



# The Greater Washington Educational Telecommunications Association, Inc.

Consolidated Financial Statements and  
Supplementary Information  
Years Ended June 30, 2015 and 2014

**The Greater Washington Educational  
Telecommunications Association, Inc.**

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Consolidated Financial Statements and  
Supplementary Information  
Years Ended June 30, 2015 and 2014

# The Greater Washington Educational Telecommunications Association, Inc.

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## Independent Auditor's Report

Board of Trustees  
The Greater Washington Educational Telecommunications Association, Inc.  
Arlington, Virginia

We have audited the accompanying consolidated financial statements of **The Greater Washington Educational Telecommunications Association, Inc. (WETA)**, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 WETA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **The Greater Washington Educational Telecommunications Association, Inc.** as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental schedules of revenues and gains and supplemental schedules of functional expenses on pages 28-30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, LLP

November 23, 2015

**Consolidated  
Financial Statements**

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**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Consolidated Statements of Financial Position**

<i>June 30,</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 14,813,512	\$ 13,409,920
Restricted cash	191,510	192,468
Accounts and contributions receivable, net (Note 4)	42,348,029	29,391,539
Investments (Note 5)	45,660,749	49,241,065
Prepaid expenses and other assets	1,791,376	4,215,216
Film assets	32,771,533	29,431,340
Property and equipment, net (Note 6)	14,179,877	13,188,773
<b>Total assets</b>	<b>\$ 151,756,586</b>	<b>\$ 139,070,321</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 5,958,054	\$ 7,158,942
Deferred revenue	728,907	561,083
Long term debt (Note 7)	6,281,012	7,095,494
<b>Total liabilities</b>	<b>12,967,973</b>	<b>14,815,519</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Unrestricted net assets	30,121,251	27,353,962
Temporarily restricted net assets (Note 12)	98,923,841	87,157,819
Permanently restricted net assets (Note 13)	9,743,521	9,743,021
<b>Total net assets</b>	<b>138,788,613</b>	<b>124,254,802</b>
<b>Total liabilities and net assets</b>	<b>\$ 151,756,586</b>	<b>\$ 139,070,321</b>

*See accompanying notes to consolidated financial statements.*

**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Consolidated Statements of Activities**

<i>Years ended June 30,</i>	2015	2014
<b>Changes in unrestricted net assets</b>		
Revenues and other support, including amounts released from restrictions (Note 12)		
Production funding from public broadcasting system	\$ 29,946,312	\$ 20,694,859
Corporate underwriting and funding	21,032,590	10,235,360
Membership and individuals	20,536,536	16,616,213
Foundations and not-for-profit organizations	15,811,937	10,434,292
Federal, state and local government grants	1,894,005	1,631,555
Community service grants from the Corporation for Public Broadcasting	6,313,460	6,462,539
Rental income and other	2,041,600	2,653,528
<b>Total unrestricted revenues and other support</b>	<b>97,576,440</b>	<b>68,728,346</b>
<b>Operating expenses</b>		
National programming and productions	57,888,283	36,637,263
Television broadcast operations	10,922,093	10,863,366
Radio broadcast operations	2,646,735	2,723,389
Promotion, education, and outreach	5,505,705	5,539,139
Fundraising and membership development	7,793,511	7,556,142
Underwriting and grant solicitation	5,031,904	2,916,212
Management and general	3,063,660	2,415,332
<b>Total operating expenses</b>	<b>92,851,891</b>	<b>68,650,843</b>
<b>Net operating activities</b>	<b>4,724,549</b>	<b>77,503</b>
<b>Nonoperating activities</b>		
Net investment return	544,250	2,861,334
Gain on disposal of property	-	2,011
Depreciation and amortization	(1,964,269)	(1,818,721)
Interest expense	(118,468)	(132,848)
Income and property tax expense	(418,773)	(434,861)
Pledge accrual change due to database conversion	-	(967,354)
<b>Total net nonoperating activities</b>	<b>(1,957,260)</b>	<b>(490,439)</b>
<b>Total change in unrestricted net assets</b>	<b>2,767,289</b>	<b>(412,936)</b>
<b>Changes in temporarily restricted net assets</b>		
Television production and other restricted contributions	86,245,098	43,812,491
Endowment investment return	654,321	3,408,308
Endowment distributions	(62,076)	(56,587)
Net assets released from restrictions	(75,071,321)	(47,420,000)
<b>Total change in temporarily restricted net assets</b>	<b>11,766,022</b>	<b>(255,788)</b>
<b>Changes in permanently restricted net assets</b>		
Endowment gifts	500	1,250
<b>Total change in permanently restricted net assets</b>	<b>500</b>	<b>1,250</b>
<b>Change in total net assets</b>	<b>14,533,811</b>	<b>(667,474)</b>
<b>Net assets at beginning of year</b>	<b>124,254,802</b>	<b>124,922,276</b>
<b>Net assets at end of year</b>	<b>\$ 138,788,613</b>	<b>\$ 124,254,802</b>

*See accompanying notes to consolidated financial statements.*

**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Consolidated Statements of Changes in Net Assets**

<i>Years Ended June 30,</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2013	\$ 27,766,898	\$ 87,413,607	\$ 9,741,771	\$ 124,922,276
Change in net assets	(412,936)	(255,788)	1,250	(667,474)
Net assets, June 30, 2014	27,353,962	87,157,819	9,743,021	124,254,802
Change in net assets	2,767,289	11,766,022	500	14,533,811
Net assets, June 30, 2015	\$ 30,121,251	\$ 98,923,841	\$ 9,743,521	\$ 138,788,613

*See accompanying notes to consolidated financial statements.*

**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Consolidated Statements of Cash Flows**

<i>Years ended June 30,</i>	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 14,533,811	\$ (667,474)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Contributions restricted for long term purposes	(500)	(1,250)
Depreciation and amortization	1,964,269	1,818,721
Unrealized and realized gain on investments	285,690	(5,222,639)
Change in unamortized discount on grants and contributions receivable	246,060	(364,342)
Change in provision for uncollectible accounts and contributions receivable	2,094	(26,494)
Pledge accrual change due to database conversion	-	967,354
Gain on disposal of property	-	(2,011)
<b>Changes in operating accounts</b>		
Restricted cash	958	878
Accounts and contributions receivable	(13,204,644)	10,336,034
Prepaid expenses and other assets	2,423,840	(781,718)
Film assets	(3,340,193)	(6,088,624)
Accounts payable and accrued expenses	(1,200,889)	1,288,050
Deferred revenue	167,824	71,051
<b>Net cash provided by operating activities</b>	<b>1,878,320</b>	<b>1,327,536</b>
<b>Cash flows from investing activities</b>		
Additions to investment portfolio	165,323	(651,964)
Reinvestment of investment income	(1,478,578)	(1,042,734)
Withdrawals from investment portfolio	4,607,881	554,650
Purchases of property and equipment	(2,955,372)	(1,157,546)
<b>Net cash provided by (used in) investing activities</b>	<b>339,254</b>	<b>(2,297,594)</b>
<b>Cash flows from financing activities</b>		
Contributions restricted for long term purposes	500	1,250
Payments on loan term debt	(814,482)	(800,123)
<b>Net cash used in financing activities</b>	<b>(813,982)</b>	<b>(798,873)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,403,592</b>	<b>(1,768,931)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>13,409,920</b>	<b>15,178,851</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 14,813,512</b>	<b>\$ 13,409,920</b>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ 7,500	\$ 56,500
Interest paid	\$ 119,676	\$ 134,035

*See accompanying notes to consolidated financial statements.*

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### *Organization*

The Greater Washington Educational Telecommunications Association, Inc. (WETA) is a nonprofit Washington, D.C. corporation chartered in 1953 to operate a public television and public FM radio station. WETACOM, Inc., a wholly owned for-profit subsidiary of WETA, was chartered in 1981 to engage in television production for commercial use.

NewsHour Productions LLC, a wholly-owned not-for-profit subsidiary of WETA, was formed in May 2014 with the primary business purpose of producing the PBS NewsHour program and other related activities. NewsHour Productions LLC is a single member limited liability company (LLC) with WETA as its sole member. NewsHour Productions LLC is consolidated with WETA for financial statement and tax purposes.

#### *Principles of Consolidation*

WETA presents consolidated financial statements that include the accounts of WETA and its wholly owned subsidiaries WETACOM, Inc. and NewsHour Productions LLC. WETACOM has been inactive since 2002. Intercompany balances and transactions have been eliminated in consolidation.

#### *Basis of Presentation*

WETA maintains its records using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### *Cash and Cash Equivalents*

WETA considers highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents except for the cash accounts held as part of investments. Cash that is held in escrow or whose use is otherwise restricted is reported separately as restricted cash.

#### *Investments*

The fair value of marketable investments in equity and debt securities (which includes both domestic and foreign issues) are based on the published current market value at June 30, 2015 and 2014. The fair value of WETA's investments in limited partnerships is based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners in the absence of readily ascertainable market values.

Realized gains and losses from sales of investments and unrealized gains and losses from market fluctuations of the underlying investments are included in the consolidated statements of activities during the period in which they occur.

#### *Film Assets*

WETA capitalizes the production cost of television programs. The costs are recognized as expense when the program segment is first aired.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### *Property and Equipment*

Property and equipment is recorded at cost. Contributed property is recorded at the estimated fair value at the date of contribution. WETA capitalizes all expenditures for property and equipment over \$1,000. The useful life of the asset is determined on a case-by-case basis, and the estimated useful lives currently range from 1 to 31.5 years. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

### *Deferred Revenue*

Deferred revenue represents receipts received for local broadcast underwriting in advance of the revenue being earned.

### *Net Assets*

Contributions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WETA and changes therein are classified and reported as follows:

**Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions. Revenue is reported as an increase in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. All expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as an increase or decrease in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Temporarily Restricted Net Assets:** Net assets subject to donor-imposed restrictions that may or will be met either by the actions of WETA and/or the passage of time. Releases of temporary restrictions on net assets are reported as reclassifications from temporarily restricted to unrestricted net assets when the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed.

**Permanently Restricted Net Assets:** Net assets that must be maintained permanently by WETA in accordance with donor-imposed restrictions.

### *Endowment*

WETA's endowment consists of individual funds established for a variety of purposes that are subject to varying levels of donor-imposed restrictions.

WETA classifies amounts designated by the donor to be preserved in perpetuity as permanently restricted. Donor-restricted funds that are not designated by the donor to be preserved in perpetuity are classified as temporarily restricted. Earnings from all donor-restricted funds are classified as temporarily restricted until such time as they are appropriated for use. Both the principal and earnings of Board-designated funds are classified as unrestricted. Investment income and investment gains and losses are attributed to individual endowment funds in proportion to their pro rata share of the investment balance at the beginning of the fiscal year.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### *Television and Radio Production*

WETA receives sponsorships from entities to underwrite the cost of some of its programs and productions. In such instances, WETA recognizes the total sponsorship as a temporarily restricted contribution upon receipt of the gift. When the donor restriction expires through performance and/or lapse of time, the sponsorship is transferred from temporarily restricted net assets to unrestricted net assets.

### *Membership and Contributions from Individuals*

Contributions, which include unconditional contributions receivable, are recognized as revenue at the earlier of the period received or when the promise is made. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give during the years ended June 30, 2015 and 2014.

### *Contributed Services, Materials, and Equipment*

WETA receives contributed goods and services from outside sources to assist with outreach, education, fundraising, and advertising. Such goods and services include, but are not limited to, airfare, advertising, and other services. These amounts are recorded at fair value in the accompanying consolidated statements of activities within corporate underwriting and funding revenue and the related expense of \$260,566 and \$212,603 for the years ended June 30, 2015 and 2014, respectively.

### *Expenses*

Expenses are recognized by WETA during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

### *Functional Allocation of Expenses*

The costs of providing various program and supporting activities have been summarized on a functional basis in note 15. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. WETA is also required to make estimates and assumptions that affect the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Advertising*

Advertising expenditures are expensed as incurred. Advertising expense was \$528,152 and \$335,284 for the years ended June 30, 2015 and 2014, respectively.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### *Income Taxes*

WETA is recognized as exempt from federal income taxes, except on unrelated activities, under Internal Revenue Code (IRC) Section 501(c)(3). The Internal Revenue Service has also determined that WETA is not a private foundation.

WETACOM, Inc. is a taxable subsidiary that presently owes no federal taxes.

NewsHour Production LLC is a single member LLC and a disregarded entity for federal income tax purposes.

### *Accounting Pronouncements Adopted*

In April 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate* (ASU 2013-06). The amendments in ASU 2013-06 require a recipient not-for-profit entity to recognize all services from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments are effective prospectively for fiscal years beginning after June 15, 2014. WETA adopted ASU 2013-06 for the year ended June 30, 2015 and there was no effect on the consolidated financial statements.

### *Accounting Pronouncements to be Adopted*

In May 2014, the FASB issued ASU 2014-09 addressing revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard is effective for our reporting year beginning July 1, 2019. WETA is currently evaluating the impact, if any, that this new accounting pronouncement will have on its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The update also provides related disclosures. The new standard applies prospectively to annual periods ending after December 15, 2016. Early adoption is permitted. Presently, WETA does not anticipate that the adoption of this update will have a material effect on its financial statements.

WETA has evaluated all issued and unadopted Accounting Standards Updates and believes the adoption of these standards will not have a material impact on its financial position or cash flows.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### 2. NewsHour Acquisition

On July 1, 2014, through NewsHour Productions LLC, WETA became the sole producer of PBS NewsHour after decades of co-producing the program with MacNeil Lehrer Productions. This change came about as the partners in MacNeil Lehrer Productions - Robert MacNeil, Jim Lehrer and Liberty Media - contributed certain assets in their partnership, which included the rights to produce *PBS NewsHour* and other assets, including some fixed assets to WETA. WETA also assumed certain liabilities of MacNeil Lehrer Productions' as part of the transaction. In addition, a majority of the former employees of MacNeil Lehrer Productions became employees of NewsHour Productions LLC.

As part of this transaction, Public Broadcasting Service (PBS) agreed to provide WETA with supplemental funding to assist WETA with the transition and integration of the PBS NewsHour business from MacNeil Lehrer Productions to WETA. The funding provided by PBS was used for working capital needs in fiscal year 2015 and to enable WETA to fulfill the liability obligations that it assumed from MacNeil Lehrer Productions as part of the transaction. In addition, some of the funding provided by PBS will be paid in fiscal year 2016 and be used to fulfill obligations for PBS NewsHour grants for which WETA assumed responsibility as part of the transaction. Total assets transferred, were approximately \$3.2 million. Total liabilities assumed were approximately \$5.9 million. The net effect of the transaction, including supplemental funding from PBS, was an increase to the statements of activities of approximately \$2.3 million.

### 3. Uninsured Cash Balances

WETA maintains its cash balances at several financial institutions in accounts, which, at times, may exceed federally insured limits. WETA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

### 4. Accounts and Contributions Receivable

Accounts and contributions receivable are comprised of the following amounts at:

<i>June 30,</i>	2015	2014
Unbilled accounts receivable - grants and contributions	\$ 38,055,685	\$ 24,870,967
Accounts receivable - grants and contributions	4,709,336	4,588,857
Pledges receivable	-	89,558
Other	217,283	228,278
Discount of long-term receivables	(543,029)	(296,969)
Allowance for doubtful accounts	(91,246)	(89,152)
Accounts and contributions receivable, net	\$ 42,348,029	\$ 29,391,539

Contributions that are expected to be received more than one year into the future are discounted using weighted average risk free rates of 1.96% and 1.91% for the years ended June 30, 2015 and 2014, respectively. Amortization of the discount is recorded as additional contribution revenue, typically ratably, and is used in accordance with donor-imposed restrictions, if any, on the contributions. When necessary, an allowance is made for uncollectible contributions, based upon management's judgment, past collection experience, and other relevant factors. For the years ended June 30, 2015 and 2014, WETA did not write off any receivables.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

Accounts and contributions receivable are expected to be collected over the following periods:

<i>June 30,</i>	2015	2014
Due in less than one year	\$ 32,650,434	\$ 20,078,898
Due after one year and before five years	10,331,870	9,688,762
Due after five years	-	10,000
Discount of long-term receivables	(543,029)	(296,969)
Allowance for doubtful accounts	(91,246)	(89,152)
<b>Accounts and contributions receivable, net</b>	<b>\$ 42,348,029</b>	<b>\$ 29,391,539</b>

Long-term receivables arise primarily from grants and contributions designated to fund television projects, which often have multiyear production schedules.

### 5. Investments

Investments, at fair value, consist of the following at:

<i>June 30,</i>	2015	2014
Cash and cash equivalents held in investment portfolio	\$ 252,300	\$ 2,272,842
Common stocks, equity investments, and equity mutual funds	26,733,899	26,429,930
Bonds and fixed income mutual funds	18,669,680	20,493,002
Real estate limited partnerships	4,870	45,291
<b>Total investments</b>	<b>\$ 45,660,749</b>	<b>\$ 49,241,065</b>

Unrestricted investment return consists of the following:

<i>Years ended June 30,</i>	2015	2014
Interest and dividends	\$ 718,107	\$ 518,984
Unrealized (loss) gain	(218,415)	2,317,810
Realized gain	88,687	66,790
Investment management fees	(44,129)	(42,250)
<b>Unrestricted investment return, net</b>	<b>\$ 544,250</b>	<b>\$ 2,861,334</b>

**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Notes to Consolidated Financial Statements**

Donor-restricted endowment investment return consists of the following:

<i>Years ended June 30,</i>	2015	2014
Interest and dividends	\$ 810,283	\$ 570,269
Unrealized gain	(256,033)	2,764,650
Realized gain	100,071	73,389
<b>Donor restricted endowment investment return</b>	<b>\$ 654,321</b>	<b>\$ 3,408,308</b>

## 6. Property and Equipment

Property and equipment consists of the following at:

<i>June 30,</i>	2015	2014
Land	\$ 2,255,367	\$ 2,255,366
Building and improvements	19,128,551	18,833,514
Production and other equipment	28,810,342	27,149,391
Fixed assets purchased, but not yet placed in service	672,696	372,411
	<b>50,866,956</b>	<b>48,610,682</b>
Less: accumulated depreciation and amortization	(36,687,079)	(35,421,909)
<b>Property and equipment, net</b>	<b>\$ 14,179,877</b>	<b>\$ 13,188,773</b>

During 2015, WETA retired \$699,100 of fixed assets no longer in service, which were fully depreciated, thus there was no loss on disposal. During 2014, WETA retired \$74,483 of fixed assets no longer in service, resulting in a net gain of \$2,011. Depreciation and amortization expense was \$1,964,269 and \$1,818,721 for the years ended June 30, 2015 and 2014, respectively.

## 7. Long Term Debt

On August 1, 2012, WETA entered into a five-year commercial, unsecured loan agreement with Bank of America. The new loan had an initial balance of \$8,551,600 and carries a fixed interest rate of 1.78% per year. After five years of monthly principal and interest payments of \$77,847, WETA will pay a lump sum of \$4,465,807 on August 1, 2017 to complete repayment of this loan.

Interest expense on the long term debt totaled \$118,468 and \$132,848 for the years ended June 30, 2015 and 2014, respectively.

Scheduled principal payments on the long term debt, by year and in aggregate, are as follows:

<i>Years ending June 30:</i>	
2016	\$ 829,099
2017	843,978
2018	4,607,935
<b>Total</b>	<b>\$ 6,281,012</b>

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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The long term debt has a restrictive debt covenant under which WETA must maintain a debt service coverage ratio of no less than 1.2 to 1.0 measured annually. If the debt service covenant is not met, it will automatically be waived and not be considered a default as long as a liquidity covenant of minimum unrestricted, unencumbered liquid assets of \$10,000,000 measured semi-annually is maintained. WETA must provide the bank with quarterly un-audited financial statements and annual audited financial statements. WETA was compliant with its debt covenants at June 30, 2015 and 2014.

### 8. Fair Value Measurement

FASB Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

#### Basis of Fair Value Measurement

*Level 1:* Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

*Level 2:* Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

*Level 3:* Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects WETA's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

WETA's investments in marketable securities (common stocks, equity investments, equity mutual funds, bonds and fixed income) are reported at fair value, based on quoted market prices. The fair value of WETA's investments in marketable securities is determined to be Level 1 as they are traded in active markets.

The fair values of WETA's investments in real estate limited partnerships, in the absence of readily ascertainable markets, are based on management's valuation of estimates and assumptions provided by information and representations from the general partnerships. These investments were less than 1% of total investments on WETA's consolidated statements of financial position as of both June 30, 2015 and 2014. WETA's investments in limited partnerships are classified as level 3 in accordance with FASB ASC 820, as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the investments. WETA's investments in real estate limited partnerships are being liquidated. Amounts remaining will be liquidated as soon as possible, although some balances may remain for several years due to requirements of the funds.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

The following tables set forth by level within the fair value hierarchy WETA's investment assets and liabilities at fair value as of June 30, 2015 and 2014, respectively. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis consist of the following amounts as of June 30, 2015:

Asset Category:	Quoted prices in active markets for identical assets (level 1)	Investments at Fair Value Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Balance as of June 30, 2015
<b>Money Market Fund:</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Money Market	252,300	-	-	252,300
<b>Equity investments:</b>				
457(b) Deferred Compensation Plan	991,744	-	-	991,744
PTMMG	11,007	-	-	11,007
Vanguard International Growth	1,611,404	-	-	1,611,404
Vanguard International Value	1,543,352	-	-	1,543,352
Vanguard PRIMECAP	3,675,327	-	-	3,675,327
Vanguard Total International Stock Index	3,928,621	-	-	3,928,621
Vanguard Total Stock Market Index	10,891,574	-	-	10,891,574
Vanguard Windsor Fund Admiral	3,619,216	-	-	3,619,216
Technology	391	-	-	391
Wachovia Charitable Gift Annuity Program	461,263	-	-	461,263
<b>Fixed Income:</b>				
Vanguard Intermediate-Term Investment Grade	6,172,445	-	-	6,172,445
Vanguard Short-Term Investment Grade	2,037,926	-	-	2,037,926
Vanguard Total Bond Market Index Institutional	8,173,030	-	-	8,173,030
Vanguard Total Bond Market Index	2,286,279	-	-	2,286,279
<b>Real Estate Limited Partnerships:</b>				
JP Morgan Alternative Property Fund	-	-	4,870	4,870
<b>Total investments at fair value</b>	<b>\$ 45,655,879</b>	<b>\$ -</b>	<b>\$ 4,870</b>	<b>\$ 45,660,749</b>

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

Financial assets and liabilities measured at fair value on a recurring basis consist of the following amounts as of June 30, 2014:

Asset Category:	Quoted prices in active markets for identical assets (level 1)	Investments at Fair Value		Balance as of June 30, 2014
		Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	
<b>Money Market Fund:</b>				
Cash and Cash Equivalents	\$ 20,623	\$ -	\$ -	\$ 20,623
Money Market	2,252,219	-	-	2,252,219
<b>Equity investments:</b>				
457(b) Deferred Compensation Plan	1,197,068	-	-	1,197,068
PTMMG	11,007	-	-	11,007
Vanguard International Growth	1,635,635	-	-	1,635,635
Vanguard International Value	1,646,122	-	-	1,646,122
Vanguard PRIMECAP	3,522,851	-	-	3,522,851
Vanguard Total International Stock Index	4,116,559	-	-	4,116,559
Vanguard Total Stock Market Index	10,339,582	-	-	10,339,582
Vanguard Windsor Fund Admiral	3,498,600	-	-	3,498,600
Technology	391	-	-	391
Wachovia Charitable Gift Annuity Program	462,115	-	-	462,115
<b>Fixed Income:</b>				
Vanguard Intermediate-Term Investment				
Grade	6,122,381	-	-	6,122,381
Vanguard Short-Term Investment Grade	2,015,347	-	-	2,015,347
Vanguard Total Bond Market Index				
Institutional	8,144,282	-	-	8,144,282
Vanguard Total Bond Market Index	4,210,992	-	-	4,210,992
<b>Real Estate Limited Partnerships:</b>				
JP Morgan Alternative Property Fund	-	-	45,291	45,291
<b>Total investments at fair value</b>	<b>\$ 49,195,774</b>	<b>\$ -</b>	<b>\$ 45,291</b>	<b>\$ 49,241,065</b>

The estimated fair values of WETA's financial instruments that are not measured at fair value on a recurring basis as of June 30, 2015 and 2014 are as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Accounts and contributions receivable, net	\$ 42,348,029	\$ 43,709,750	\$ 29,391,539	\$ 30,574,790
Long term debt	\$ 6,281,012	\$ 7,952,652	\$ 7,095,494	\$ 8,826,855

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### *Contributions receivable:*

The fair value of contributions receivable is estimated using risk free interest rates applied to multi-year contributions receivable when notice of intent is given.

### *Long term debt:*

The carrying amount is the amount at which the financial instrument is recorded on the books of WETA. The fair value is estimated using the discounted cash flow analysis using market rates for similar types of debt discounted to present value.

## **9. Retirement Plan**

WETA provides retirement benefits for substantially all of its employees through a 403(b) defined contribution savings plan. WETA's financial liability under this plan is limited to current contributions. Total employer contributions to the plan were \$1,408,127 and \$1,264,873 for the years ended June 30, 2015 and 2014, respectively.

## **10. Deferred Compensation Plan**

In January 2002, WETA adopted the 457(b) Deferred Compensation Plan of WETA (the Plan). The Plan is intended to be a deferred compensation plan for corporate officers of WETA in accordance with Section 457(b) of the IRC. The recorded asset and liability for the deferred compensation plan was \$991,744 and \$1,197,068 for the years ended June 30, 2015 and 2014, respectively. These amounts are recorded in investments and accounts payable and accrued expenses in the consolidated statements of financial position.

## **11. Income Taxes**

WETA follows the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. WETA does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

WETA has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, WETA has filed Internal Revenue Service Form 990 and Form 990-T tax returns, as required, and all other applicable returns in jurisdictions where it is required. WETA believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2012. However, WETA is still open to examination by taxing authorities for the current year and the prior three years. For the years ended June 30, 2015 and 2014, no interest or penalties were required to be recorded or included in the consolidated statements of activities related to uncertain tax positions.

**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Notes to Consolidated Financial Statements**

**12. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2015	2014
National television production	\$ 77,621,942	\$ 68,347,654
Local broadcasting	20,983,165	18,312,620
Learning media projects	318,734	497,545
<b>Temporarily restricted net assets</b>	<b>\$ 98,923,841</b>	<b>\$ 87,157,819</b>

Net assets released from restrictions included in revenues within the consolidated statements of activities are as follows:

<i>June 30,</i>	2015	2014
Production funding from public broadcasting system	\$ 29,978,916	\$ 20,657,456
Corporate underwriting and funding	18,035,534	7,552,768
Foundations and not-for-profit organizations	15,678,353	9,938,839
Community service grants from Corporation for Public Broadcasting	6,313,460	6,462,539
Federal, state, and local government grants	1,459,462	1,631,555
Membership and individuals	3,595,596	1,176,843
Private colleges and universities	10,000	-
<b>Total net assets released from restrictions</b>	<b>\$ 75,071,321</b>	<b>\$ 47,420,000</b>

**13. Permanently Restricted Net Assets**

<i>June 30,</i>	2015	2014
<i>Endowments</i>		
The Leonore Annenberg Endowment	\$ 5,000,000	\$ 5,000,000
Capital Campaign Fund - Program Trust	2,505,421	2,505,421
Eugene B. Casey Endowment	1,000,000	1,000,000
Fisher Endowment	950,000	950,000
Arts Program Fund	200,000	200,000
Other Named Endowments	88,100	87,600
<b>Total permanently restricted net assets</b>	<b>\$ 9,743,521</b>	<b>\$ 9,743,021</b>

**The Leonore Annenberg Endowment**

On August 28, 2007 the Annenberg Foundation established The Leonore Annenberg Endowment to support projects that are important, national in scope and consistent with the values and integrity of its namesake. As of September 30 each year, WETA will determine the Fund's market value, including income and both realized and unrealized gains and losses net of fees, and calculate the amount that may be withdrawn.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### Capital Campaign Fund - Program Trust

The Capital Campaign Fund was established in 1990 to help fund the development of new facilities and to create an endowment to support the development of radio and television programming for public broadcasting. During fiscal year 1991, the National Endowment for the Humanities awarded WETA a \$562,000 endowment challenge grant, which was matched by \$2,443,421 from private sources. Net assets associated with these grants are recorded as permanently restricted net assets, except for \$500,000 that is unrestricted having been applied toward the purchase of equipment pursuant to donor restrictions. Income generated by this fund is applied to the development of radio and television programming for public broadcasting.

### Eugene B. Casey Endowment

During fiscal year 2001, the Eugene B. Casey Foundation made a \$1,000,000 permanently restricted contribution to establish the Eugene B. Casey Endowment Fund. The income from the endowment fund is used to provide programming for children and young people that will enrich them through knowledge of their bodies, minds, and spirit.

### Fisher Endowment

On January 20, 2006, the Robert M. Fisher Memorial Foundation, Inc. established a \$1,000,000 program Endowment Fund at WETA. The Fisher Endowment Fund will be used to acquire, produce and broadcast television and radio programs in the fulfillment of the mission of WETA. WETA will use five percent (5%) of the value of the fund as of December 31 the year prior, or \$50,000, whichever is greater, each year. If the earnings are less than \$50,000 in any one year, the \$50,000 shall be funded by the earnings and an amount from principal to bring the annual total to \$50,000.

### Arts Endowment and Arts Program

During fiscal year 1988, WETA received a \$600,000 challenge grant from the National Endowment for the Arts (NEA). WETA was required by the terms of the grant to provide matching contributions totaling \$1,800,000. Together, the grant and matching funds were used to establish an Arts Endowment Fund of \$1,000,000 and an Arts Program Fund of \$1,400,000 (together, the Funds). The original principal of the Funds was permanently restricted under the terms of the original grants, though internal borrowing from the Arts Program Fund principal is permitted. As of June 30, 2015 and 2014, WETA had not borrowed from the Funds. In November 2007, NEA informed WETA that the permanent restriction on the funds had been removed. As of June 30, 2008 WETA reclassified \$2,200,000 of those funds into unrestricted net assets. \$200,000 of the Art Program Fund remains permanently restricted since the funds were matching funds and has not been released from restriction by the donors.

### Other Named Endowments

During fiscal year 2015 and 2014, WETA received \$500 and \$1,250, respectively, in endowment contributions from several donors to support our mission and the community we serve.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### 14. Endowment

WETA's endowment consists of individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. WETA reports these funds in accordance with FASB ASC 958 (*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*).

#### Description of Endowment Funds

At June 30, 2015 and 2014, WETA had ten endowment funds totaling \$39,945,719 and \$40,437,802, respectively. As of June 30, 2015 and 2014, seven of these funds have donor-imposed restrictions on the use of the funds, including six funds with amounts totaling \$9,743,521 and \$9,743,021, respectively, and that are permanently restricted - that is, intended to be preserved in perpetuity. In addition to the six permanently restricted endowment funds described in Note 13, WETA has one additional donor-restricted endowment fund and three Board-designated endowment funds.

#### Donor Restricted Fund

**Arts Endowment Fund and Arts Program Fund:** To establish an arts endowment fund for WETA. A significant portion of the funds were released from permanently restricted net assets in fiscal year 2008 in accordance with the donor's instructions. At June 30, 2015 and 2014, \$200,000 of the Arts Program Fund remained donor restricted.

#### Board Designated Funds

**WETA Endowment Fund:** To provide a continued source of income for operations or to fund special projects, capital improvements or emergency needs.

**Capital Building Fund:** To be used for the purchase of capital assets without obligation (or donor expectation) to preserve any amount of capital.

**Program Investment Fund:** To provide a continuing source of investment capital for expenditure in the development of and participation in projects of interest to WETA.

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

The distribution of endowment net assets between donor restricted and board designated for the years ending June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Leonore Annenberg Endowment	\$ -	\$ 2,807,980	\$ 5,000,000	\$ 7,807,980
Eugene B. Casey Endowment	-	946,565	1,000,000	1,946,565
Fisher Endowment	-	335,361	950,000	1,285,361
Other Named Endowments	-	11,399	88,100	99,499
Program Trust Fund	-	6,208,140	2,505,421	8,713,561
Arts Endowment Fund	-	2,209,837	-	2,209,837
Arts Program Fund	-	3,069,947	200,000	3,269,947
Donor restricted endowment funds	-	15,589,229	9,743,521	25,332,750
WETA Endowment Fund	4,728,867	-	-	4,728,867
Capital Building Fund	6,152,292	-	-	6,152,292
Program Investment Fund	3,731,811	-	-	3,731,811
Board designated funds	14,612,970	-	-	14,612,970
<b>Total endowment net assets</b>	<b>\$ 14,612,970</b>	<b>\$ 15,589,229</b>	<b>\$ 9,743,521</b>	<b>\$ 39,945,720</b>

  

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Leonore Annenberg Endowment	\$ -	\$ 2,606,797	\$ 5,000,000	\$ 7,606,797
Eugene B. Casey Endowment	-	896,409	1,000,000	1,896,409
Fisher Endowment	-	362,718	950,000	1,312,718
Other Named Endowments	-	8,847	87,600	96,447
Program Trust Fund	-	5,983,624	2,505,421	8,489,045
Arts Endowment Fund	-	2,152,897	-	2,152,897
Arts Program Fund	-	2,985,692	200,000	3,185,692
Donor restricted endowment funds	-	14,996,984	9,743,021	24,740,005
WETA Endowment Fund	5,581,253	-	-	5,581,253
Capital Building Fund	6,480,887	-	-	6,480,887
Program Investment Fund	3,635,657	-	-	3,635,657
Board designated funds	15,697,797	-	-	15,697,797
<b>Total endowment net assets</b>	<b>\$ 15,697,797</b>	<b>\$ 14,996,984</b>	<b>\$ 9,743,021</b>	<b>\$ 40,437,802</b>

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

### Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires WETA to retain as a fund of perpetual duration. There were no endowment funds with deficiencies for the years ended June 30, 2015 and 2014.

Changes in Endowment Net Assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Endowment net assets, beginning of year	\$ 15,697,797	\$ 14,996,984	\$ 9,743,021	\$ 40,437,802
Investment income	514,133	810,283	-	1,324,416
Investment gains and losses, net	(98,960)	(155,962)	-	(254,922)
Contributions and additions	-	-	500	500
Distributions	(1,500,000)	(62,076)	-	(1,562,076)
<b>Endowment net assets, end of year</b>	<b>\$ 14,612,970</b>	<b>\$ 15,589,229</b>	<b>\$ 9,743,521</b>	<b>\$ 39,945,720</b>

Changes in Endowment Net Assets for the fiscal year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Endowment net assets, beginning of year	\$ 13,662,045	\$ 11,645,263	\$ 9,741,771	\$ 35,049,079
Investment income	364,114	570,269	-	934,383
Investment gains and losses, net	1,816,266	2,838,039	-	4,654,305
Contributions and additions	355,372	-	1,250	356,622
Distributions	(500,000)	(56,587)	-	(556,587)
<b>Endowment net assets, end of year</b>	<b>\$ 15,697,797</b>	<b>\$ 14,996,984</b>	<b>\$ 9,743,021</b>	<b>\$ 40,437,802</b>

### Endowment Investing Policies

Permanent endowments and other endowments are aggregated into a single pool along with other investment funds to permit optimal asset allocation. WETA's primary investment objective is long-term growth to preserve and enhance the inflation-adjusted purchasing power of the total endowment.

WETA has a well-diversified investment portfolio that includes fixed income and equity mutual funds, real estate limited partnerships and cash. WETA's Investment Subcommittee monitors the portfolio and investment manager, and advises the Finance and Budget Committee of the Board of Trustees on investment matters in accordance with a written committee charter.

### Endowment Spending Policies

Endowment gifts are spent in accordance with the wishes of the donor. WETA may not spend certain endowment earnings every year if projects that meet donor restrictions are not undertaken. If earnings are not used in a particular year, WETA reinvests them for appropriate use

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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in a future year. Allowable withdrawals that are not taken within a particular year may be withdrawn in subsequent years with the approval of WETA's Finance and Budget Committee.

Unless a donor establishes a fund with other or more specific rules about how distributions are to be determined, distributable amounts are calculated as follows:

*Permanent endowments whose principal is to be preserved in perpetuity:* WETA may annually withdraw up to 4% of the prior year's ending balance. This rate is reviewed periodically by WETA's Finance and Budget Committee to ensure that it continues to be an appropriate rate to preserve the principal value of the gift in perpetuity.

*The Capital Building Fund:* WETA may withdraw any amount authorized by the Finance and Budget Committee.

*The Program Trust Fund:* WETA may withdraw any amount authorized by the Finance and Budget Committee, except for the \$2,505,421 that is permanently restricted.

*For all other funds where principal preservation is not required:* WETA may annually withdraw up to 5% of the average ending balances of the prior three years.

The decision whether to include withdrawal of money for a particular year's annual budget is made by the Finance and Budget Committee and approved by the Board of Trustees. Subject to all donor-imposed restrictions, WETA's Finance and Budget Committee may approve an extraordinary withdrawal to support essential operations in a significant or protracted economic downturn; cover critical capital expenditures lacking other sources of funding; provide cash flow for a strategic business initiative, or meet other organizational needs.

### 15. Functional Expenses

The following is a detail of expenses by function as required by FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*, which incorporates both operating expenses and non-operating expenses by function such as depreciation and amortization, interest and tax expense.

<i>Years ending June 30:</i>	2015	2014
National programming and productions	\$ 59,084,637	\$ 37,398,333
Television broadcast operations	11,567,451	11,557,268
Radio broadcast operations	2,984,498	3,080,000
Promotion, education and outreach	5,603,670	5,764,788
<b>Total program services</b>	<b>79,240,256</b>	<b>57,800,389</b>
Fundraising and membership development	7,907,538	8,710,739
Underwriting and grant solicitation	5,097,311	3,040,367
Management and general	3,108,296	2,453,132
<b>Total supporting services</b>	<b>16,113,145</b>	<b>14,204,238</b>
<b>Total expenses</b>	<b>\$ 95,353,401</b>	<b>\$ 72,004,627</b>

# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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### 16. Description of Program and Supporting Services

The following program and supporting services are included in the functional expense note above.

*National programming and productions:* This program includes national program development and the production center facility.

*Television broadcast operations:* This program includes TV station program acquisition and scheduling functions, as well as the master control and engineering functions related to television.

*Radio broadcast operations:* This program includes radio station program acquisition and scheduling functions, as well as the FM studio and engineering functions related to radio.

*Promotion, education and outreach:* This program includes communications, Learning Media and audience services.

*Fundraising and membership development:* This supporting service category includes the departments focused on raising a high volume of relatively low dollar membership gifts from individuals, as well as major giving.

*Underwriting and grant solicitation:* This supporting service category includes foundation and government development, and local and national corporate program and production underwriting.

*Management and general:* This supporting service category includes the functions necessary to support the proper administrative functioning of WETA such as human resources, management information systems, accounting and finance, legal, executive offices and facilities.

### 17. Commitments

WETA uses warehouse space, television towers, and related technical facilities under noncancelable operating leases that expire at various dates through 2020. Selected leases contain escalation clauses to cover increased operating expenses borne by the lessor.

Additionally, WETA generates rental income from office space and transmission facilities under noncancelable leases that expire at various dates through 2022.

Minimum future lease payments and receipts are as follows:

<i>Years ending June 30:</i>	Lease Payments	Lease Receipts
2016	\$ 610,049	\$ 660,787
2017	394,385	395,541
2018	388,427	307,981
2019	400,981	312,528
2020	343,788	268,973
Thereafter	-	570,654
	<b>\$ 2,137,630</b>	<b>\$ 2,516,464</b>

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# The Greater Washington Educational Telecommunications Association, Inc.

## Notes to Consolidated Financial Statements

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Total lease expense was \$1,440,532 and \$437,460 for the years ended June 30, 2015 and 2014, respectively. Total lease income was \$780,507 and \$687,058 for years ended June 30, 2015 and 2014, respectively.

### *Contingencies*

The federal funding that supports public broadcasting may decline in the future as part of on-going deficit reduction efforts of Congress. It is not possible to estimate the probability of funding cuts, the amount or the timing of any federal funding cuts, or the effect that any cuts might have on WETA. The impact on WETA will depend on how the particular federally-funded programs that benefit WETA are affected, and how the public broadcasting system overall is affected.

The total of direct federal funding and funding from the Corporation for Public Broadcasting, which receives a direct Congressional appropriation, was approximately \$28 million in fiscal year 2015, which is approximately 29% of total FY 2015 operating revenue.

### **18. Subsequent Events**

WETA evaluated subsequent events through November 23, 2015 which is the date the financial statements were available to be issued. No material subsequent events were noted that required disclosure in or adjustment to the consolidated financial statements except as noted below.

## Supplementary Information

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**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Schedule I - Supplemental Schedules of Revenues and Gains**

<i>Years ended June 30,</i>	2015	2014
<b>Consolidated schedule of revenues and gains:</b>		
Federal government	\$ 2,101,995	\$ 567,967
Corporation for Public Broadcasting - CSGs	5,918,648	6,602,095
Corporation for Public Broadcasting - Other	24,369,288	1,788,232
Public Broadcasting Service	12,658,057	14,739,981
Other public broadcasting stations	55,000	405,533
State government sources	56,000	10,000
Private Colleges and Universities	20,000	-
Foundations and nonprofit organizations	14,220,285	12,949,287
Business and industry	29,800,245	10,251,105
Membership and individuals	18,478,533	16,874,597
Investment return	544,250	2,861,334
Gain on disposal of property	-	2,011
In-kind contributions	260,566	212,603
Endowment contributions	500	1,250
Endowment investment return	654,321	3,408,308
Rental income and other	811,600	719,437
<b>Total revenues and gains</b>	<b>\$ 109,949,288</b>	<b>\$ 71,393,740</b>
<b>Reported in the consolidated statements of activities as:</b>		
Total unrestricted revenues and other support	\$ 97,576,440	\$ 68,728,346
Net assets released from restrictions	(75,071,321)	(47,420,000)
Investment return	544,250	2,861,334
Gain on disposal of property	-	2,011
Endowment contributions	500	1,250
Endowment investment return	654,321	3,408,308
Television production and other restricted contributions	86,245,098	43,812,491
<b>Total revenues and gains</b>	<b>\$ 109,949,288</b>	<b>\$ 71,393,740</b>

This schedule reconciles the GAAP-basis revenue reported in WETA's audited consolidated financial statements to the total revenue reported to the Corporation for Public Broadcasting (CPB) in the Annual Financial Report (AFR). The AFR is prepared according to CPB's rules, which do not differentiate among unrestricted revenue, temporarily restricted revenue, and permanently restricted revenue in the manner required by GAAP accounting.

The Greater Washington Educational  
Telecommunications Association, Inc.

Schedule II - Supplemental Schedule of Functional Expenses

<i>Year ended June 30, 2015</i>	National Programming and Productions	Television Broadcast Operations	Radio Broadcast Operations	Promotion, Education, and Outreach	Total Program Services	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total Supporting Services	Total Expenses 2015
Compensation of officers and directors	447,648	-	-	-	447,648	267,281	261,028	1,562,536	2,090,845	2,538,493
Other salaries and wages	15,338,703	2,212,131	1,416,202	2,358,182	21,325,218	1,513,923	1,547,406	802,277	3,863,606	25,188,824
Pension plan contributions	811,957	114,273	73,311	121,917	1,121,458	90,949	91,885	95,994	278,828	1,400,286
Other employee benefits	1,450,586	261,739	195,242	280,415	2,187,982	198,711	86,405	(25,011)	260,105	2,448,087
Payroll taxes	1,069,989	150,587	96,609	160,661	1,477,846	119,852	121,085	126,500	367,437	1,845,283
Professional fundraising fees	-	-	-	-	-	486,584	-	-	486,584	486,584
Accounting fees	54,169	7,936	5,865	8,971	76,941	6,556	5,865	11,041	23,462	100,403
Legal fees	43,377	6,355	4,697	7,184	61,613	5,249	7,419	8,841	21,509	83,122
Supplies	219,420	91,834	8,474	58,176	377,904	38,537	14,954	21,539	75,030	452,934
Telephone, rent, and utilities	204,703	3,263	9,827	8,706	226,499	109,238	10,031	1,582	120,851	347,350
Postage and shipping	56,785	5,698	925	187,701	251,109	867,753	2,659	1,680	872,092	1,123,201
Occupancy	1,259,939	184,577	136,427	208,652	1,789,595	152,477	136,427	58,523	347,427	2,137,022
Equipment rental and maintenance	122,971	146,226	84,038	2,567	355,802	5,837	227	427	6,491	362,293
Printing and publications	44,281	6,077	70	263,851	314,279	630,397	274	131	630,802	945,081
Travel	1,331,700	14,539	3,103	181,394	1,530,736	31,208	69,943	16,364	117,515	1,648,251
Conferences, conventions, and meetings	347,012	10,360	2,485	151,940	511,797	215,316	39,282	11,595	266,193	777,990
Production and acquisition costs	26,610,649	1,836,604	125,692	336,217	28,909,162	356,719	2,273	3,942	362,934	29,272,096
Public Broadcasting Service dues	-	4,974,630	-	-	4,974,630	-	-	-	-	4,974,630
Advertising and promotions	136,819	(61,427)	25	286,049	361,466	54,182	16,183	24,118	94,483	455,949
Memberships and affiliations	6,466	2,062	13,554	2,017	24,099	30,153	1,877	106,179	138,209	162,308
All other expenses	8,331,109	954,629	470,189	881,105	10,637,032	2,612,589	2,616,681	235,402	5,464,672	16,101,704
<b>Total operating expenses</b>	<b>57,888,283</b>	<b>10,922,093</b>	<b>2,646,735</b>	<b>5,505,705</b>	<b>76,962,816</b>	<b>7,793,511</b>	<b>5,031,904</b>	<b>3,063,660</b>	<b>15,889,075</b>	<b>92,851,891</b>
Income and property tax expense	260,437	28,886	41,787	32,654	363,764	23,863	21,351	9,795	55,009	418,773
Interest expense	63,916	9,363	6,921	10,585	90,785	7,735	6,921	13,027	27,683	118,468
Pledge accrual change due to database conversion	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	872,001	607,109	289,055	54,726	1,822,891	82,429	37,135	21,814	141,378	1,964,269
<b>Grand totals</b>	<b>59,084,637</b>	<b>11,567,451</b>	<b>2,984,498</b>	<b>5,603,670</b>	<b>79,240,256</b>	<b>7,907,538</b>	<b>5,097,311</b>	<b>3,108,296</b>	<b>16,113,145</b>	<b>95,353,401</b>

**The Greater Washington Educational  
Telecommunications Association, Inc.**

**Schedule II - Supplemental Schedule of Functional Expenses**

<i>Year ended June 30, 2014</i>	National Programming and Productions	Television Broadcast Operations	Radio Broadcast Operations	Promotion, Education, and Outreach	Total Program Services	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total Supporting Services	Total Expenses 2014
Compensation of officers and directors	\$ 316,425	\$ -	\$ -	\$ -	\$ 316,425	\$ 176,187	\$ 218,392	\$ 1,252,545	\$ 1,647,124	\$ 1,963,549
Other salaries and wages	6,243,681	2,050,490	1,486,268	2,671,454	12,451,893	1,697,408	1,312,159	689,072	3,698,639	16,150,532
Pension plan contributions	422,210	132,597	96,369	173,476	824,652	121,311	97,577	97,586	316,474	1,141,126
Other employee benefits	756,909	210,711	155,596	291,227	1,414,443	194,695	55,030	(19,183)	230,542	1,644,985
Payroll taxes	440,448	138,325	100,532	180,969	860,274	126,551	101,792	101,801	330,144	1,190,418
Professional fundraising fees	-	-	-	-	-	636,999	-	-	636,999	636,999
Accounting fees	51,953	14,956	12,595	24,402	103,906	17,318	13,382	4,723	35,423	139,329
Legal fees	67,489	16,583	13,964	27,056	125,092	19,201	15,713	5,237	40,151	165,243
Supplies	59,431	11,102	11,136	44,685	126,354	34,425	26,138	18,115	78,678	205,032
Telephone, rent, and utilities	420,722	442,999	108,953	5,265	977,939	103,686	1,593	10,387	115,666	1,093,605
Postage and shipping	38,248	2,122	639	179,495	220,504	818,358	3,125	540	222,023	1,042,527
Occupancy	741,354	269,278	254,601	434,844	1,700,077	321,773	238,263	72,659	632,695	2,332,772
Equipment rental and maintenance	101,959	156,363	85,866	447	344,635	22,869	120	42	23,031	367,666
Printing and publications	52,607	91	76	216,165	268,939	540,894	133	335	541,362	810,301
Travel	657,957	18,561	4,444	75,552	756,514	27,364	65,031	9,190	101,585	858,099
Conferences, conventions, and meetings	305,979	7,864	2,147	49,276	365,266	74,318	11,581	28,773	114,672	479,938
Production and acquisition costs	23,483,065	1,706,556	115,283	534,881	25,839,785	207,839	6,296	2,222	216,357	26,056,142
Public Broadcasting Service dues	-	5,353,299	-	-	5,353,299	-	-	-	-	5,353,299
Advertising and promotions	183,284	895	-	134,603	318,782	93,843	2,715	3,919	100,477	419,259
Memberships and affiliations	2,689	1,998	13,141	2,594	20,422	26,744	2,234	97,561	126,539	146,961
All other expenses	2,290,853	328,576	261,779	492,748	3,373,956	2,294,359	744,938	39,808	3,079,105	6,453,061
<b>Total operating expenses</b>	<b>36,637,263</b>	<b>10,863,366</b>	<b>2,723,389</b>	<b>5,539,139</b>	<b>55,763,157</b>	<b>7,556,142</b>	<b>2,916,212</b>	<b>2,415,332</b>	<b>12,887,686</b>	<b>68,650,843</b>
Income and property tax expense	137,753	48,005	59,076	78,324	323,158	55,585	42,952	13,166	111,703	434,861
Interest expense	49,537	14,261	12,009	23,267	99,074	16,512	12,759	4,503	33,774	132,848
Pledge accrual change due to database conversion	-	-	-	-	-	967,354	-	-	967,354	967,354
Depreciation and amortization	573,780	631,636	285,526	124,058	1,615,000	115,146	68,444	20,131	203,721	1,818,721
<b>Grand totals</b>	<b>\$ 37,398,333</b>	<b>\$ 11,557,268</b>	<b>\$ 3,080,000</b>	<b>\$ 5,764,788</b>	<b>\$ 57,800,389</b>	<b>\$ 8,710,739</b>	<b>\$ 3,040,367</b>	<b>\$ 2,453,132</b>	<b>\$ 14,204,238</b>	<b>\$ 72,004,627</b>