



WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

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

June 30, 2013 and 2012

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
WMHT Educational Telecommunications, Inc.
Troy, New York

Report on the Financial Statements

We have audited the accompanying statements of financial position of WMHT Educational Telecommunications, Inc. (a New York not-for-profit corporation) as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of WMHT Educational Telecommunications, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bollam Sheedy Torani & Co LLP

Albany, New York
November 11, 2013

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2013	2012
		(Restated)
CURRENT ASSETS		
Cash	\$ 802,261	\$ 415,064
Accounts and pledge receivables, net	677,745	558,624
Investments	6,042,776	5,883,155
Capital Campaign pledges receivable, net	106,529	104,302
Prepaid expenses and other assets	252,951	218,117
Total current assets	<u>7,882,262</u>	<u>7,179,262</u>
PROPERTY AND EQUIPMENT, net	<u>9,087,684</u>	<u>10,013,448</u>
BROADCAST LICENSES, net	<u>1,256,313</u>	<u>1,294,968</u>
OTHER LONG-TERM ASSETS		
Capital Campaign pledges receivable, net	139,934	125,176
Assets held under charitable gift annuity agreements	153,356	139,618
Long-term prepaid expenses	730,882	749,595
Ownership interest in investee companies	1,058,100	987,937
Other long-term assets	7,698	24,458
Deferred financing fees, net	144,490	158,251
	<u>2,234,460</u>	<u>2,185,035</u>
TOTAL ASSETS	<u>\$ 20,460,719</u>	<u>\$ 20,672,713</u>
CURRENT LIABILITIES		
Line-of-credit	\$ 300,000	\$ 420,000
Current installments of long-term debt	340,000	330,000
Current installments of charitable gift annuity agreements	3,515	14,211
Accounts payable	422,180	274,917
Accrued expenses and other liabilities	323,201	293,879
Deferred revenue	57,887	38,991
Total current liabilities	<u>1,446,783</u>	<u>1,371,998</u>
LONG-TERM LIABILITIES, less current installments		
Long-term debt	3,520,000	3,860,000
Charitable gift annuity agreements	55,157	54,753
	<u>3,575,157</u>	<u>3,914,753</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	11,951,197	11,649,684
Temporarily restricted	3,487,582	3,736,278
	<u>15,438,779</u>	<u>15,385,962</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,460,719</u>	<u>\$ 20,672,713</u>

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

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and memberships	\$ 3,561,366	\$ -	\$ 3,561,366
Capital Campaign contributions	425,636	199,260	624,896
Contributions from charitable gift annuity agreements	9,074	-	9,074
Capital grants	35,238	-	35,238
Change in value of split interest agreements	10,629	-	10,629
Corporation for Public Broadcasting grants	1,149,594	-	1,149,594
New York State Department of Education grants	1,151,570	-	1,151,570
Other grants	59,150	-	59,150
Program underwriting	573,470	-	573,470
Production revenue and underwriting	701,554	-	701,554
Video and book sales, net of discounts	46,965	-	46,965
Other revenues	137,539	-	137,539
Interest and dividend earnings	176,166	-	176,166
Temporarily restricted net assets released from restriction	447,956	(447,956)	-
Total support and revenue	<u>8,485,907</u>	<u>(248,696)</u>	<u>8,237,211</u>
EXPENSES			
Television activities	4,155,094	-	4,155,094
Radio activities	752,359	-	752,359
Educational activities	239,993	-	239,993
Public communications	92,620	-	92,620
Management and general	1,275,894	-	1,275,894
Fund raising/development	2,054,349	-	2,054,349
Total expenses	<u>8,570,309</u>	<u>-</u>	<u>8,570,309</u>
CHANGE IN NET ASSETS, before other revenue, gains, and losses	<u>(84,402)</u>	<u>(248,696)</u>	<u>(333,098)</u>
OTHER REVENUE, GAINS, AND LOSSES			
Net realized gain on investments	150,111	-	150,111
Net unrealized gain on investments	164,032	-	164,032
Equity gain, share of investee companies' gains, net	71,772	-	71,772
Gain on sale of fixed assets	-	-	-
Total other revenue, gains, and losses	<u>385,915</u>	<u>-</u>	<u>385,915</u>
CHANGE IN NET ASSETS	301,513	(248,696)	52,817
NET ASSETS, beginning of year	<u>11,649,684</u>	<u>3,736,278</u>	<u>15,385,962</u>
NET ASSETS, end of year	<u>\$ 11,951,197</u>	<u>\$ 3,487,582</u>	<u>\$ 15,438,779</u>

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

	Year Ended June 30, 2012		
	Unrestricted	Temporarily	Total
	(Restated)	Restricted	(Restated)
SUPPORT AND REVENUE			
Contributions and memberships	\$ 3,507,380	\$ -	\$ 3,507,380
Capital Campaign contributions	77,947	199,824	277,771
Contributions from charitable gift annuity agreements	11,397	-	11,397
Capital grants	-	431,141	431,141
Change in value of split interest agreements	(4,544)	-	(4,544)
Corporation for Public Broadcasting grants	1,135,921	-	1,135,921
New York State Department of Education grants	1,151,570	-	1,151,570
Other grants	81,153	-	81,153
Program underwriting	512,693	-	512,693
Production revenue and underwriting	518,678	-	518,678
Video and book sales, net of discounts	73,964	-	73,964
Other revenues	149,365	-	149,365
Interest and dividend earnings	162,635	-	162,635
Temporarily restricted net assets released from restriction	443,360	(443,360)	-
Total support and revenue	<u>7,821,519</u>	<u>187,605</u>	<u>8,009,124</u>
EXPENSES			
Television activities	4,075,170	-	4,075,170
Radio activities	724,582	-	724,582
Educational activities	222,772	-	222,772
Public communications	85,687	-	85,687
Management and general	1,263,703	-	1,263,703
Fund raising/development	1,995,346	-	1,995,346
Total expenses	<u>8,367,260</u>	<u>-</u>	<u>8,367,260</u>
CHANGE IN NET ASSETS, before other revenue, gains, and losses	<u>(545,741)</u>	<u>187,605</u>	<u>(358,136)</u>
OTHER REVENUE, GAINS, AND LOSSES			
Net realized gain on investments	139,431	-	139,431
Net unrealized gain on investments	(364,977)	-	(364,977)
Equity gain, share of investee companies' gains, net	515,490	-	515,490
Gain on sale of fixed assets	20,770	-	20,770
Total other revenue, gains, and losses	<u>310,714</u>	<u>-</u>	<u>310,714</u>
CHANGE IN NET ASSETS	<u>(235,027)</u>	<u>187,605</u>	<u>(47,422)</u>
NET ASSETS, beginning of year	<u>11,884,711</u>	<u>3,548,673</u>	<u>15,433,384</u>
NET ASSETS, end of year	<u><u>\$ 11,649,684</u></u>	<u><u>\$ 3,736,278</u></u>	<u><u>\$ 15,385,962</u></u>

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2013	2012
		(Restated)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 52,817	\$ (47,422)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	1,139,694	1,323,232
Change in allowance for doubtful accounts	-	(8,697)
Capital Campaign pledges	(624,896)	(277,771)
Capital grants	(35,238)	(431,141)
Contributions of assets reserved under charitable gift annuity agreement transactions	(9,074)	(11,397)
Gain on sale of fixed assets	-	(20,770)
Equity gain, share of investee companies' gains, net	(64,563)	(471,068)
Net unrealized (gain) loss on investments	(164,032)	364,977
Net realized gain on sale of investments	(150,111)	(139,431)
Change in value of split-interest agreements	21,218	2,198
Change in value of interest rate swap agreement	-	(71,677)
(Increase) decrease in		
Accounts receivable	(119,121)	233,312
Prepaid expenses and other assets	(16,121)	64,192
Other long-term assets	16,760	1,805
Increase (decrease) in		
Accounts payable	147,263	(235,752)
Accrued expenses and other liabilities	29,322	(35,021)
Deferred revenue	18,896	(10,759)
Charitable gift annuity agreements	(32,847)	893
	209,967	229,703
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of investments	(2,602,983)	(8,103,155)
Proceeds from the sale of investments	2,754,178	8,241,726
Proceeds from the sale of property	-	20,770
Payments for the purchase of property	(126,276)	(1,221,777)
Additional equity in investee companies	(5,600)	(63,757)
	19,319	(1,126,193)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Line-of-credit, net	(120,000)	120,000
Principal payments on long-term debt	(330,000)	(320,000)
Collection of Capital Campaign pledges	607,911	186,597
Collection of capital grants	-	431,141
	157,911	417,738
Net increase (decrease) in cash	387,197	(478,752)
CASH, beginning of year	415,064	893,816
CASH, end of year	\$ 802,261	\$ 415,064
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for		
Interest expense	\$ 17,045	\$ 105,384

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

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Television	Radio	Educational	Public Communications	Management and General	Fund Raising/ Development	Total
Salaries	\$ 1,010,708	\$ 305,007	\$ 121,602	\$ 55,129	\$ 623,520	\$ 636,551	\$ 2,752,517
Benefits and payroll taxes	258,336	68,767	28,644	11,718	126,241	128,459	622,165
Advertising	-	-	2,942	-	2,421	-	5,363
Bad debt, net	-	-	-	-	-	625	625
Bank and other fees	5,550	-	-	-	122,001	97,212	224,763
Broadcast rights	877,778	55,859	1,450	-	-	-	935,087
Computer service	21,912	18,302	5,267	6,169	20,378	75,666	147,694
Consulting and professional	-	-	-	-	35,825	14,400	50,225
Cost of goods sold	7,037	-	-	-	20	360,183	367,240
Depreciation and amortization	779,603	115,279	14,795	14,795	93,631	121,591	1,139,694
Dues and subscriptions	4,769	1,424	-	-	7,052	2,540	15,785
Insurance	-	-	-	-	96,684	-	96,684
Interest	-	-	-	-	15,965	-	15,965
Maintenance	137,636	14,840	36,189	-	-	-	188,665
Membership	14,029	-	9,949	-	42,880	-	66,858
Network fees	259,919	56,237	-	-	-	-	316,156
Other materials and supplies	23,304	1,167	7,742	52	9,817	2,196	44,278
Outside services	373,459	35,301	1,703	337	19,672	45,160	475,632
Postage and shipping	10,489	592	1,208	39	4,050	415,037	431,415
Printing	780	1,358	2,609	49	397	38,701	43,894
Rent	64,068	45,700	-	-	2,820	-	112,588
Security	3,278	-	-	-	-	-	3,278
Studio materials and supplies	10,602	-	-	-	-	630	11,232
Talent fees	8,425	-	-	-	-	100	8,525
Telemarketing	-	-	-	-	-	24,966	24,966
Telephone	14,574	19,240	12	-	11,346	71,003	116,175
Travel and entertainment	16,618	2,677	5,260	1,773	36,322	18,919	81,569
Utilities	201,655	3,395	-	-	-	-	205,050
Videotape	28,010	7,214	621	-	780	410	37,035
Miscellaneous	22,555	-	-	2,559	4,072	-	29,186
	<u>\$ 4,155,094</u>	<u>\$ 752,359</u>	<u>\$ 239,993</u>	<u>\$ 92,620</u>	<u>\$ 1,275,894</u>	<u>\$ 2,054,349</u>	<u>\$ 8,570,309</u>

Year Ended June 30, 2012

	Television	Radio	Educational	Public Communications	Management and General	Fund Raising/ Development	Total
Salaries	\$ 993,101	\$ 299,791	\$ 117,890	\$ 46,049	\$ 587,619	\$ 612,147	\$ 2,656,597
Benefits and payroll taxes	244,767	66,844	28,035	11,037	116,623	121,576	588,882
Advertising	-	-	3,000	-	4,697	-	7,697
Bad debt, net	-	-	-	-	-	126	126
Bank and other fees	4,574	-	-	-	124,716	89,739	219,029
Broadcast rights	824,972	57,068	2,658	-	-	-	884,698
Computer service	19,834	16,036	2,471	10,531	35,461	80,090	164,423
Consulting and professional	-	-	-	-	41,007	14,400	55,407
Cost of goods sold	22,259	-	-	-	39	322,774	345,072
Depreciation and amortization	923,046	124,478	14,973	14,973	104,784	140,978	1,323,232
Dues and subscriptions	4,795	3,182	-	-	6,341	2,668	16,986
Insurance	-	-	-	-	97,069	-	97,069
Interest	-	-	-	-	21,295	-	21,295
Maintenance	160,535	17,306	21,250	-	-	-	199,091
Membership	13,687	-	10,043	-	44,541	-	68,271
Network fees	235,034	45,928	-	-	-	-	280,962
Other materials and supplies	32,998	3,817	6,102	-	9,984	3,527	56,428
Outside services	269,344	24,940	4,416	-	11,244	63,731	373,675
Postage and shipping	8,969	617	315	-	4,670	380,935	395,506
Printing	434	1,184	935	-	3,993	32,081	38,627
Rent	59,599	38,149	-	-	2,983	429	101,160
Security	1,184	-	-	-	-	-	1,184
Studio materials and supplies	9,548	-	787	-	-	-	10,335
Talent fees	6,450	-	-	-	-	975	7,425
Telemarketing	-	-	-	-	-	27,479	27,479
Telephone	14,671	18,634	36	200	8,750	83,795	126,086
Travel and entertainment	13,062	3,194	9,406	338	33,762	17,886	77,648
Utilities	189,080	3,136	-	-	-	-	192,216
Videotape	19,784	278	455	-	50	10	20,577
Miscellaneous	3,443	-	-	2,559	4,075	-	10,077
	<u>\$ 4,075,170</u>	<u>\$ 724,582</u>	<u>\$ 222,772</u>	<u>\$ 85,687</u>	<u>\$ 1,263,703</u>	<u>\$ 1,995,346</u>	<u>\$ 8,367,260</u>

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

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Description of Organization

WMHT Educational Telecommunications, Inc. (WMHT) is a not-for-profit organization incorporated in New York. WMHT operates non-commercial public television stations (WMHT/Channel 17, WMHT-PBS World, and WMHT-Create TV) 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. Basis of Accounting and Financial Statement Presentation

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

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 from 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, 2013 and 2012.

c. Use of Estimates

The preparation of financial statements requires management 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 reporting period. Actual results could differ from those estimates.

d. 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 (Note 16).

Effective June 30, 2013, WMHT adopted Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. ASU 2011-04 clarifies existing guidance and makes wording changes to align with International Financial Reporting Standards. In addition, certain amendments to this ASU change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The adoption of ASU 2011-04 did not have a material impact on WMHT's financial statements.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Accounts and Pledge Receivables, Net

Accounts and pledge receivables 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 and customer receivables and considering the individual's and customer's financial condition, credit history, and current economic conditions. Accounts and pledge receivables are written off when deemed uncollectible. Recoveries of accounts and pledge receivables previously written off are recorded when received.

Accounts and pledge receivables are 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 and pledge receivables.

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 statements 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, 2013 and 2012.

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, 2013 and 2012. WMHT maintains an allowance for potential uncollectible pledges.

h. Property and Equipment, Net

Acquisitions 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 donations 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.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 of \$1,546,231, net of accumulated amortization of \$289,918 and \$251,263 at June 30, 2013 and 2012, respectively. Amortization expense was \$38,655 for both years ended June 30, 2013 and 2012.

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, 2013 and 2012.

j. Ownership Interest in Investee Companies

Investee companies that are not consolidated, but over which WMHT exercises significant influence, are accounted for under the equity method of accounting. Whether or not WMHT exercises significant influence with respect to an investee company depends on an evaluation of several factors including, among others, representation on the investee companies' Board of Directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the statement of financial position and statement of activities; however, WMHT's share of the earnings or losses of the investee company is reflected in the caption "equity gain, share of investee companies' gains, net" in the statements of activities. WMHT's carrying value in an equity method investee company is reflected in the caption "ownership interests in investee companies" in the statement of financial position.

When the carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the financial statements unless WMHT guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, WMHT will not record its share of such income until it equals the amount of its share of losses not previously recognized.

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 each of the years ended June 30, 2013 and 2012. Annual amortization over the next five years is \$13,761.

l. 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.

m. 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.

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.

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.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

n. Advertising Expenses

WMHT expenses advertising costs as they are incurred.

o. Tax Status

WMHT is exempt from income tax under Section 501(c)(3) of the IRC 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 IRC.

WMHT files a Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated WMHT's tax positions, including interest and penalties attributable thereto, and concluded that WMHT had taken no tax positions that required adjustment in its financial statements as of June 30, 2013 and 2012.

Forms 990 filed by the WMHT are subject to examination by the taxing authorities. WMHT is no longer subject to tax examination for the fiscal years ended June 30, 2009, and prior.

p. Subsequent Events

WMHT has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through November 11, 2013, the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS AND PLEDGES RECEIVABLE, NET

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

	June 30,	
	2013	2012
Program underwriting	\$ 300,671	\$ 286,719
Production	157,727	68,398
Other receivables	<u>230,650</u>	<u>214,810</u>
	689,048	569,927
Less allowance for doubtful accounts	<u>(11,303)</u>	<u>(11,303)</u>
Accounts and pledges receivable, net	<u><u>\$ 677,745</u></u>	<u><u>\$ 558,624</u></u>

NOTE 3 - INVESTMENTS

A summary of WMHT's investments is as follows:

	June 30, 2013		June 30, 2012	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 572,863	\$ 572,863	\$ 576,123	\$ 576,123
Mutual funds	<u>5,077,218</u>	<u>5,469,913</u>	<u>5,078,369</u>	<u>5,307,032</u>
	<u><u>\$ 5,650,081</u></u>	<u><u>\$ 6,042,776</u></u>	<u><u>\$ 5,654,492</u></u>	<u><u>\$ 5,883,155</u></u>

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 4 - CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET

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

	June 30,	
	2013	2012
Collections due within 1 year	\$ 107,583	\$ 105,515
Collections due within 2-4 years	144,326	129,409
	<u>251,909</u>	<u>234,924</u>
Less allowance for doubtful amounts	(2,770)	(2,770)
Less discount to present value at 3%	<u>(2,676)</u>	<u>(2,676)</u>
Pledges receivable, net	<u><u>\$ 246,463</u></u>	<u><u>\$ 229,478</u></u>

NOTE 5 - 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 6. 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 each of the years ended June 30, 2013 and 2012. The balance of the prepaid lease is as follows:

	June 30,	
	2013	2012
Current portion of ground lease (included in "prepaid expenses and other assets")	\$ 18,712	\$ 18,712
Long-term prepaid expense	<u>730,882</u>	<u>749,595</u>
	<u><u>\$ 749,594</u></u>	<u><u>\$ 768,307</u></u>

NOTE 6 - PROPERTY AND EQUIPMENT

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

	June 30,	
	2013	2012
Building	\$ 9,081,709	\$ 9,073,908
Transmitter and tower	1,524,649	1,524,649
Studio and technical equipment	8,719,149	9,237,509
Furniture, fixtures, and equipment	<u>1,590,762</u>	<u>1,615,600</u>
	20,916,269	21,451,666
Less accumulated depreciation	<u>(11,828,585)</u>	<u>(11,438,218)</u>
Property and equipment, net	<u><u>\$ 9,087,684</u></u>	<u><u>\$ 10,013,448</u></u>

Depreciation expense was \$1,087,505 and \$1,270,815 for the years ended June 30, 2013 and 2012, respectively.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 7 - 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, 2013 and 2012.

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 agreements include discount rates ranging from 1.2% to 6.2% and life expectancies based on published single and multiple life expectancy tables.

NOTE 8 - OWNERSHIP INTEREST IN INVESTEE COMPANIES

WMHT has an equity ownership in Capital Region Broadcasters LLC (CRB), which was formed by six of the seven commercial and non-commercial television broadcasters licensed to serve the Capital Region. WMHT's ownership interest in CRB is \$341,686 and \$397,822 as of June 30, 2013 and 2012, respectively. CRB 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.

WMHT invested \$5,600 and \$63,756 during the years ended June 30, 2013 and 2012, respectively, in Centralcast, LLC (Centralcast) (Delaware limited liability company), which was formed by eight non-commercial television broadcasters during 2012. Centralcast was organized exclusively for the charitable purposes described in the Section 501(c)(3) of the Internal Revenue Code (IRC). WMHT's ownership interest in Centralcast is \$716,414 and \$590,115 as of June 30, 2013 and 2012, respectively. Centralcast was formed to construct and operate a joint master control facility in Syracuse, New York. WMHT is a 10% owner and holds a membership certificate. WMHT paid Centralcast \$89,721 (\$25,000 for infrastructure fees and \$64,721 for service fees) and \$-0- during the years ended during the year ended June 30, 2013 and 2012, respectively (see Note 13).

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 \$420,000 was outstanding at June 30, 2013 and 2012, respectively. The line-of-credit is collateralized by certain assets of WMHT and is up for renewal during February 2014. Interest is currently charged at the 30-day LIBOR rate plus 3.0% or at the bank's prime rate plus 2.0% (3.25% at June 30, 2013 and 2012).

Interest expense was \$5,193 and \$10,816 for the years ended June 30, 2013 and 2012, respectively.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 10 - LONG-TERM DEBT

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

	June 30,	
	2013	2012
<i>M&T Bank</i>		
Loan payable, due in various installments, including interest at the LIBOR plus 1.25% (1.438% at both June 30, 2013 and 2012), maturing December 31, 2023 (a)	\$ 3,660,000	\$ 3,915,000
Loan payable in principal payments of \$6,250 plus interest at LIBOR plus 1.25% (1.438% at both June 30, 2013 and 2012) maturing January 2016, secured by investments	200,000	275,000
	3,860,000	4,190,000
Long-term debt, less current installments	340,000	330,000
	<u>\$ 3,520,000</u>	<u>\$ 3,860,000</u>

- (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, which expires June 22, 2014. The letter of credit (issued by M&T Bank), has an open balance at June 30, 2013, of \$3,660,000, and is secured by the assets financed by the tax exempt bond issue.

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

For the year ending June 30, 2014	\$ 340,000
2015	355,000
2016	340,000
2017	300,000
2018	315,000
Thereafter	2,210,000
	<u>\$ 3,860,000</u>

Interest expense, net of the change in the interest rate swap agreement, was \$10,772 and \$10,479 for the years ended June 30, 2013 and 2012, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2013	2012
Capital expenses	<u>\$ 3,487,582</u>	<u>\$ 3,736,278</u>

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 12 - 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 \$146,510 and \$141,606 for the years ended June 30, 2013 and 2012, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

a. Operating Leases

WMHT leases land, vehicles, and equipment under operating leases. The leases require monthly payments ranging from \$299 to \$2,208 and one lease requires quarterly payments of \$6,250. These leases expire on various dates through July 2053. Rent expense on these leases totaled \$100,227 and \$101,160 during the years ended June 30, 2013 and 2012, respectively.

During April 2012, WMHT entered into a three-year sublease agreement that expires on June 30, 2015. The tenant is leasing 2,500 square feet of office space at WMHT's Troy building. The sublease requires monthly rental payments of \$2,917 for the office space and \$305 a month for network services.

A summary of future minimum lease and sublease payments are as follows:

	Lease Payments	Sublease Payments
For the year ending June 30, 2014	\$ 95,605	\$ 38,664
2015	69,688	38,664
2016	63,110	-
2017	45,212	-
2018	45,212	-
Thereafter	706,825	-
	<u>\$ 1,025,652</u>	<u>\$ 77,328</u>

b. Maintenance Contracts

WMHT has certain equipment under maintenance contracts. These contracts require monthly payments ranging from \$351 to \$3,229 and expire on various dates through November 2016. Expenses incurred on these contracts totaled \$110,703 and \$116,902 during the years ended June 30, 2013 and 2012, respectively.

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

	Lease Payments
For the year ending June 30, 2014	\$ 51,122
2015	5,060
2016	4,271
2017	1,780
	<u>\$ 62,233</u>

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 13 - COMMITMENTS AND CONTINGENCIES - Continued

c. Investment in Centralcast, LLC

Centralcast, LLC (Centralcast) requires each investor to pay quarter fees to cover a joint master control provider agreement. WMHT currently pays quarterly fees of \$21,574 to Centralcast. The quarterly fees will be adjusted annually and will be paid through the end of the agreement, which currently expires September 1, 2019. The agreement will automatically renew for one additional two year term without proper notice.

NOTE 14 - RISK AND UNCERTAINTIES

a. 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.

b. Significant Concentration

Approximately 27.9% and 28.6% of WMHT's total support and revenue was derived from two funding sources for the years ended June 30, 2013 and 2012, respectively. No other funding source accounted for more than 10% of WMHT's total support and revenue.

NOTE 15 - RESTATEMENT

During 2013, WMHT determined that it had understated its investment in Centralcast, LLC as of June 30, 2012. Accordingly, the accompanying 2012 statements of financial position and activities have been restated to increase ownership interest in investee companies and equity gain, share of investee companies' gains, net, by \$526,359.

NOTE 16 - 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 approximate fair market value held by WMHT because of the short maturity of these instruments.

WMHT EDUCATIONAL TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by WMHT are open-ended mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by WMHT are deemed to be actively traded.

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, 2013				
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 572,863	\$ -	\$ -	\$ 572,863
Mutual funds				
Fixed income funds	1,300,936	-	-	1,300,936
International developed markets	1,354,965	-	-	1,354,965
International emerging markets	388,350	-	-	388,350
U.S. large capitalization	1,230,588	-	-	1,230,588
U.S. mid capitalization	96,646	-	-	96,646
U.S. small capitalization	46,058	-	-	46,058
Commodities	132,061	-	-	132,061
Emerging market bonds	247,355	-	-	247,355
Global real estate	104,473	-	-	104,473
International bonds	351,860	-	-	351,860
Other domestic equity	216,621	-	-	216,621
	<u>\$ 6,042,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,042,776</u>
June 30, 2012				
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 576,123	\$ -	\$ -	\$ 576,123
Mutual funds				
Fixed income funds	1,317,677	-	-	1,317,677
International developed markets	800,824	-	-	800,824
International emerging markets	420,925	-	-	420,925
International small capitalization	121,256	-	-	121,256
U.S. large capitalization	1,210,878	-	-	1,210,878
U.S. mid capitalization	48,821	-	-	48,821
Commodities	248,882	-	-	248,882
Emerging market bonds	311,023	-	-	311,023
Global real estate	50,482	-	-	50,482
International bonds	229,874	-	-	229,874
Other domestic equity	327,561	-	-	327,561
U.S. floating rate loans	218,829	-	-	218,829
	<u>\$ 5,883,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,883,155</u>