



**WMHT EDUCATIONAL TELECOMMUNICATIONS**

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

**June 30, 2011 and 2010**

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

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BOLLAM, SHEEDY, TORANI & CO. LLP  
Certified Public Accountants  
Albany, New York

**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, 2011 and 2010, 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 and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States. 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of WMHT Educational Telecommunications' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
October 5, 2011

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 893,816	\$ 522,852
Accounts receivable, net	783,239	602,407
Investments	6,254,537	5,427,609
Investment in limited partnership	-	114,391
Capital Campaign pledges receivable	39,464	35,601
Prepaid and other assets	263,597	265,582
Total current assets	8,234,653	6,968,442
<b>PROPERTY AND EQUIPMENT, net</b>	10,062,486	11,254,764
<b>BROADCAST LICENSES, net</b>	1,333,624	1,372,280
<b>OTHER LONG-TERM ASSETS</b>		
Capital Campaign pledges receivable, net	98,840	92,705
Assets held under charitable gift annuity agreements	118,231	105,290
Long-term prepaid expenses	768,307	787,019
Investment in LLC	453,112	509,187
Other long-term assets	26,263	31,395
Deferred financing fees, net	172,012	185,773
Total other long-term assets	1,636,765	1,711,369
<b>TOTAL ASSETS</b>	<b>\$ 21,267,528</b>	<b>\$ 21,306,855</b>
<b>CURRENT LIABILITIES</b>		
Working capital line-of-credit	\$ 300,000	\$ 350,000
Current installments of long-term debt	320,000	310,000
Current installments of capital lease obligation	-	47,307
Current installments of charitable gift annuity agreements	2,798	2,422
Accounts payable	510,669	551,808
Accrued expenses and other liabilities	328,900	356,624
Interest rate swap agreement	71,677	191,666
Deferred revenue	49,750	45,826
Total current liabilities	1,583,794	1,855,653
<b>LONG-TERM LIABILITIES, less current installments</b>		
Long-term debt	4,190,000	4,510,000
Charitable gift annuity agreements	60,350	59,037
Total long-term liabilities	4,250,350	4,569,037
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted	11,884,711	10,821,249
Temporarily restricted	3,548,673	4,060,916
Total net assets	15,433,384	14,882,165
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,267,528</b>	<b>\$ 21,306,855</b>

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

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**STATEMENTS OF ACTIVITIES**

	<b>Year Ended June 30, 2011</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and membership	\$ 3,594,036	\$ -	\$ 3,594,036
Capital Campaign contributions	546,753	50,280	597,033
Contributions from charitable gift annuity agreements	6,373	-	6,373
Capital grants	-	47,171	47,171
Auction	-	-	-
Change in value of split interest agreements	(6,526)	-	(6,526)
Corporation for Public Broadcasting grants	1,167,083	-	1,167,083
Federal stimulus grants	459,493	-	459,493
New York State Department of Education grants	772,659	-	772,659
Other grants	79,481	-	79,481
Program underwriting	493,906	-	493,906
Production revenue and underwriting	539,437	-	539,437
Book and video sales, net of discount	83,430	-	83,430
Other revenues	103,265	-	103,265
Interest and dividend earnings	194,625	-	194,625
Temporarily restricted net assets released from restriction	609,694	(609,694)	-
Total support and revenue	8,643,709	(512,243)	8,131,466
<b>EXPENSES</b>			
Television activities	4,302,113	-	4,302,113
Radio activities	719,731	-	719,731
Educational activities	196,607	-	196,607
Public communications	80,140	-	80,140
Management and general	1,397,477	-	1,397,477
Fund raising/development	1,946,608	-	1,946,608
Total expenses	8,642,676	-	8,642,676
<b>CHANGE IN NET ASSETS, before other revenue, gains, and losses</b>	<b>1,033</b>	<b>(512,243)</b>	<b>(511,210)</b>
<b>OTHER REVENUE, GAINS, AND LOSSES</b>			
Net realized gain on investments	201,741	-	201,741
Net unrealized gain on investments	916,763	-	916,763
Loss on investment in LLC	(56,075)	-	(56,075)
Gain on sale of fixed assets	-	-	-
Total other revenue, gains, and losses	1,062,429	-	1,062,429
<b>CHANGE IN NET ASSETS</b>	<b>1,063,462</b>	<b>(512,243)</b>	<b>551,219</b>
<b>NET ASSETS, beginning of year</b>	10,821,249	4,060,916	14,882,165
<b>NET ASSETS, end of year</b>	<b>\$ 11,884,711</b>	<b>\$ 3,548,673</b>	<b>\$ 15,433,384</b>

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

	<b>Year Ended June 30, 2010</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and membership	\$ 3,339,833	\$ -	\$ 3,339,833
Capital Campaign contributions	-	352,555	352,555
Contributions from charitable gift annuity agreements	4,995	-	4,995
Capital grants	-	82,186	82,186
Auction	100,468	-	100,468
Change in value of split interest agreements	(4,880)	-	(4,880)
Corporation for Public Broadcasting grants	1,234,898	-	1,234,898
Federal stimulus grants	459,493	-	459,493
New York State Department of Education grants	774,320	-	774,320
Other grants	78,118	-	78,118
Program underwriting	567,100	-	567,100
Production revenue and underwriting	502,664	-	502,664
Book and video sales, net of discount	112,841	-	112,841
Other revenues	103,302	-	103,302
Interest and dividend earnings	207,983	-	207,983
Temporarily restricted net assets released from restriction	505,392	(505,392)	-
Total support and revenue	<u>7,986,527</u>	<u>(70,651)</u>	<u>7,915,876</u>
<b>EXPENSES</b>			
Television activities	4,529,549	-	4,529,549
Radio activities	679,022	-	679,022
Educational activities	245,295	-	245,295
Public communications	72,497	-	72,497
Management and general	1,316,516	-	1,316,516
Fund raising/development	2,082,576	-	2,082,576
Total expenses	<u>8,925,455</u>	<u>-</u>	<u>8,925,455</u>
<b>CHANGE IN NET ASSETS, before other revenue, gains, and losses</b>	<b><u>(938,928)</u></b>	<b><u>(70,651)</u></b>	<b><u>(1,009,579)</u></b>
<b>OTHER REVENUE, GAINS, AND LOSSES</b>			
Net realized loss on investments	(870,278)	-	(870,278)
Net unrealized gain on investments	1,182,196	-	1,182,196
Loss on investment in LLC	(55,499)	-	(55,499)
Gain on sale of fixed assets	4,699	-	4,699
Total other revenue, gains, and losses	<u>261,118</u>	<u>-</u>	<u>261,118</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>(677,810)</u></b>	<b><u>(70,651)</u></b>	<b><u>(748,461)</u></b>
<b>NET ASSETS, beginning of year</b>	<u>11,499,059</u>	<u>4,131,567</u>	<u>15,630,626</u>
<b>NET ASSETS, end of year</b>	<b><u>\$ 10,821,249</u></b>	<b><u>\$ 4,060,916</u></b>	<b><u>\$ 14,882,165</u></b>

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 551,219	\$ (748,461)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	1,469,908	1,701,837
Change in allowance for doubtful accounts	6,249	-
Provision for losses and discount on pledges receivable, net	(8,119)	(7,811)
Capital Campaign contributions	(588,764)	(125,000)
Capital grants	(47,171)	(82,186)
Contributions of assets reserved under charitable gift annuity agreement transactions	(6,373)	(4,995)
Gain on disposal of property	-	(4,699)
Loss on investment in LLC	56,075	55,499
Net unrealized gain on investments	(916,763)	(1,182,196)
Net realized (gain) loss on sale of investments	(201,741)	877,123
Change in value of split-interest agreements	3,312	(6,437)
Change in value of interest rate swap agreement	(119,989)	(47,696)
(Increase) decrease in		
Accounts receivable	4,725	(45,453)
Prepaid expenses and other assets	20,697	27,855
Other long-term assets	5,132	(8,641)
Increase (decrease) in		
Accounts payable	(41,139)	299,581
Accrued expenses	(27,724)	57,084
Liability under charitable gift annuity agreements	1,416	2,082
Deferred revenue	3,924	9,421
	<b>164,874</b>	<b>766,907</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of investments	(2,365,143)	(11,421,197)
Proceeds from the sale of investments	2,569,697	11,633,366
Proceeds from the sale of property	-	122,981
Payments for the purchase of property	(225,213)	(259,709)
	<b>(20,659)</b>	<b>75,441</b>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Payments on working capital line-of-credit, net	(50,000)	(149,103)
Principal payments on long-term debt	(310,000)	(300,000)
Principal payments on capital leases	(47,307)	(108,570)
Collection of Capital Campaign pledges	586,885	66,936
Collection of capital grants	47,171	82,186
	<b>226,749</b>	<b>(408,551)</b>
<b>Net increase in cash</b>	<b>370,964</b>	<b>433,797</b>
<b>CASH, beginning of year</b>	<b>522,852</b>	<b>89,055</b>
<b>CASH, end of year</b>	<b>\$ 893,816</b>	<b>\$ 522,852</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest expense	\$ 175,603	\$ 191,981

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

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2011**

	<b>Television</b>	<b>Radio</b>	<b>Educational</b>	<b>Public Communications</b>	<b>Management and General</b>	<b>Fund Raising/ Development</b>	<b>Total</b>
Salaries	\$ 1,047,627	\$ 281,562	\$ 87,080	\$ 45,204	\$ 583,037	\$ 618,506	\$ 2,663,016
Benefits and payroll taxes	240,966	59,341	19,676	11,766	112,727	123,619	568,095
Advertising	-	-	-	-	3,217	-	3,217
Bad debt	6,637	-	-	-	-	6,447	13,084
Bank and other fees	4,682	-	-	-	129,442	93,124	227,248
Broadcast rights	800,137	53,232	4,649	-	-	-	858,018
Computer service	25,475	25,926	3,749	4,720	22,698	77,585	160,153
Consulting and professional	-	800	720	-	101,186	14,400	117,106
Cost of goods sold	8,778	-	-	-	514	326,017	335,309
Depreciation	1,057,250	129,456	15,003	15,003	145,703	93,732	1,456,147
Dues and subscriptions	5,003	2,433	-	-	5,095	2,541	15,072
Insurance	-	-	-	-	97,305	-	97,305
Interest	-	-	-	-	55,614	-	55,614
Maintenance	179,077	15,022	20,000	-	390	-	214,489
Membership	13,419	-	10,116	-	46,345	-	69,880
Network fees	236,225	52,615	-	-	-	-	288,840
Other materials and supplies	26,917	2,563	15,616	216	6,122	4,008	55,442
Outside services	263,337	28,618	14,297	-	26,265	91,633	424,150
Postage and shipping	9,848	900	578	1	4,086	358,270	373,683
Printing	874	1,072	-	-	3,213	15,877	21,036
Rent	56,346	40,900	-	-	2,983	-	100,229
Security	3,332	-	-	-	-	-	3,332
Studio materials and supplies	6,251	-	-	-	-	-	6,251
Talent fees	8,450	-	-	-	-	1,963	10,413
Telemarketing	-	-	-	-	-	33,615	33,615
Telephone	14,328	18,343	42	450	9,164	62,466	104,793
Travel and entertainment	20,034	2,271	5,002	221	37,595	22,246	87,369
Utilities	243,858	4,209	-	-	-	-	248,067
Videotape	22,782	468	79	-	4	559	23,892
Miscellaneous	480	-	-	2,559	4,772	-	7,811
	<b>\$ 4,302,113</b>	<b>\$ 719,731</b>	<b>\$ 196,607</b>	<b>\$ 80,140</b>	<b>\$ 1,397,477</b>	<b>\$ 1,946,608</b>	<b>\$ 8,642,676</b>

**Year Ended June 30, 2010**

	<b>Television</b>	<b>Radio</b>	<b>Educational</b>	<b>Public Communications</b>	<b>Management and General</b>	<b>Fund Raising/ Development</b>	<b>Total</b>
Salaries	\$ 1,090,673	\$ 257,394	\$ 82,408	\$ 41,109	\$ 525,955	\$ 685,061	\$ 2,682,600
Benefits and payroll taxes	213,900	47,460	15,480	8,484	60,732	119,502	465,558
Advertising	2,132	-	-	70	885	-	3,087
Bad debt	17,000	-	-	-	-	33,476	50,476
Bank and other fees	2,204	1	-	-	116,567	95,313	214,085
Broadcast rights	761,383	53,061	76,952	-	-	-	891,396
Computer service	14,619	19,608	3,190	4,686	20,703	80,686	143,492
Consulting and professional	-	4,000	-	-	59,116	14,400	77,516
Cost of goods sold	(7,584)	-	27	-	108	367,070	359,621
Depreciation	1,267,644	140,821	15,202	15,202	151,841	97,366	1,688,076
Dues and subscriptions	4,457	1,245	55	-	5,657	2,414	13,828
Insurance	-	-	-	-	109,705	-	109,705
Interest	-	-	-	-	144,287	-	144,287
Maintenance	211,105	19,155	20,000	-	-	-	250,260
Membership	12,904	-	9,632	-	43,934	-	66,470
Network fees	223,953	41,521	-	-	-	-	265,474
Other materials and supplies	25,591	5,285	2,460	112	7,378	5,187	46,013
Outside services	272,788	26,079	15,434	-	23,579	64,083	401,963
Postage and shipping	8,457	815	181	53	3,529	352,926	365,961
Printing	459	1,568	-	-	1,247	15,134	18,408
Rent	63,442	34,896	-	-	2,983	-	101,321
Security	1,833	-	-	-	-	-	1,833
Studio materials and supplies	5,042	-	-	-	-	-	5,042
Talent fees	9,450	-	-	-	-	1,847	11,297
Telemarketing	-	-	-	-	-	38,660	38,660
Telephone	21,512	20,390	184	36	10,793	71,907	124,822
Travel and entertainment	13,421	1,593	3,897	186	22,738	36,845	78,680
Utilities	274,384	3,634	-	-	-	-	278,018
Videotape	18,678	496	193	-	-	411	19,778
Miscellaneous	102	-	-	2,559	4,779	288	7,728
	<b><u>\$ 4,529,549</u></b>	<b><u>\$ 679,022</u></b>	<b><u>\$ 245,295</u></b>	<b><u>\$ 72,497</u></b>	<b><u>\$ 1,316,516</u></b>	<b><u>\$ 2,082,576</u></b>	<b><u>\$ 8,925,455</u></b>

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

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *a. 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.

#### *b. Financial Statement Presentation*

WMHT prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities.

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

#### *c. Use of Estimates*

In preparing the financial statements, 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.

#### *d. Fair Value Measurement*

WMHT reports certain assets and liabilities at fair value. 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 (Note 14).

Effective June 30, 2011, WMHT adopted Accounting Standards Update (ASU) 2010-06, *Improving Disclosures About Fair Value Measurements*. This new accounting guidance under ASC 820, *Fair Value Measurements and Disclosures*, requires additional disclosures about fair value measurements. The adoption of ASU 2010-06 had no impact on WMHT's financial statements as of and for the year ended June 30, 2011.

#### *e. 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.

#### *f. Investments*

Investments are reported at fair value as determined by quoted market prices. The net realized and unrealized gains (losses) on investments are reflected in the statement of activities. Realized gains and losses are calculated using the specific identification method. Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of WMHT to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. WMHT determined that there were no other-than-temporary impairments as of June 30, 2011 and 2010.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*f. Investments - Continued*

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 in the near term, and that such changes could materially affect the amounts reported in the statements of financial position.

*g. Capital Campaign Pledges Receivable*

WMHT records capital campaign pledges as revenue in the period received using the present value of estimated future cash flows discounted at an appropriate rate. A discount rate of 3% was used to present the value of pledges during the years ended June 30, 2011 and 2010. WMHT maintains an allowance for potential uncollectible pledges.

*h. 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 and amortization. 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.

*i. Broadcast Licenses*

Capitalized broadcast licenses pertain to costs incurred in obtaining the initial radio broadcasting licenses. Broadcast licenses are amortized over forty years. Broadcast licenses are stated at cost, net of accumulated amortization of \$212,607 and \$173,951 at June 30, 2011 and 2010, respectively. Amortization expense was \$38,656 for both years ended June 30, 2011 and 2010.

WMHT evaluates broadcast licenses for impairment whenever events or changes in circumstances indicate that a license's carrying amount may not be recoverable. No impairment was recorded for the years ended June 30, 2011 and 2010.

## WMHT EDUCATIONAL TELECOMMUNICATIONS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*j. 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 17.5% 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 to the equity contributions made by the participating broadcasters.

*k. Deferred Financing Fees, Net*

Financing costs incurred related 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 \$13,761 for both years ended June 30, 2011 and 2010. Annual amortization over the next five years is \$13,761.

*l. Net Assets*

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Unrestricted Net Assets*

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of WMHT.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

*Permanently Restricted Net Assets*

Permanently restricted net assets are resources whose use by WMHT is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. WMHT had no permanently restricted net assets at June 30, 2011 and 2010.

*m. 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. WMHT had no permanently restricted support during the year ended June 30, 2011 and 2010.

*n. Support and Revenue Recognition*

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

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*n. Support and Revenue Recognition - Continued*

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.

*o. Advertising Expenses*

WMHT expenses advertising costs as they are incurred.

*p. 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.

Management evaluated WMHT's tax positions, including that WMHT is exempt from taxes and not subject to income taxes on unrelated business income, and concluded that WMHT had taken no tax positions that required adjustment in its financial statements.

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. Forms 990 filed by WMHT are no longer subject to examination for the fiscal years ended June 30, 2007, and prior.

*q. Subsequent Events*

In preparing the financial statements and notes thereto, WMHT has considered subsequent events through October 5, 2011, the date the financial statements were available to be issued.

*r. Reclassifications*

Certain 2010 amounts have been reclassified to conform to the 2011 presentation. These reclassifications had no effect on previously reported results of operations or net assets.

**NOTE 2 - ACCOUNTS RECEIVABLE, NET**

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

	June 30,	
	2011	2010
Program underwriting	\$ 257,328	\$ 301,509
Production	64,185	32,385
Grants	-	162,227
Other receivables	481,726	120,037
	803,239	616,158
Less allowance for doubtful accounts	(20,000)	(13,751)
Accounts receivable, net	\$ 783,239	\$ 602,407

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 3 - INVESTMENTS**

A summary of WMHT's investments is as follows:

	June 30, 2011		June 30, 2010	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 495,517	\$ 495,517	\$ 338,406	\$ 338,406
Mutual funds	4,584,877	5,166,479	4,516,588	4,262,247
Corporate stocks	-	-	1,007	1,155
Governmental obligations	580,502	592,541	799,612	825,801
	<u>\$ 5,660,896</u>	<u>\$ 6,254,537</u>	<u>\$ 5,655,613</u>	<u>\$ 5,427,609</u>

**NOTE 4 - INVESTMENT IN LIMITED PARTNERSHIP**

In accordance with its Board approved investment policy, WMHT had an approximate 1% investment in Gleacher Diversified Strategies Fund LP (LP), a limited partnership. The LP's objective was to provide superior risk-adjusted returns by investing in a diversified portfolio of absolute return, as well as directional hedge funds. The LP had multiple liquidity options and certain investments were 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 took place over the course of 2009 through 2011, followed by the dissolution of the LP in accordance with its limited partnership agreement dated as of April 1, 2002.

WMHT collected LP distributions of \$130,304 and \$522,079 during the years ended June 30, 2011 and 2010, respectively.

As of June 30, 2011 and 2010, the LP's ability to make any additional payouts was uncertain. As a result, WMHT has determined the fair value of its investment in the LP was impaired. An investment impairment reserve was established for \$79,087 and \$95,000 as of June 30, 2011 and 2010, respectively.

**NOTE 5 - CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET**

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

	June 30,	
	2011	2010
Collections due within 1 year	\$ 40,250	\$ 37,334
Collections due within 1-5 years	103,500	105,000
	<u>143,750</u>	<u>142,334</u>
Less allowance for doubtful amounts	(2,770)	(3,233)
Less discount to present value at 3%	(2,676)	(10,795)
	<u>\$ 138,304</u>	<u>\$ 128,306</u>

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

**NOTE 6 - 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 7. 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, 2011 and 2010. The balance of the prepaid lease at June 30, 2011 and 2010, is as follows:

	June 30,	
	2011	2010
Current portion of ground lease (included in "prepaid and other assets")	\$ 18,712	\$ 18,712
Long-term prepaid expense	768,307	787,019
	\$ 787,019	\$ 805,731

**NOTE 7 - PROPERTY AND EQUIPMENT**

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

	June 30,	
	2011	2010
Building	\$ 9,058,308	\$ 9,058,308
Transmitter and tower	1,483,825	1,483,825
Studio and technical equipment	8,748,185	8,522,973
Furniture, fixtures, and equipment	1,642,389	1,642,389
Vehicles	19,573	19,573
	20,952,280	20,727,068
Less accumulated depreciation and amortization	(10,889,794)	(9,472,304)
Property and equipment, net	\$ 10,062,486	\$ 11,254,764

Depreciation and amortization expense was \$1,417,491 and \$1,649,420 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 8 - 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. WMHT maintains a segregated reserve which is in excess of the minimum required reserve of \$100,000 as of June 30, 2011 and 2010.

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 8 - SPLIT-INTEREST AGREEMENT - Continued**

*Charitable Gift Annuity Agreements - Continued*

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 ranging from 3.2% to 6.2% and life expectancies based on published single and multiple life expectancy tables.

**NOTE 9 - LINE-OF-CREDIT**

WMHT has a \$1,000,000 working capital line-of-credit with M&T Bank, of which \$300,000 and \$350,000 was outstanding at June 30, 2011 and 2010, respectively. The line-of-credit is collateralized by certain assets of WMHT and was currently renewed for another year, during June 2011, with similar terms. Interest is charged at 30 day LIBOR rate plus 3.5% or at the bank's prime rate (3.25% at June 30, 2011 and 2010).

Interest expense was \$10,873 and \$11,818 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 10 - LONG-TERM DEBT**

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

	June 30,	
	2011	2010
<i>M&amp;T Bank</i>		
Loan payable, due in various installments, including interest at a fixed rate (3.7% at both June 30, 2011 and 2010) maturing December 31, 2023 (a)(b)	\$ 4,160,000	\$ 4,395,000
Loan payable in principal payments of \$6,250 plus interest at LIBOR plus 1.25% (1.438% and 1.563%, effective at June 30, 2011 and 2010, respectively) maturing January 2016, secured by investments (b)	350,000	425,000
	4,510,000	4,820,000
Long-term debt, less current installments	320,000	310,000
	\$ 4,190,000	\$ 4,510,000

- (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 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, 2011, of \$4,197,600 and is secured by the assets financed by the tax exempt bond issue.

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 10 - LONG-TERM DEBT**

(a) Continued

WMHT has an interest rate 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 \$4,160,000 and \$4,395,000 at June 30, 2011 and 2010, 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 interest rate swap agreement (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 interest rate interest rate swap agreement was a liability of approximately \$72,000 at June 30, 2011. The change in fair value of the interest rate interest rate 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.

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

For the year ending June 30, 2012	\$ 320,000
2013	330,000
2014	340,000
2015	355,000
2016	340,000
Thereafter	<u>2,825,000</u>
	<u><u>\$ 4,510,000</u></u>

Interest expense, net of the change in the interest rate swap agreement, was \$44,268 and \$126,267 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 11 - CAPITAL LEASE OBLIGATION**

WMHT had a capital lease agreement for the use of equipment. The monthly lease payment was \$9,612, including imputed interest of 6.35%. The lease was fully paid in November 2010.

Interest expense on the capital lease obligation was \$503 and \$6,200 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Capital expenses	<u>\$ 3,548,673</u>	<u>\$ 4,060,916</u>

## WMHT EDUCATIONAL TELECOMMUNICATIONS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

#### NOTE 13 - 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 \$145,000 and \$72,000 for the years ended June 30, 2011 and 2010, respectively.

#### NOTE 14 - COMMITMENTS AND CONTINGENCIES

##### *a. Operating Leases*

WMHT leases land, vehicles, and equipment under operating leases expiring on various dates through July 2053. Rent expense on these leases totaled \$70,381 and \$68,835 during the years ended June 30, 2011 and 2010, 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, 2012	\$ 65,295
2013	62,901
2014	59,612
2015	59,612
2016	45,212
Thereafter	<u>797,250</u>
	<u>\$ 1,089,882</u>

##### *b. Maintenance Contracts*

WMHT has certain equipment under maintenance contracts expiring on various dates through June 2014. Expenses incurred on these contracts totaled \$141,234 and \$182,526 during the years ended June 30, 2011 and 2010, respectively.

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, 2012	\$ 71,904
2013	52,753
2014	<u>29,750</u>
	<u>\$ 154,407</u>

##### *c. Concentration of Credit Risk*

WMHT maintains cash balances in one financial institution located in Albany, New York. Accounts at this 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.

##### *d. Fixed Asset Purchases*

Between July 1, 2011, and the date of this report, WMHT signed purchase agreements and/or purchased various equipment for approximately \$882,000.

# WMHT EDUCATIONAL TELECOMMUNICATIONS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

### NOTE 14 - COMMITMENTS AND CONTINGENCIES - Continued

*e. Significant Concentration*

Approximately 29.5% and 25% of WMHT's total support and revenue was derived from two funding sources for the years ended June 30, 2011 and 2010, respectively. No other funding source accounted for more than 10% of WMHT's total support and revenue.

### NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

WMHT determines the fair value of financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy 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.

Fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of valuation methodologies used for assets measured at fair value:

*Money Management Funds* - The carrying amounts of money management funds approximate fair-value held by WMHT at year-end.

*Corporate Stocks* - Valued at the closing price reported in the active market in which the individual security is traded.

*Mutual Funds* - Valued at the net asset value ("NAV") of shares held by WMHT at year-end.

*Government Obligations* - Valued at yields currently available on comparable securities of issuers with similar credit ratings.

*Investments in Limited Partnership* - Valued using a discounted cash flows approach.

*Obligations Under Interest Rate Swap Agreement* - The fair value of the interest rate swap agreement is estimated by discounting the expected future cash flows using relevant mid-market data inputs and based on assumptions of no unusual market conditions or forced liquidation.

**WMHT EDUCATIONAL TELECOMMUNICATIONS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

**NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued**

The following tables set forth by level within the fair value hierarchy, the major categories of WMHT's assets and liabilities measured at value on a recurring basis.

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Money management funds	\$ 495,517	\$ -	\$ -	\$ 495,517
Mutual funds				
Fixed income funds	634,913	-	-	634,913
International developed markets	1,002,019	-	-	1,002,019
International emerging markets	358,662	-	-	358,662
International small capitalization	170,018	-	-	170,018
U.S. large capitalization	1,338,903	-	-	1,338,903
U.S. mid capitalization	177,450	-	-	177,450
U.S. small capitalization	62,689	-	-	62,689
Commodities	265,124	-	-	265,124
Emerging market bonds	287,357	-	-	287,357
Global real estate	113,787	-	-	113,787
International bonds	249,583	-	-	249,583
Other domestic equity	269,684	-	-	269,684
U.S. floating rate loans	236,290	-	-	236,290
Governmental obligations				
Mortgage backed securities	-	333,824	-	333,824
U.S. Treasury securities	258,717	-	-	258,717
	<u>\$ 5,920,713</u>	<u>\$ 333,824</u>	<u>\$ -</u>	<u>\$ 6,254,537</u>
<b>Liabilities</b>				
Obligations under interest rate swap agreement	\$ -	\$ 71,677	\$ -	\$ 71,677
	<u>\$ -</u>	<u>\$ 71,677</u>	<u>\$ -</u>	<u>\$ 71,677</u>
	June 30, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Money management funds	\$ 338,406	\$ -	\$ -	\$ 338,406
Corporate stocks				
Industrial	1,155	-	-	1,155
Mutual funds				
Fixed income funds	548,021	-	-	548,021
International developed markets	894,724	-	-	894,724
International emerging markets	243,545	-	-	243,545
U.S. large capitalization	1,139,296	-	-	1,139,296
U.S. mid capitalization	114,952	-	-	114,952
U.S. small capitalization	80,669	-	-	80,669
Commodities	223,641	-	-	223,641
Emerging market bonds	210,666	-	-	210,666
Global real estate	174,388	-	-	174,388
Hedged equity	181,032	-	-	181,032
International bonds	193,287	-	-	193,287
Treasury inflation protected security	144,746	-	-	144,746
U.S. floating rate loans	113,280	-	-	113,280
Governmental obligations	-	825,801	-	825,801
	4,601,808	825,801	-	5,427,609
Investment in Limited Partnership	-	-	114,391	114,391
	<u>\$ 4,601,808</u>	<u>\$ 825,801</u>	<u>\$ 114,391</u>	<u>\$ 5,542,000</u>
<b>Liabilities</b>				
Obligations under interest rate swap agreement	\$ -	\$ 191,666	\$ -	\$ 191,666
	<u>\$ -</u>	<u>\$ 191,666</u>	<u>\$ -</u>	<u>\$ 191,666</u>

WMHT EDUCATIONAL TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following represents a reconciliation of assets measured at fair value on a recurring basis using unobservable Level 3 inputs during the year ended June 30, 2011 and 2010.

	Investments in Limited Partnership for Sale
Balance July 1, 2009	\$ 861,916
Earnings credited to capital account	41,084
Settlements	<u>(788,609)</u>
Balance July 1, 2010	114,391
Change in investment impairment reserve	15,913
Earnings credited to capital account	-
Settlements	<u>(130,304)</u>
Balance June 30, 2011	<u><u>\$ -</u></u>