

**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, 2020 AND 2019

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of financial position of WPSU-TV and WPSU-FM (the “Stations”), Public Telecommunications Entities, both of which are under common ownership and common management, and are operated by The Pennsylvania State University, as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 25 through 28 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

December 16, 2020

WPSU-TV AND WPSU-FM
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
THE PENNSYLVANIA STATE UNIVERSITY
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Current assets:		
Cash allocation from The Pennsylvania State University	\$ 5,732,269	\$ 5,702,152
Accounts receivable	380,722	591,954
Prepaid expense	135,228	140,712
Contributions receivable, net	100,943	37,084
Total current assets	6,349,162	6,471,902
Noncurrent assets:		
Accounts receivable	-	45,000
Deferred production costs	3,065	18,298
Contributions receivable, net	9,270	9,270
Prepaid expense	35,467	60,678
Property and equipment, net	5,146,361	5,651,803
Beneficial interest in perpetual trust	149,164	152,992
Investment allocation from The Pennsylvania State University	1,562,340	1,467,308
Total noncurrent assets	6,905,667	7,405,349
Total assets	\$ 13,254,829	\$ 13,877,251
Current liabilities:		
Accounts payable and accrued expenses	\$ 524,330	\$ 455,772
Due to The Pennsylvania State University	108,047	109,223
Deferred revenue	219,569	453,044
Total current liabilities	851,946	1,018,039
Noncurrent liabilities:		
Deferred revenue	-	45,000
Present value of annuities payable	84,360	89,468
Total noncurrent liabilities	84,360	134,468
Total liabilities	936,306	1,152,507
Net assets:		
Without donor restrictions	9,648,101	10,148,087
With donor restrictions	2,670,422	2,576,657
Total net assets	12,318,523	12,724,744
Total liabilities and net assets	\$ 13,254,829	\$ 13,877,251

WPSU-TV AND WPSU-FM
PUBLIC TELECOMMUNICATIONS ENTITIES OPERATED BY
THE PENNSYLVANIA STATE UNIVERSITY
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in without donor restrictions net assets:		
Revenues, gains, and other support:		
Contributions	\$ 8,372,166	\$ 6,224,986
Grants and contracts	2,096,085	1,682,629
Production services	2,473,466	2,117,824
Contribution of property	-	586,450
Other revenue	301,343	253,443
Net assets released from restriction	<u>16,084</u>	<u>28,097</u>
Total revenues, gains, and other support	<u>13,259,144</u>	<u>10,893,429</u>
Expenses and losses:		
Programming and production	6,982,882	6,911,829
Broadcasting	1,374,155	1,350,019
Program information and promotion	446,375	565,986
Management and general	4,023,806	1,990,929
Fundraising and membership development	443,702	466,681
Underwriting and grant solicitation	482,149	500,085
Disposals of equipment	<u>6,061</u>	<u>13,049</u>
Total expenses and losses	<u>13,759,130</u>	<u>11,798,578</u>
Decrease in without donor restrictions net assets	<u>(499,986)</u>	<u>(905,149)</u>
 Changes in with donor restrictions net assets:		
Revenues, gains, and other support:		
Contributions	92,492	1,046,107
Other revenue	1,909	11,713
Realized and unrealized gains on investments	24,472	49,576
Actuarial adjustment of annuities payable	(9,024)	134,807
Net assets released from restriction	<u>(16,084)</u>	<u>(28,097)</u>
Total revenues, gains, and other support	<u>93,765</u>	<u>1,214,106</u>
Increase in with donor restrictions net assets	<u>93,765</u>	<u>1,214,106</u>
 (Decrease) increase in net assets	 (406,221)	 308,957
Net assets at the beginning of the year	<u>12,724,744</u>	<u>12,415,787</u>
Net assets at the end of the year	<u>\$ 12,318,523</u>	<u>\$ 12,724,744</u>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (406,221)	\$ 308,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	571,305	570,785
Capital campaign contributions	(120)	(1,000,120)
Contributions of property	-	(586,450)
Realized and unrealized gains on long-term investments	(24,497)	(49,607)
Disposals of equipment	6,061	13,049
Actuarial adjustment of annuities payable	9,024	103,443
Decrease in receivables	192,373	70,710
Decrease (increase) in prepaid expense	30,696	(66,849)
Decrease in deferred production costs	15,233	131
Increase in accounts payable and accrued expenses	68,555	21,139
Decrease in deferred revenue	(278,475)	(77,768)
Decrease in amount due to The Pennsylvania State University	(1,176)	(333,992)
Net cash provided by (used in) operating activities	<u>182,758</u>	<u>(1,026,572)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(71,924)	(193,472)
Purchase of investments	(66,705)	(256,670)
Net cash used in investing activities	<u>(138,629)</u>	<u>(450,142)</u>
Cash flows from financing activities:		
Capital campaign contributions	120	1,000,120
Payments of annuity obligations	(14,132)	(13,975)
Net cash (used in) provided by financing activities	<u>(14,012)</u>	<u>986,145</u>
Net increase (decrease) in cash	30,117	(490,569)
Cash at the beginning of the year	<u>5,702,152</u>	<u>6,192,721</u>
Cash at the end of the year	<u>\$ 5,732,269</u>	<u>\$ 5,702,152</u>

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, 2020 and 2019

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, 2020 and 2019. The carrying amounts of the Stations' accounts receivable and accounts payable are reasonable estimates of their fair value.

Cash Flows

Cash and cash equivalents include 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 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, 2020 and 2019, revenue recognized from exchange transactions was \$2,473,466 and \$2,117,824, 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, 2020 and 2019, reimbursements related to expenditures incurred on production services contracts of \$93,045 and \$274,812, 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 \$4,457 and \$187,344 related to production services contracts are included in deferred revenue at June 30, 2020 and 2019, respectively. Receipts of \$187,344, included in deferred revenue at June 30, 2019, were recognized during the year ended June 30, 2020. Receipts of \$383, included in deferred revenue at June 30, 2018, were recognized during the year ended June 30, 2019. 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 \$149,164 and \$152,992 for the years ended June 30, 2020 and 2019, 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, 2020:

	<u>WPSU-TV</u>	<u>WPSU-FM</u>
Net assets without donor restrictions:		
Undesignated	\$ 4,473,749	\$ (39,904)
Funds functioning as endowments	1,395	-

Future contributions	-	66,500
Net investment in plant	<u>4,790,929</u>	<u>355,432</u>
Total net assets without donor restrictions	<u>\$ 9,266,073</u>	<u>\$ 382,028</u>

Net assets with donor restrictions:		
Endowment funds	\$ 889,902	\$ 433,769
Future contributions	25,264	18,449
Perpetual trust	74,582	74,582
Charitable gift annuities and charitable remainder trust	119,057	33,857
Contributions for property, plant and equipment	<u>1,000,960</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 2,109,765</u>	<u>\$ 560,657</u>
Total net assets	<u>\$ 11,375,838</u>	<u>\$ 942,685</u>

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	<u>1,000,840</u>	<u>-</u>
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>

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 \$15,056 for WPSU-TV and \$0 for WPSU-FM for the year ended June 30, 2020 and \$0 for the year ended June 30, 2019.

Grant 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 \$76,163 (\$57,934 - WPSU-TV and \$18,229 - WPSU-FM) for the year ended June 30, 2020 and \$69,099 (\$52,213 - WPSU-TV and \$16,886 - WPSU-FM) for the year ended June 30, 2019.

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, 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). 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).

Included in contributions are in-kind contributions from third parties, principally donated professional services, of \$320,684 (\$208,822 - WPSU-TV and \$111,862 - WPSU-FM) for the year ended June 30, 2020 and \$270,551 (\$214,357 - WPSU-TV and \$56,194 - WPSU-FM) for the year ended June 30, 2019.

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 2020 and 2019. Tax years for the years ended 2018-2020 remain open.

Recent Accounting Pronouncements

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. In June 2020, the FASB issued ASU 2020-05, “Revenue from Contracts with Customers and Leases; Effective Dates for Certain Entities.” This update defers the effective date of the original ASU. The update is now effective for the Stations beginning July 1, 2020. The Stations are currently evaluating the impact this guidance may have on its financial statements.

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, as amended by the Paycheck Protection Program and Health Care Enhancement Act (collectively, the “CARES Act”) 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. The CARES Act, which was signed into law on March 27, 2020, provides funding and flexibilities for higher education institutions to respond to the COVID-19 emergency. As of June 30, 2020 the Stations have received \$372,340 (\$260,204 - WPSU-TV and \$112,136 – WPSU-FM). In addition, WPSU-TV has recorded a receivable for \$167,429 for payment to be received for the Learning at Home 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 as of June 30, 2020 are expected to be realized as follows:

	<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	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Contributions receivable, gross	47,771	86,527	134,298
Less allowance	(11,777)	(1,578)	(13,355)
Less discount	<u>(10,730)</u>	<u>-</u>	<u>(10,730)</u>
Contributions receivable, net	\$ <u>25,264</u>	\$ <u>84,949</u>	\$ <u>110,213</u>

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>

The Stations have received bequest intentions of \$5,100,000 for WPSU-TV and \$1,537,047 for WPSU-FM at June 30, 2020 and \$800,000 for WPSU-TV and \$1,281,536 for WPSU-FM at June 30, 2019. 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, 2020:

	<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)
Decrease (increase) in allowance	<u>(4,956)</u>	<u>2,817</u>	<u>(2,139)</u>
Balance at the end of year	\$ <u>25,264</u>	\$ <u>84,949</u>	\$ <u>110,213</u>

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>

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, 2020 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>9,018,130</u>	<u>658,148</u>	<u>9,676,278</u>
Total	18,936,161	1,371,027	20,307,188
Less accumulated depreciation	<u>(14,145,232)</u>	<u>(1,015,595)</u>	<u>(15,160,827)</u>
Total building and equipment, net	\$ <u>4,790,929</u>	\$ <u>355,432</u>	\$ <u>5,146,361</u>

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>

Depreciation expense was \$528,992 for WPSU-TV and \$42,313 for WPSU-FM for the year ended June 30, 2020 and \$529,108 for WPSU-TV and \$41,677 for WPSU-FM for the year ended June 30, 2019.

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, 2020.

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 \$2,395,000 and \$48,000 for WPSU-TV and WPSU-FM, respectively, for the fiscal year ended June 30, 2020 and \$2,031,000 and \$65,000 for WPSU-TV and WPSU-FM, respectively, for the fiscal year ended June 30, 2019. Total receivables related to such production services, included in accounts receivable are approximately \$82,000 and \$265,000 for WPSU-TV at June 30, 2020 and June 30, 2019, respectively.

Including the contributed services discussed in Note 2, the University contributed approximately \$5,821,000 and \$276,000 to WPSU-TV and WPSU-FM, respectively, through indirect and direct support for operating needs for the year ended June 30, 2020 and approximately \$4,188,000 and \$41,000 to WPSU-TV and WPSU-FM, respectively, for the year ended June 30, 2019.

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, 2020 and 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.

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	7,136,540	649,004	7,785,544
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>

As of June 30, 2019:

	<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, 2020 and June 30, 2019, 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, 2020 and 2019:

<u>2020</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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>

<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	1,370	-	1,370
Total net assets	<u>\$ 1,370</u>	<u>\$ 873,544</u>	<u>\$ 874,914</u>

Changes in WPSU-TV endowment net assets for the years ended June 30, 2020 and 2019:

<u>2020</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 1,370	\$ 873,544	\$ 874,914
Endowment return:			
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>

<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	2,500	6,600	9,100
Endowment net assets, end of the year	<u>\$ 1,370</u>	<u>\$ 873,544</u>	<u>\$ 874,914</u>

WPSU-FM endowment net asset composition by type of fund as of June 30, 2020 and 2019:

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

<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>

Changes in WPSU-FM endowment net assets for the years ended June 30, 2020 and 2019:

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

<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>

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, 2020 and 2019, 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, 2020 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 Fair Value
Endowment investments:				
Money markets	\$ 42,285	\$ 2,352	\$ -	\$ 44,637
Fixed income				
U.S. government/agency	-	33,678	-	33,678
U.S. corporate	-	26,989	-	26,989
Foreign	-	9,729	-	9,729
Other	-	38,361	-	38,361
Equities	254,874	56	-	254,930
Total	<u>\$ 297,159</u>	<u>\$ 111,165</u>	<u>\$ -</u>	<u>\$ 408,324</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 74,582	\$ 74,582

The table above excludes investments of \$660,209 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, 2020:

	Beneficial Interest in Perpetual Trust <u>Trust</u>
Beginning balance	\$ 76,496
Total unrealized losses	(1,914)
Ending balance	<u>\$ 74,582</u>

The following table presents information as of June 30, 2020 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	\$ 20,038	\$ 1,145	\$ -	\$ 21,183
Fixed income				
U.S. government/agency	-	13,387	-	13,387
U.S. corporate	-	10,260	-	10,260
Foreign	-	3,492	-	3,492
Other	-	18,344	-	18,344
Equities	<u>106,235</u>	<u>27</u>	-	<u>106,262</u>
Total	<u>\$ 126,273</u>	<u>\$ 46,655</u>	<u>\$ -</u>	<u>\$ 172,928</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 74,582	\$ 74,582

The table above excludes investments of \$320,879 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, 2020:

	Beneficial Interest in Perpetual Trust <u>Trust</u>
Beginning balance	\$ 76,496
Total unrealized losses	<u>(1,914)</u>
Ending balance	<u>\$ 74,582</u>

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>	Total <u>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
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 Trust
Beginning balance	\$ 76,671
Total unrealized losses	<u>(175)</u>
Ending balance	<u>\$ 76,496</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, 2020 and 2019:

	<u>Fair Value</u> <u>2020</u>	<u>Fair Value</u> <u>2019</u>	<u>Unfunded</u> <u>Commitment</u> <u>At June 30, 2020</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Commingled Funds:					
U.S. Equity	\$ 64,565	\$ 50,530		Monthly	30 days
Non-U.S. Equity	<u>130,601</u>	<u>133,449</u>		Daily/Monthly	
Subtotal	<u>\$ 195,166</u>	<u>\$ 183,979</u>		Quarterly	5-90 days
Marketable Investment Partnerships:					
Absolute Return	\$ 18,240	\$ 11,907		Quarterly	60 days
Distressed Debt	9,603	10,488		Quarterly/ Semi Annual	60-90 days
Commodities	10,314	13,603		Monthly	30-60 days
Opportunistic	81,799	56,032		Monthly/ Quarterly/ Annually	30-90 days
Directional Long/Short	59,059	55,417		Monthly	30 days
Core Real Estate	<u>4,672</u>	<u>-</u>		Quarterly	90 days
Subtotal	<u>\$ 183,687</u>	<u>\$ 147,447</u>			
Non-Marketable Investment Partnerships:					
Private Real Estate	\$ 12,732	\$ 11,802	\$ 13,012		
Venture Capital	111,809	102,104	30,772		
Private Equity	91,285	98,619	61,438		
Natural Resources	22,964	25,732	13,045		
Private Debt	<u>42,566</u>	<u>36,115</u>	<u>36,840</u>		
Subtotal	<u>\$ 281,356</u>	<u>\$ 274,372</u>	<u>\$ 155,107</u>		
Total	<u>\$ 660,209</u>	<u>\$ 605,798</u>	<u>\$ 155,107</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, 2020 and 2019:

	<u>Fair Value</u> <u>2020</u>	<u>Fair Value</u> <u>2019</u>	<u>Unfunded</u> <u>Commitment</u> <u>At June 30, 2020</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Commingled Funds:					
U.S. Equity	\$ 31,422	\$ 19,239		Monthly	30 days
Non-U.S. Equity	<u>63,560</u>	<u>50,812</u>		Daily/Monthly	
Subtotal	<u>\$ 94,982</u>	<u>\$ 70,051</u>		Quarterly	5-90 days
Marketable Investment Partnerships:					
Absolute Return	\$ 8,877	\$ 4,534		Quarterly	60 days
Distressed Debt	4,674	3,993		Quarterly/ Semi Annual	60-90 days
Commodities	5,019	5,179		Monthly	30-60 days
Opportunistic	39,809	21,335		Monthly/ Quarterly/ Annually	30-90 days
Directional Long/Short	28,742	21,100		Monthly	30 days
Core Real Estate	<u>2,274</u>	<u>-</u>		Quarterly	90 days
Subtotal	<u>\$ 89,395</u>	<u>\$ 56,141</u>			
Non-Marketable Investment Partnerships:					
Private Real Estate	\$ 6,083	\$ 4,462	\$ 6,332		
Venture Capital	54,414	38,877	14,976		
Private Equity	44,114	37,468	29,900		
Natural Resources	11,175	9,798	6,349		
Private Debt	<u>20,716</u>	<u>13,751</u>	<u>17,929</u>		
Subtotal	<u>\$ 136,502</u>	<u>\$ 104,356</u>	<u>\$ 75,486</u>		
Total	<u>\$ 320,879</u>	<u>\$ 230,548</u>	<u>\$ 75,486</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. Six 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. Core Real Estate refers to investments in operating and substantially leased institutional quality real estate.

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, 2020. 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 \$44,907 and \$44,322 for the years ended June 30, 2020 and 2019, respectively.

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>

10. FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

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

	Programming and Other <u>Activities</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,869,334	\$ 509,117	\$ 317,758	\$ 4,696,209
Benefits	1,376,091	187,356	118,081	1,681,528
Depreciation	341,462	154,562	32,968	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>
Total	<u>\$ 8,020,895</u>	<u>\$ 3,506,921</u>	<u>\$ 748,026</u>	<u>\$12,275,842</u>

Functional expenses by natural classification for WPSU-TV 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	\$ 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>

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

	Programming and Other <u>Activities</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 373,103	\$ 89,980	\$ 108,336	\$ 571,419
Benefits	135,075	34,058	41,005	210,138
Depreciation	25,515	12,501	4,297	42,313
Supplies, services, and other	<u>522,110</u>	<u>380,346</u>	<u>24,186</u>	<u>926,642</u>
Total	<u>\$ 1,055,803</u>	<u>\$ 516,885</u>	<u>\$ 177,824</u>	<u>\$ 1,750,512</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	<u>510,070</u>	<u>99,030</u>	<u>36,651</u>	<u>645,751</u>
Total	<u>\$ 1,038,752</u>	<u>\$ 234,002</u>	<u>\$ 187,407</u>	<u>\$ 1,460,161</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, 2020, there were no contingencies or 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 December 16, 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, 2020 AND 2019

	JUNE 30, 2020			JUNE 30, 2019		
	TV	FM	TOTAL	TV	FM	TOTAL
Current assets:						
Cash allocation from The Pennsylvania State University	\$ 5,732,269	\$ -	\$ 5,732,269	\$ 5,702,152	\$ -	\$ 5,702,152
Accounts receivable	310,474	70,248	380,722	591,954	-	591,954
Prepaid expense	58,489	76,739	135,228	55,915	84,797	140,712
Contributions receivable, net	15,994	84,949	100,943	5,021	32,063	37,084
Total current assets	<u>6,117,226</u>	<u>231,936</u>	<u>6,349,162</u>	<u>6,355,042</u>	<u>116,860</u>	<u>6,471,902</u>
Noncurrent assets:						
Accounts receivable	-	-	-	45,000	-	45,000
Deferred production costs	3,065	-	3,065	18,298	-	18,298
Contributions receivable, net	9,270	-	9,270	9,270	-	9,270
Prepaid expense	35,467	-	35,467	60,678	-	60,678
Property and equipment, net	4,790,929	355,432	5,146,361	5,254,058	397,745	5,651,803
Beneficial interest in perpetual trust	74,582	74,582	149,164	76,496	76,496	152,992
Investment allocation from The Pennsylvania State University	1,068,533	493,807	1,562,340	1,067,669	399,639	1,467,308
Total noncurrent assets	<u>5,981,846</u>	<u>923,821</u>	<u>6,905,667</u>	<u>6,531,469</u>	<u>873,880</u>	<u>7,405,349</u>
Total assets	<u>\$ 12,099,072</u>	<u>\$ 1,155,757</u>	<u>\$ 13,254,829</u>	<u>\$ 12,886,511</u>	<u>\$ 990,740</u>	<u>\$ 13,877,251</u>
Current liabilities:						
Accounts payable and accrued expenses	\$ 446,026	\$ 78,304	\$ 524,330	\$ 388,981	\$ 66,791	\$ 455,772
Due to The Pennsylvania State University	-	108,047	108,047	-	109,223	109,223
Deferred revenue	219,029	540	219,569	453,044	-	453,044
Total current liabilities	<u>665,055</u>	<u>186,891</u>	<u>851,946</u>	<u>842,025</u>	<u>176,014</u>	<u>1,018,039</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	45,000	-	45,000
Present value of annuities payable	58,179	26,181	84,360	62,256	27,212	89,468
Total noncurrent liabilities	<u>58,179</u>	<u>26,181</u>	<u>84,360</u>	<u>107,256</u>	<u>27,212</u>	<u>134,468</u>
Total liabilities	<u>723,234</u>	<u>213,072</u>	<u>936,306</u>	<u>949,281</u>	<u>203,226</u>	<u>1,152,507</u>
Net assets:						
Without donor restrictions	9,266,073	382,028	9,648,101	9,841,559	306,528	10,148,087
With donor restrictions	2,109,765	560,657	2,670,422	2,095,671	480,986	2,576,657
Total net assets	<u>11,375,838</u>	<u>942,685</u>	<u>12,318,523</u>	<u>11,937,230</u>	<u>787,514</u>	<u>12,724,744</u>
Total liabilities and net assets	<u>\$ 12,099,072</u>	<u>\$ 1,155,757</u>	<u>\$ 13,254,829</u>	<u>\$ 12,886,511</u>	<u>\$ 990,740</u>	<u>\$ 13,877,251</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, 2020 AND 2019

	JUNE 30, 2020				JUNE 30, 2019			
	TV	FM	Eliminations	TOTAL	TV	FM	Eliminations	TOTAL
Changes in without donor restrictions net assets:								
Revenues, gains, and other support:								
Contributions	\$ 7,137,249	\$ 1,234,917	\$ -	\$ 8,372,166	\$ 5,518,144	\$ 706,842	\$ -	\$ 6,224,986
Grants and contracts	1,833,193	262,892	-	2,096,085	1,532,290	150,339	-	1,682,629
Production services	2,473,466	-	-	2,473,466	2,117,824	-	-	2,117,824
Contribution of property	-	-	-	-	544,565	41,885	-	586,450
Other revenue	251,427	49,916	-	301,343	206,979	46,464	-	253,443
Transfer from TV	-	267,224	(267,224)	-	-	834,425	(834,425)	-
Net assets released from restriction	5,021	11,063	-	16,084	11,644	16,453	-	28,097
Total revenues, gains, and other support	11,700,356	1,826,012	(267,224)	13,259,144	9,931,446	1,796,408	(834,425)	10,893,429
Expenses and losses:								
Programming and production	6,213,405	769,477	-	6,982,882	6,154,497	757,332	-	6,911,829
Broadcasting	1,088,526	285,629	-	1,374,155	1,071,093	278,926	-	1,350,019
Program information and promotion	445,679	696	-	446,375	563,562	2,424	-	565,986
Management and general	3,506,921	516,885	-	4,023,806	1,756,927	234,002	-	1,990,929
Fundraising and membership development	419,937	23,765	-	443,702	430,016	36,665	-	466,681
Underwriting and grant solicitation	328,089	154,060	-	482,149	349,343	150,742	-	500,085
Disposals of equipment	6,061	-	-	6,061	12,979	70	-	13,049
Transfer to FM	267,224	-	(267,224)	-	834,425	-	(834,425)	-
Total expenses and losses	12,275,842	1,750,512	(267,224)	13,759,130	11,172,842	1,460,161	(834,425)	11,798,578
(Decrease) increase in without donor restrictions net assets	(575,486)	75,500	-	(499,986)	(1,241,396)	336,247	-	(905,149)
Changes in with donor restrictions net assets:								
Revenues, gains, and other support:								
Contributions	19,447	73,045	-	92,492	1,009,544	36,563	-	1,046,107
Other revenue	1,595	314	-	1,909	9,291	2,422	-	11,713
Realized and unrealized gains on investments	4,728	19,744	-	24,472	35,150	14,426	-	49,576
Actuarial adjustment of annuities payable	(6,655)	(2,369)	-	(9,024)	102,958	31,849	-	134,807
Net assets released from restriction	(5,021)	(11,063)	-	(16,084)	(11,644)	(16,453)	-	(28,097)
Total revenues, gains, and other support	14,094	79,671	-	93,765	1,145,299	68,807	-	1,214,106
Increase in with donor restrictions net assets	14,094	79,671	-	93,765	1,145,299	68,807	-	1,214,106
(Decrease) increase in net assets	(561,392)	155,171	-	(406,221)	(96,097)	405,054	-	308,957
Net assets at the beginning of the year	11,937,230	787,514	-	12,724,744	12,033,327	382,460	-	12,415,787
Net assets at the end of the year	\$ 11,375,838	\$ 942,685	\$ -	\$ 12,318,523	\$ 11,937,230	\$ 787,514	\$ -	\$ 12,724,744

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, 2020 AND 2019

	JUNE 30, 2020			JUNE 30, 2019		
	TV	FM	TOTAL	TV	FM	TOTAL
Cash flows from operating activities:						
(Decrease) increase in net assets	\$ (561,392)	\$ 155,171	\$ (406,221)	\$ (96,097)	\$ 405,054	\$ 308,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation expense	528,992	42,313	571,305	529,108	41,677	570,785
Capital campaign contributions	(120)	-	(120)	(1,000,120)	-	(1,000,120)
Contributions of property	-	-	-	(544,565)	(41,885)	(586,450)
Realized and unrealized gains on long-term investments	(4,753)	(19,744)	(24,497)	(35,181)	(14,426)	(49,607)
Disposals of equipment	6,061	-	6,061	12,979	70	13,049
Actuarial adjustment of annuities payable	6,655	2,369	9,024	72,831	30,612	103,443
Decrease (increase) in receivables	315,507	(123,134)	192,373	80,070	(9,360)	70,710
Decrease (increase) in prepaid expense	22,638	8,058	30,696	(58,980)	(7,869)	(66,849)
Decrease in deferred production costs	15,233	-	15,233	131	-	131
Increase in accounts payable and accrued expenses	57,043	11,512	68,555	6,437	14,702	21,139
(Decrease) increase in deferred revenue	(279,015)	540	(278,475)	(76,468)	(1,300)	(77,768)
Decrease in amount due to The Pennsylvania State University	-	(1,176)	(1,176)	-	(333,992)	(333,992)
Net cash provided by (used in) operating activities	<u>106,849</u>	<u>75,909</u>	<u>182,758</u>	<u>(1,109,855)</u>	<u>83,283</u>	<u>(1,026,572)</u>
Cash flows from investing activities:						
Purchase of property and equipment	(71,924)	-	(71,924)	(185,822)	(7,650)	(193,472)
Purchase of investments	5,804	(72,509)	(66,705)	(184,437)	(72,233)	(256,670)
Net cash used in investing activities	<u>(66,120)</u>	<u>(72,509)</u>	<u>(138,629)</u>	<u>(370,259)</u>	<u>(79,883)</u>	<u>(450,142)</u>
Cash flows from financing activities:						
Capital campaign contributions	120	-	120	1,000,120	-	1,000,120
Payments of annuity obligations	(10,732)	(3,400)	(14,132)	(10,575)	(3,400)	(13,975)
Net cash (used in) provided by financing activities	<u>(10,612)</u>	<u>(3,400)</u>	<u>(14,012)</u>	<u>989,545</u>	<u>(3,400)</u>	<u>986,145</u>
Net increase (decrease) in cash	30,117	-	30,117	(490,569)	-	(490,569)
Cash at the beginning of the year	<u>5,702,152</u>	<u>-</u>	<u>5,702,152</u>	<u>6,192,721</u>	<u>-</u>	<u>6,192,721</u>
Cash at the end of the year	<u>\$ 5,732,269</u>	<u>\$ -</u>	<u>\$ 5,732,269</u>	<u>\$ 5,702,152</u>	<u>\$ -</u>	<u>\$ 5,702,152</u>