



**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITOR'S REPORT**

**June 30, 2009 and 2008**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
WMHT Educational Telecommunications  
Troy, New York

We have audited the accompanying statements of financial position of WMHT Educational Telecommunications (a New York not-for-profit corporation) as of June 30, 2009 and 2008, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of WMHT Educational Telecommunications' management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMHT Educational Telecommunications as of June 30, 2009 and 2008, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
November 16, 2009

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 89,055	\$ 328,145
Accounts receivable, net	556,954	475,842
Investments	4,587,180	6,574,833
Investment in limited partnership	861,916	1,388,089
Capital Campaign pledges receivable	62,431	178,520
Prepaid and other assets	274,725	221,533
Total current assets	<u>6,432,261</u>	<u>9,166,962</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<u>14,173,693</u>	<u>15,847,410</u>
<b>OTHER LONG-TERM ASSETS</b>		
Capital Campaign pledges receivable, net	-	76,686
Assets held under charitable gift annuity agreements	93,562	107,186
Long-term prepaid expenses	805,731	824,443
Investment in LLC	564,686	620,940
Other long-term assets	22,754	14,282
Deferred financing fees, net	199,534	225,525
	<u>1,686,267</u>	<u>1,869,062</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,292,221</u></b>	<b><u>\$ 26,883,434</u></b>
<b>CURRENT LIABILITIES</b>		
Working capital line-of-credit payable	\$ 499,103	\$ 500,000
Current installments of long-term debt	300,000	290,000
Current installments of capital lease obligation	108,570	101,908
Current installments of charitable gift annuity agreements	2,233	2,191
Accounts payable	252,227	306,532
Accrued expenses and other liabilities	299,540	493,897
SWAP agreement liability	239,362	124,791
Deferred revenue	36,405	20,164
Total current liabilities	<u>1,737,440</u>	<u>1,839,483</u>
<b>LONG-TERM LIABILITIES, less current installments</b>		
Long-term debt	4,820,000	5,120,000
Capital lease obligation	47,307	155,877
Charitable gift annuity agreements	56,848	59,740
	<u>4,924,155</u>	<u>5,335,617</u>
<b>NET ASSETS</b>		
Unrestricted	11,499,059	15,212,577
Temporarily restricted	4,131,567	4,495,757
	<u>15,630,626</u>	<u>19,708,334</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 22,292,221</u></b>	<b><u>\$ 26,883,434</u></b>

The accompanying Notes to Financial Statements are an integral part of these statements.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## STATEMENTS OF ACTIVITIES

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions and membership	\$ 3,340,277	\$ -	\$ 3,340,277
Capital Campaign contributions	-	3,425	3,425
Contributions from charitable gift annuity agreements	-	-	-
Capital grants	-	75,000	75,000
Auction	200,830	-	200,830
In-kind contributions	23,330	-	23,330
Change in value of split interest agreements	(4,770)	-	(4,770)
Corporation for Public Broadcasting grants	1,066,404	-	1,066,404
New York State Department of Education grants	1,542,193	-	1,542,193
Other grants	35,730	-	35,730
Program underwriting	845,695	-	845,695
Production revenue and underwriting	314,075	-	314,075
Book and video sales, net of discount	105,656	-	105,656
Other revenues	79,632	-	79,632
Interest and dividend earnings	203,791	-	203,791
Temporarily restricted net assets released from restriction	442,615	(442,615)	-
Total support and revenue	<u>8,195,458</u>	<u>(364,190)</u>	<u>7,831,268</u>
<b>EXPENSES</b>			
Television activities	4,839,068	-	4,839,068
Radio activities	680,316	-	680,316
Educational activities	245,861	-	245,861
Public communications	201,208	-	201,208
Management and general	1,544,814	-	1,544,814
Fund raising/development	2,090,820	-	2,090,820
Total expenses	<u>9,602,087</u>	<u>-</u>	<u>9,602,087</u>
<b>CHANGE IN NET ASSETS, before other revenue and expenses</b>	<b><u>(1,406,629)</u></b>	<b><u>(364,190)</u></b>	<b><u>(1,770,819)</u></b>
<b>OTHER REVENUE AND EXPENSES</b>			
Realized loss on investments	(582,188)	-	(582,188)
Unrealized loss on investments	(1,579,192)	-	(1,579,192)
Reorganization charge	(64,034)	-	(64,034)
General manager search	-	-	-
Loss on investment in LLC	(56,253)	-	(56,253)
Loss on sale of fixed assets	(25,222)	-	(25,222)
Total other revenue and expenses	<u>(2,306,889)</u>	<u>-</u>	<u>(2,306,889)</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>(3,713,518)</u></b>	<b><u>(364,190)</u></b>	<b><u>(4,077,708)</u></b>
<b>NET ASSETS, beginning of year</b>	<u>15,212,577</u>	<u>4,495,757</u>	<u>19,708,334</u>
<b>NET ASSETS, end of year</b>	<b><u>\$ 11,499,059</u></b>	<b><u>\$ 4,131,567</u></b>	<b><u>\$ 15,630,626</u></b>

The accompanying Notes to Financial Statements are an integral part of these statements.

## Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions and membership	\$ 3,526,050	\$ -	\$ 3,526,050
Capital Campaign contributions	-	20,983	20,983
Contributions from charitable gift annuity agreements	49,686	-	49,686
Capital grants	-	4,695	4,695
Auction	489,801	-	489,801
In-kind contributions	50,288	-	50,288
Change in value of split interest agreements	(4,226)	(3,062)	(7,288)
Corporation for Public Broadcasting grants	1,000,260	-	1,000,260
New York State Department of Education grants	1,548,641	-	1,548,641
Other grants	117,383	-	117,383
Program underwriting	940,200	-	940,200
Production revenue and underwriting	532,357	-	532,357
Book and video sales, net of discount	137,325	-	137,325
Other revenues	143,703	-	143,703
Interest earnings	236,058	-	236,058
Temporarily restricted net assets released from restriction	545,334	(545,334)	-
Total support and revenue	<u>9,312,860</u>	<u>(522,718)</u>	<u>8,790,142</u>
<b>EXPENSES</b>			
Television activities	5,306,066	-	5,306,066
Radio activities	678,635	-	678,635
Educational activities	323,359	-	323,359
Public communications	250,185	-	250,185
Management and general	1,660,629	-	1,660,629
Fund raising/development	2,587,187	-	2,587,187
Total expenses	<u>10,806,061</u>	<u>-</u>	<u>10,806,061</u>
<b>CHANGE IN NET ASSETS, before other revenue and expenses</b>	<b><u>(1,493,201)</u></b>	<b><u>(522,718)</u></b>	<b><u>(2,015,919)</u></b>
<b>OTHER REVENUE AND EXPENSES</b>			
Realized gain on investments	536,574	-	536,574
Unrealized loss on investments	(1,044,056)	-	(1,044,056)
Reorganization charge	(188,340)	-	(188,340)
General manager search	(65,959)	-	(65,959)
Loss on investment in LLC	(55,897)	-	(55,897)
Loss on sale of fixed assets	-	-	-
Total other revenue and expenses	<u>(817,678)</u>	<u>-</u>	<u>(817,678)</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>(2,310,879)</u></b>	<b><u>(522,718)</u></b>	<b><u>(2,833,597)</u></b>
<b>NET ASSETS, beginning of year</b>	<b><u>17,523,456</u></b>	<b><u>5,018,475</u></b>	<b><u>22,541,931</u></b>
<b>NET ASSETS, end of year</b>	<b><u>\$ 15,212,577</u></b>	<b><u>\$ 4,495,757</u></b>	<b><u>\$ 19,708,334</u></b>

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## STATEMENTS OF CASH FLOWS

Years Ended June 30,

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,077,708)	\$ (2,833,597)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	1,737,247	1,729,726
Change in allowance for doubtful accounts	-	(480)
Provision for losses and discount on pledges receivable, net	(3,425)	10,216
Capital Campaign contributions	-	(7,000)
Capital grants	(75,000)	(4,695)
Loss on disposal of property	25,222	-
Loss on investment in LLC	56,253	55,897
Contributions and change in value of pooled income fund	-	66,340
Unrealized loss on investments	1,579,192	1,049,202
Realized (gain) loss on sale of investments	582,188	(552,268)
Change in value of split-interest agreements	4,770	(7,288)
Change in value of SWAP agreement	114,571	124,791
(Increase) decrease in		
Accounts receivable	(81,112)	17,561
Prepaid expenses and other assets	(34,480)	150,635
Other long-term assets	(8,472)	10,532
Increase (decrease) in		
Accounts payable	(54,305)	(516,897)
Accrued expenses	(194,357)	145,280
Liability under charitable gift annuity agreements	(3,146)	66,157
Deferred revenue	16,241	(165,653)
	<u><b>(416,321)</b></u>	<u><b>(661,541)</b></u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of investments	(3,072,144)	(7,828,146)
Proceeds from the sale of investments	3,433,741	8,328,726
Proceeds from the sale of property	2,499	-
Payments for the purchase of property	(65,260)	(104,115)
Purchases of assets reserved under charitable gift annuity agreement transactions	-	(112,333)
	<u><b>298,836</b></u>	<u><b>284,132</b></u>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Proceeds (payments) from working capital line-of-credit, net	(897)	500,000
Principal payments on long-term debt	(290,000)	(280,000)
Principal payments on capital leases	(101,908)	(58,196)
Collection of Capital Campaign pledges	196,200	443,642
Collection of capital grants	75,000	4,695
	<u><b>(121,605)</b></u>	<u><b>610,141</b></u>
<b>Net increase (decrease) in cash</b>	<b>(239,090)</b>	<b>232,732</b>
<b>CASH, beginning of year</b>	<u>328,145</u>	<u>95,413</u>
<b>CASH, end of year</b>	<u><b>\$ 89,055</b></u>	<u><b>\$ 328,145</b></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## STATEMENTS OF FUNCTIONAL EXPENSES Year Ended June 30, 2009

	<u>Television</u>	<u>Radio</u>	<u>Educational</u>	<u>Public Communications</u>	<u>Management and General</u>	<u>Fund Raising/ Development</u>	<u>Total</u>
Salaries	\$ 1,153,663	\$ 258,064	\$ 80,687	\$ 73,210	\$ 534,545	\$ 748,894	\$ 2,849,063
Benefits and payroll taxes	237,208	48,127	16,069	16,592	99,646	129,159	546,801
Advertising	33	-	-	3,246	4,871	3,820	11,970
Auction items	-	-	-	-	450	22,880	23,330
Bad debt	666	-	-	-	-	25,370	26,036
Bank and other fees	1,867	-	-	-	82,488	94,972	179,327
Broadcast rights	790,244	60,511	85,434	-	-	-	936,189
Computer service	8,208	20,494	1,206	4,372	25,687	81,940	141,907
Consulting and professional	2,450	-	-	-	58,064	30,640	91,154
Cost of goods sold	15,794	-	3	-	196	245,300	261,293
Depreciation	1,274,992	141,310	15,382	15,382	102,880	161,310	1,711,256
Dues and subscriptions	4,709	3,114	39	87	6,011	2,599	16,559
Insurance	-	-	-	-	132,583	-	132,583
Interest	-	-	-	-	340,400	-	340,400
Maintenance	254,845	19,303	15,750	-	490	-	290,388
Membership	12,407	-	9,633	-	44,456	-	66,496
Network fees	223,952	33,313	-	-	-	-	257,265
Other materials and supplies	25,159	3,589	14,944	240	10,134	5,005	59,071
Outside services	211,575	31,615	50	5,157	33,878	70,926	353,201
Postage and shipping	11,010	622	1,326	27,672	3,210	332,056	375,896
Printing	967	1,120	198	51,969	4,656	4,858	63,768
Rent	55,647	34,350	-	-	3,058	-	93,055
Security	3,639	-	-	-	-	-	3,639
Studio materials and supplies	3,174	-	-	-	-	47	3,221
Talent fees	14,580	-	-	-	-	5,338	19,918
Telemarketing	-	-	-	-	-	26,356	26,356
Telephone	31,442	17,717	45	207	15,012	70,485	134,908
Travel and entertainment	17,993	2,027	5,080	64	35,444	27,043	87,651
Utilities	459,835	4,539	-	-	-	-	464,374
Videotape	22,306	501	15	450	325	1,491	25,088
Miscellaneous	703	-	-	2,560	6,330	331	9,924
	<u>\$ 4,839,068</u>	<u>\$ 680,316</u>	<u>\$ 245,861</u>	<u>\$ 201,208</u>	<u>\$ 1,544,814</u>	<u>\$ 2,090,820</u>	<u>\$ 9,602,087</u>

**Year Ended June 30, 2008**

	<u>Television</u>	<u>Radio</u>	<u>Educational</u>	<u>Public Communications</u>	<u>Management and General</u>	<u>Fund Raising/ Development</u>	<u>Total</u>
Salaries	\$ 1,264,657	\$ 258,039	\$ 130,470	\$ 78,370	\$ 532,347	\$ 868,475	\$ 3,132,358
Benefits and payroll taxes	276,796	50,183	29,952	20,389	106,134	160,752	644,206
Advertising	3,441	-	1,874	8,080	5,231	1,713	20,339
Auction items	-	-	-	-	-	50,288	50,288
Bad debt	245	-	-	-	-	31,903	32,148
Bank and other fees	1,611	-	-	-	122,672	99,496	223,779
Broadcast rights	788,715	56,028	72,658	-	-	-	917,401
Computer service	15,451	20,764	4,208	9,437	34,583	108,501	192,944
Consulting and professional	1,150	-	-	-	41,002	14,400	56,552
Cost of goods sold	2,925	20	-	-	194	305,705	308,844
Depreciation	1,238,946	139,509	15,585	15,585	109,387	172,494	1,691,506
Dues and subscriptions	2,770	1,624	50	578	5,450	2,776	13,248
Insurance	17	-	-	-	128,943	-	128,960
Interest	23	-	-	-	373,134	-	373,157
Maintenance	224,769	16,604	20,115	-	641	-	262,129
Membership	11,930	-	9,922	-	43,741	-	65,593
Network fees	233,240	27,390	-	-	-	-	260,630
Other materials and supplies	46,829	6,232	27,370	1,574	14,243	16,092	112,340
Outside services	399,361	34,309	3,347	6,362	54,581	146,611	644,571
Postage and shipping	9,906	902	2,114	41,772	3,423	392,742	450,859
Printing	724	2,573	396	67,315	5,331	24,679	101,018
Rent	56,807	34,350	-	-	3,085	3,610	97,852
Security	5,227	-	-	-	-	-	5,227
Studio materials and supplies	16,921	-	-	-	-	907	17,828
Talent fees	23,720	-	-	-	-	11,394	35,114
Telemarketing	-	-	-	-	-	30,890	30,890
Telephone	45,125	18,078	31	540	15,853	71,665	151,292
Travel and entertainment	26,471	7,334	4,931	64	55,685	68,650	163,135
Utilities	572,280	4,270	-	-	-	-	576,550
Videotape	28,247	426	336	84	145	2,710	31,948
Miscellaneous	7,762	-	-	35	4,824	734	13,355
	<u>\$ 5,306,066</u>	<u>\$ 678,635</u>	<u>\$ 323,359</u>	<u>\$ 250,185</u>	<u>\$ 1,660,629</u>	<u>\$ 2,587,187</u>	<u>\$ 10,806,061</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE A - SUMMARY OF ACCOUNTING POLICIES

#### 1. *Description of Organization*

WMHT Educational Telecommunications (WMHT) is a not-for-profit organization incorporated in New York. WMHT operates a non-commercial public television station (WMHT/Channel 17) and three non-commercial public FM radio stations (WMHT - FM 89.1, WRHV - FM 88.7, and WEXT - FM 97.7) in the Capital District region of New York State.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### 2. *Accounting Method*

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with the Principles of Accounting and Financial Reporting for Public Telecommunication Entities mandated by The Corporation for Public Broadcasting (CPB), which is in accordance with the AICPA Audit and Accounting Guide *Not-For-Profit Organizations*.

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### 3. *Fair Value Measurement*

Effective July 1, 2008, WMHT adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurement*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurement. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date. SFAS No. 157 applies to all assets and liabilities that are measured and reported on a fair value basis (see Note N).

#### 4. *Accounts Receivable, Net*

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on accounts receivable.

#### 5. *Capital Campaign Pledges Receivable*

A fund-raising event was conducted during 2004 to obtain donations and pledges to fund the purchase of the building and equipment located in North Greenbush, New York. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectible. Substantially all of the pledges receivable at June 30, 2009, are from individuals. WMHT maintains reserves for potential uncollectible pledges which, in the aggregate, have not exceeded management's expectations.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

#### 6. *Property and Equipment, Net*

Acquisition of property and equipment, and expenditures which materially change capacities or extend useful lives, are reported at cost, net of accumulated depreciation. Routine maintenance and repairs, and minor replacement costs are charged to expense as incurred. When buildings and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is included in WMHT's change in net assets.

Donated property is reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

WMHT reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and Capital Campaign gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, WMHT's policy is to imply a time restriction, based on the assets' estimated useful lives, on donation of property and equipment. WMHT's expirations of donor restrictions occur when the donated or acquired long-lived assets are placed in service.

Depreciation is provided for in amounts to relate the cost of depreciable assets to expenses over their estimated useful lives on the straight-line method. The estimated lives used in determining depreciation vary from three to forty-five years.

Long-lived assets to be held and used are tested for recoverability whenever events or change in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Certain long-lived assets to be disposed of by sale are reported at the lower of carrying amounts of fair value less cost to sell.

#### 7. *Investments*

Investments include money market funds. Investments are carried at fair value.

#### 8. *Investment in LLC*

WMHT's investment in the LLC represents its equity ownership in Capital Region Broadcasters LLC (the LLC), which was formed by six of the seven commercial and non-commercial television broadcasters licensed to serve the Capital Region. The LLC acquired a parcel of land in the town of New Scotland, New York, where it has constructed a digital telecommunications tower and a building that houses the stations' digital television transmitters and associated equipment. WMHT is a 17.6% owner and holds a membership certificate. The investment has been recorded using the equity method, as WMHT will share in the future profits or losses of the LLC in proportion with the equity contributions made by the participating broadcasters.

#### 9. *Deferred Financing Fees, Net*

Financing costs incurred relative to the bond issue and letter-of-credit include an underwriting discount and other costs. These costs are being amortized over the life of the bond and letter-of-credit using the straight-line method. Amortization expense was \$25,991 and \$38,220 for years ended June 30, 2009 and 2008, respectively.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

#### 9. *Deferred Financing Fees, Net* - Continued

A schedule of amortization over the next five years is as follows:

2010	\$ 13,761
2011	13,761
2012	13,761
2013	13,761
2014	13,761

#### 10. *Recognition of Donor Restrictions*

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### 11. *Support and Revenue*

Membership support, which is comprised of unrestricted contributions primarily through pledges, is recognized as support when the unconditional promise is made.

Grants awarded for operating purposes (primarily CPB and New York State Department of Education grants) are recognized as support when grants are awarded since no direct value or specific performance is required in exchange by WMHT. Production revenue, production underwriting revenue, and the related expenses of production are recognized when a production is completed and available for initial broadcast. Deferred revenue includes unearned grant revenues and the fair value of pooled life income investments. Program underwriting is recognized in the period in which the contract is entered since the underwriter receives no substantive reciprocal value and cancellation of the contract is remote.

#### 12. *In-Kind Contributions*

In-kind contributions are recorded as support and expense in the accompanying statements of activities. These contributions are recorded at fair value at the date the contribution was received.

#### 13. *Functional Expense Allocation*

The costs of providing programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

#### 14. *Tax Status*

WMHT is exempt from income tax under Section 501(c)(3) of Internal Revenue Code (Code) and comparable New York State law. WMHT has been classified as a publicly-supported organization that is not a private foundation under Section 509(a) of the Code.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

#### 14. Tax Status - Continued

WMHT files a Form 990, *Return of Organization Exempt from Income Tax*, annually. When the return is filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2009 and 2008, there were no uncertain tax benefits or provisions identified and recorded as a liability or asset.

Forms 990 filed by WMHT are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Form 990 filed by WMHT is no longer subject to examination for the fiscal years ended June 30, 2005, and prior.

#### 15. Subsequent Events

WMHT adopted SFAS 165, *Subsequent Events*, on June 30, 2009. SFAS No. 165 establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events, and the basis for that date. The adoption did not have any impact on the financial statements. In preparing the financial statements and notes thereto, WMHT has considered subsequent events through November 6, 2009, the date of the financial statements were available to be issued.

### NOTE B - ACCOUNTS RECEIVABLE, NET

A summary of WMHT’s accounts receivable, net, consists of the following:

	June 30,	
	<u>2009</u>	<u>2008</u>
Program underwriting	\$ 307,591	\$ 305,243
Production	74,563	61,755
Grants	-	1,500
Other receivables	188,551	121,095
	<u>570,705</u>	<u>489,593</u>
Less allowance for doubtful accounts	<u>(13,751)</u>	<u>(13,751)</u>
Accounts receivable, net	<u>\$ 556,954</u>	<u>\$ 475,842</u>

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE C - INVESTMENTS

A summary of WMHT's investments is as follows:

	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 594,118	\$ 594,118	\$ 381,314	\$ 381,314
Mutual funds	3,402,288	2,329,065	3,665,240	3,496,130
Corporate stocks	1,299,269	1,098,808	1,926,696	2,025,022
Governmental obligations	549,051	565,189	656,110	672,367
	\$ 5,844,726	\$ 4,587,180	\$ 6,629,360	\$ 6,574,833

For the years ended June 30, 2009 and 2008, the investments earned interest and dividends of \$198,318 and \$229,412, respectively. The fair value of investments was obtained from the published market prices at June 30, 2009 and 2008.

### NOTE D - INVESTMENT IN LIMITED PARTNERSHIP

In accordance with its Board approved investment policy, WMHT has an approximate 1% investment in Gleacher Diversified Strategies Fund LP (LP), a limited partnership. The LP's objective is to provide superior risk-adjusted returns by investing in a diversified portfolio of absolute return, as well as directional hedge funds. The LP has multiple liquidity options and certain investments may be subject to lock-up provisions of up to one year.

On March 4, 2009, the LP's General Partner elected to wind-down the LP and return capital to its partners. This wind-down is expected to take place over the course of 2009 and into 2010, followed by the dissolution of the LP in accordance with its limited partnership agreement dated as of April 1, 2002 (the "Agreement"). No exact date of final dissolution is known at this time.

The ongoing global financial crisis continued into 2009. Several of the funds the LP is invested in, elected to suspend withdrawals, exercise their gate provisions, wind-down their funds, or significantly increase designated investments. As a result the LP's ability to access capital to pay requested withdrawals, has been challenged. On February 9, 2009, the LP suspended withdrawals for the next available withdrawal date. No withdrawals were paid by the LP between January 1, 2009 and July 23, 2009. On July 23, 2009, the General Partner made a distribution pursuant to the wind-down of the Partnership in the amount of \$18 million. WMHT's share of this distribution was \$266,530, which represents approximately 28% of the fair value of WMHT's investment in the LP at June 30, 2009.

The LP has proposed to return WMHT's investment on the following payout:

July 2009 (a)	\$ 266,655
October 2009 (\$222,108 received October 28, 2009)	235,000
January 2010	235,000
April 2010	140,000
July 2010	93,000
Total	\$ 969,655

(a) Received by WMHT, July 23, 2009

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE D - INVESTMENT IN LIMITED PARTNERSHIP - Continued

However, the LP's ability to make these payouts is in question. As a result, WMHT has determined the fair value of its investment in the LP using a discounted cash flows approach. Discount rates for discounting these type cash flows typically range from 20% to 30%. Using these discount rates, WMHT's discount could range from approximately \$77,500 to \$112,000. For reporting on the statement of financial position, WMHT has used a 25% discount rate in determining the fair value. The discount was approximately \$95,000 at June 30, 2009.

A summary of the investment in LP is as follows:

	June 30, 2009			June 30, 2008	
	Cost	Fair Value		Cost	Fair Value
Investment in limited partnership	\$ 1,109,700	\$ 861,916	(a)	\$ 1,259,700	\$ 1,388,089

(a) Fair value determined by discounted cash flows.

(b) Fair value determined by net asset value, prepared by the LP's management.

### NOTE E - CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET

A summary of WMHT's Capital Campaign pledges receivable, net, are due as follows:

	June 30,	
	2009	2008
Collections due within 1 year	\$ 79,718	\$ 178,520
Collections due within 1-5 years	9,900	127,487
	89,618	306,007
Less allowance for doubtful amounts	(26,899)	(47,088)
Less discount to present value at 3%	(288)	(3,713)
Pledges receivable, net	\$ 62,431	\$ 255,206

### NOTE F - PREPAID EXPENSES

WMHT entered into a fifty-year ground lease agreement with Rensselaer Polytechnic Institute to lease the property which accommodates the facility described in Note I. The entire lease of \$935,610 was paid in advance and is being expensed using the straight-line method over the life of the lease. Rent expense was \$18,712 for both years ended June 30, 2009 and 2008. The balance of the prepaid lease at June 30, 2009 and 2008, is as follows:

	June 30,	
	2009	2008
Current portion of ground lease (included in "prepaid and other assets")	\$ 18,712	\$ 18,712
Long-term prepaid expense	805,731	824,443
	\$ 824,443	\$ 843,155

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE G - PROPERTY AND EQUIPMENT

A summary of WMHT's property and equipment, net, consists of the following:

	June 30,	
	<u>2009</u>	<u>2008</u>
Building	\$ 9,158,034	\$ 9,161,638
Radio license	1,546,231	1,546,231
Transmitter and tower	1,687,410	2,904,582
Studio and technical equipment	8,854,461	10,311,322
Furniture, fixtures, and equipment	1,654,351	1,801,540
Vehicles	19,573	42,417
Land	<u>75,391</u>	<u>75,391</u>
	22,995,451	25,843,121
Less accumulated depreciation	<u>(8,821,758)</u>	<u>(9,995,711)</u>
Property and equipment, net	<u>\$ 14,173,693</u>	<u>\$ 15,847,410</u>

Depreciation expense was \$1,711,256 and \$1,691,506 for the years ended June 30, 2009 and 2008, respectively.

### NOTE H - SPLIT-INTEREST AGREEMENT

A split-interest agreement is a trust or other arrangement under which WMHT receives benefits that are shared with other beneficiaries. A summary of WMHT's significant split interest agreement is as follows:

#### *Charitable Gift Annuity Agreements*

Under New York State Insurance Law, WMHT is required to maintain qualified reserves reported herein as assets reserved under charitable gift annuity agreements. As of June 30, 2009, WMHT maintained a segregated reserve which is in excess of the minimum required reserve of \$100,000.

The obligations under the agreements are reported herein as liabilities under charitable gift annuity agreements. The obligations are estimated at the time of the agreement based on the present value of future cash flows expected to be paid to the donors. The obligations are subject to adjustments to reflect amortization of any discount and changes in the life expectancies of the donors. The assumptions used in computing the liabilities under charitable gift annuity agreement include discount rates of 6.20% and life expectancies based on published single and multiple life expectancy tables.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE I - LONG-TERM DEBT

A summary of WMHT's long-term debt is as follows:

	June 30,	
	2009	2008
<i>M&amp;T Bank</i>		
Loan payable, due in various installments, including interest at a fixed rate (3.7% at both June 30, 2009 and 2008) maturing December 31, 2023 (a)(b)	\$ 4,620,000	\$ 4,835,000
Loan payable in principal payments of \$6,250 plus interest at LIBOR plus 1.25% (1.563% and 4.875% effective at June 30, 2009 and 2008, respectively), maturing January 2016, secured by investments (b)	500,000	575,000
	5,120,000	5,410,000
Long-term debt, less current installments	300,000	290,000
	\$ 4,820,000	\$ 5,120,000

- (a) WMHT has a \$5,235,000 mortgage agreement with M&T Bank. The mortgage was issued pursuant to the Tax Exempt Bond issued by the Rensselaer County Industrial Development Agency (IDA) to finance the purchase, renovation, and construction of an addition to the facility located in Rensselaer County and to purchase equipment to be used as a broadcasting facility. The borrowing is collateralized by a first mortgage lien on, and first security interest in, the newly acquired building at 4 Global View in Rensselaer County. The borrowing is also collateralized by a letter of credit, amended during May, 2009, which expires June 22, 2014. The letter of credit (issued by M&T Bank), has an open balance, at June 30, 2009 of \$4,662,892, and is secured by the assets financed by the tax exempt bond issue.

WMHT has an interest rate SWAP agreement to reduce the impact of changes in interest rates on its floating rate loan. The agreement has a total notional amount of \$4,620,000 and \$4,835,000 at June 30, 2009 and 2008, respectively. This cash flow hedge changes the variable-rate interest on the entire balance of WMHT's loan from M&T Bank to fixed-rate interest. Under the terms of the swap (which expires in December 2011), WMHT pays monthly a fixed interest rate of 3.72%. WMHT receives monthly the variable interest rate of LIBOR, based on a one-month interval, plus 1.25% on the interest rate swap. The fair value of the SWAP agreement was a liability of approximately \$239,000 at June 30, 2009. The change in fair value of the SWAP agreement liability is recorded herein as "interest expense."

- (b) WMHT must comply with certain covenants, including maintaining a debt service coverage ratio and certain minimum balances in cash and investments. At June 30, 2009, WMHT did not meet a certain covenant and has received a waiver from the bank.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE I - LONG-TERM DEBT - Continued

A summary of WMHT's future minimum maturities of long-term debt is as follows:

For the year ending June 30, 2010	\$ 300,000
2011	310,000
2012	320,000
2013	330,000
2014	340,000
Thereafter	<u>3,520,000</u>
	<u>\$ 5,120,000</u>

Interest expense was \$225,829 and \$248,366 for the years ended June 30, 2009 and 2008, respectively.

### NOTE J - CAPITAL LEASE OBLIGATIONS

WMHT has a capital lease agreement for the use of equipment. The monthly lease payment is \$9,612, including imputed interest of 6.353%.

	June 30,	
	<u>2009</u>	<u>2008</u>
Capital lease obligation	\$ 163,406	\$ 278,750
Less amount representing interest	<u>7,529</u>	<u>20,965</u>
Present value of future minimum lease payments	155,877	257,785
Current installments	<u>108,570</u>	<u>101,908</u>
Present value of long-term obligations under capital leases	<u>\$ 47,307</u>	<u>\$ 155,877</u>

A summary of WMHT's future minimum annual payments under this capital lease obligation is as follows:

For the year ending June 30, 2010	\$ 108,570
2011	<u>47,307</u>
	<u>\$ 155,877</u>

The total cost of equipment acquired under the capital lease arrangement was approximately \$316,000 and the related accumulated depreciation was approximately \$157,168 at June 30, 2009.

Interest expense on the capital lease obligation was \$13,437 for the year ended June 30, 2009.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE K - TEMPORARILY RESTRICTED NET ASSETS

A summary of WMHT's temporarily restricted net assets is as follows:

	June 30,	
	<u>2009</u>	<u>2008</u>
Capital Campaign and grants	<u>\$4,131,567</u>	<u>\$4,495,757</u>

### NOTE L - PENSION PLAN

WMHT participates in a retirement plan invested with the College Retirement Equities Fund (CREF) of the Teachers Insurance and Annuity Association (TIAA). The Plan is a defined contribution plan which covers all eligible full-time employees. WMHT's contributions to the Plan are discretionary. Plan contributions by participants are made on a tax-deferred basis under an agreement for salary reduction in accordance with Section 403(b) of the Internal Revenue Service Code (Tax Sheltered Annuity). Retirement expense was approximately \$106,000 and \$156,000 for the years ended June 30, 2009 and 2008, respectively.

### NOTE M - COMMITMENTS AND CONTINGENCIES

#### 1. *Operating Leases*

WMHT leases certain vehicles and equipment under operating leases expiring on various dates through 2013. Rent expense on these leases totaled \$78,862 and \$68,879 during the years ended June 30, 2009 and 2008, respectively.

A summary of WMHT's future minimum lease payments under the terms of its operating leases is as follows:

For the year ending June 30, 2010	\$ 49,653
2011	46,331
2012	40,945
2013	<u>39,150</u>
	<u>\$ 176,079</u>

#### 2. *Maintenance Contracts*

WMHT has certain equipment under maintenance contracts expiring on various dates through June 2014. Rent expense on these contracts totaled \$143,822 and \$120,291 during the years ended June 30, 2009 and 2008, respectively.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE M - COMMITMENTS AND CONTINGENCIES - Continued

#### 2. *Maintenance Contracts* - Continued

A summary of WMHT's future minimum maintenance payments under the terms of its operating leases is as follows:

For the year ending June 30, 2010	\$ 154,461
2011	96,787
2012	63,507
2013	55,209
2014	<u>53,104</u>
	<u>\$ 423,068</u>

#### 3. *Working Capital Line-of-Credit*

WMHT has a \$1,000,000 working capital line-of-credit collateralized by certain property and equipment. Advances under the line-of-credit bear interest at the greater of 3.5 percentage points above the one-month's LIBOR rate or the interest rate floor of 4.0%. (3.25% and 5.00% at June 30, 2009 and 2008, respectively). The line-of-credit renewed during June 2009 with similar terms. The balance outstanding was \$499,103 and \$500,000 at June 30, 2009 and 2008, respectively.

WMHT must comply with certain covenants, including maintaining a debt service coverage ratio and certain minimum balances in cash and investments. At June 30, 2009, WMHT did not meet a certain covenant and has received a waiver from the bank.

#### 4. *Concentration of Credit Risk*

WMHT maintains cash balances in several financial institutions located in the Northeast. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, WMHT has bank deposits in excess of amounts insured by the FDIC.

WMHT has various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur.

#### 5. *Significant Concentration*

Approximately 33% and 29% of WMHT's total support and revenue was derived from two funding sources for the years ended June 30, 2009 and 2008, respectively. No other funding source accounted for more than 10% of WMHT's total support and revenue.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE N - FAIR VALUE OF FINANCIAL INSTRUMENTS

WMHT determines the fair value of financial instruments based on the fair value hierarchy described in SFAS No. 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 describes the following three levels of inputs that may be used to measure fair value:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.
- Level 3 Unobservable inputs that are supported by little or no market activity.

The following represents WMHT's assets and liabilities measured at value on a recurring basis at June 30, 2009.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Money management funds	\$ 594,118	\$ -	\$ -	\$ 594,118
Mutual funds	2,329,065	-	-	2,329,065
Corporate stocks	1,098,808	-	-	1,098,808
Governmental obligations	-	565,189	-	565,189
Investment in Limited Partnership	-	-	861,916	861,916
	<u>\$4,021,991</u>	<u>\$ 565,189</u>	<u>\$ 861,916</u>	<u>\$ 5,449,096</u>
<b>Liabilities</b>				
Obligations under interest rate swap	<u>\$ -</u>	<u>\$ 239,362</u>	<u>\$ -</u>	<u>\$ 239,362</u>

The following represents a reconciliation for assets measured at fair value on a recurring basis using unobservable level 3 inputs during the year ended June 30, 2009.

	<b>Investments in Limited Partnership for Sale</b>
Balance July 1, 2008	\$ 1,388,089
Net losses	
Impairment	(95,000)
Unrealized loss	(281,173)
Purchases and settlements	<u>(150,000)</u>
Balance June 30, 2009	<u>\$ 861,916</u>

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

### NOTE O - PENDING ACCOUNTING PRONOUNCEMENTS

FASB Issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - Amendment of FASB Statement No. 133* (SFAS 161)

In March 2008, the FASB issued SFAS No. 161. SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. WMHT has not completed its analysis of the effects of this statement and has not determined if it will have a material effect on its financial statements.

### NOTE P - SUPPLEMENTAL CASH FLOW INFORMATION

Following are WMHT's required disclosures of cash payments and noncash investing activities:

	Years Ended June 30,	
	<u>2009</u>	<u>2008</u>
Interest expense	<u>\$ 225,829</u>	<u>\$ 248,366</u>
Capital leases, acquisition of property and equipment	<u>\$ -</u>	<u>\$ 315,981</u>