

**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, 2019 AND 2018**

**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

## **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, 2019 and 2018, 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, 2019 and 2018, 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.

## Emphasis of Matter

As described in Note 2 to the combined financial statements, in Fiscal Year 2019, the Stations adopted Accounting Standard Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*” and ASU 2016-14, “*Not-for-profit Entities; Presentation of Financial Statements of Not-for-profit Entities.*” Our opinion is not modified with respect to this matter.

## 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

January 10, 2020

WPSU-TV AND WPSU-FM  
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY  
THE PENNSYLVANIA STATE UNIVERSITY  
COMBINED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Current assets:</b>		
Cash allocation from The Pennsylvania State University	\$ 5,702,152	\$ 6,192,721
Accounts receivable	591,954	449,151
Prepaid expense	140,712	111,254
Contributions receivable, net	<u>37,084</u>	<u>40,597</u>
<b>Total current assets</b>	<u>6,471,902</u>	<u>6,793,723</u>
<b>Noncurrent assets:</b>		
Accounts receivable	45,000	255,000
Deferred production costs	18,298	18,428
Contributions receivable, net	9,270	9,270
Prepaid expense	60,678	23,289
Property and equipment, net	5,651,803	5,455,715
Beneficial interest in perpetual trust	152,992	153,342
Investment allocation from The Pennsylvania State University	<u>1,467,308</u>	<u>1,160,681</u>
<b>Total noncurrent assets</b>	<u>7,405,349</u>	<u>7,075,725</u>
<b>Total assets</b>	<u>\$ 13,877,251</u>	<u>\$ 13,869,448</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 455,772	\$ 434,635
Due to The Pennsylvania State University	109,223	443,215
Deferred revenue	<u>453,044</u>	<u>320,811</u>
<b>Total current liabilities</b>	<u>1,018,039</u>	<u>1,198,661</u>
<b>Noncurrent liabilities:</b>		
Deferred revenue	45,000	255,000
Present value of annuities payable	<u>89,468</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>134,468</u>	<u>255,000</u>
<b>Total liabilities</b>	<u>1,152,507</u>	<u>1,453,661</u>
<b>Net assets:</b>		
Without donor restrictions	10,148,087	11,053,236
With donor restrictions	<u>2,576,657</u>	<u>1,362,551</u>
<b>Total net assets</b>	<u>12,724,744</u>	<u>12,415,787</u>
<b>Total liabilities and net assets</b>	<u>\$ 13,877,251</u>	<u>\$ 13,869,448</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Changes in without donor restrictions net assets:</b>		
<b>Revenues, gains, and other support:</b>		
Contributions	\$ 6,224,986	\$ 6,365,578
Grants and contracts	1,682,629	1,832,157
Production services	2,117,824	1,872,884
Contribution of property	586,450	-
Other revenue	253,443	293,864
Net assets released from restriction	28,097	40,934
<b>Total revenues, gains, and other support</b>	<u>10,893,429</u>	<u>10,405,417</u>
<b>Expenses and losses:</b>		
Programming and production	6,911,829	7,173,585
Broadcasting	1,350,019	1,317,282
Program information and promotion	565,986	594,601
Management and general	1,990,929	1,940,185
Fundraising and membership development	466,681	492,440
Underwriting and grant solicitation	500,085	538,842
Disposals of equipment	13,049	1,305
<b>Total expenses and losses</b>	<u>11,798,578</u>	<u>12,058,240</u>
<b>Decrease in without donor restrictions net assets</b>	<u>(905,149)</u>	<u>(1,652,823)</u>
 <b>Changes in with donor restrictions net assets:</b>		
<b>Revenues, gains, and other support:</b>		
Contributions	1,046,107	68,692
Other revenue	11,713	-
Realized and unrealized gains on investments	49,576	47,626
Actuarial adjustment of annuities payable	134,807	-
Net assets released from restriction	(28,097)	(40,934)
<b>Total revenues, gains, and other support</b>	<u>1,214,106</u>	<u>75,384</u>
<b>Increase in with donor restrictions net assets</b>	<u>1,214,106</u>	<u>75,384</u>
 <b>Increase (decrease) in net assets</b>	308,957	(1,577,439)
<b>Net assets at the beginning of the year</b>	<u>12,415,787</u>	<u>13,993,226</u>
<b>Net assets at the end of the year</b>	<u>\$ 12,724,744</u>	<u>\$ 12,415,787</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 308,957	\$ (1,577,439)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	570,785	557,576
Capital campaign contributions	(1,000,120)	(120)
Contributions of property	(586,450)	-
Realized and unrealized gains on long-term investments	(49,607)	(42,229)
Disposals of equipment	13,049	1,305
Actuarial adjustment of annuities payable	103,443	-
Decrease (increase) in receivables	70,710	(333,711)
Increase in prepaid expense	(66,849)	(7,315)
Decrease in deferred production costs	131	176
Increase in accounts payable and accrued expenses	21,139	27,405
(Decrease) increase in deferred revenue	(77,768)	356,588
(Decrease) increase in amount due to The Pennsylvania State University	<u>(333,992)</u>	<u>352,516</u>
<b>Net cash used in operating activities</b>	<u>(1,026,572)</u>	<u>(665,248)</u>
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(193,472)	(103,066)
Purchase of investments	<u>(256,670)</u>	<u>(18,825)</u>
<b>Net cash used in investing activities</b>	<u>(450,142)</u>	<u>(121,891)</u>
 <b>Cash flows from financing activities:</b>		
Capital campaign contributions	1,000,120	120
Payments of annuity obligations	<u>(13,975)</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>986,145</u>	<u>120</u>
 <b>Net decrease in cash</b>	(490,569)	(787,019)
<b>Cash at the beginning of the year</b>	<u>6,192,721</u>	<u>6,979,740</u>
<b>Cash at the end of the year</b>	<u>\$ 5,702,152</u>	<u>\$ 6,192,721</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, 2019 and 2018**

**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 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.

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, 2019 and 2018. 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.

Revenue Recognition

Production services revenue consists of exchange transactions that fall under the scope of 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 year ended June 30, 2019 and 2018, revenue recognized from exchange transactions was \$2,117,824 and \$1,872,884, respectively. 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, 2019 and 2018, reimbursements related to expenditures incurred on production services contracts of \$274,812 and \$203,243, 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 \$187,344 and \$4,328 related to production services contracts are included in deferred revenue at June 30, 2019 and 2018, respectively. Receipts of \$383, included in deferred revenue at June 30, 2018, were recognized during the year ended June 30, 2019. Receipts of \$850, included in deferred revenue at June 30, 2017, were recognized during the year ended June 30, 2018. 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.

Investment allocation from The Pennsylvania State University (“investments”)

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 Station's investments are derived as a percentage of the 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 \$152,992 and \$153,342 for the years ended June 30, 2019 and 2018, 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.

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.

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, 2019:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>
Net assets without donor restrictions:		
Undesignated	\$ 4,586,131	\$ (91,218)
Funds functioning as endowments	1,370	-
Net investment in plant	<u>5,254,058</u>	<u>397,746</u>
Total net assets without donor restrictions	<u>\$ 9,841,559</u>	<u>\$ 306,528</u>

Net assets with donor restrictions:		
Endowment funds	\$ 873,544	\$ 333,129
Future contributions	14,291	32,063
Perpetual trust	76,496	76,496
Charitable gift annuities and charitable remainder trust	130,500	39,298
Contributions for property, plant and equipment	1,000,840	-
Total net assets with donor restrictions	<u>\$ 2,095,671</u>	<u>\$ 480,986</u>
Total net assets	<u>\$ 11,937,230</u>	<u>\$ 787,514</u>

Net assets consist of the following at June 30, 2018:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>
Net assets without donor restrictions:		
Undesignated	\$ 6,015,859	\$ (419,676)
Funds functioning as endowments	1,338	-
Net investment in plant	5,065,758	389,957
Total net assets without donor restrictions	<u>\$ 11,082,955</u>	<u>\$ (29,719)</u>
Net assets with donor restrictions:		
Endowment funds	\$ 846,538	\$ 312,805
Future contributions	27,163	22,703
Perpetual trust	76,671	76,671
Total net assets with donor restrictions	<u>\$ 950,372</u>	<u>\$ 412,179</u>
Total net assets	<u>\$ 12,033,327</u>	<u>\$ 382,460</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 for each of the years ended June 30, 2019 and 2018.

#### Grant and Contracts Revenues

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

#### Interest and Dividends

Included in other revenue is interest and dividends income of \$69,099 (\$52,213 - WPSU-TV and \$16,886 - WPSU-FM) for the year ended June 30, 2019 and \$48,708 (\$34,183 - WPSU-TV and \$14,525 - WPSU-FM) for the year ended June 30, 2018.

#### 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, 2019, included in contributions are donated facilities and in-kind contributions from The Pennsylvania State University of \$129,793 (\$89,018 – WPSU-TV and \$40,775 - WPSU-FM). For the year ended June 30, 2018, included in contributions are donated facilities and in-kind contributions from The Pennsylvania State University of \$166,714 (\$124,270 – WPSU-TV and \$42,444 - WPSU-FM).

Included in contributions are in-kind contributions from third parties, principally donated professional services, of \$270,551 (\$214,357 - WPSU-TV and \$56,194 - WPSU-FM) for the year ended June 30, 2019 and \$323,276 (\$252,007 - WPSU-TV and \$71,269 - WPSU-FM) for the year ended June 30, 2018.

### 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 2019 and 2018.

### 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. The Stations adopted this guidance during the year ended June 30, 2019. The adoption of this guidance had no material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, “*Leases.*” This update 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 lease assets and lease liabilities by lessees for those leases classified as operating under previous GAAP. This update is effective for the Stations beginning July 1, 2019 with early adoption permitted. The Stations are currently evaluating the impact this guidance may have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, “*Not-for-Profit Entities; Presentation of Financial Statements of Not-for-Profit Entities.*” This update 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 previously 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 update was effective for the Stations beginning July 1, 2018 and the financial statements reflect the updated guidance, including the additions of Notes 6 and 10. In addition, the adoption of this guidance resulted in the following net asset reclassifications as of June 30, 2017:

<u>WPSU-TV Net Asset Classifications</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
As previously presented:			
Unrestricted	\$ 11,082,955	\$ -	\$ 11,082,955
Temporarily restricted	-	175,307	175,307
Permanently restricted	-	775,065	775,065
Net assets, as reclassified	<u>\$ 11,082,955</u>	<u>\$ 950,372</u>	<u>\$ 12,033,327</u>
<u>WPSU-FM Net Asset Classifications</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
As previously presented:			
Unrestricted	\$ (29,719)	\$ -	\$ (29,719)
Temporarily restricted	-	80,863	80,863
Permanently restricted	-	331,316	331,316
Net assets, as reclassified	<u>\$ (29,719)</u>	<u>\$ 412,179</u>	<u>\$ 382,460</u>

### 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, 2019 are expected to be realized as follows:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
In one year or less	\$ 11,842	\$ 36,458	\$ 48,300
More than five years	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Contributions receivable, gross	31,842	36,458	68,300
Less allowance	(6,821)	(4,395)	(11,216)
Less discount	<u>(10,730)</u>	<u>-</u>	<u>(10,730)</u>
Contributions receivable, net	\$ <u>14,291</u>	\$ <u>32,063</u>	\$ <u>46,354</u>

Contributions receivable as of June 30, 2018 are expected to be realized as follows:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
In one year or less	\$ 28,053	\$ 25,416	\$ 53,469
More than five years	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Contributions receivable, gross	48,053	25,416	73,469
Less allowance	(10,159)	(2,713)	(12,872)
Less discount	<u>(10,730)</u>	<u>-</u>	<u>(10,730)</u>
Contributions receivable, net	\$ <u>27,164</u>	\$ <u>22,703</u>	\$ <u>49,867</u>

At June 30, 2019, the Stations have received bequest intentions of \$800,000 for WPSU-TV and \$1,281,536 for WPSU-FM. These bequest intentions are not included in the financial statements.

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2019:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Balance beginning of year	\$ 27,164	\$ 22,703	\$ 49,867
New pledges	23,511	51,003	74,514
Collections on pledges	(39,722)	(39,961)	(79,683)
Decrease (increase) in allowance	<u>3,338</u>	<u>(1,682)</u>	<u>1,656</u>
Balance at the end of year	\$ <u>14,291</u>	\$ <u>32,063</u>	\$ <u>46,354</u>

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2018:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Balance beginning of year	\$ 18,558	\$ 22,376	\$ 40,934
New pledges	60,190	37,082	97,272
Collections on pledges	(43,298)	(38,937)	(82,235)
Decrease in allowance	2,444	2,182	4,626
Increase in discount	<u>(10,730)</u>	<u>-</u>	<u>(10,730)</u>
Balance at the end of year	\$ <u>27,164</u>	\$ <u>22,703</u>	\$ <u>49,867</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 as of June 30, 2019 is comprised of the following:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Building	\$ 9,918,031	\$ 712,879	\$ 10,630,910
Equipment	<u>9,067,419</u>	<u>658,148</u>	<u>9,725,567</u>
Total	18,985,450	1,371,027	20,356,477
Less accumulated depreciation	<u>(13,731,392)</u>	<u>(973,282)</u>	<u>(14,704,674)</u>
Total building and equipment, net	\$ <u>5,254,058</u>	\$ <u>397,745</u>	\$ <u>5,651,803</u>

Total property and equipment as of June 30, 2018 is comprised of the following:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Building	\$ 9,373,466	\$ 670,994	\$ 10,044,460
Equipment	<u>9,141,177</u>	<u>651,898</u>	<u>9,793,075</u>
Total	18,514,643	1,322,892	19,837,535
Less accumulated depreciation	<u>(13,448,885)</u>	<u>(932,935)</u>	<u>(14,381,820)</u>
Total building and equipment, net	\$ <u>5,065,758</u>	\$ <u>389,957</u>	\$ <u>5,455,715</u>

Depreciation expense was \$529,108 for WPSU-TV and \$41,677 for WPSU-FM for the year ended June 30, 2019 and \$512,699 for WPSU-TV and \$44,877 for WPSU-FM for the year ended June 30, 2018.

The University donated additional building costs for the Outreach Building in the amount of \$586,450 (\$544,565 for WPSU-TV and \$41,885 for WPSU-FM) for the year ended June 30, 2019 and these donations are included in contributions of property in the combined statements of activities. No donations were made for the year ended June 30, 2018.

#### 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 \$2,031,000 and \$65,000 for WPSU-TV and WPSU-FM, respectively, for the fiscal year ended June 30, 2019 and \$1,823,000 and \$60,000 for WPSU-TV and WPSU-FM, respectively, for the fiscal year ended June 30, 2018. Total receivables related to such production services, included in accounts receivable are approximately \$265,000 and \$191,000 for WPSU-TV at June 30, 2019 and June 30, 2018, respectively.

Including the contributed services discussed in Note 2, the University contributed approximately \$4,188,000 and \$41,000 to WPSU-TV and WPSU-FM, respectively, through indirect and direct support for operating needs for the year ended June 30, 2019 and approximately \$4,224,000 and \$42,000 to WPSU-TV and WPSU-FM, respectively, for the year ended June 30, 2018.

#### 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 year ended June 30, 2019.

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.

	<u>WPSU-TV</u>	<u>WPSU-FM</u>	<u>Total</u>
Total assets	\$ 12,886,511	\$ 990,740	\$ 13,877,251
Less:			
Prepaid expenses	116,593	84,797	201,390
Total investment in plant, net	5,254,058	397,745	5,651,803
Beneficial interest in perpetual trusts	76,496	76,496	152,992
Deferred production costs	<u>18,298</u>	<u>-</u>	<u>18,298</u>
Total financial assets	7,421,066	431,702	7,852,768
Less:			
Noncurrent investments	1,067,669	399,639	1,467,308
Receivables subject to donor-imposed restrictions	<u>14,291</u>	<u>32,063</u>	<u>46,354</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>6,339,106</u>	\$ <u>-</u>	\$ <u>6,339,106</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, 2019 and June 30, 2018, 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 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, 2019 and 2018:

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 873,544	\$ 873,544
Funds functioning as endowments	<u>1,370</u>	<u>-</u>	<u>1,370</u>
Total net assets	<u>\$ 1,370</u>	<u>\$ 873,544</u>	<u>\$ 874,914</u>

<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 846,538	\$ 846,538
Funds functioning as endowments	<u>1,338</u>	<u>-</u>	<u>1,338</u>
Total net assets	<u>\$ 1,338</u>	<u>\$ 846,538</u>	<u>\$ 847,876</u>

Changes in WPSU-TV endowment net assets for the years ended June 30, 2019 and 2018:

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 1,338	\$ 846,538	\$ 847,876
Endowment return:			
Endowment earnings	30,076	20,406	50,482
Endowment spending	(32,544)	-	(32,544)
Contributions	<u>2,500</u>	<u>6,600</u>	<u>9,100</u>
Endowment net assets, end of the year	<u>\$ 1,370</u>	<u>\$ 873,544</u>	<u>\$ 847,914</u>

<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 6,737	\$ 800,994	\$ 807,731
Endowment return:			
Endowment earnings	25,712	32,969	58,681
Endowment spending	(31,111)	-	(31,111)
Contributions	<u>-</u>	<u>12,575</u>	<u>12,575</u>
Endowment net assets, end of the year	<u>\$ 1,338</u>	<u>\$ 846,538</u>	<u>\$ 847,876</u>

WPSU-FM endowment net asset composition by type of fund as of June 30, 2019 and 2018:

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 333,129	\$ 333,129
Total net assets	<u>\$ -</u>	<u>\$ 333,129</u>	<u>\$ 333,129</u>

<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 312,805	\$ 312,805
Total net assets	<u>\$ -</u>	<u>\$ 312,805</u>	<u>\$ 312,805</u>

Changes in WPSU-FM endowment net assets for the years ended June 30, 2019 and 2018:

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 312,805	\$ 312,805
Endowment return:			
Endowment earnings	10,879	9,574	20,453
Endowment spending	(10,879)	-	(10,879)
Contributions	<u>-</u>	<u>10,750</u>	<u>10,750</u>
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 333,129</u>	<u>\$ 333,129</u>

<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 296,373	\$ 296,373
Endowment return:			
Endowment earnings	10,469	10,182	20,651
Endowment spending	(10,469)	-	(10,469)
Contributions	<u>-</u>	<u>6,250</u>	<u>6,250</u>
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 312,805</u>	<u>\$ 312,805</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, 2019 and 2018, 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.

The following table presents information as of June 30, 2019 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 <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	<u>Total Fair Value</u>
Endowment investments:				
Money markets	\$ 32,296	\$ 7,711	\$ -	\$ 40,007
Fixed income				
U.S. government/agency	101	38,337	-	38,438
U.S. corporate	-	37,929	-	37,929
Foreign	-	20,424	-	20,424
Other	-	19,394	-	19,394
Equities	<u>304,756</u>	<u>923</u>	-	<u>305,679</u>
Total	<u>\$ 337,153</u>	<u>\$ 124,718</u>	<u>\$ -</u>	<u>\$ 461,871</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 76,496	\$ 76,496

The table above excludes investments of \$605,798 which are measured at Net Asset Value ("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, 2019:

	Beneficial Interest in Perpetual Trust <u>Trust</u>
Beginning balance	\$ 76,671
Total unrealized losses	<u>( 175)</u>
Ending balance	<u>\$ 76,496</u>

The following table presents information as of June 30, 2019 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 <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total <u>Fair Value</u>
Endowment investments:				
Money markets	\$ 12,155	\$ 2,936	\$ -	\$ 15,091
Fixed income				
U.S. government/agency	35	13,959	-	13,994
U.S. corporate	-	13,581	-	13,581
Foreign	-	7,460	-	7,460
Other	-	7,286	-	7,286
Equities	<u>111,327</u>	<u>352</u>	-	<u>111,679</u>
Total	<u>\$ 123,517</u>	<u>\$ 45,574</u>	<u>\$ -</u>	<u>\$ 169,091</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 76,496	\$ 76,496

The table above excludes investments of \$230,548 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, 2019:

	Beneficial Interest in Perpetual <u>Trust</u>
Beginning balance	\$ 76,671
Total unrealized losses	<u>( 175)</u>
Ending balance	<u>\$ 76,496</u>

The following table presents information as of June 30, 2018 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 <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total <u>Fair Value</u>
Endowment investments:				
Money markets	\$ 30,015	\$ 149	\$ -	\$ 30,164
Fixed income				
U.S. government/agency	-	16,959	-	16,959
U.S. corporate	-	30,149	-	30,149
Foreign	-	13,897	-	13,897
Other	-	17,937	-	17,937
Equities	<u>180,281</u>	<u>17</u>	-	<u>180,298</u>
Total	<u>\$ 210,296</u>	<u>\$ 79,108</u>	<u>\$ -</u>	<u>\$ 289,404</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 76,671	\$ 76,671

The table above excludes investments of \$558,472 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, 2018:

	Beneficial Interest in Perpetual Trust
Beginning balance	\$ 74,433
Total unrealized gains	<u>2,238</u>
Ending balance	<u>\$ 76,671</u>

The following table presents information as of June 30, 2018 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 <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total <u>Fair Value</u>
Endowment investments:				
Money markets	\$ 11,073	\$ 55	\$ -	\$ 11,128
Fixed income				
U.S. government/agency	-	6,257	-	6,257
U.S. corporate	-	11,123	-	11,123
Foreign	-	5,127	-	5,127
Other	-	6,617	-	6,617
Equities	<u>66,511</u>	<u>6</u>	<u>-</u>	<u>66,517</u>
Total	<u>\$ 77,584</u>	<u>\$ 29,185</u>	<u>\$ -</u>	<u>\$ 106,769</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 76,671	\$ 76,671

The table above excludes investments of \$206,036 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, 2018:

	Beneficial Interest in Perpetual Trust
Beginning balance	\$ 74,433
Total unrealized gains	<u>2,238</u>
Ending balance	<u>\$ 76,671</u>

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, 2019 and 2018:

	<u>Fair Value</u> <u>2019</u>	<u>Fair Value</u> <u>2018</u>	<u>Unfunded</u> <u>Commitment</u> <u>At June 30, 2019</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Commingled Funds:					
U.S. Equity	\$ 50,530	\$ -		Monthly	30 days
Non-U.S. Equity	<u>133,449</u>	<u>183,397</u>		Quarterly/ Daily/Monthly	5-90 days
Subtotal	<u>\$ 183,979</u>	<u>\$ 183,397</u>			
Marketable Investment Partnerships:					
Absolute Return	\$ 11,907	\$ 11,772		Quarterly	60 days
Distressed Debt	10,488	10,741		Quarterly/ Semi Annual	60-90 days
Commodities	13,603	16,380		Monthly	30-60 days
Opportunistic	56,032	53,156		Monthly/ Quarterly/ Annually	30-90 days
Directional Long/Short	<u>55,417</u>	<u>59,932</u>		Monthly	30 days
Subtotal	<u>\$ 147,447</u>	<u>\$ 151,981</u>			
Non-Marketable Investment Partnerships:					
Private Real Estate	\$ 11,802	\$ 13,137	\$ 17,307		
Venture Capital	102,104	75,913	35,052		
Private Equity	98,619	77,311	59,481		
Natural Resources	25,732	28,159	11,159		
Private Debt	<u>36,115</u>	<u>28,574</u>	<u>45,448</u>		
Subtotal	<u>\$ 274,372</u>	<u>\$ 223,094</u>	<u>\$ 168,447</u>		
Total	<u>\$ 605,798</u>	<u>\$ 558,472</u>	<u>\$ 168,447</u>		

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, 2019 and 2018:

	Fair Value <u>2019</u>	Fair Value <u>2018</u>	Unfunded Commitment <u>At June 30, 2019</u>	Redemption Frequency	Redemption Notice Period
Commingled Funds:					
U.S. Equity	\$ 19,239	\$ -		Monthly	30 days
Non-U.S. Equity	<u>50,812</u>	<u>67,660</u>		Quarterly/ Daily/Monthly	5-90 days
Subtotal	<u>\$ 70,051</u>	<u>\$ 67,660</u>			
Marketable Investment Partnerships:					
Absolute Return	\$ 4,534	\$ 4,343		Quarterly	60 days
Distressed Debt	3,993	3,963		Quarterly/ Semi Annual	60-90 days
Commodities	5,179	6,043		Monthly	30-60 days
Opportunistic	21,335	19,611		Monthly/ Quarterly/ Annually	30-90 days
Directional Long/Short	<u>21,100</u>	<u>22,110</u>		Monthly	30 days
Subtotal	<u>\$ 56,141</u>	<u>\$ 56,070</u>			
Non-Marketable Investment Partnerships:					
Private Real Estate	\$ 4,462	\$ 4,846	\$ 6,590		
Venture Capital	38,877	28,007	13,346		
Private Equity	37,468	28,522	22,647		
Natural Resources	9,798	10,389	4,249		
Private Debt	<u>13,751</u>	<u>10,542</u>	<u>17,305</u>		
Subtotal	<u>\$ 104,356</u>	<u>\$ 82,306</u>	<u>\$ 64,137</u>		
Total	<u>\$ 230,548</u>	<u>\$ 206,036</u>	<u>\$ 64,137</u>		

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. U.S. equity strategies aim to diversify sources of return by investing in various U.S. equity vehicles. 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 LTIP's share holdings in the fund. Five major investment strategies are included within this category. Absolute Return refers to relative value strategies. 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. Opportunistic refers to global multi-strategy. Directional refers to equity long/short strategies in both U.S. and non-U.S. markets.

Non-Marketable 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 LTIP'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 LTIP's drawdown funds as of June

30, 2019. 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.

## 9. 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 \$44,322 and \$45,543 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under operating leases as of June 30, 2019 are as follows:

<u>Year</u>	
2020	\$ 44,921
2021	45,088
2022	41,767
2023	39,344
2024	32,652
Thereafter	<u>15,637</u>
Total minimum lease payments	<u>\$ 219,409</u>

## 10. FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

Functional expenses by natural classification for WPSU-TV as of June 30, 2019 are as follows:

	<u>Programming and Other Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,792,660	\$ 417,431	\$ 344,455	\$ 4,554,546
Benefits	1,389,791	156,269	131,343	1,677,403
Depreciation	399,141	90,031	39,936	529,108
Supplies, services, and other	<u>3,054,964</u>	<u>1,093,196</u>	<u>263,625</u>	<u>4,411,785</u>
Total	<u>\$ 8,636,556</u>	<u>\$ 1,756,927</u>	<u>\$ 779,359</u>	<u>\$11,172,842</u>

Total expenses by natural classification for WPSU-TV as of June 30, 2018 are as follows:

	<u>Total</u>
Salaries and wages	\$ 4,442,556
Benefits	1,753,388
Depreciation	512,699
Supplies, services, and other	<u>3,911,720</u>
Total	<u>\$10,620,363</u>

Functional expenses by natural classification for WPSU-FM as of June 30, 2019 are as follows:

	Programming and Other <u>Activities</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 362,338	\$ 92,317	\$ 104,631	\$ 559,286
Benefits	136,696	35,976	40,775	213,447
Depreciation	29,648	6,679	5,350	41,677
Supplies, services, and other	510,070	99,030	36,651	645,751
Total	<u>\$ 1,038,752</u>	<u>\$ 234,002</u>	<u>\$ 187,407</u>	<u>\$ 1,460,161</u>

Total expenses by natural classification for WPSU-FM as of June 30, 2018 are as follows:

	<u>Total</u>
Salaries and wages	\$ 553,888
Benefits	215,273
Depreciation	44,876
Supplies, services, and other	623,840
Total	<u>\$ 1,437,877</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, 2019, WPSU-TV had an outstanding balance of \$26,531 of a \$48,238 contract related to a WPSU-TV audience study. The station anticipates the study will be completed in fiscal year 2020.

#### 12. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the statement of financial position date through January 10, 2020, 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, 2019 AND 2018

	JUNE 30, 2019			JUNE 30, 2018		
	TV	FM	TOTAL	TV	FM	TOTAL
<b>Current assets:</b>						
Cash allocation from The Pennsylvania State University	\$ 5,702,152	\$ -	\$ 5,702,152	\$ 6,192,721	\$ -	\$ 6,192,721
Accounts receivable	591,954	-	591,954	449,151	-	449,151
Prepaid expense	55,915	84,797	140,712	34,326	76,928	111,254
Contributions receivable, net	5,021	32,063	37,084	17,894	22,703	40,597
<b>Total current assets</b>	<u>6,355,042</u>	<u>116,860</u>	<u>6,471,902</u>	<u>6,694,092</u>	<u>99,631</u>	<u>6,793,723</u>
<b>Noncurrent assets:</b>						
Accounts receivable	45,000	-	45,000	255,000	-	255,000
Deferred production costs	18,298	-	18,298	18,428	-	18,428
Contributions receivable, net	9,270	-	9,270	9,270	-	9,270
Prepaid expense	60,678	-	60,678	23,289	-	23,289
Property and equipment, net	5,254,058	397,745	5,651,803	5,065,758	389,957	5,455,715
Beneficial interest in perpetual trust	76,496	76,496	152,992	76,671	76,671	153,342
Investment allocation from The Pennsylvania State University	1,067,669	399,639	1,467,308	847,876	312,805	1,160,681
<b>Total noncurrent assets</b>	<u>6,531,469</u>	<u>873,880</u>	<u>7,405,349</u>	<u>6,296,292</u>	<u>779,433</u>	<u>7,075,725</u>
<b>Total assets</b>	<u>\$ 12,886,511</u>	<u>\$ 990,740</u>	<u>\$ 13,877,251</u>	<u>\$ 12,990,384</u>	<u>\$ 879,064</u>	<u>\$ 13,869,448</u>
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	\$ 388,981	\$ 66,791	\$ 455,772	\$ 382,546	\$ 52,089	\$ 434,635
Due to The Pennsylvania State University	-	109,223	109,223	-	443,215	443,215
Deferred revenue	453,044	-	453,044	319,511	1,300	320,811
<b>Total current liabilities</b>	<u>842,025</u>	<u>176,014</u>	<u>1,018,039</u>	<u>702,057</u>	<u>496,604</u>	<u>1,198,661</u>
<b>Noncurrent liabilities:</b>						
Deferred revenue	45,000	-	45,000	255,000	-	255,000
Present value of annuities payable	62,256	27,212	89,468	-	-	-
<b>Total noncurrent liabilities</b>	<u>107,256</u>	<u>27,212</u>	<u>134,468</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
<b>Total liabilities</b>	<u>949,281</u>	<u>203,226</u>	<u>1,152,507</u>	<u>957,057</u>	<u>496,604</u>	<u>1,453,661</u>
<b>Net assets:</b>						
Without donor restrictions	9,841,559	306,528	10,148,087	11,082,955	(29,719)	11,053,236
With donor restrictions	2,095,671	480,986	2,576,657	950,372	412,179	1,362,551
<b>Total net assets</b>	<u>11,937,230</u>	<u>787,514</u>	<u>12,724,744</u>	<u>12,033,327</u>	<u>382,460</u>	<u>12,415,787</u>
<b>Total liabilities and net assets</b>	<u>\$ 12,886,511</u>	<u>\$ 990,740</u>	<u>\$ 13,877,251</u>	<u>\$ 12,990,384</u>	<u>\$ 879,064</u>	<u>\$ 13,869,448</u>

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, 2019 AND 2018

	JUNE 30, 2019				JUNE 30, 2018		
	TV	FM	Eliminations	TOTAL	TV	FM	TOTAL
<b>Changes in without donor restrictions net assets:</b>							
<b>Revenues, gains, and other support:</b>							
Contributions	\$ 5,518,144	\$ 706,842	\$ -	\$ 6,224,986	\$ 5,560,760	\$ 804,818	\$ 6,365,578
Grants and contracts	1,532,290	150,339	-	1,682,629	1,646,456	185,701	1,832,157
Production services	2,117,824	-	-	2,117,824	1,872,884	-	1,872,884
Contribution of property	544,565	41,885	-	586,450	-	-	-
Other revenue	206,979	46,464	-	253,443	247,339	46,525	293,864
Transfer from TV	-	834,425	(834,425)	-	-	-	-
Net assets released from restriction	11,644	16,453	-	28,097	18,558	22,376	40,934
<b>Total revenues, gains, and other support</b>	<b>9,931,446</b>	<b>1,796,408</b>	<b>(834,425)</b>	<b>10,893,429</b>	<b>9,345,997</b>	<b>1,059,420</b>	<b>10,405,417</b>
<b>Expenses and losses:</b>							
Programming and production	6,154,497	757,332	-	6,911,829	6,452,270	721,315	7,173,585
Broadcasting	1,071,093	278,926	-	1,350,019	1,038,362	278,920	1,317,282
Program information and promotion	563,562	2,424	-	565,986	593,651	950	594,601
Management and general	1,756,927	234,002	-	1,990,929	1,697,165	243,020	1,940,185
Fundraising and membership development	430,016	36,665	-	466,681	451,092	41,348	492,440
Underwriting and grant solicitation	349,343	150,742	-	500,085	386,518	152,324	538,842
Disposals of equipment	12,979	70	-	13,049	1,305	-	1,305
Transfer to FM	834,425	-	(834,425)	-	-	-	-
<b>Total expenses and losses</b>	<b>11,172,842</b>	<b>1,460,161</b>	<b>(834,425)</b>	<b>11,798,578</b>	<b>10,620,363</b>	<b>1,437,877</b>	<b>12,058,240</b>
<b>(Decrease) Increase in without donor restrictions net assets</b>	<b>(1,241,396)</b>	<b>336,247</b>	<b>-</b>	<b>(905,149)</b>	<b>(1,274,366)</b>	<b>(378,457)</b>	<b>(1,652,823)</b>
<b>Changes in with donor restrictions net assets:</b>							
<b>Revenues, gains, and other support:</b>							
Contributions	1,009,544	36,563	-	1,046,107	39,738	28,954	68,692
Other revenue	9,291	2,422	-	11,713	-	-	-
Realized and unrealized gains on investments	35,150	14,426	-	49,576	35,207	12,419	47,626
Actuarial adjustment of annuities payable	102,958	31,849	-	134,807	-	-	-
Net assets released from restriction	(11,644)	(16,453)	-	(28,097)	(18,558)	(22,376)	(40,934)
<b>Total revenues, gains, and other support</b>	<b>1,145,299</b>	<b>68,807</b>	<b>-</b>	<b>1,214,106</b>	<b>56,387</b>	<b>18,997</b>	<b>75,384</b>
<b>Increase in with donor restrictions net assets</b>	<b>1,145,299</b>	<b>68,807</b>	<b>-</b>	<b>1,214,106</b>	<b>56,387</b>	<b>18,997</b>	<b>75,384</b>
<b>(Decrease) Increase in net assets</b>	<b>(96,097)</b>	<b>405,054</b>	<b>-</b>	<b>308,957</b>	<b>(1,217,979)</b>	<b>(359,460)</b>	<b>(1,577,439)</b>
<b>Net assets at the beginning of the year</b>	<b>12,033,327</b>	<b>382,460</b>	<b>-</b>	<b>12,415,787</b>	<b>13,251,306</b>	<b>741,920</b>	<b>13,993,226</b>
<b>Net assets at the end of the year</b>	<b>\$ 11,937,230</b>	<b>\$ 787,514</b>	<b>\$ -</b>	<b>\$ 12,724,744</b>	<b>\$ 12,033,327</b>	<b>\$ 382,460</b>	<b>\$ 12,415,787</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, 2019 AND 2018**

	JUNE 30, 2019			JUNE 30, 2018		
	TV	FM	TOTAL	TV	FM	TOTAL
<b>Cash flows from operating activities:</b>						
(Decrease) increase in net assets	\$ (96,097)	\$ 405,054	\$ 308,957	\$ (1,217,979)	\$ (359,460)	\$ (1,577,439)
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation expense	529,108	41,677	570,785	512,699	44,877	557,576
Capital campaign contributions	(1,000,120)	-	(1,000,120)	(120)	-	(120)
Contributions of property	(544,565)	(41,885)	(586,450)	-	-	-
Realized and unrealized gains on long-term investments	(35,181)	(14,426)	(49,607)	(29,809)	(12,420)	(42,229)
Disposals of equipment	12,979	70	13,049	1,305	-	1,305
Actuarial adjustment of annuities payable	72,831	30,612	103,443	-	-	-
Decrease (increase) in receivables	80,070	(9,360)	70,710	(337,182)	3,471	(333,711)
(Increase) decrease in prepaid expense	(58,980)	(7,869)	(66,849)	(28,757)	21,442	(7,315)
Decrease in deferred production costs	131	-	131	176	-	176
Increase in accounts payable and accrued expenses	6,437	14,702	21,139	20,579	6,826	27,405
(Decrease) increase in deferred revenue	(76,468)	(1,300)	(77,768)	355,288	1,300	356,588
(Decrease) increase in amount due to The Pennsylvania State University	-	(333,992)	(333,992)	-	352,516	352,516
<b>Net cash (used in) provided by operating activities</b>	<b>(1,109,855)</b>	<b>83,283</b>	<b>(1,026,572)</b>	<b>(723,800)</b>	<b>58,552</b>	<b>(665,248)</b>
<b>Cash flows from investing activities:</b>						
Purchase of property and equipment	(185,822)	(7,650)	(193,472)	(50,764)	(52,302)	(103,066)
Purchase of investments	(184,437)	(72,233)	(256,670)	(12,575)	(6,250)	(18,825)
<b>Net cash used in investing activities</b>	<b>(370,259)</b>	<b>(79,883)</b>	<b>(450,142)</b>	<b>(63,339)</b>	<b>(58,552)</b>	<b>(121,891)</b>
<b>Cash flows from financing activities:</b>						
Capital campaign contributions	1,000,120	-	1,000,120	120	-	120
Payments of annuity obligations	(10,575)	(3,400)	(13,975)	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>989,545</b>	<b>(3,400)</b>	<b>986,145</b>	<b>120</b>	<b>-</b>	<b>120</b>
<b>Net decrease in cash</b>	<b>(490,569)</b>	<b>-</b>	<b>(490,569)</b>	<b>(787,019)</b>	<b>-</b>	<b>(787,019)</b>
<b>Cash at the beginning of the year</b>	<b>6,192,721</b>	<b>-</b>	<b>6,192,721</b>	<b>6,979,740</b>	<b>-</b>	<b>6,979,740</b>
<b>Cash at the end of the year</b>	<b>\$ 5,702,152</b>	<b>\$ -</b>	<b>\$ 5,702,152</b>	<b>\$ 6,192,721</b>	<b>\$ -</b>	<b>\$ 6,192,721</b>