,412	1,201,226	49,653	1,250,879
Net assets:						
Unrestricted	13,335,894	659,329	13,995,223	13,628,084	880,926	14,509,010
Temporarily restricted	114,265	43,275	157,540	172,203	65,190	237,393
Permanently restricted	703,923	318,816	1,022,739	698,923	315,716	1,014,639
Total net assets	14,154,082	1,021,420	15,175,502	14,499,210	1,261,832	15,761,042
Total liabilities and net assets	$ 14,826,183	$ 1,068,731	$ 15,894,914	$ 15,700,436	$ 1,311,485	$ 17,011,921

See notes to combined financial statements.

WPSU-TV AND WPSU-FM

PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY

THE PENNSYLVANIA STATE UNIVERSITY

COMBINED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	JUNE 30, 2016			JUNE 30, 2015		
	TV	FM	TOTAL	TV	FM	TOTAL
Changes in unrestricted net assets:						
Revenues, gains, and other support:						
Contributions	$ 6,810,531	$ 1,001,175	$ 7,811,706	$ 6,251,746	$ 942,614	$ 7,194,360
Grants and contracts	2,173,620	227,478	2,401,098	1,630,531	244,933	1,875,464
Production services	2,736,132	-	2,736,132	3,409,700	-	3,409,700
Contribution of property	134,271	10,329	144,600	-	-	-
Other revenue	247,126	47,781	294,907	294,020	54,092	348,112
Net assets released from restriction	23,839	14,086	37,925	31,393	14,382	45,775
Total revenues, gains, and other support	12,125,519	1,300,849	13,426,368	11,617,390	1,256,021	12,873,411
Expenses and losses:						
Programming and production	6,722,409	676,737	7,399,146	6,710,354	646,423	7,356,777
Broadcasting	1,048,571	257,091	1,305,662	1,010,840	244,028	1,254,868
Program information and promotion	476,578	2,471	479,049	391,805	-	391,805
Management and general	3,352,835	403,977	3,756,812	3,117,529	382,987	3,500,516
Fundraising and membership development	436,237	39,417	475,654	437,563	64,339	501,902
Underwriting and grant solicitation	354,429	142,753	497,182	371,495	135,291	506,786
Disposals of equipment	26,650	-	26,650	14,573	-	14,573
Total expenses and losses	12,417,709	1,522,446	13,940,155	12,054,159	1,473,068	13,527,227
Decrease in unrestricted net assets	(292,190)	(221,597)	(513,787)	(436,769)	(217,047)	(653,816)
Changes in temporarily restricted net assets:						
Revenues, gains, and other support:						
Contributions	18,047	15,092	33,139	23,517	14,086	37,603
Other revenue	708	-	708	416	-	416
Realized and unrealized gains/(losses) on investments	(52,854)	(22,921)	(75,775)	(7,277)	26,235	18,958
Net assets released from restriction	(23,839)	(14,086)	(37,925)	(31,393)	(14,382)	(45,775)
Total revenues, gains, and other support	(57,938)	(21,915)	(79,853)	(14,737)	25,939	11,202
Increase/(decrease) in temporarily restricted net assets	(57,938)	(21,915)	(79,853)	(14,737)	25,939	11,202
Changes in permanently restricted net assets:						
Revenues, gains, and other support:						
Contributions	5,000	3,100	8,100	(24,236)	-	(24,236)
Total revenues, gains, and other support	5,000	3,100	8,100	(24,236)	-	(24,236)
Increase/(decrease) in permanently restricted net assets	5,000	3,100	8,100	(24,236)	-	(24,236)
Decrease in net assets	(345,128)	(240,412)	(585,540)	(475,742)	(191,108)	(666,850)
Net assets at the beginning of the year	14,499,210	1,261,832	15,761,042	14,974,952	1,452,940	16,427,892
Net assets at the end of the year	$ 14,154,082	$ 1,021,420	$ 15,175,502	$ 14,499,210	$ 1,261,832	$ 15,761,042

See notes to combined financial statements.

WPSU-TV AND WPSU-FM

PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY

THE PENNSYLVANIA STATE UNIVERSITY

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	JUNE 30, 2016			JUNE 30, 2015		
	TV	FM	TOTAL	TV	FM	TOTAL
Cash flows from operating activities:						
Decrease in net assets	$ (345,128)	$ (240,412)	$ (585,540)	$ (475,742)	$ (191,108)	$ (666,850)
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation expense	560,550	51,086	611,636	538,061	59,330	597,391
Capital campaign contributions	(120)	-	(120)	(130)	-	(130)
Contributions of property	(134,271)	(10,329)	(144,600)	-	-	-
Realized and unrealized losses/(gains) on long-term investments	54,975	22,921	77,896	1,602	(26,235)	(24,633)
Disposals of equipment	26,650	-	26,650	14,573	-	14,573
Changes in assets and liabilities:						
(Increase)/decrease in receivables	349,147	(6,804)	342,343	(41,928)	(5,328)	(47,256)
(Increase)/decrease in prepaid expense	11,228	4,106	15,334	(21,219)	(4,652)	(25,871)
Decrease in deferred production costs	903	-	903	266	-	266
Increase/(decrease) in accounts payable and accrued expenses	4,732	(2,342)	2,390	15,995	11,979	27,974
Decrease in deferred revenue	(533,858)	-	(533,858)	(27,418)	-	(27,418)
Net cash provided by/(used in) operating activities	(5,192)	(181,774)	(186,966)	4,060	(156,014)	(151,954)
Cash flows from investing activities:						
Purchase of property and equipment	(146,937)	-	(146,937)	(122,086)	(8,360)	(130,446)
Purchase of investments	(8,508)	(3,100)	(11,608)	(9,033)	(85,223)	(94,256)
Net cash used in investing activities	(155,445)	(3,100)	(158,545)	(131,119)	(93,583)	(224,702)
Cash flows from financing activities:						
Capital campaign contributions	120	-	120	130	-	130
Net cash provided by financing activities	120	-	120	130	-	130
Net decrease in cash	(160,517)	(184,874)	(345,391)	(126,929)	(249,597)	(376,526)
Cash at the beginning of the year	7,704,618	376,159	8,080,777	7,831,547	625,756	8,457,303
Cash at the end of the year	$ 7,544,101	$ 191,285	$ 7,735,386	$ 7,704,618	$ 376,159	$ 8,080,777

See notes to combined financial statements.

WPSU TV and WPSU FM

PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY

THE PENNSYLVANIA STATE UNIVERSITY

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

1. ORGANIZATION

WPSU-TV and WPSU-FM (the "Stations"), Public Telecommunication Entities both of which are under common ownership and common management and are operated by The Pennsylvania State University (the "University"), are non-community stations licensed and operated as a unit of the University's Outreach and Online Education Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis of Accounting

The combined financial statements of the Stations have been prepared on the accrual basis of accounting.

Net Asset Classifications

Permanently restricted net assets consist primarily of endowments and contributions receivable which are required by donors to be permanently retained.

Temporarily restricted net assets consist primarily of contributions receivable which can be expended but for which restrictions have not yet been met.

Unrestricted net assets are all of the remaining net assets of the Stations.

Contributions

As permitted, donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

Fair Value of Financial Instruments

The Stations have provided fair value estimates for certain financial instruments in the notes to these financial statements. Fair value information is based on information available at June 30, 2016 and 2015. The carrying amounts of the Stations' accounts receivable and accounts payable are reasonable estimates of their fair value.

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 on the financial statements and the disclosure of contingencies and commitments. Actual results could differ from those estimates.

Investments

The investments represent the Stations' endowment funds. The University is responsible for the investing decisions of these funds and as such the Station's investments are derived as a percentage of the total endowment investments of the University. The investments are reported at fair value in the accompanying financial statements. See Note 7 for discussion of fair value measurement.

Beneficial Interest in Perpetual Trusts

The Stations receive endowment income from investments that are held by outside trustees and are valued at $139,580 and $146,404 for the years ended June 30, 2016 and 2015, respectively. The present value of expected future cash flows to the Stations from such investments has been recorded as permanently restricted net assets and related beneficial interest in perpetual trusts in the financial statements.

Purchased Programming

PBS pledge programming purchased by WPSU-TV is expensed in the year the broadcast rights are acquired.

Unamortized programming and production costs are compared with the estimated net realizable value on an individual program or production basis and write-downs are recorded when indicated. Revenue forecasts for programs and productions are continually reviewed by management and revised when warranted by changing conditions. If estimated future gross revenues from a program or production are not sufficient to recover the unamortized costs, the unamortized costs are written down to net realizable value. Write-offs of unamortized costs were $0 for each of the years ended June 30, 2016 and 2015.

Grant Revenues

Grant revenues are recognized as the eligible grant activities are conducted.

Deferred Revenue

The Stations use the percentage of completion method for production services. Grant and contract dollars received in excess of recognized revenue are classified as deferred revenue.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on total personnel costs or other systematic bases.

Contributed Services

The estimated fair values of contributed professional services are recorded as revenues and expenses in the period when the services are received.

Included in contributions are donated facilities, administrative support and in-kind contributions from The Pennsylvania State University of $1,824,269 ($1,612,132 – WPSU-TV and $212,137 - WPSU-FM) for the year ended June 30, 2016 and $1,742,469 ($1,536,573 – WPSU-TV and $205,896 - WPSU-FM) for the year ended June 30, 2015.

Included in contributions are in-kind contributions from third parties, principally donated professional services, of $442,221 ($360,964 - WPSU-TV and $81,257 - WPSU-FM) for the year ended June 30, 2016 and $301,626 ($245,203 - WPSU-TV and $56,423 - WPSU-FM) for the year ended June 30, 2015.

Occupancy Valuation

The Stations benefit from the use of the Outreach Building they occupy as their permanent home. The use of the building was contributed to the Stations by the University in fiscal years ended June 30, 2005 and June 30, 2006, at which time it was recognized in the financial statements as a contribution of property and equipment. This presentation reflects usage of the building as depreciation expense.

For purposes of the Stations' annual filing of the Schedule of Nonfederal Financial Support with the Corporation for Public Broadcasting ("CPB"), the reporting requirements of the CPB specify that the fair value of the equivalent rental of such contributed facility be reflected in that filing as revenue and included as the occupancy value of Schedule B of that filing. The revenue so included in the Schedule of Nonfederal Financial Support amounted to $371,056 ($344,552 - WPSU-TV and $26,504 - WPSU-FM) for the year ended June 30, 2016 and $364,770 ($338,715 - WPSU-TV and $26,055 - WPSU-FM) for the year ended June 30, 2015.

Income Taxes

The Stations are exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Sections 170(c) and 170(b)(1) (A)(ii). There was no required provision for income taxes for fiscal years 2016 and 2015.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers."* This guidance clarifies the principles for recognizing revenue that (1) removes inconsistencies and weaknesses in revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. In August 2015, the FASB issued ASU 2015-14, *"Revenue from Contracts with Customers; Deferral of the Effective Date."* This guidance defers the effective date of the original ASU. This guidance is now effective for the Stations beginning July 1, 2018. The Stations have not yet evaluated the impact this guidance may have on its financial statements.

In May 2015, the FASB issued ASU 2015-07, *"Fair Value Measurements; Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)."* This guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. In addition, this guidance removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. Although effective beginning July 1, 2016, the Stations have elected to early adopt this guidance during the year ended June 30, 2016. The June 30, 2015 fair value disclosures in Note 7 have been modified to conform to this new guidance.

In August 2016, the FASB issued ASU 2016-14, *"Not-for-Profit Entities; Presentation of Financial Statements of Not-for-Profit Entities."* This guidance amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities. The most significant amendment requires a not-for-profit entity ("NFP") to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets. This guidance is effective for the Stations beginning July 1, 2018 with early adoption permitted. The Stations have not yet evaluated the impact this guidance may have on its financial statements.

3. CONTRIBUTIONS RECEIVABLE

Unconditional contributions are recognized when received and consist of written or oral promises to contribute to the Stations in the future.

Contributions receivable as of June 30, 2016 are expected to be realized as follows:

	WPSU-TV	WPSU-FM	Total
In one year or less	$ 31,572	$ 17,194	$ 48,766
Less allowance	(7,162)	(2,102)	(9,264)
Pledges receivable, net	$ 24,410	$ 15,092	$ 39,502

Contributions receivable as of June 30, 2015 are expected to be realized as follows:

	WPSU-TV	WPSU-FM	Total
In one year or less	$ 36,056	$ 15.919	$ 51,975
Between one year and three years	1,679	-	1,679
	37,735	15,919	53,654
Less allowance	(4,717)	(1,833)	(6,550)
Less increase in unamortized discount	(17)	-	(17)
Pledges receivable, net	$ 33,001	$ 14,086	$ 47,087

The discount rate used was 1.01 percent at June 30, 2015. The discount rate represents the three year rate on U.S. Government Treasury Bills as determined by the Federal Reserve.

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2016:

	WPSU-TV	WPSU-FM	Total
Balance beginning of year	$ 33,001	$ 14,086	$ 47,087
New pledges	44,986	30,590	75,576
Collections on pledges	(51,149)	(29,315)	(80,464)
Increase in allowance	(2,445)	(269)	(2,714)
Decrease in discount	17	-	17
Balance at the end of year	$ 24,410	$ 15,092	$ 39,502

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2015:

	WPSU-TV	WPSU-FM	Total
Balance beginning of year	$ 73,730	$ 14,382	$ 88,112
New pledges	53,627	32,305	85,932
Collections on pledges	(72,429)	(36,717)	(109,146)
Write-off of receivable	(25,000)	-	(25,000)
Decrease in allowance	2,759	4,116	6,875
Decrease in discount	314	-	314
Balance at the end of year	$ 33,001	$ 14,086	$ 47,087

4. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, in the case of donated property, at the estimated fair market value at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated lives of equipment range between 5 and 10 years. The estimated lives of the building and its components range from 20 to 50 years. Expenses for repairs and maintenance are charged to operating expense as incurred.

Total property and equipment as of June 30, 2016 is comprised of the following:

	WPSU-TV	WPSU-FM	Total
Building	$ 9,366,846	$ 670,485	$ 10,037,331
Equipment	9,164,161	599,596	9,763,757
Total	18,531,007	1,270,081	19,801,088
Less accumulated depreciation	(12,513,345)	(836,950)	(13,350,295)
Total building and equipment, net	$ 6,017,662	$ 433,131	$ 6,450,793

Total property and equipment as of June 30, 2015 is comprised of the following:

	WPSU-TV	WPSU-FM	Total
Building	$ 9,232,575	$ 660,156	$ 9,892,731
Equipment	9,427,199	599,596	10,026,795
Total	18,659,774	1,259,752	19,919,526
Less accumulated depreciation	(12,336,120)	(785,864)	(13,121,984)
Total building and equipment, net	$ 6,323,654	$ 473,888	$ 6,797,542

Depreciation expense was $560,550 for WPSU-TV and $51,086 for WPSU-FM for the year ended June 30, 2016 and $538,061 for WPSU-TV and $59,330 for WPSU-FM for the year ended June 30, 2015.

The University donated additional building costs for the Outreach Building in the amount of $144,600 ($134,271 for WPSU-TV and $10,329 for WPSU-FM) for the year ended June 30, 2016. These donations are included in contributions of property in the combined statements of activities for the year ended June 30, 2016.

5. RELATED PARTIES

Total revenue to the Stations from the University related to production services and underwriting, included in production services revenue and contributions, approximated $2,584,000 and $63,000 for WPSU-TV and WPSU-FM, respectively, for the fiscal year ended June 30, 2016 and $3,419,000 and $49,000 for WPSU-TV and WPSU-FM, respectively, for the fiscal year ended June 30, 2015. Total receivables related to such production services, included in accounts receivable are approximately $365,000 and $708,000 for WPSU-TV at June 30, 2016 and June 30, 2015, respectively.

Including the contributed services discussed in Note 2, the University contributed approximately $5,631,000 and $212,000 to WPSU-TV and WPSU-FM, respectively, through indirect and direct support for operating needs for the year ended June 30, 2016 and approximately $5,118,000 and $206,000 to WPSU-TV and WPSU-FM, respectively, for the year ended June 30, 2015.

6. ENDOWMENTS

The Stations use a “total return” approach to endowment fund investment management. This approach, which is consistent with University policy, emphasizes total investment return (current income plus or minus realized and unrealized capital gains and losses) as the basis for endowment spending. The Stations’ investments are maintained and managed by the University as part of the overall endowment investment portfolio. The Stations have implemented an endowment income spending policy whereby a predetermined amount is paid out each fiscal year based on a prescribed formula in accordance with Pennsylvania statutes. The effective spending rate was 5.25% at June 30, 2016 and June 30, 2015, respectively.

Income received from certain endowments held by WPSU-TV can be spent on either station at the discretion of the general manager.

The Stations’ endowments include both donor-restricted endowment funds and funds designated to function as endowments. As required by generally accepted accounting principles (“GAAP”), 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 ASC Not-for-Profit Entities Presentation of Financial Statements Subtopic (ASC Subtopic 958-205) provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and improves disclosure about an organization’s endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA but rather has enacted Pennsylvania Act 141 (“PA Act 141”). PA Act 141 permits an organization’s trustees to define income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets averaged over a period of at least three preceding years) without regard to actual interest, dividend, or realized and unrealized gains.

The Stations have interpreted PA Act 141 to permit the Stations to spend the earnings of its endowment based on a total return approach, without regard to the fair value of the original gift. As a result of this interpretation, the Stations classify as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Funds functioning as endowments are established at the direction of Station management and are classified as unrestricted net assets due to the lack of external donor restrictions. Gains and losses attributable to permanent endowments are recorded as temporarily restricted net assets and gains and losses attributable to funds functioning as endowments are recorded as unrestricted net assets.

WPSU-TV endowment net asset composition by type of fund as of June 30, 2016 and 2015:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 109,538	$ 620,121	$ 729,659
Funds functioning as endowments	4,628	-	-	4,628
Total net assets	$ 4,628	$ 109,538	$ 620,121	$ 734,287

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 158,964	$ 615,121	$ 774,085
Funds functioning as Endowments	6,749	-	-	6,749
Total net assets	$ 6,749	$ 158,964	$ 615,121	$ 780,834

Changes in WPSU-TV endowment net assets for the years ended June 30, 2016 and 2015:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 6,749	$ 158,964	$ 615,121	$ 780,834
Endowment return:				
Endowment earnings	23,985	(48,735)	-	(24,750)
Total endowment return	30,734	110,229	615,121	756,084
Endowment spending	(28,606)	-	-	(28,606)
Contributions	2,500	(691)	5,000	6,809
Endowment net assets, end of the year	$ 4,628	$ 109,538	$ 620,121	$ 734,287

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 1,073	$ 163,260	$ 639,357	$ 803,690
Endowment return:				
Endowment earnings	29,811	(3,974)	-	25,837
Total endowment return	30,884	159,286	639,357	829,527
Endowment spending	(20,444)	-	-	(20,444)
Transfer to FM	(3,691)	-	-	(3,691)
Contributions	-	(322)	(24,236)	(24,558)
Endowment net assets, end of the year	$ 6,749	$ 158,964	$ 615,121	$ 780,834

WPSU-FM endowment net asset composition by type of fund as of June 30, 2016 and 2015:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 42,195	$ 235,014	$ 277,209
Funds functioning as endowments	-	-	-	-
Total net assets	$ -	$ 42,195	$ 235,014	$ 277,209

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 61,704	$ 231,914	$ 293,618
Funds functioning as endowments	-	-	-	-
Total net assets	$ -	$ 61,704	$ 231,914	$ 293,618

Changes in WPSU-FM endowment net assets for the years ended June 30, 2016 and 2015:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ 61,704	$ 231,914	$ 293,618
Endowment return:				
Endowment earnings	10,334	(19,509)	-	(9,175)
Total endowment return	10,334	42,195	231,914	284,443
Endowment spending	(10,334)	-	-	(10,334)
Contributions	-	-	3,100	3,100
Endowment net assets, end of the year	$ -	$ 42,195	$ 235,014	$ 277,209

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ 32,582	$ 231,914	$ 264,496
Endowment return:				
Endowment earnings	8,478	29,122	-	37,600
Total endowment return	8,478	61,704	231,914	302,096
Endowment spending	(12,169)	-	-	(12,169)
Transfer from TV	3,691	-	-	3,691
Contributions	-	-	-	-
Endowment net assets, end of the year	$ -	$ 61,704	$ 231,914	$ 293,618

From time to time due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. There were no aggregate deficiencies at June 30, 2016 and 2015, respectively.

7. FAIR VALUE MEASUREMENTS

The Stations utilize the following fair value hierarchy, which prioritizes into three broad levels, the inputs to valuation techniques used to measure fair value:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date. Such instruments valued at Level 1, primarily consist of securities that are directly held and actively traded in public markets.

Level 2 – Inputs other than unadjusted quoted prices that are observable for the asset or liability, directly or indirectly, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Stations assessment of significance of a particular item to the fair value measurement in its entirety requires judgment, including consideration of inputs specific to the asset.

The following table presents information as of June 30, 2016 about the WPSU-TV's financial assets that are measured at fair value on a recurring basis:

	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Endowment investments:				
Money markets	$ 16,909	$ -	$ -	$ 16,909
Fixed income				
U.S. government/agency	57,012	3,177	-	60,189
U.S. corporate	-	38,026	-	38,026
Foreign	-	23,077	-	23,077
Other	-	8,010	-	8,010
Equities	164,837	20,475	-	185,312
Total	$ 238,758	$ 92,765	$ -	$ 331,523
Beneficial interest in perpetual trust	$ -	$ -	$ 69,790	$ 69,790

The table above excludes investments of $397,094 which are measured at NAV and are not classified in the fair value hierarchy.

The following table presents information related to changes in Level 3 for each category of assets for the year ended June 30, 2016:

	Beneficial Interest in Perpetual Trust
Beginning balance	$ 73,202
Total unrealized losses	(3,412)
Ending balance	$ 69,790

The following table presents information as of June 30, 2016 about the WPSU-FM's financial assets that are measured at fair value on a recurring basis:

	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Endowment investments:				
Money markets	$ 6,433	$ -	$ -	$ 6,433
Fixed income				
U.S. government/agency	21,691	1,209	-	22,900
U.S. corporate	-	14,467	-	14,467
Foreign	-	8,780	-	8,780
Other	-	3,048	-	3,048
Equities	62,714	7,789	-	70,503
Total	$ 90,838	$ 35,293	$ -	$ 126,131
Beneficial interest in perpetual trust	$ -	$ -	$ 69,790	$ 69,790

The table above excludes investments of $151,078 which are measured at NAV and are not classified in the fair value hierarchy.

The following table presents information related to changes in Level 3 for each category of assets for the year ended June 30, 2016:

	Beneficial Interest in Perpetual Trust
Beginning balance	$ 73,202
Total unrealized losses	(3,412)
Ending balance	$ 69,790

The following table presents information as of June 30, 2015 about the WPSU-TV's financial assets that are measured at fair value on a recurring basis:

	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Endowment investments:				
Money markets	$ 25,394	$ 48,688	$ -	$ 74,082
Fixed income				
U.S. government/agency	12,532	5,869	-	18,401
U.S. corporate	-	21,390	-	21,390
Foreign	12,669	27,231	-	39,900
Other	-	2,160	-	2,160
Equities	229,038	-	-	229,038
Total	$ 279,633	$ 105,338	$ -	$ 384,971
Beneficial interest in perpetual trust	$ -	$ -	$ 73,202	$ 73,202

The table above excludes investments of $386,701 which are measured at NAV and are not classified in the fair value hierarchy.

The following table presents information related to changes in Level 3 for each category of assets for the year ended June 30, 2015:

	Beneficial Interest in Perpetual Trust
Beginning balance	$ 76,089
Total unrealized losses	(2,887)
Ending balance	$ 73,202

The following table presents information as of June 30, 2015 about the WPSU-FM's financial assets that are measured at fair value on a recurring basis:

	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Endowment investments:				
Money markets	$ 9,662	$ 18,526	$ -	$ 28,188
Fixed income				
U.S. government/agency	4,769	2,233	-	7,002
U.S. corporate	-	8,139	-	8,139
Foreign	4,820	10,361	-	15,181
Other	-	822	-	822
Equities	87,148	-	-	87,148
Total	$ 106,399	$ 40,081	$ -	$ 146,480
Beneficial interest in perpetual trust	$ -	$ -	$ 73,202	$ 73,202

The table above excludes investments of $147,138 which are measured at NAV and are not classified in the fair value hierarchy.

The following table presents information related to changes in Level 3 for each category of assets for the year ended June 30, 2015:

	Beneficial Interest in Perpetual Trust
Beginning balance	$ 76,089
Total unrealized losses	(2,887)
Ending balance	$ 73,202

There were no transfers of investments between Level 3 and Level 2 and between Level 1 and Level 2 in 2016 and 2015.

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent for WPSU-TV as of June 30, 2016:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Non-U.S. Equity	$ 101,775		Quarterly/ Daily/Monthly	5-90 days
Subtotal	$ 101,775			
Marketable Investment Partnerships:				
Absolute Return	$ 6,163		Quarterly	60 days
Distressed Debt	10,713		Quarterly/ Semi Annual	60-90 days
Commodities	18,962		Monthly	30-60 days
Opportunistic	37,334		Quarterly	30 days
Directional Long/Short	57,507		Monthly	30 days
Subtotal	$ 130,679			
Non-Marketable Investment Partnerships:				
Private Real Estate	$ 19,421	$ 9,430		
Venture Capital	54,389	30,480		
Private Equity	49,803	56,076		
Natural Resources	23,266	7,799		
Private Debt	18,615	13,711		
Subtotal	$ 165,494	$ 117,496		
Total	$ 397,948	$ 117,496		

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent for WPSU-FM as of June 30, 2016:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Non-U.S. Equity	$ 38,721		Quarterly/ Daily/Monthly	5-90 days
Subtotal	$ 38,721			
Marketable Investment Partnerships:				
Absolute Return	$ 2,345		Quarterly	60 days
Distressed Debt	4,076		Quarterly/ Semi Annual	60-90 days
Commodities	7,214		Monthly	30-60 days
Opportunistic	14,204		Quarterly	30 days
Directional Long/Short	21,879		Monthly	30 days
Subtotal	$ 49,718			
Non-Marketable Investment Partnerships:				
Private Real Estate	$ 7,389	$ 3,588		
Venture Capital	20,693	11,596		
Private Equity	18,948	21,335		
Natural Resources	8,852	2,967		
Private Debt	7,082	5,216		
Subtotal	$ 62,964	$ 44,702		
Total	$ 151,403	$ 44,702		

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent for WPSU-TV as of June 30, 2015:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Non-U.S. Equity	$ 119,990		Quarterly/ Daily/Monthly	5-90 days
Subtotal	$ 119,990			
Marketable Investment Partnerships:				
Absolute Return	$ 6,359		Quarterly	60 days
Distressed Debt	11,791		Quarterly/ Semi Annual	60-90 days
Commodities	20,814		Monthly	30-60 days
Opportunistic	36,799		Quarterly	30 days
Directional Long/Short	22,556		Monthly	30 days
Subtotal	$ 98,319			
Non-Marketable Investment Partnerships:				
Private Real Estate	$ 21,725	$ 8,128		
Venture Capital	56,600	22,641		
Private Equity	50,551	46,228		
Natural Resources	24,896	18,152		
Private Debt	16,604	14,682		
Subtotal	$ 170,376	$ 109,831		
Total	$ 388,685	$ 109,831		

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent for WPSU-FM as of June 30, 2015:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Non-U.S. Equity	$ 45,656		Quarterly/ Daily/Monthly	5-90 days
Subtotal	$ 45,656			
Marketable Investment Partnerships:				
Absolute Return	$ 2,420		Quarterly	60 days
Distressed Debt	4,486		Quarterly/ Semi Annual	60-90 days
Commodities	7,920		Monthly	30-60 days
Opportunistic	14,002		Quarterly	30 days
Directional Long/Short	8,582		Monthly	30 days
Subtotal	$ 37,410			
Non-Marketable Investment Partnerships:				
Private Real Estate	$ 8,266	$ 3,093		
Venture Capital	21,536	8,615		
Private Equity	19,234	17,589		
Natural Resources	9,473	6,906		
Private Debt	6,318	5,587		
Subtotal	$ 64,827	$ 41,790		
Total	$ 147,893	$ 41,790		

Commingled Funds include investments that aggregate assets from multiple investors and are managed collectively following a prescribed strategy. Redemptions vary from daily to quarterly with required notification of 90 days or less. The non-U.S. equity strategy is invested in developed and developing countries outside of the United States, and spans the entire equity capitalization spectrum. These collective portfolios preclude the need to obtain securities registration in foreign countries.

Marketable Investment Partnerships include several hedge funds whose underlying positions are traded via public securities markets. Liquidity terms range from quarterly to annually with advance notification for redemption ranging from 30 to 90 days. The fair values of the investments for each fund in this category have been estimated using the net asset value of the Endowment's share holdings in the fund. Five major investment strategies are included within this category. Absolute Return refers to relative value strategies. Directional refers to equity long/short strategies in both U.S. and non-U.S. markets. Opportunistic refers to global multi-strategy. Distressed Debt refers to securities rated below investment grade, along with non-rated debt. Commodities refer to publicly traded commodity instruments primarily including futures and options.

Nonmarketable Investment Partnerships include limited partnership interests in a variety of illiquid investments. The fair values of the investments for each fund in this category have been estimated using the net asset value of the Endowment's ownership interest in partner's capital and cannot be redeemed. Realizations from each fund are received as the underlying investments are liquidated or distributed, typically within 10 years after initial commitment. Unfunded commitments represent remaining commitments of the Endowments drawdown funds as of June 30, 2016 and 2015, respectively. Five major investment strategies are included within this category. Private Real Estate includes properties primarily located in the U.S. Venture Capital includes non-public startups and enterprises in early stages of growth located globally. Private Equity includes buyouts of previously public companies as well as enterprises that are planning to go public in the near future, including funds focusing on opportunities outside the U.S. Natural Resources largely include companies primarily involved in oil and natural gas in addition to a variety of other natural resources. Private Debt includes global private credit securities rated below investment grade as well as non-rated debt.

8. OPERATING LEASES

WPSU-FM has certain lease agreements in effect which are considered operating leases. These agreements are to rent space on broadcast transmission towers for translator antennas and to rent space for transmission equipment. The Station recorded expenses of $45,149 and $47,661 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease payments under operating leases as of June 30, 2016 are as follows:

Year	
2017	$ 41,423
2018	40,168
2019	38,061
2020	37,739
2021	37,739
Thereafter	120,008
Total minimum lease payments	$ 315,138

9. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the statement of financial position date through December 15, 2016, the date that the financial statements were available to be issued, for potential recognition and disclosure. No significant events or transactions were identified which would require recognition or disclosure in the financial statements.