

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

**AUDITED COMBINED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL COMBINING INFORMATION**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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

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**Deloitte & Touche LLP**  
1700 Market Street  
Philadelphia, PA 19103  
USA  
Tel: 215-246-2300  
Fax: 215-448-2278  
[www.deloitte.com](http://www.deloitte.com)

## **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"), both of which are under common ownership and common management, and are operated by The Pennsylvania State University, as of June 30, 2021 and 2020, 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, 2021 and 2020, 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.

## **Report on Supplemental Schedules**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules listed in the table of contents on pages 24-26 are presented for the purpose of additional analysis and are not a required part of the combined financial statements. This supplementary information is the responsibility of the Stations' management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the combined financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the combined financial statements as a whole.

*Deloitte & Touche LLP*

February 11, 2022

**WPSU-TV AND WPSU-FM**  
**PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY**  
**THE PENNSYLVANIA STATE UNIVERSITY**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Current assets:</b>		
Cash allocation from The Pennsylvania State University	\$ 7,177,601	\$ 5,732,269
Accounts receivable	283,342	380,722
Prepaid expense	155,066	135,228
Contributions receivable, net	45,507	100,943
<b>Total current assets</b>	<u>7,661,516</u>	<u>6,349,162</u>
<b>Noncurrent assets:</b>		
Deferred production costs	1,799	3,065
Contributions receivable, net	9,270	9,270
Prepaid expense	21,116	35,467
Property and equipment, net	5,353,401	5,146,361
Beneficial interest in perpetual trust	175,744	149,164
Investment allocation from The Pennsylvania State University	2,353,886	1,562,340
Operating lease right-of-use assets	118,652	-
<b>Total noncurrent assets</b>	<u>8,033,868</u>	<u>6,905,667</u>
<b>Total assets</b>	<u>\$ 15,695,384</u>	<u>\$ 13,254,829</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 490,418	\$ 524,330
Due to The Pennsylvania State University	68,971	108,047
Deferred revenue	629,224	219,569
Operating lease liabilities	38,040	-
<b>Total current liabilities</b>	<u>1,226,653</u>	<u>851,946</u>
<b>Noncurrent liabilities:</b>		
Present value of annuities payable	86,244	84,360
Operating lease liabilities	79,169	-
<b>Total noncurrent liabilities</b>	<u>165,413</u>	<u>84,360</u>
<b>Total liabilities</b>	<u>1,392,066</u>	<u>936,306</u>
<b>Net assets:</b>		
Without donor restrictions	11,780,550	9,648,101
With donor restrictions	2,522,768	2,670,422
<b>Total net assets</b>	<u>14,303,318</u>	<u>12,318,523</u>
<b>Total liabilities and net assets</b>	<u>\$ 15,695,384</u>	<u>\$ 13,254,829</u>

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Changes in without donor restrictions net assets:</b>		
<b>Revenues, gains, and other support:</b>		
Contributions	\$ 8,183,390	\$ 8,372,166
Grants	2,502,693	2,096,085
Production services	1,436,017	2,473,466
Other revenue	269,008	301,343
Net assets released from restriction	852,930	16,084
<b>Total revenues, gains, and other support</b>	<u>13,244,038</u>	<u>13,259,144</u>
<b>Expenses and losses:</b>		
Programming and production	5,885,600	6,982,882
Broadcasting	1,226,874	1,374,155
Program information and promotion	523,231	446,375
Management and general	2,437,922	4,023,806
Fundraising and membership development	375,450	443,702
Underwriting and grant solicitation	561,092	482,149
Disposals of equipment	101,420	6,061
<b>Total expenses and losses</b>	<u>11,111,589</u>	<u>13,759,130</u>
<b>Increase (decrease) in without donor restrictions net assets</b>	<u>2,132,449</u>	<u>(499,986)</u>
 <b>Changes in with donor restrictions net assets:</b>		
<b>Revenues, gains, and other support:</b>		
Contributions	121,893	92,492
Other revenue	57,674	1,909
Realized and unrealized gains on investments	542,354	24,472
Actuarial adjustment of annuities payable	(16,645)	(9,024)
Net assets released from restriction	(852,930)	(16,084)
<b>Total revenues, gains, and other support</b>	<u>(147,654)</u>	<u>93,765</u>
<b>(Decrease) increase in with donor restrictions net assets</b>	<u>(147,654)</u>	<u>93,765</u>
 <b>Increase (decrease) in net assets</b>	1,984,795	(406,221)
<b>Net assets at the beginning of the year</b>	<u>12,318,523</u>	<u>12,724,744</u>
<b>Net assets at the end of the year</b>	<u><u>\$ 14,303,318</u></u>	<u><u>\$ 12,318,523</u></u>

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 1,984,795	\$ (406,221)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	510,027	571,305
Noncash lease expense	(1,443)	-
Capital campaign contributions	(110)	(120)
Realized and unrealized gains on investments	(607,439)	(24,497)
Disposals of equipment	101,420	6,061
Actuarial adjustment of annuities payable	16,645	9,024
Decrease in receivables	152,817	192,373
(Increase) decrease in prepaid expense	(5,487)	30,696
Decrease in deferred production costs	1,266	15,233
(Decrease) increase in accounts payable and accrued expenses	(33,912)	68,555
Increase (decrease) in deferred revenue	409,655	(278,475)
Decrease in amount due to The Pennsylvania State University	(39,076)	(1,176)
<b>Net cash provided by operating activities</b>	<u>2,489,158</u>	<u>182,758</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(818,487)	(71,924)
Purchase of investments	(210,687)	(66,705)
<b>Net cash used in investing activities</b>	<u>(1,029,174)</u>	<u>(138,629)</u>
<b>Cash flows from financing activities:</b>		
Capital campaign contributions	110	120
Payments of annuity obligations	(14,762)	(14,132)
<b>Net cash used in financing activities</b>	<u>(14,652)</u>	<u>(14,012)</u>
<b>Net increase in cash</b>	1,445,332	30,117
<b>Cash at the beginning of the year</b>	5,732,269	5,702,152
<b>Cash at the end of the year</b>	<u>\$ 7,177,601</u>	<u>\$ 5,732,269</u>

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, 2021 and 2020**

**1. ORGANIZATION**

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

*Net assets with donor restrictions* are net assets subject to donor-imposed restrictions, either in perpetuity or for a specified time or purpose. Net assets with perpetual restrictions consist primarily of endowments. Net assets restricted by time or purpose consist of contributions receivable, contributions restricted for capital expenditures, perpetual trusts, charitable gift annuities and charitable remainder trusts.

*Net assets without donor restrictions* 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 without donor restrictions revenue. Gifts of long-lived assets are reported as without donor restrictions revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as with donor restricted net assets and are released from restrictions once placed into 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, 2021 and 2020. The carrying amounts of the Stations' accounts receivable and accounts payable are reasonable estimates of their fair value.

Cash Flows

Cash includes certain investments in highly liquid instruments with initial maturities of 90 days or less, except for such assets held by the University's investment managers as part of their long-term investment strategies.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.



## Revenue Recognition

Production services revenue consists of exchange transactions that fall under the scope of Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, as well as contributions that fall under the scope of ASC Topic 958, Not-for-Profit Entities. For the years ended June 30, 2021 and 2020, revenue recognized from exchange transactions was \$1,436,017 and \$2,473,466 respectively. Revenue recognized from non-exchange transactions was \$0 for the years ended June 30, 2021 and 2020. Performance obligations associated with these contracts consist of the provision of services related to production and revenue is typically recognized over time as expenses are incurred. Work completed under these contracts does not result in assets that can be sold to other customers and the Stations are entitled to payment for the work completed to date. Most contracts are cost reimbursement basis, and incurred expenditures are periodically billed to the customer for reimbursement. At June 30, 2021 and 2020, reimbursements related to expenditures incurred on production services contracts of \$72,032 and \$93,045, respectively, were included in accounts receivable. Under some contracts, funds are received in advance and are reported as deferred revenue until eligible expenditures are incurred. Advance funding of \$4,813 and \$4,457 related to production services contracts are included in deferred revenue at June 30, 2021 and 2020, respectively. Receipts of \$4,457, included in deferred revenue at June 30, 2020, were recognized during the year ended June 30, 2021. Receipts of \$187,344, included in deferred revenue at June 30, 2019, were recognized during the year ended June 30, 2020. As production services contracts typically have a duration of one year or less, the Stations have elected to apply the optional exemption prescribed by ASC 606-10-50-14 and, as such, have not disclosed the aggregate transaction price allocated to unsatisfied performance obligations or the time at which the revenue associated with these unsatisfied performance obligations is expected to be recognized. At June 30, unsatisfied performance obligations relate solely to work that has yet to be performed under production services contracts that span over fiscal year-end. Transaction prices are typically straightforward and explicitly stated in the contract.

The Stations have elected to use the practical expedient prescribed by ASC 606-10-32-18 in which the promised amount of consideration need not be adjusted for the effects of a significant financing component if the period between when promised goods or services are transferred to a customer and when the customer pays for the goods or services is expected to be one year or less at contract inception.

## Cash and Investment allocation from The Pennsylvania State University ("investments")

Cash is held by the University and is allocated to the Stations. Cash is allocated to the stations based on the results of operations and financial needs of the stations. The investments represent the Stations' endowments, charitable gift annuities and charitable remainder trusts funds. The University is responsible for the investing decisions of these funds and as such the Stations' investments are derived as a percentage of the total investments of the University, based upon the original cost of the Stations' investments as a percentage of the original cost of total investments of the University. The investments are reported at fair value in the accompanying financial statements. See Note 8 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 \$175,744 and \$149,164 for the years ended June 30, 2021 and 2020, respectively. The present value of expected future cash flows to the Stations from such investments has been recorded as net assets with donor restrictions and related beneficial interest in perpetual trusts in the financial statements.

## Annuities Payable

Annuities payable consist of annuity payments currently due and the actuarial amount of annuities payable. The actuarial amount of annuities payable is the present value of the aggregate liability for annuity payments over the expected lives of the beneficiaries.

## Net Assets

Net assets consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Net assets without donor restrictions:				
Undesignated		\$ 6,377,324	\$ (108,154)	\$ 6,269,170
Funds functioning as endowments		44,202	113,777	157,979
Future contributions		-	-	-
Net investment in plant		<u>5,037,497</u>	<u>315,904</u>	<u>5,353,401</u>
Total net assets without donor restrictions		<u>11,459,023</u>	<u>321,527</u>	<u>11,780,550</u>
Net assets with donor restrictions:				
Endowment funds		1,248,753	605,320	1,854,073
Future contributions		32,669	22,108	54,777
Perpetual trust		87,872	87,872	175,744
Charitable gift annuities and charitable remainder trust		190,615	64,976	255,591
Contributions for property, plant and equipment		<u>182,583</u>	-	<u>182,583</u>
Total net assets with donor restrictions		<u>1,742,492</u>	<u>780,276</u>	<u>2,522,768</u>
Total net assets		<u>\$ 13,201,515</u>	<u>\$ 1,101,803</u>	<u>\$ 14,303,318</u>
	<u>2020</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Net assets without donor restrictions:				
Undesignated		\$ 4,473,749	\$ (39,904)	\$ 4,433,845
Funds functioning as endowments		1,395	-	1,395
Future contributions		-	66,500	66,500
Net investment in plant		<u>4,790,929</u>	<u>355,432</u>	<u>5,146,361</u>
Total net assets without donor restrictions		<u>9,266,073</u>	<u>382,028</u>	<u>9,648,101</u>
Net assets with donor restrictions:				
Endowment funds		889,902	433,769	1,323,671
Future contributions		25,264	18,449	43,713
Perpetual trust		74,582	74,582	149,164
Charitable gift annuities and charitable remainder trust		119,057	33,857	152,914
Contributions for property, plant and equipment		<u>1,000,960</u>	-	<u>1,000,960</u>
Total net assets with donor restrictions		<u>2,109,765</u>	<u>560,657</u>	<u>2,670,422</u>
Total net assets		<u>\$ 11,375,838</u>	<u>\$ 942,685</u>	<u>\$ 12,318,523</u>

## Purchased Programming

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 and \$15,056 for WPSU-TV for the years ended June 30, 2021 and 2020, respectively.

### Grant Revenue

Grant revenue is recognized as the eligible grant activities are conducted. All of the Stations' grants are deemed to be contributions that fall under the scope of ASC Topic 958, Not-for-Profit Entities. These are deemed to be conditional contributions, as eligible expenditures must be incurred in order to meet the funding requirements of the sponsor, and a right of return or release exists for funds spent on ineligible expenditures. Most grants are fixed price and unexpended grant proceeds are recorded as deferred revenue. For those grants on a cost reimbursement basis, accounts receivable are recorded for any unreimbursed grant revenue recognized.

### Interest and Dividends

Included in other revenue is interest and dividends income of \$118,782 (\$81,851 - WPSU-TV and \$36,931 - WPSU-FM) for the year ended June 30, 2021 and \$76,163 (\$57,934 - WPSU-TV and \$18,229 - WPSU-FM) for the year ended June 30, 2020.

### 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.

For the year ended June 30, 2021, included in contributions are donated facilities and in-kind contributions from The Pennsylvania State University of \$831,670 (\$697,759 – WPSU-TV and \$133,911 - WPSU-FM). For the year ended June 30, 2020, included in contributions are donated facilities and in-kind contributions from The Pennsylvania State University of \$1,998,711 (\$1,721,820 – WPSU-TV and \$276,891 - WPSU-FM).

Included in contributions are in-kind contributions from third parties, principally donated professional services, of \$309,656 (\$203,826 - WPSU-TV and \$105,830 - WPSU-FM) for the year ended June 30, 2021 and \$320,684 (\$208,822 - WPSU-TV and \$111,862 - WPSU-FM) for the year ended June 30, 2020.

### 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 2021 and 2020. Tax years for the years ended 2019-2021 remain open.

## Leases

The Stations determine if an arrangement is or contains a lease at inception of the contract. The right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets are recognized at commencement date based on the present value of lease payments over the lease term, adjusted for any initial direct costs incurred and lease incentives received, with the subsequent measurement based on lease classification. The lease liability is initially measured as the present value of unpaid lease payments and is subsequently measured using the effective interest method. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the Stations will exercise that option. The Stations have used the University's incremental borrowing rate when measuring its leases as the rate implicit in the lease is not readily determinable. The University's incremental borrowing rate is determined based on comparisons to Indicative Composite Observable Reported Execution (CORE) Yields for various maturities. The CORE is a yield curve that represents an aggregation of daily trade data reported to the Municipal Securities Rulemaking Board. It is a simple average yield of fixed-rate, non-Alternative Minimum Tax, tax-exempt, coupon-bearing municipal bond trades. ASC 842 defines a short-term lease as a lease with a term of twelve months or less that does not include a purchase option that is reasonably certain of being exercised ("short-term leases"). The Stations have elected, for all asset classes, the short-term lease recognition exemption provided in the standard that eliminates the requirement to recognize on the statement of financial position any short-term leases. The lease expense for these short-term leases is recognized on a straight-line basis over the lease term within operating expenses in the combined statements of activities and is not considered material to the combined financial statements. Operating lease ROU assets and related current and long-term liabilities are separately presented in the combined statements of financial position. Expenses for operating leases are recognized within operating expenses in the combined statements of activities.

The Stations have elected, for all asset classes, the practical expedient to not separate lease and nonlease components. Certain of the Stations' lease agreements include payments based on actual utilities. Other agreements include rental payments adjusted periodically for inflation. These are deemed to be variable lease payments and are recognized in operating expenses as incurred but are not included in the ROU asset or liability balances. These variable lease payments are not considered material to the combined financial statements. The Stations' lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

## Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases." This update, and the subsequent other ASUs impacting ASC Topic 842, requires substantial changes to lease accounting to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous GAAP and this guidance is the recognition of assets associated with a lessee's right to use an asset and corresponding lease liabilities associated with a lessee's obligation for those leases classified as operating under previous GAAP. The update was effective for the Stations beginning July 1, 2020. The provisions of this update were applied using the optional modified retrospective transition method provided in ASU 2018-11 that resulted in the adoption date of the new standard being the application date. The Stations elected the transition package of three practical expedients, which eliminates the need to reassess prior conclusions about lease identification, lease classifications, and initial direct costs when transitioning to the new standard. The Stations did not elect the use-of-hindsight practical expedient, and therefore will continue to utilize remaining lease terms as determined under the legacy ASC Topic 840 lease guidance. The Stations will use the University's incremental borrowing rate as the discount rate as determined at the effective date of the requirements and as based on the remaining term of the lease at that point. When transitioning to the new lease accounting standard, the Stations calculated the ROU asset and lease liability on the basis of the remaining ASC Topic 840 minimum rental payments and lease term as of the effective date of the standard, with the ROU asset further adjusted by any unamortized lease incentives, prepaid rent, and straight-line rent accrual as of the effective date. As of July 1, 2020, WPSU-FM recognized an operating lease ROU asset and an operating lease liability of \$158,038. The standard had a material impact on the Stations' combined statement of financial position; however, it did not have an impact on the combined statement of activities or the combined statement of cash flows, and there was no adjustment to beginning net assets.

In September 2020, the FASB issued ASU 2020-07, "Not-for-Profit Entities; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets." This update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, not-for-profit entities are required to disclose additional qualitative and quantitative information related to nonfinancial assets. This update is effective for the Stations beginning July 1, 2021 with early adoption permitted. The Stations are currently evaluating the impact this guidance may have on its financial statements.

## Coronavirus Pandemic

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of the Stations to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

The federal government has taken several actions to provide financial assistance during this pandemic. The Stations have received, and may continue to receive, payments and advances under the Coronavirus Aid, Relief and Economic Security Act (CARES), the American Rescue Plan (ARP), the Pennsylvania Governor's Emergency Education Relief Fund (PA GEERS), PA Learning at Home funding or any other governmental assistance program which will be beneficial in addressing the impact of the novel coronavirus pandemic on the Station's results of operations and financial position. As of June 30, 2021, the Stations have received a total of \$1,835,749 (\$1,517,410 - WPSU-TV and \$318,339 - WPSU-FM) in coronavirus related funding from various programs. During the fiscal year ending June 30, 2021, the stations recognized revenue of \$876,051 (\$726,051 - WPSU-TV and \$150,000 - WPSU-FM) and recorded a receivable and deferred revenue of \$204,482 (WPSU-TV) and \$624,411 (\$568,208 - WPSU-TV and \$56,203 - WPSU-FM), respectively, from coronavirus related program funding. During the fiscal year ending June 30, 2020, the stations recognized revenue of \$539,769 (\$427,633 - WPSU-TV and \$112,136 - WPSU-FM) and recorded a receivable of \$167,429 (WPSU-TV) from coronavirus related program funding.

### **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 are expected to be realized as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
In one year or less		\$ 27,671	\$ 22,710	\$ 50,381
More than five years		20,000	-	20,000
Contributions receivable, gross		47,671	22,710	70,381
Less allowance		(4,272)	(602)	(4,874)
Less discount		(10,730)	-	(10,730)
Contributions receivable, net		<u>\$ 32,669</u>	<u>\$ 22,108</u>	<u>\$ 54,777</u>

  

	<u>2020</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
In one year or less		\$ 27,771	\$ 86,527	\$ 114,298
More than five years		20,000	-	20,000
Contributions receivable, gross		47,771	86,527	134,298
Less allowance		(11,777)	(1,578)	(13,355)
Less discount		(10,730)	-	(10,730)
Contributions receivable, net		<u>\$ 25,264</u>	<u>\$ 84,949</u>	<u>\$ 110,213</u>

The Stations have received bequest intentions of \$5,637,047 (\$4,100,000 - WPSU-TV and \$1,537,047 - WPSU-FM) and \$6,637,047 (\$5,100,000 - WPSU-TV and \$1,537,047 - WPSU-FM) at June 30, 2021 and 2020, respectively. These bequest intentions are not included in the financial statements.

The following tables summarize the change in contributions receivable, net during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Balance beginning of year		\$ 25,264	\$ 84,949	\$ 110,213
New pledges		44,414	35,956	80,370
Collections on pledges		(44,514)	(99,773)	(144,287)
Decrease in allowance		7,505	976	8,481
Balance at the end of year		<u>\$ 32,669</u>	<u>\$ 22,108</u>	<u>\$ 54,777</u>

	<u>2020</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Balance beginning of year		\$ 14,291	\$ 32,063	\$ 46,354
New pledges		47,769	97,014	144,783
Collections on pledges		(31,840)	(46,945)	(78,785)
(Increase) decrease in allowance		(4,956)	2,817	(2,139)
Balance at the end of year		<u>\$ 25,264</u>	<u>\$ 84,949</u>	<u>\$ 110,213</u>

#### 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 is comprised of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Building		\$ 9,918,031	\$ 712,879	\$ 10,630,910
Equipment		6,989,733	658,148	7,647,881
Assets under construction		818,487	-	818,487
Total		17,726,251	1,371,027	19,097,278
Less accumulated depreciation		(12,688,754)	(1,055,123)	(13,743,877)
Total building and equipment, net		<u>\$ 5,037,497</u>	<u>\$ 315,904</u>	<u>\$ 5,353,401</u>

	<u>2020</u>	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Building		\$ 9,918,031	\$ 712,879	\$ 10,630,910
Equipment		9,018,130	658,148	9,676,278
Total		18,936,161	1,371,027	20,307,188
Less accumulated depreciation		(14,145,232)	(1,015,595)	(15,160,827)
Total building and equipment, net		<u>\$ 4,790,929</u>	<u>\$ 355,432</u>	<u>\$ 5,146,361</u>

Depreciation expense was \$510,027 (\$470,499 - WPSU-TV and \$39,528 - WPSU-FM) and \$571,305 (\$528,992 - WPSU-TV and \$42,313 - WPSU-FM) for the years ended June 30, 2021 and 2020, respectively.

#### 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 \$1,429,000 (\$1,387,000 – WPSU-TV and \$42,000 – WPSU-FM) and \$2,443,000 (\$2,395,000 – WPSU-TV and \$48,000 – WPSU-FM) for the fiscal years ended June 30, 2021 and 2020, respectively. Total receivables related to such production services, included in accounts receivable are approximately \$47,000 and \$82,000 for WPSU-TV at June 30, 2021 and 2020, respectively.

See note 2 for discussion of the cash and investment allocation from the University. WPSU-TV had a payable due to the University of \$68,971 and \$108,047 as of June 30, 2021 and 2020, respectively.

Including the contributed services discussed in Note 2, the University contributed approximately \$4,931,000 (\$4,797,000 – WPSU-TV and \$134,000 - WPSU-FM) and \$6,097,000 (\$5,821,000 – WPSU-TV and \$276,000 – WPSU-FM) through indirect and direct support for operating needs for the years ended June 30, 2021 and 2020, respectively.

## 6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Stations regularly monitor liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Stations consider all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Stations anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In the event that revenue does not cover expenditures, the University covers the deficit. Refer to the statement of cash flows, which identifies the sources and uses of the Stations cash for the years ended June 30, 2021 and 2020.

The Stations have designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of management.

The following reflects the Stations financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year. Certain long-term investments could be liquidated if needed based on the terms of their agreements.

As of June 30, 2021:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Total assets	\$ 14,246,893	\$ 1,448,491	\$ 15,695,384
Less:			
Prepaid expenses	88,281	87,901	176,182
Total investment in plant, net	5,037,497	315,904	5,353,401
Beneficial interest in perpetual trusts	87,872	87,872	175,744
Deferred production costs	1,799	-	1,799
Operating lease right-of-use assets	-	118,652	118,652
Total financial assets	<u>9,031,444</u>	<u>838,162</u>	<u>9,869,606</u>
Less:			
Noncurrent investments	1,544,660	809,226	2,353,886
Receivables subject to donor-imposed restrictions	<u>32,669</u>	<u>22,108</u>	<u>54,777</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,454,115</u>	<u>\$ 6,828</u>	<u>\$ 7,460,943</u>

As of June 30, 2020:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Total assets	\$ 12,099,072	\$ 1,155,757	\$ 13,254,829
Less:			
Prepaid expenses	93,956	76,739	170,695
Total investment in plant, net	4,790,929	355,432	5,146,361
Beneficial interest in perpetual trusts	74,582	74,582	149,164
Deferred production costs	<u>3,065</u>	<u>-</u>	<u>3,065</u>
Total financial assets	<u>7,136,540</u>	<u>649,004</u>	<u>7,785,544</u>
Less:			
Noncurrent investments	1,068,533	493,807	1,562,340
Receivables subject to donor-imposed restrictions	<u>25,264</u>	<u>84,949</u>	<u>110,213</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,042,743</u>	<u>\$ 70,248</u>	<u>\$ 6,112,991</u>

## 7. 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, 2021 and June 30, 2020, 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, 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 with donor restrictions 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 without donor restrictions due to the lack of external donor restrictions. Gains and losses attributable to permanent endowments are recorded as with donor restrictions net assets and gains and losses attributable to funds functioning as endowments are recorded as without donor restrictions net assets.

WPSU-TV endowment net asset composition by type of fund as of June 30, 2021 and 2020:

	<u>2021</u>	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds		\$ -	\$ 1,248,753	\$ 1,248,753
Funds functioning as endowments		44,202	-	44,202
Total net assets		<u>\$ 44,202</u>	<u>\$ 1,248,753</u>	<u>\$ 1,292,955</u>

  

	<u>2020</u>	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds		\$ -	\$ 889,902	\$ 889,902
Funds functioning as endowments		1,395	-	1,395
Total net assets		<u>\$ 1,395</u>	<u>\$ 889,902</u>	<u>\$ 891,297</u>



Changes in WPSU-TV endowment net assets for the years ended June 30, 2021 and 2020:

<u>2021</u>	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of the year	\$ 1,395	\$ 889,902	\$ 891,297
Endowment earnings	50,098	308,576	358,674
Endowment spending	(32,291)	-	(32,291)
Contributions	25,000	50,275	75,275
Endowment net assets, end of the year	<u>\$ 44,202</u>	<u>\$ 1,248,753</u>	<u>\$ 1,292,955</u>

<u>2020</u>	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of the year	\$ 1,370	\$ 873,544	\$ 874,914
Endowment earnings	31,331	16,358	47,689
Endowment spending	(31,306)	-	(31,306)
Contributions	-	-	-
Endowment net assets, end of the year	<u>\$ 1,395</u>	<u>\$ 889,902</u>	<u>\$ 891,297</u>

WPSU-FM endowment net asset composition by type of fund as of June 30, 2021 and 2020:

<u>2021</u>	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 605,320	\$ 605,320
Funds functioning as endowments	113,777	-	113,777
Total net assets	<u>\$ 113,777</u>	<u>\$ 605,320</u>	<u>\$ 719,097</u>

<u>2020</u>	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 433,769	\$ 433,769
Funds functioning as endowments	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ 433,769</u>	<u>\$ 433,769</u>

Changes in WPSU-FM endowment net assets for the years ended June 30, 2021 and 2020:

<u>2021</u>	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 433,769	\$ 433,769
Endowment earnings	62,656	145,550	208,206
Endowment spending	(15,378)	-	(15,378)
Contributions	66,500	26,000	92,500
Endowment net assets, end of the year	<u>\$ 113,778</u>	<u>\$ 605,319</u>	<u>\$ 719,097</u>

<u>2020</u>	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 333,129	\$ 333,129
Endowment earnings	13,807	25,044	38,851
Endowment spending	(13,807)	-	(13,807)
Contributions	-	75,596	75,596
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 433,769</u>	<u>\$ 433,769</u>

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, 2021 and 2020, respectively.

## 8. 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.

Fixed income investments are comprised of public and private fixed income strategies, which include government and corporate debt, mortgage-backed, and other asset-backed related debt. Equity investments include public and private strategies across global, U.S., developed non-U.S., and emerging markets. Real asset investments include public and private strategies utilizing both equity and debt structures that are focused on producing a positive real return during an inflationary environment. Real asset strategies include real estate, natural resources, and commodities. Opportunistic investments include public and private strategies utilizing both equity and debt structures that are expected to achieve absolute returns over longer periods of time and do not classify well into the other three investment types.

Public separate accounts hold public fixed income and equity investments owned by the Stations. Private separate accounts hold private fixed income and equity investments owned by the Stations. Public funds are commingled investment structures that are publicly listed and whose valuations are readily available. Private funds comprise commingled investment structures that are not publicly listed and are managed collectively following a prescribed investment strategy.

Private funds with redemption ability include private funds that the Stations have some discretion as to the timing of withdrawing money from the commingled fund. Redemptions vary from daily to quarterly with required notification of 90 days or less. Private funds without redemption ability include private funds that the Stations have no or very little discretion as to the timing of withdrawing money from the commingled fund. Realizations from these funds are received as the underlying investments are liquidated or distributed, typically within 10-15 years after initial commitment. Unfunded commitments represent remaining commitments of the Endowment Investments' drawdown funds as of June 30, 2021.

During 2021, the ownership structure of some of the Stations private assets were reassessed and moved from a private fund NAV classification to private separate account Level 3 classification to reflect direct ownership of the investments.

Certain reclassifications were made to 2020 information to conform to the 2021 presentation.

The following tables present information about WPSU-TV's financial assets and liabilities, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or net asset value (NAV) per share as of June 30, 2021 and 2020:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<u>Assets:</u>					
Endowment Investments:					
Fixed income					
Public separate accounts	\$ 35	\$ 116,991	\$ -	\$ -	\$ 117,026
Public funds	94,096	-	-	-	94,096
Private funds	-	-	-	82,716	82,716
Equity investments					
Public separate accounts	133,412	-	-	-	133,412
Private separate accounts	-	-	261	-	261
Public funds	197,323	-	-	-	197,323
Private funds	-	-	-	730,308	730,308
Real assets					
Public funds	17,300	-	-	-	17,300
Private funds	-	-	-	76,132	76,132
Opportunistic					
Private funds	-	-	-	96,086	96,086
Total	<u>\$ 442,166</u>	<u>\$ 116,991</u>	<u>\$ 261</u>	<u>\$ 985,242</u>	<u>\$ 1,544,660</u>

Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 87,872	\$ -	\$ 87,872
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Liabilities:

Present value of annuities payable	\$ -	\$ -	\$ 61,091	\$ -	\$ 61,091
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<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<u>Assets:</u>					
Endowment Investments:					
Fixed income					
Public separate accounts	\$ 33	\$ 111,110	\$ -	\$ -	\$ 111,143
Public funds	33,922	-	-	-	33,922
Private funds	-	-	-	84,171	84,171
Equity investments					
Public separate accounts	123,007	55	-	-	123,062
Private separate accounts	-	-	-	-	-
Public funds	131,867	-	-	-	131,867
Private funds	-	-	-	451,114	451,114
Real assets					
Public funds	8,330	-	-	-	8,330
Private funds	-	-	-	45,908	45,908
Opportunistic					
Private funds	-	-	-	79,016	79,016
Total	<u>\$ 297,159</u>	<u>\$ 111,165</u>	<u>\$ -</u>	<u>\$ 660,209</u>	<u>\$ 1,068,533</u>

Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 74,582	\$ -	\$ 74,582
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Liabilities:

Present value of annuities payable	\$ -	\$ -	\$ 58,179	\$ -	\$ 58,179
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The following tables present information related to changes in Level 3 for each category of financial assets and liabilities for WPSU-TV for the years ended June 30:

	Endowment Investments	Beneficial Interest in Perpetual Trusts
<u>Assets:</u>		
Balance as of June 30, 2019	\$ -	\$ 76,496
Total realized and unrealized losses	-	(1,914)
Net transfers in	-	-
Balance as of June 30, 2020	-	74,582
Total realized and unrealized gains	-	13,290
Net transfers in	261	-
Balance as of June 30, 2021	<u>\$ 261</u>	<u>\$ 87,872</u>
	<u>Present Value of Annuities Payable</u>	
<u>Liabilities:</u>		
Balance as of June 30, 2019	\$ 62,256	
Actuarial adjustment of liability	6,655	
Gifts	-	
Sales	(10,732)	
Balance as of June 30, 2020	58,179	
Actuarial adjustment of liability	14,274	
Gifts	-	
Sales	(11,362)	
Balance as of June 30, 2021	<u>\$ 61,091</u>	

The following table presents the fair value and redemption frequency for private funds' investments whose fair value is not readily determinable and is estimated using NAV or its equivalent for WPSU-TV as of June 30, 2021 and 2020:

	Ending Value		Unfunded Commitments	Redemption	Redemption
	2021	2020	At June 30, 2021	Frequency	Notice Period
Private Funds With Redemption Ability:					
Fixed income investments	\$ 58,879	\$ 60,516		Monthly	10 days
Equity investments	394,043	246,541		Daily/Monthly	
Real asset investments	27,277	10,313		Quarterly	2-90 days
Opportunistic investments	81,653	62,017		Daily/Monthly	Same day
Subtotal	<u>\$ 561,852</u>	<u>\$ 379,387</u>		Daily/Quarterly	0-90 days
Private Funds Without Redemption Ability:					
Fixed income investments	\$ 23,837	\$ 23,655	\$ 23,180		
Equity investments	336,265	204,573	87,586		
Real asset investments	48,854	35,595	32,278		
Opportunistic investments	14,434	16,999	6,308		
Subtotal	<u>\$ 423,390</u>	<u>\$ 280,822</u>	<u>\$ 149,352</u>		
Total	<u>\$ 985,242</u>	<u>\$ 660,209</u>	<u>\$ 149,352</u>		

The following tables present information about WPSU-FM's financial assets and liabilities, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or net asset value (NAV) per share as of June 30, 2021 and 2020:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<u>Assets:</u>					
Endowment Investments:					
Fixed income					
Public separate accounts	\$ 19	\$ 64,716	\$ -	\$ -	\$ 64,735
Public funds	38,724	-	-	-	38,724
Private funds	-	-	-	45,350	45,350
Equity investments					
Public separate accounts	74,200	-	-	-	74,200
Private separate accounts	-	-	145	-	145
Public funds	74,993	-	-	-	74,993
Private funds	-	-	-	405,711	405,711
Real assets					
Public funds	9,622	-	-	-	9,622
Private funds	-	-	-	42,306	42,306
Opportunistic					
Private funds	-	-	-	53,440	53,440
Total	<u>\$ 197,558</u>	<u>\$ 64,716</u>	<u>\$ 145</u>	<u>\$ 546,807</u>	<u>\$ 809,226</u>

Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 87,872	\$ -	\$ 87,872
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Liabilities:

Present value of annuities payable	\$ -	\$ -	\$ 25,153	\$ -	\$ 25,153
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<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<u>Assets:</u>					
Endowment Investments:					
Fixed income					
Public separate accounts	\$ 16	\$ 46,628	\$ -	\$ -	\$ 46,644
Public funds	15,968	-	-	-	15,968
Private funds	-	-	-	40,963	40,963
Equity investments					
Public separate accounts	59,864	27	-	-	59,891
Private separate accounts	-	-	-	-	-
Public funds	46,371	-	-	-	46,371
Private funds	-	-	-	219,232	219,232
Real assets					
Public funds	4,054	-	-	-	4,054
Private funds	-	-	-	22,229	22,229
Opportunistic					
Private funds	-	-	-	38,455	38,455
Total	<u>\$ 126,273</u>	<u>\$ 46,655</u>	<u>\$ -</u>	<u>\$ 320,879</u>	<u>\$ 493,807</u>

Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 74,582	\$ -	\$ 74,582
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Liabilities:

Present value of annuities payable	\$ -	\$ -	\$ 26,181	\$ -	\$ 26,181
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The following tables present information related to changes in Level 3 for each category of financial assets and liabilities for WPSU-FM for the years ended June 30:

	Endowment Investments	Beneficial Interest in Perpetual Trusts
<u>Assets:</u>		
Balance as of June 30, 2019	\$ -	\$ 76,496
Total realized and unrealized losses	-	(1,914)
Net transfers in	-	-
Balance as of June 30, 2020	-	74,582
Total realized and unrealized gains	-	13,290
Net transfers in	145	-
Balance as of June 30, 2021	<u>\$ 145</u>	<u>\$ 87,872</u>
	<u>Present Value of Annuities Payable</u>	
<u>Liabilities:</u>		
Balance as of June 30, 2019	\$ 27,212	
Actuarial adjustment of liability	2,369	
Gifts	-	
Sales	(3,400)	
Balance as of June 30, 2020	26,181	
Actuarial adjustment of liability	2,372	
Gifts	-	
Sales	(3,400)	
Balance as of June 30, 2021	<u>\$ 25,153</u>	

The following table presents the fair value and redemption frequency for private funds' investments whose fair value is not readily determinable and is estimated using NAV or its equivalent for WPSU-FM as of June 30, 2021 and 2020:

	Ending Value		Unfunded Commitments	Redemption	Redemption
	2021	2020	At June 30, 2021	Frequency	Notice Period
Private Funds With Redemption Ability:					
Fixed income investments	\$ 32,093	\$ 29,452		Monthly	10 days
Equity investments	219,154	119,984		Daily/Monthly	
Real asset investments	15,171	5,019		Quarterly	2-90 days
Opportunistic investments	45,412	30,182		Daily/Monthly	Same day
Subtotal	<u>\$ 311,830</u>	<u>\$ 184,637</u>		Daily/Quarterly	0-90 days
Private Funds Without Redemption Ability:					
Fixed income investments	\$ 13,257	\$ 11,512	\$ 12,892		
Equity investments	186,557	99,248	48,712		
Real asset investments	27,135	17,209	17,952		
Opportunistic investments	8,028	8,273	3,509		
Subtotal	<u>\$ 234,977</u>	<u>\$ 136,242</u>	<u>\$ 83,065</u>		
Total	<u>\$ 546,807</u>	<u>\$ 320,879</u>	<u>\$ 83,065</u>		

## 9. OPERATING LEASES

WPSU-FM has certain lease agreements in effect which are considered operating leases expiring at dates through 2026. These agreements are to rent space on broadcast transmission towers for translator antennas and to rent space for transmission equipment.

Future maturities of lease liabilities at June 30, 2021 are as follows:

<u>Year</u>	<u>Operating Leases</u>
2022	\$ 40,413
2023	38,458
2024	30,675
2025	6,182
2026	<u>6,182</u>
Total lease payments	121,910
Less amount representing interest	<u>(4,701)</u>
Total lease obligations	117,209
Current portion	<u>38,040</u>
Long-term portion	<u>\$ 79,169</u>

Operating lease expense for the year ended June 30, 2021 was \$43,406. The weighted-average remaining lease term was 3.27 years, and the weighted-average discount rate was 2.50% at June 30, 2021.

Supplemental cash flow information related to leases for the year ended June 30, 2021 is as follows:

Beginning operating lease ROU asset balance	158,038
Beginning operating lease liability balance	158,038
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	44,203

Future minimum lease payments under operating leases as of June 30, 2020 are as follows:

<u>Year</u>	
2021	\$ 45,074
2022	39,344
2023	39,344
2024	32,652
2025	7,092
Thereafter	<u>7,406</u>
Total minimum lease payments	<u>\$ 170,912</u>

The Station recorded expenses of \$44,907 for the year ended June 30, 2020.

## 10. FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

Functional expenses by natural classification for WPSU-TV as of June 30, 2021 and 2020 are as follows:

<u>2021</u>	<u>Programming and Other Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
Salaries and wages	\$ 3,166,109	\$ 340,967	\$ 376,503	\$ 3,883,579	\$ -	\$ 3,883,579
Benefits	1,063,965	117,170	129,252	1,310,387	-	1,310,387
Depreciation	328,979	103,713	37,807	470,499	-	470,499
Supplies, services, and other	<u>2,142,419</u>	<u>1,518,868</u>	<u>214,921</u>	<u>3,876,208</u>	-	<u>3,876,208</u>
Total	<u>\$ 6,701,472</u>	<u>\$ 2,080,718</u>	<u>\$ 758,483</u>	<u>\$ 9,540,673</u>	<u>\$ -</u>	<u>\$ 9,540,673</u>

<u>2020</u>	<u>Programming and Other Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
Salaries and wages	\$ 3,869,334	\$ 509,117	\$ 317,758	\$ 4,696,209	\$ -	\$ 4,696,209
Benefits	1,376,091	187,356	118,081	1,681,528	-	1,681,528
Depreciation	341,462	154,562	32,968	528,992	-	528,992
Supplies, services, and other	<u>2,434,008</u>	<u>2,655,886</u>	<u>279,219</u>	<u>5,369,113</u>	<u>(267,224)</u>	<u>5,101,889</u>
Total	<u>\$ 8,020,895</u>	<u>\$ 3,506,921</u>	<u>\$ 748,026</u>	<u>\$ 12,275,842</u>	<u>\$ (267,224)</u>	<u>\$ 12,008,618</u>

Functional expenses by natural classification for WPSU-FM as of June 30, 2021 and 2020 are as follows:

<u>2021</u>	<u>Programming and Other Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
Salaries and wages	\$ 405,656	\$ 91,025	\$ 109,969	\$ 606,650	\$ -	\$ 606,650
Benefits	129,183	31,749	38,047	198,979	-	198,979
Depreciation	26,060	8,988	4,480	39,528	-	39,528
Supplies, services, and other	<u>474,755</u>	<u>225,441</u>	<u>25,563</u>	<u>725,759</u>	-	<u>725,759</u>
Total	<u>\$ 1,035,654</u>	<u>\$ 357,203</u>	<u>\$ 178,059</u>	<u>\$ 1,570,916</u>	<u>\$ -</u>	<u>\$ 1,570,916</u>

<u>2020</u>	<u>Programming and Other Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
Salaries and wages	\$ 373,103	\$ 89,980	\$ 108,336	\$ 571,419	\$ -	\$ 571,419
Benefits	135,075	34,058	41,005	210,138	-	210,138
Depreciation	25,515	12,501	4,297	42,313	-	42,313
Supplies, services, and other	<u>522,110</u>	<u>380,346</u>	<u>24,186</u>	<u>926,642</u>	-	<u>926,642</u>
Total	<u>\$ 1,055,803</u>	<u>\$ 516,885</u>	<u>\$ 177,824</u>	<u>\$ 1,750,512</u>	<u>\$ -</u>	<u>\$ 1,750,512</u>

The costs of depreciation have been allocated across all functional expense categories to reflect the full cost of those activities and are allocated based on the total proportionate expenses of each functional classification

## 11. CONTINGENCIES AND COMMITMENTS

At June 30, 2021, there were no contingencies or commitments.

## 12. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the statement of financial position date through February 11, 2022, 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.



## **SUPPLEMENTARY INFORMATION**

WPSU-TV AND WPSU-FM  
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY  
THE PENNSYLVANIA STATE UNIVERSITY  
SUPPLEMENTAL COMBINING INFORMATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

	JUNE 30, 2021			JUNE 30, 2020		
	TV	FM	TOTAL	TV	FM	TOTAL
<b>Current assets:</b>						
Cash allocation from The Pennsylvania State University	\$ 7,177,601	\$ -	\$ 7,177,601	\$ 5,732,269	\$ -	\$ 5,732,269
Accounts receivable	276,514	6,828	283,342	310,474	70,248	380,722
Prepaid expense	67,165	87,901	155,066	58,489	76,739	135,228
Contributions receivable, net	23,399	22,108	45,507	15,994	84,949	100,943
<b>Total current assets</b>	<b>7,544,679</b>	<b>116,837</b>	<b>7,661,516</b>	<b>6,117,226</b>	<b>231,936</b>	<b>6,349,162</b>
<b>Noncurrent assets:</b>						
Deferred production costs	1,799	-	1,799	3,065	-	3,065
Contributions receivable, net	9,270	-	9,270	9,270	-	9,270
Prepaid expense	21,116	-	21,116	35,467	-	35,467
Property and equipment, net	5,037,497	315,904	5,353,401	4,790,929	355,432	5,146,361
Beneficial interest in perpetual trust	87,872	87,872	175,744	74,582	74,582	149,164
Investment allocation from The Pennsylvania State University	1,544,660	809,226	2,353,886	1,068,533	493,807	1,562,340
Operating lease right-of-use assets	-	118,652	118,652	-	-	-
<b>Total noncurrent assets</b>	<b>6,702,214</b>	<b>1,331,654</b>	<b>8,033,868</b>	<b>5,981,846</b>	<b>923,821</b>	<b>6,905,667</b>
<b>Total assets</b>	<b>\$ 14,246,893</b>	<b>\$ 1,448,491</b>	<b>\$ 15,695,384</b>	<b>\$ 12,099,072</b>	<b>\$ 1,155,757</b>	<b>\$ 13,254,829</b>
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	\$ 411,266	\$ 79,152	\$ 490,418	\$ 446,026	\$ 78,304	\$ 524,330
Due to The Pennsylvania State University	-	68,971	68,971	-	108,047	108,047
Deferred revenue	573,021	56,203	629,224	219,029	540	219,569
Operating lease liabilities	-	38,040	38,040	-	-	-
<b>Total current liabilities</b>	<b>984,287</b>	<b>242,366</b>	<b>1,226,653</b>	<b>665,055</b>	<b>186,891</b>	<b>851,946</b>
<b>Noncurrent liabilities:</b>						
Deferred revenue	-	-	-	-	-	-
Present value of annuities payable	61,091	25,153	86,244	58,179	26,181	84,360
Operating lease liabilities	-	79,169	79,169	-	-	-
<b>Total noncurrent liabilities</b>	<b>61,091</b>	<b>104,322</b>	<b>165,413</b>	<b>58,179</b>	<b>26,181</b>	<b>84,360</b>
<b>Total liabilities</b>	<b>1,045,378</b>	<b>346,688</b>	<b>1,392,066</b>	<b>723,234</b>	<b>213,072</b>	<b>936,306</b>
<b>Net assets:</b>						
Without donor restrictions	11,459,023	321,527	11,780,550	9,266,073	382,028	9,648,101
With donor restrictions	1,742,492	780,276	2,522,768	2,109,765	560,657	2,670,422
<b>Total net assets</b>	<b>13,201,515</b>	<b>1,101,803</b>	<b>14,303,318</b>	<b>11,375,838</b>	<b>942,685</b>	<b>12,318,523</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,246,893</b>	<b>\$ 1,448,491</b>	<b>\$ 15,695,384</b>	<b>\$ 12,099,072</b>	<b>\$ 1,155,757</b>	<b>\$ 13,254,829</b>

Refer to Independent Auditors' Report

**WPSU-TV AND WPSU-FM**  
**PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY**  
**THE PENNSYLVANIA STATE UNIVERSITY**  
**SUPPLEMENTAL COMBINING INFORMATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	JUNE 30, 2021				JUNE 30, 2020			
	TV	FM	Eliminations	TOTAL	TV	FM	Eliminations	TOTAL
<b>Changes in without donor restrictions net assets:</b>								
<b>Revenues, gains, and other support:</b>								
Contributions	\$ 7,107,494	\$ 1,075,896	\$ -	\$ 8,183,390	\$ 7,137,249	\$ 1,234,917	\$ -	\$ 8,372,166
Grants	2,189,157	313,536	-	2,502,693	1,833,193	262,892	-	2,096,085
Production services	1,436,017	-	-	1,436,017	2,473,466	-	-	2,473,466
Other revenue	166,474	102,534	-	269,008	251,427	49,916	-	301,343
Transfer from TV	-	-	-	-	-	267,224	(267,224)	-
Net assets released from restriction	834,481	18,449	-	852,930	5,021	11,063	-	16,084
<b>Total revenues, gains, and other support</b>	<b>11,733,623</b>	<b>1,510,415</b>	<b>-</b>	<b>13,244,038</b>	<b>11,700,356</b>	<b>1,826,012</b>	<b>(267,224)</b>	<b>13,259,144</b>
<b>Expenses and losses:</b>								
Programming and production	5,129,614	755,986	-	5,885,600	6,213,405	769,477	-	6,982,882
Broadcasting	947,207	279,667	-	1,226,874	1,088,526	285,629	-	1,374,155
Program information and promotion	523,231	-	-	523,231	445,679	696	-	446,375
Management and general	2,080,718	357,204	-	2,437,922	3,506,921	516,885	-	4,023,806
Fundraising and membership development	349,617	25,833	-	375,450	419,937	23,765	-	443,702
Underwriting and grant solicitation	408,866	152,226	-	561,092	328,089	154,060	-	482,149
Disposals of equipment	101,420	-	-	101,420	6,061	-	-	6,061
Transfer to FM	-	-	-	-	267,224	-	(267,224)	-
<b>Total expenses and losses</b>	<b>9,540,673</b>	<b>1,570,916</b>	<b>-</b>	<b>11,111,589</b>	<b>12,275,842</b>	<b>1,750,512</b>	<b>(267,224)</b>	<b>13,759,130</b>
<b>(Decrease) increase in without donor restrictions net assets</b>	<b>2,192,950</b>	<b>(60,501)</b>	<b>-</b>	<b>2,132,449</b>	<b>(575,486)</b>	<b>75,500</b>	<b>-</b>	<b>(499,986)</b>
<b>Changes in with donor restrictions net assets:</b>								
<b>Revenues, gains, and other support:</b>								
Contributions	73,785	48,108	-	121,893	19,447	73,045	-	92,492
Other revenue	40,515	17,159	-	57,674	1,595	314	-	1,909
Realized and unrealized gains on investments	367,182	175,172	-	542,354	4,728	19,744	-	24,472
Actuarial adjustment of annuities payable	(14,274)	(2,371)	-	(16,645)	(6,655)	(2,369)	-	(9,024)
Net assets released from restriction	(834,481)	(18,449)	-	(852,930)	(5,021)	(11,063)	-	(16,084)
<b>Total revenues, gains, and other support</b>	<b>(367,273)</b>	<b>219,619</b>	<b>-</b>	<b>(147,654)</b>	<b>14,094</b>	<b>79,671</b>	<b>-</b>	<b>93,765</b>
<b>(Decrease) increase in with donor restrictions net assets</b>	<b>(367,273)</b>	<b>219,619</b>	<b>-</b>	<b>(147,654)</b>	<b>14,094</b>	<b>79,671</b>	<b>-</b>	<b>93,765</b>
<b>Increase (decrease) in net assets</b>	<b>1,825,677</b>	<b>159,118</b>	<b>-</b>	<b>1,984,795</b>	<b>(561,392)</b>	<b>155,171</b>	<b>-</b>	<b>(406,221)</b>
<b>Net assets at the beginning of the year</b>	<b>11,375,838</b>	<b>942,685</b>	<b>-</b>	<b>12,318,523</b>	<b>11,937,230</b>	<b>787,514</b>	<b>-</b>	<b>12,724,744</b>
<b>Net assets at the end of the year</b>	<b>\$ 13,201,515</b>	<b>\$ 1,101,803</b>	<b>\$ -</b>	<b>\$ 14,303,318</b>	<b>\$ 11,375,838</b>	<b>\$ 942,685</b>	<b>\$ -</b>	<b>\$ 12,318,523</b>

**WPSU-TV AND WPSU-FM**  
**PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY**  
**THE PENNSYLVANIA STATE UNIVERSITY**  
**SUPPLEMENTAL COMBINING INFORMATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	JUNE 30, 2021			JUNE 30, 2020		
	TV	FM	TOTAL	TV	FM	TOTAL
<b>Cash flows from operating activities:</b>						
Increase (decrease) in net assets	\$ 1,825,677	\$ 159,118	\$ 1,984,795	\$ (561,392)	\$ 155,171	\$ (406,221)
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation expense	470,499	39,528	510,027	528,992	42,313	571,305
Noncash lease expense	-	(1,443)	(1,443)	-	-	-
Capital campaign contributions	(110)	-	(110)	(120)	-	(120)
Realized and unrealized gains on long-term investments	(384,989)	(222,450)	(607,439)	(4,753)	(19,744)	(24,497)
Disposals of equipment	101,420	-	101,420	6,061	-	6,061
Actuarial adjustment of annuities payable	14,274	2,371	16,645	6,655	2,369	9,024
Decrease (increase) in receivables	26,555	126,262	152,817	315,507	(123,134)	192,373
Decrease (increase) in prepaid expense	5,675	(11,162)	(5,487)	22,638	8,058	30,696
Decrease in deferred production costs	1,266	-	1,266	15,233	-	15,233
(Decrease) increase in accounts payable and accrued expenses	(34,760)	848	(33,912)	57,043	11,512	68,555
Increase (decrease) in deferred revenue	353,992	55,663	409,655	(279,015)	540	(278,475)
Decrease in amount due to The Pennsylvania State University	-	(39,076)	(39,076)	-	(1,176)	(1,176)
<b>Net cash provided by operating activities</b>	<b>2,379,499</b>	<b>109,659</b>	<b>2,489,158</b>	<b>106,849</b>	<b>75,909</b>	<b>182,758</b>
<b>Cash flows from investing activities:</b>						
Purchase of property and equipment	(818,487)	-	(818,487)	(71,924)	-	(71,924)
Purchase of investments	(104,428)	(106,259)	(210,687)	5,804	(72,509)	(66,705)
<b>Net cash used in investing activities</b>	<b>(922,915)</b>	<b>(106,259)</b>	<b>(1,029,174)</b>	<b>(66,120)</b>	<b>(72,509)</b>	<b>(138,629)</b>
<b>Cash flows from financing activities:</b>						
Capital campaign contributions	110	-	110	120	-	120
Payments of annuity obligations	(11,362)	(3,400)	(14,762)	(10,732)	(3,400)	(14,132)
<b>Net cash used in financing activities</b>	<b>(11,252)</b>	<b>(3,400)</b>	<b>(14,652)</b>	<b>(10,612)</b>	<b>(3,400)</b>	<b>(14,012)</b>
<b>Net increase in cash</b>	<b>1,445,332</b>	<b>0</b>	<b>1,445,332</b>	<b>30,117</b>	<b>-</b>	<b>30,117</b>
<b>Cash at the beginning of the year</b>	<b>5,732,269</b>	<b>-</b>	<b>5,732,269</b>	<b>5,702,152</b>	<b>-</b>	<b>5,702,152</b>
<b>Cash at the end of the year</b>	<b>\$ 7,177,601</b>	<b>\$ 0</b>	<b>\$ 7,177,601</b>	<b>\$ 5,732,269</b>	<b>\$ -</b>	<b>\$ 5,732,269</b>

Refer to Independent Auditors' Report