

**WITF, Inc. and Subsidiary**  
**Consolidated Financial Statements and**  
**Supplementary Information**  
**June 30, 2020 and 2019**



## **WITF, Inc. and Subsidiary**

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## **Independent Auditor's Report**

To the Board of Directors  
WITF, Inc.  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of WITF, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses - by natural classification, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

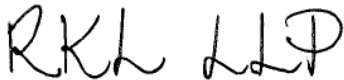
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WITF, Inc. and Subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter - Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 47 to 56, as listed in the table of contents, is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

October 16, 2020  
Harrisburg, Pennsylvania

**WITF, Inc. and Subsidiary**

## Consolidated Statement of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash, operating	\$ 1,801,587	\$ 390,408
Cash, restricted	77,715	10,000
Accounts receivable, net	457,103	402,931
Grants receivable	346,947	117,941
Contracts receivable	184,087	206,570
Inventory and prepaid expenses	155,802	175,715
Broadcast rights	38,726	39,463
Promises to give, net	333,750	874,250
Investments	<u>8,928,194</u>	<u>8,441,296</u>
<b>Total Current Assets</b>	<u>12,323,911</u>	<u>10,658,574</u>
<b>Property and Equipment, Net</b>	<u>14,363,892</u>	<u>15,167,793</u>
<b>Other Assets</b>		
Investments	19,468,725	23,243,633
Station license	910,000	910,000
Deferred income taxes, net	801,000	942,000
Interest in net assets of a community foundation	64,677	72,119
Promises to give, net	<u>60,984</u>	<u>88,899</u>
<b>Total Other Assets</b>	<u>21,305,386</u>	<u>25,256,651</u>
<b>Total Assets</b>	<u>\$ 47,993,189</u>	<u>\$ 51,083,018</u>

**WITF, Inc. and Subsidiary**

Consolidated Statement of Financial Position (continued)

	June 30,	
	2020	2019
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 701,002	\$ 666,760
Current portion of obligations under capital leases	2,815	7,298
Accounts payable	606,341	599,909
Accrued payroll and vacation	337,635	253,857
Accrued and withheld payroll taxes	9,625	8,382
Deferred revenue	1,402,060	1,504,900
Accrued interest payable	26,590	51,556
Broadcast rights	5,826	5,629
<b>Total Current Liabilities</b>	<b>3,091,894</b>	<b>3,098,291</b>
<b>Other Liabilities</b>		
Long-term debt	12,923,934	12,665,435
Interest rate swap liability	885,869	344,265
Deferred revenue	664,687	1,063,811
Charitable gift annuity obligation	89,873	100,171
Obligations under capital leases	2,677	5,491
Accrued pension liability	-	2,524,623
<b>Total Other Liabilities</b>	<b>14,567,040</b>	<b>16,703,796</b>
<b>Total Liabilities</b>	<b>17,658,934</b>	<b>19,802,087</b>
<b>Net Assets</b>		
Without donor restrictions	28,992,303	29,771,278
With donor restrictions	1,341,952	1,509,653
<b>Total Net Assets</b>	<b>30,334,255</b>	<b>31,280,931</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 47,993,189</b>	<b>\$ 51,083,018</b>

**WITF, Inc. and Subsidiary**

## Consolidated Statement of Activities

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Contributions	\$ 5,962,403	\$ 450,978	\$ 6,413,381
Fees and rentals	3,294,172	-	3,294,172
Program underwriting	-	1,107,515	1,107,515
Interest income, net of fees	686,901	-	686,901
Net assets released from restrictions	1,738,413	(1,738,413)	-
Loss on sale of property and equipment	-	-	-
Loss on sale of investments	(218,710)	-	(218,710)
<b>Total Revenue</b>	<b>11,463,179</b>	<b>(179,920)</b>	<b>11,283,259</b>
<b>Expenses</b>			
Programming and production	3,816,521	-	3,816,521
Broadcasting	3,985,696	-	3,985,696
Fundraising	2,408,851	-	2,408,851
Management and general	1,300,103	-	1,300,103
Education	274,958	-	274,958
Program information	309,964	-	309,964
Income taxes	(81,817)	-	(81,817)
<b>Total Expenses</b>	<b>12,014,276</b>	<b>-</b>	<b>12,014,276</b>
<b>Deficiency of Revenue over Expenses</b>	<b>(551,097)</b>	<b>(179,920)</b>	<b>(731,017)</b>
<b>Change in Interest in Net Assets of a Community Foundation</b>	<b>(7,442)</b>	<b>-</b>	<b>(7,442)</b>
<b>Unrealized Holding Gains on Investments</b>	<b>826,628</b>	<b>12,219</b>	<b>838,847</b>
<b>Change in Fair Value of Interest Rate Swap</b>	<b>(750,122)</b>	<b>-</b>	<b>(750,122)</b>
<b>Change in Charitable Gift Annuity Obligation</b>	<b>(6,493)</b>	<b>-</b>	<b>(6,493)</b>
<b>Loss on Items Not Yet Recognized as a Component of Net Periodic Pension Cost</b>	<b>(290,449)</b>	<b>-</b>	<b>(290,449)</b>
<b>Changes in Net Assets</b>	<b>\$ (778,975)</b>	<b>\$ (167,701)</b>	<b>\$ (946,676)</b>

See accompanying notes.

**WITF, Inc. and Subsidiary**

Consolidated Statement of Activities (continued)

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Contributions	\$ 5,456,312	\$ 785,582	\$ 6,241,894
Fees and rentals	3,636,964	-	3,636,964
Program underwriting	-	1,136,085	1,136,085
Interest income, net of fees	856,636	-	856,636
Net assets released from restrictions	1,621,401	(1,621,401)	-
Loss on sale of property and equipment	(41,925)	-	(41,925)
Loss on sale of investments	(535,189)	-	(535,189)
<b>Total Revenue</b>	<u>10,994,199</u>	<u>300,266</u>	<u>11,294,465</u>
<b>Expenses</b>			
Programming and production	3,784,252	-	3,784,252
Broadcasting	4,332,585	-	4,332,585
Fundraising	2,380,700	-	2,380,700
Management and general	1,264,861	-	1,264,861
Education	300,783	-	300,783
Program information	186,769	-	186,769
Income taxes	(110,162)	-	(110,162)
<b>Total Expenses</b>	<u>12,139,788</u>	<u>-</u>	<u>12,139,788</u>
<b>Excess (Deficiency) of Revenue over Expenses</b>	(1,145,589)	300,266	(845,323)
<b>Change in Interest in Net Assets of a Community Foundation</b>	(283)	-	(283)
<b>Unrealized Holding Gains on Investments</b>	1,288,548	26,534	1,315,082
<b>Change in Fair Value of Interest Rate Swap</b>	104,347	-	104,347
<b>Change in Charitable Gift Annuity Obligation</b>	(5,385)	-	(5,385)
<b>Loss on Items Not Yet Recognized as a Component of Net Periodic Pension Cost</b>	(795,466)	-	(795,466)
<b>Changes in Net Assets</b>	<u>\$ (553,828)</u>	<u>\$ 326,800</u>	<u>\$ (227,028)</u>

See accompanying notes.



**WITF, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses - by Natural Classification

Year Ended June 30, 2020

	Program Services				Support Services				Totals
	Programming and Production	Broadcasting and Income Taxes	Program Information	Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 721,482	\$ 1,293,586	\$ 124,683	\$ 85,737	\$ 2,225,488	\$ 856,061	\$ 553,593	\$ 1,409,654	\$ 3,635,142
Program acquisition	762,213	627,434	-	-	1,389,647	-	-	-	1,389,647
Depreciation and amortization	425,811	631,988	10,541	5,800	1,074,140	115,255	160,610	275,865	1,350,005
Direct labor	455,157	268,116	-	68,121	791,394	13,563	-	13,563	804,957
Interest expense	308,469	91,774	6,007	1,660	407,910	82,118	125,114	207,232	615,142
Membership maintenance	-	-	-	-	-	387,500	-	387,500	387,500
Group life and hospitalization	81,063	115,925	9,636	2,703	209,327	77,870	62,919	140,789	350,116
Payroll taxes	87,612	101,479	8,824	9,432	207,347	62,973	42,474	105,447	312,794
Affiliate dues and fees	153,367	71,352	-	-	224,719	500	19,820	20,320	245,039
Professional fees	61,847	66,589	5,298	6,537	140,271	50,060	37,159	87,219	227,490
Maintenance and repairs	95,576	43,223	2,362	4,112	145,273	21,307	42,524	63,831	209,104
Direct mail promotion	-	-	-	-	-	194,246	-	194,246	194,246
Power and light	90,892	44,214	1,323	366	136,795	18,093	27,566	45,659	182,454
Pension	44,455	57,759	5,185	4,386	111,785	38,609	24,868	63,477	175,262
Cost of premiums	453	34	228	-	715	165,481	142	165,623	166,338
Operating expenses of subsidiary, including depreciation expense of \$617	-	164,660	-	-	164,660	-	-	-	164,660
Rent, tower site	107,841	52,732	-	-	160,573	-	-	-	160,573
Dues and subscriptions	92,771	32,045	4,697	2,847	132,360	11,546	15,467	27,013	159,373
Consulting services	20,824	81,574	-	8,712	111,110	3,367	37,313	40,680	151,790
Barter expense	3,243	2,814	113,863	277	120,197	1,785	1,679	3,464	123,661
Insurance	46,774	22,719	1,098	698	71,289	12,253	32,658	44,911	116,200
Pledge activity	10,065	-	-	-	10,065	103,571	-	103,571	113,636
Banking fees	-	1,271	-	-	1,271	56,031	51,567	107,598	108,869
Internet access	18,569	48,830	1,588	1,588	70,575	10,225	18,605	28,830	99,405
Travel and entertainment	19,410	24,971	1,684	2,706	48,771	24,829	10,094	34,923	83,694
Outside printing	9,382	595	735	12,191	22,903	54,935	-	54,935	77,838
Miscellaneous supplies	21,645	1,599	6	40,361	63,611	-	120	120	63,731
Advertising expense	23,927	17,461	8,580	1,785	51,753	-	-	-	51,753
Other expenses	31,298	18,801	-	325	50,424	-	78	78	50,502
Telephone	8,799	14,403	1,063	613	24,878	7,748	7,119	14,867	39,745
Amortization of broadcast rights	37,093	-	-	-	37,093	-	-	-	37,093
Provision for uncollectible accounts	19,819	1,000	-	-	20,819	9,239	-	9,239	30,058

See accompanying notes.

**WITF, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses - by Natural Classification (continued)

Year Ended June 30, 2020

	Program Services					Supporting Services			Totals
	Programming and Production	Broadcasting and Income Taxes	Program Information	Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Station compensation	\$ -	\$ 28,302	\$ -	\$ -	\$ 28,302	\$ -	\$ -	\$ -	\$ 28,302
Pennsylvania unemployment insurance	8,238	7,665	881	684	17,468	3,583	2,514	6,097	23,565
Other building utilities	11,888	3,480	228	63	15,659	3,114	4,744	7,858	23,517
Postage	4,035	2,455	242	4,338	11,070	9,116	1,501	10,617	21,687
Training	2,801	9,573	136	136	12,646	2,849	4,589	7,438	20,084
Other employee benefits	4,138	5,481	438	540	10,597	3,052	2,645	5,697	16,294
Special surveys	-	15,326	-	-	15,326	-	-	-	15,326
Rent, equipment	10,565	1,365	11	6,080	18,021	156	237	393	18,414
Office supplies	3,191	2,787	273	273	6,524	1,943	2,349	4,292	10,816
Recruitment	2,544	4,273	218	218	7,253	1,401	1,317	2,718	9,971
Miscellaneous	4,925	929	-	1,122	6,976	529	1,991	2,520	9,496
Taxes and licenses	-	-	-	-	-	-	5,170	5,170	5,170
Gas and oil, vehicles	1,779	1,673	28	439	3,919	-	905	905	4,824
Data processing supplies	1,260	1,093	108	108	2,569	693	652	1,345	3,914
Award entry fees	1,105	2,346	-	-	3,451	-	-	-	3,451
Direct material	-	-	-	-	-	3,250	-	3,250	3,250
Income taxes	-	1,183	-	-	1,183	-	-	-	1,183
Video heads and tapes	195	-	-	-	195	-	-	-	195
Telemarketing	-	-	-	-	-	-	-	-	-
Lighting supplies	-	-	-	-	-	-	-	-	-
Income taxes of subsidiary	-	(83,000)	-	-	(83,000)	-	-	-	(83,000)
	<u>\$ 3,816,521</u>	<u>\$ 3,903,879</u>	<u>\$ 309,964</u>	<u>\$ 274,958</u>	<u>\$ 8,305,322</u>	<u>\$ 2,408,851</u>	<u>\$ 1,300,103</u>	<u>\$ 3,708,954</u>	<u>\$ 12,014,276</u>

See accompanying notes.

**WITF, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses - by Natural Classification (continued)

Year Ended June 30, 2019

	Program Services					Support Services			Totals
	Programming and Production	Broadcasting and Income Taxes	Program Information	Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 722,774	\$ 1,134,250	\$ 8,229	\$ 99,919	\$ 1,965,172	\$ 939,721	\$ 404,572	\$ 1,344,293	\$ 3,309,465
Program acquisition	740,664	588,700	-	-	1,329,364	-	-	-	1,329,364
Depreciation and amortization	394,132	654,770	5,946	4,952	1,059,800	109,698	152,764	262,462	1,322,262
Direct labor	457,175	335,199	-	58,578	850,952	23,868	-	23,868	874,820
Interest expense	348,963	102,143	6,685	1,847	459,638	91,397	139,250	230,647	690,285
Membership maintenance	-	-	-	-	-	212,606	-	212,606	212,606
Group life and hospitalization	82,579	94,839	339	2,691	180,448	86,009	52,984	138,993	319,441
Payroll taxes	84,969	90,280	458	8,977	184,684	69,755	34,713	104,468	289,152
Affiliate dues and fees	149,913	72,969	-	-	222,882	510	18,800	19,310	242,192
Professional fees	51,661	50,684	250	4,810	107,405	29,240	37,812	67,052	174,457
Maintenance and repairs	98,678	58,827	1,048	1,487	160,040	25,774	44,256	70,030	230,070
Direct mail promotion	-	-	-	-	-	207,489	-	207,489	207,489
Power and light	89,266	54,133	1,280	354	145,033	17,500	26,663	44,163	189,196
Pension	52,931	62,662	394	4,972	120,959	46,440	21,787	68,227	189,186
Cost of premiums	-	-	440	-	440	170,593	-	170,593	171,033
Operating expenses of subsidiary, including depreciation expense of \$681	-	376,725	-	-	376,725	-	-	-	376,725
Rent, tower site	93,156	61,949	-	-	155,105	-	-	-	155,105
Dues and subscriptions	85,467	46,750	4,608	880	137,705	12,976	18,267	31,243	168,948
Consulting services	45,961	122,525	-	30,237	198,723	3,051	94,014	97,065	295,788
Barter expense	4,595	3,203	153,161	295	161,254	2,531	2,576	5,107	166,361
Insurance	41,221	28,693	604	758	71,276	11,481	27,899	39,380	110,656
Pledge activity	-	-	-	-	-	91,218	-	91,218	91,218
Banking fees	-	-	-	-	-	1,140	94,044	95,184	95,184
Internet access	16,707	61,024	-	1,013	78,744	8,698	16,941	25,639	104,383
Travel and entertainment	15,518	25,024	1,765	8,513	50,820	69,293	7,731	77,024	127,844
Outside printing	4,384	1,582	45	5,400	11,411	51,916	-	51,916	63,327
Miscellaneous supplies	1,082	249	11	39,893	41,235	2,473	-	2,473	43,708
Advertising expense	2,032	93,325	1,246	75	96,678	350	-	350	97,028
Other expenses	32,068	19,611	-	265	51,944	-	586	586	52,530
Telephone	11,763	15,302	-	612	27,677	9,532	7,176	16,708	44,385
Amortization of broadcast rights	32,312	-	-	-	32,312	-	-	-	32,312
Provision for uncollectible accounts	27,242	-	-	-	27,242	16,602	-	16,602	43,844

See accompanying notes.

**WITF, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses - by Natural Classification (continued)

Year Ended June 30, 2019

	Program Services					Supporting Services			Totals
	Programming and Production	Broadcasting and Income Taxes	Program Information	Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Station compensation	\$ -	\$ 75,484	\$ -	\$ -	\$ 75,484	\$ 875	\$ -	\$ 875	\$ 76,359
Pennsylvania unemployment insurance	10,656	7,716	18	908	19,298	5,734	2,855	8,589	27,887
Other building utilities	11,239	4,486	215	59	15,999	2,943	4,484	7,427	23,426
Postage	4,615	2,167	-	4,545	11,327	15,307	1,807	17,114	28,441
Training	2,608	8,788	-	121	11,517	2,245	12,088	14,333	25,850
Other employee benefits	3,846	6,420	27	517	10,810	3,376	1,936	5,312	16,122
Special surveys	-	16,575	-	-	16,575	-	-	-	16,575
Rent, equipment	6,972	566	-	7,203	14,741	7,798	-	7,798	22,539
Office supplies	2,810	3,183	-	200	6,193	2,138	1,749	3,887	10,080
Recruitment	40,736	44,118	-	2,612	87,466	22,432	22,832	45,264	132,730
Miscellaneous	5,844	298	-	6,493	12,635	490	2,148	2,638	15,273
Taxes and licenses	-	-	-	-	-	-	9,429	9,429	9,429
Gas and oil, vehicles	2,580	1,252	-	308	4,140	35	1,609	1,644	5,784
Data processing supplies	1,937	2,639	-	124	4,700	1,067	1,086	2,153	6,853
Award entry fees	1,745	3,465	-	-	5,210	-	-	-	5,210
Direct material	(1,015)	10	-	1,000	(5)	2,000	3	2,003	1,998
Income taxes	-	(19,162)	-	-	(19,162)	-	-	-	(19,162)
Video heads and tapes	2,396	-	-	165	2,561	-	-	-	2,561
Telemarketing	-	-	-	-	-	2,399	-	2,399	2,399
Lighting supplies	70	-	-	-	70	-	-	-	70
Income taxes of subsidiary	-	(91,000)	-	-	(91,000)	-	-	-	(91,000)
	<u>\$ 3,784,252</u>	<u>\$ 4,222,423</u>	<u>\$ 186,769</u>	<u>\$ 300,783</u>	<u>\$ 8,494,227</u>	<u>\$ 2,380,700</u>	<u>\$ 1,264,861</u>	<u>\$ 3,645,561</u>	<u>\$ 12,139,788</u>

See accompanying notes.

**WITF, Inc. and Subsidiary**

## Consolidated Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Net Assets at June 30, 2018</b>	\$ 30,325,106	\$ 1,182,853	\$ 31,507,959
Changes in net assets	<u>(553,828)</u>	<u>326,800</u>	<u>(227,028)</u>
<b>Net Assets at June 30, 2019</b>	29,771,278	1,509,653	31,280,931
Changes in net assets	<u>(778,975)</u>	<u>(167,701)</u>	<u>(946,676)</u>
<b>Net Assets at June 30, 2020</b>	<u><b>\$ 28,992,303</b></u>	<u><b>\$ 1,341,952</b></u>	<u><b>\$ 30,334,255</b></u>

**WITF, Inc. and Subsidiary**

## Consolidated Statement of Cash Flows

	Years Ended June 30,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (946,676)	\$ (227,028)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,350,622	1,322,943
Amortization of broadcast rights	1,424,707	1,371,096
Amortization of loan closing costs	107,805	8,774
Barter revenue	(108,228)	(127,236)
Barter expense	123,661	166,361
Restricted contribution - Endowment	-	(1,332)
In-kind contributions - donated securities	(98,068)	(31,968)
Change in accrued pension liability	(2,524,623)	373,232
Provision for uncollectible accounts and bad debts	30,058	43,356
Change in unamortized discount	(2,085)	(3,054)
Loss on sale of investments	218,710	535,189
Provision for valuation allowance for deferred income taxes	150,000	-
Proceeds from sale of donated securities	98,068	31,968
Unrealized holding gains on investments	(838,847)	(1,315,082)
Loss on sale of property and equipment	-	41,925
Change in interest in net assets of a community foundation	7,442	283
Change in deferred income taxes	(9,000)	(101,000)
Change in interest rate swap liability	750,122	(104,347)
(Increase) decrease in assets		
Accounts receivable	(74,991)	428,653
Grants receivable	(229,006)	(68,916)
Contracts receivable	22,483	64,832
Inventory and prepaid expenses	12,834	(42,164)
Promises to give	561,261	(648,205)
Increase (decrease) in liabilities		
Accounts payable	(66,334)	89,432
Accrued payroll and vacation	83,778	(7,647)
Accrued and withheld payroll taxes	1,243	739
Deferred revenue	(510,318)	(433,501)
Accrued interest payable	(24,966)	(8,316)
Charitable gift annuity obligation	(10,298)	(8,414)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(500,646)</b>	<b>1,350,573</b>

**WITF, Inc. and Subsidiary**

Consolidated Statement of Cash Flows (continued)

	<b>Years Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	\$ (473,955)	\$ (503,618)
Purchase of broadcast rights	(1,423,773)	(1,380,696)
Purchase of investments	(990,332)	(1,072,652)
Proceeds from sale of investments	<u>4,898,479</u>	<u>1,296,383</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b><u>2,010,419</u></b>	<b><u>(1,660,583)</u></b>
<b>Cash Flows from Financing Activities</b>		
Principal repayments of obligations under capital leases	(7,297)	(11,370)
Restricted contributions - Endowment	-	1,332
Cash paid for termination of interest rate swaps	(208,518)	-
Proceeds received for long-term debt	13,911,900	-
Principal repayments of long-term debt	<u>(13,726,964)</u>	<u>(688,830)</u>
<b>Net Cash Used in Financing Activities</b>	<b><u>(30,879)</u></b>	<b><u>(698,868)</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,478,894</b>	<b>(1,008,878)</b>
<b>Cash at Beginning of Year</b>	<b><u>400,408</u></b>	<b><u>1,409,286</u></b>
<b>Cash at End of Year</b>	<b><u>\$ 1,879,302</u></b>	<b><u>\$ 400,408</u></b>
<b>Cash Consists of</b>		
Cash, operating	\$ 1,801,587	\$ 390,408
Cash, restricted	<u>77,715</u>	<u>10,000</u>
	<b><u>\$ 1,879,302</u></b>	<b><u>\$ 400,408</u></b>
<b>Supplementary Cash Flows Information</b>		
Interest paid	<u>\$ 532,303</u>	<u>\$ 689,827</u>
Income taxes paid (refunded)	<u>\$ 1,183</u>	<u>\$ (19,162)</u>

**Supplementary Schedule of Noncash Investing and Financing Activities****In 2020**

The Organizations included \$316,922 of property and equipment in accounts payable.  
The Organizations entered into new barter agreements totaling \$116,582.

**In 2019**

The Organizations included \$244,156 of property and equipment in accounts payable.  
The Organizations entered into new barter agreements totaling \$128,127.

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 1 - Nature of Operations**

WITF, Inc. (a Pennsylvania nonprofit corporation) (WITF) operates the WITF - TV and FM (television and radio) stations in Harrisburg, Pennsylvania. WITF, Inc. and Subsidiary's (collectively, the Organizations) revenue is primarily from contributions, fees, and rentals.

Effective July 1, 2000, WITF, Inc. established a wholly-owned subsidiary, WITF Enterprises, Inc. (a Pennsylvania C corporation) (Enterprises). Enterprises was created by the transfer of assets and liabilities of a former division of WITF, Inc., the Radio PA Network. During the year ended June 30, 2019, Enterprises discontinued the operations of the Radio PA division. Enterprises derives substantially all of its revenue from advertising sales.

#### **Note 2 - Summary of Significant Accounting Policies**

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

##### **Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of WITF and its wholly-owned subsidiary. All significant intercompany balances and transactions are eliminated in consolidation.

##### **Basis of Accounting**

The Organizations' consolidated financial statements and books are maintained on the accrual basis.

##### **Basis of Presentation**

Net assets of the Organizations and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations plus equity of the for-profit entity.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity.



## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Cash**

The Organizations consider all highly-liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2020 and 2019.

In addition, the Organizations place their temporary cash investments with high credit quality financial institutions. The cash balances are commonly reinvested in overnight repurchase agreements. In evaluating this credit risk, the Organizations periodically evaluate the stability of these financial institutions.

##### **Accounts Receivable**

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

As of June 30, 2020 and 2019, management established the allowance for doubtful accounts of \$52,633 and \$72,119, respectively.

##### **Contracts Receivable**

WITF enters into program underwriting contracts with various companies to provide underwriting spots through television, radio, or other outlets in exchange for a funding contribution. The remaining balance of the contract is reported as contracts receivable in the consolidated statement of financial position. All contracts are expected to be realized in less than one year.

##### **Inventory**

Inventory of materials and supplies not allocable to uncompleted contracts is stated at the lower of cost or realizable value, cost being determined on the first-in, first-out method. Inventory is determined by physical count.

##### **Broadcast Rights**

Program series and other syndicated products are recorded at cost. Generally, these programs and products are amortized on an accelerated basis over the period of the license agreement. Estimated amortization consists of \$28,694 for the year ending June 30, 2021, \$8,160 for the year ending June 30, 2022, and \$1,872 for the year ending June 30, 2023.

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Promises to Give**

Promises to give are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. Promises to give that are expected to be received in more than one year are discounted to present value using a risk-adjusted rate of return. Amortization of the discount is included in contribution revenue.

##### **Investments**

Investments in debt and equity securities with readily determinable fair values are reported at fair value, based on quoted market prices, with the exception of alternative investments. Alternative investments in hedge funds, which include offshore funds, are stated at estimated fair value based upon the fund's net asset value or their equivalents as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from net asset value. As of June 30, 2020, WITF had no plans or intentions to sell investments at amounts different from net asset value. The estimated fair values are reported by the fund managers and are reviewed and evaluated by WITF. The estimated fair values may differ from the values that would have been used had a ready market existed for these investments.

Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation. Interest and dividends are not recorded until received.

##### **Property and Equipment**

Property and equipment are reported at cost, or in the case of donated property, at estimated fair value determined as of the date of receipt.

Expenditures for additions, major renewals, and betterments are capitalized, and expenditures for maintenance and repairs are charged to operations as incurred. Gain or loss on the sale or disposal of assets is credited or charged to operations and the related asset costs and accumulated depreciation are removed from the respective accounts.

WITF's buildings and improvements are depreciated using the straight-line method over the estimated average useful lives of the assets of fourteen to thirty years. WITF's equipment is depreciated using the straight-line and accelerated methods over the estimated average useful lives of six to ten years. WITF's vehicles are depreciated using the straight-line method over the estimated average useful life of three years. WITF's leasehold improvements are depreciated using the straight-line method over the estimated average useful life or term of lease.

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Property and Equipment (continued)**

Enterprises' equipment and furniture are depreciated using straight-line and accelerated methods over their estimated average useful lives of six to ten years.

The Organizations' policy is to capitalize property and equipment expenditures of \$1,000 or more.

##### **Interest in Net Assets of a Community Foundation**

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation.

##### **Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. The management of the Organizations concluded that no impairment adjustments were required during the years ended June 30, 2020 and 2019.

##### **Loan Closing Costs**

Costs related to the closing of long-term debt are capitalized and amortized to interest expense over the straight-line terms of the related long-term debt. Gross deferred loan costs amounted to \$197,524 as of June 30, 2019. Accumulated amortization amounted to \$89,719 as of June 30, 2019. During the year ended June 30, 2020, the related long-term debt was refinanced (refer to Note 13) and the remaining amortization was recognized and the loan costs were written off. Total amortization expense recognized in interest expense amounted to \$107,805 and \$8,774 for the years ended June 30, 2020 and 2019, respectively.

##### **Revenue Recognition**

###### **Contributions and Underwriting Revenue**

WITF recognizes contributions when cash, securities or other assets, an unconditional promise to give, contract receivable or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Underwriting contract receivable that supports an event is conditioned on the event taking place and is therefore recognized as underwriting revenue after delivery of the event.

All contributions are considered to be available for operations unless specifically restricted by the donor.

**Note 2 - Summary of Significant Accounting Policies (continued)****Revenue Recognition (continued)****Contributions and Underwriting Revenue (continued)**

WITF reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**Grants**

Grant revenue deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

WITF also receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

**Production Revenue**

The Organizations use the percentage-of-completion method of accounting for independently-funded revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to estimated total costs at completion applied to the total committed revenue from outside sponsors. Production costs include charges by subcontractors, plus all direct labor, and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

**Functional Expenses**

The cost of providing the various programs and other activities are summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services include management and general expenses and fundraising costs. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements of Enterprises and consist of taxes currently due plus deferred taxes. Deferred taxes result primarily from the difference in the basis of accounts receivable, property and equipment, accrued pension liability, and accrued vacation for financial and income tax reporting. This difference is referred to as a temporary difference. Deferred tax assets and liabilities represent the future tax return consequences of that difference, which will either be taxable or deductible when the temporary difference reverses or when the underlying assets and liabilities are recovered or settled. Deferred taxes are also recognized for federal and state net operating loss carryforwards that are available to offset future taxable income. Management has recorded a valuation allowance of \$150,000 as of June 30, 2020 due to the uncertainty of being able to fully utilize this benefit before the net operating loss carryforwards expire.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Enterprises, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that Enterprises had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. With few exceptions, Enterprises is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before June 30, 2017.

WITF is recognized as being exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to WITF are deductible under Section 170 of the Internal Revenue Code. WITF also files Form 990-T, reporting any unrelated business income earned.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by WITF, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that WITF had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. With few exceptions, WITF is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before June 30, 2017.

##### **Derivatives and Hedging Activity**

WITF is a party to interest rate swap agreements to hedge the exposure to changing rates with respect to certain variable rate debt. In accordance with the accounting standard on *Accounting for Derivative Instruments and Hedging Activities*, all derivatives, whether designated in hedging relationships or not, are required to be recorded on the consolidated statement of financial position at fair value. WITF interest rate swaps are recorded at fair value as determined by a third party. Changes in the fair value of the swaps are recorded on the consolidated statement of activities as a component of the changes in net assets.

**Note 2 - Summary of Significant Accounting Policies (continued)****Change in Accounting Principles**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes or replaces nearly all U.S. GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organizations implemented this standard during the year ended June 30, 2020. The Organizations have determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets as of July 1, 2019 and did not have a material effect on the 2020 consolidated financial statements.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the consolidated statement of cash flows. The Organizations have determined that the adoption of ASU 2016-18 had no effect on the 2020 consolidated financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for the annual period beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. During the year ended December 31, 2019, WITF implemented the provisions of ASU 2018-08 applicable to contributions received under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the WITF's implementation of this standard.

**Note 2 - Summary of Significant Accounting Policies (continued)****Recent Accounting Pronouncement**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard will be effective for fiscal years beginning after December 15, 2021. The Organizations are currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

**Note 3 - Fair Value of Financial Instruments**

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of 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.

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 3 - Fair Value of Financial Instruments (continued)**

The following valuation techniques were used to measure fair value of assets in the tables on the following pages on a recurring basis as of June 30, 2020 and 2019:

Investments in cash and cash equivalents - The carrying amounts of cash and cash equivalents approximate fair value because of the short-term nature of those investments.

Investments in mutual funds - Fair value of mutual funds was based on quoted market prices for the identical security.

Interest in net assets of a community foundation - Fair value of the interest in net assets of a community foundation was based on WITF's ownership interest of the fund as determined by the community foundation. The fund assets were valued based on the performance of underlying investments as well as an administrative fee.

Interest rate swap liability - Fair value of the interest rate swaps are based on quoted market prices when available, or externally developed valuation models using forward-looking assumptions of interest rates and the resulting effect on the underlying cash flows of the interest rate swaps. Adjustments are not made for nonperformance risk on behalf of either party.

Hedge funds - Fair value of hedge funds was based on estimated fair values provided by an independent administrator. The hedge funds are valued at the net asset value (NAV) of units. The NAV is used as a practical expedient to estimate fair value and is based on the underlying investments held by the funds less its liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organizations believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organizations' financial instruments also include cash accounts and other receivables, promises to give, accounts payable, charitable gift annuity obligation, and long-term debt. The carrying amounts of cash, accounts and other receivables, and accounts payable, approximate fair values as of June 30, 2020 and 2019 because of the short maturities of those instruments. The carrying amounts of promises to give and charitable gift annuity obligation as of June 30, 2020 and 2019 approximate fair value, as they have been discounted using risk-adjusted rates. Additionally, the charitable gift annuity obligations were valued based on the annuitants' life expectancies. The carrying amounts of long-term debt are considered to approximate fair values as of June 30, 2020 and 2019 since they are subject to interest rates, which vary depending on market conditions.



**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 3 - Fair Value of Financial Instruments (continued)**

For assets (liabilities) measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows as of June 30:

	2020			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Cash and Cash Equivalents</b>	\$ 19,253	\$ 19,253	\$ -	\$ -
<b>Mutual Funds</b>				
Equity - domestic	12,938,425	12,938,425	-	-
Fixed income	9,500,351	9,500,351	-	-
Equity - international	4,490,371	4,490,371	-	-
Other real assets	3,825	3,825	-	-
<b>Total Mutual Funds</b>	<u>26,932,972</u>	<u>26,932,972</u>	-	-
	26,952,225	<u>\$ 26,952,225</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Alternative Investments (a)</b>				
Hedge fund	<u>1,444,694</u>			
<b>Total Investments</b>	<u>\$ 28,396,919</u>			
<b>Interest in Net Assets of a Community Foundation</b>	<u>\$ 64,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,677</u>
<b>Interest Rate Swap (2020)</b>	<u>\$ (885,869)</u>	<u>\$ -</u>	<u>\$ (885,869)</u>	<u>\$ -</u>

**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 3 - Fair Value of Financial Instruments (continued)**

	2019			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Cash and Cash Equivalents</b>	\$ 1,898,623	\$ 1,898,623	\$ -	\$ -
<b>Mutual Funds</b>				
Equity - domestic	14,622,292	14,622,292	-	-
Fixed income	9,348,916	9,348,916	-	-
Equity - international	4,772,342	4,772,342	-	-
Other real assets	8,723	8,723	-	-
<b>Total Mutual Funds</b>	28,752,273	28,752,273	-	-
	30,650,896	<u>\$ 30,650,896</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Alternative Investments (a)</b>				
Hedge fund	1,034,033			
<b>Total Investments</b>	<u>\$ 31,684,929</u>			
<b>Interest in Net Assets of a Community Foundation</b>	<u>\$ 72,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,119</u>
<b>Interest Rate Swaps</b>				
Interest rate swap (2005)	\$ (223,931)	\$ -	\$ (223,931)	\$ -
Interest rate swap (2008)	(120,334)	-	(120,334)	-
<b>Total Interest Rate Swaps</b>	<u>\$ (344,265)</u>	<u>\$ -</u>	<u>\$ (344,265)</u>	<u>\$ -</u>

(a) This class represents investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient and, therefore, have not been classified in the fair value hierarchy.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 3 - Fair Value of Financial Instruments (continued)

##### Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2020 and 2019, there were no transfers in or out of Level 3.

For assets falling within Level 3 in the fair value hierarchy, the activity recognized is as follows during the years ended June 30:

	<b>Interest in Net Assets of a Community Foundation</b>
<b>Balance at June 30, 2018</b>	\$ 72,402
Unrealized holding losses	<u>(283)</u>
<b>Balance at June 30, 2019</b>	72,119
Unrealized holding losses	<u>(7,442)</u>
<b>Balance at June 30, 2020</b>	<u><u>\$ 64,677</u></u>

The unrealized holding losses for interest in net assets of a community foundation, classified as Level 3, are included within change in interest in net assets of a community foundation on the consolidated statement of activities.

The alternative investment hedge funds category is comprised of the following:

The Alphakeys Millennium Fund (Offshore), Ltd. (the Fund) was organized as an exempted company with limited liability, incorporated under the laws of the Cayman Islands, and commenced operations on August 1, 2011. The Fund invests substantially all of its capital in Millennium International, Ltd. (the Millennium Fund), an exempt company incorporated under the laws of the Cayman Islands. The Millennium Fund's principal trading objective, through its investment in Millennium Offshore Intermediate, L.P. (the Millennium Intermediate Fund), which itself invests in Millennium Partners, L.P. and subsidiaries (the Millennium Master Fund) is to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investment strategies.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 3 - Fair Value of Financial Instruments (continued)

An investor shall be permitted to redeem shares as of the close of business on March 31, June 30, September 30, and December 31 of each year (each such day, a Redemption Day). An investor requesting to redeem shares from the Fund must provide written notice to the Administrator at least 105 days prior to a Redemption Date (unless the Administrator agrees to accept shorter notice), or upon such other notice period, which may be longer, as may be notified to the investors, in the Administrator's sole discretion. There are no unfunded commitments as of June 30, 2020 and 2019.

#### Note 4 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the consolidated statement of financial position, comprise the following as of June 30:

	<u>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash, operating and restricted	\$ 1,879,302	\$ 400,408
Accounts receivable, net	457,103	402,931
Grants receivable	346,947	117,941
Contracts receivable	184,087	206,570
Promises to give, net - current portion	333,750	874,250
Investments	28,396,919	31,684,929
Estimated distributions from interest in net assets of community foundations	3,174	3,363
Estimated endowment spending-rate distributions and appropriations	1,128,000	1,259,000
<b>Total Financial Assets</b>	<b><u>32,729,282</u></b>	<b><u>34,949,392</u></b>
<b>Amounts Not Available to be Used for General Expenditures Within One Year</b>		
Cash subject to donor restrictions	(77,715)	(10,000)
Grant receivable subject to donor restrictions	(343,263)	-
Promises to give subject to donor restrictions, current portion	(329,750)	(849,250)
Investments subject to donor restrictions	(342,153)	(329,934)
Board-designated investments for endowment	(27,856,213)	(31,143,999)
<b>Total Amounts Not Available to be Used for General Expenditures Within One Year</b>	<b><u>(28,949,094)</u></b>	<b><u>(32,333,183)</u></b>
<b>Financial Assets Available to be Used for General Expenditures Within One Year</b>	<b><u>\$ 3,780,188</u></b>	<b><u>\$ 2,616,209</u></b>

As part of the Organizations' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 4 - Liquidity and Availability (continued)

Endowment funds consist of donor-restricted endowments and board-designated endowments. The Organizations' endowment funds are subject to a spending policy as described in Note 11. Donor-restricted endowment funds are not available for general expenditures. The board-designated endowment is also subject to an annual spending rate as discussed in Note 11. Although the Organization does not intend to spend from this board-designated endowment beyond the amounts appropriated per the annual spending policy, these amounts could be made available if necessary with the approval of the Board of Directors.

#### Note 5 - Cash

The Organizations' bank provides a cash management service, which invests all excess cash. Cash consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Checking, money market, and repurchase accounts	<u>\$ 1,879,302</u>	<u>\$ 400,408</u>

#### Note 6 - Promises to Give

Promises to give - *On Trusted Ground* campaign represent funds raised in celebration of the 50<sup>th</sup> anniversary of WITF to ensure the long-term sustainability and to encourage the same spirit of creativity that led to its founding. The campaign began during the year ended June 30, 2010. The promises to give that were acquired during the years ended June 30, 2017 and prior, and are expected to be collected in more than one year, were discounted to present value using a risk-adjusted rate of return. Present value discount factors range from 1.97% to 3.21%.

Promises to give - PA Post represent funds raised for WITF's PA Post digital publication. All promises to give - PA Post as of June 30, 2020 and 2019 are considered current.

Promises to give consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Promises to give - PA Post	\$ 304,750	\$ 774,250
Promises to give - <i>On Trusted Ground</i> campaign	<u>215,100</u>	<u>306,100</u>
	519,850	1,080,350
Unamortized discount	(4,016)	(6,101)
Allowance for uncollectible promises to give	<u>(121,100)</u>	<u>(111,100)</u>
	<u>\$ 394,734</u>	<u>\$ 963,149</u>

**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 6 - Promises to Give (continued)**

Due dates of promises to give, assuming no change in current terms, consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 454,850	\$ 985,350
Receivable in one to five years	<u>65,000</u>	<u>95,000</u>
	<u>\$ 519,850</u>	<u>\$ 1,080,350</u>
Current portion	\$ 333,750	\$ 874,250
Noncurrent portion	<u>60,984</u>	<u>88,899</u>
	<u>\$ 394,734</u>	<u>\$ 963,149</u>

**Note 7 - Investments**

The cost, unrealized gains and losses, and fair value of investments consist of the following as of June 30:

	<u>2020</u>			
	<u>Cost</u>	<u>Gross Unrealized</u>		<u>Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
<b>Cash and Cash Equivalents</b>	\$ 19,253	\$ -	\$ -	\$ 19,253
<b>Mutual Funds</b>				
Equity - domestic	11,823,599	1,256,973	(142,147)	12,938,425
Fixed income	9,039,683	461,095	(427)	9,500,351
Equity - international	4,614,825	150,821	(275,275)	4,490,371
Other real assets	4,164	-	(339)	3,825
<b>Total Mutual Funds</b>	<u>25,482,271</u>	<u>1,868,889</u>	<u>(418,188)</u>	<u>26,932,972</u>
<b>Alternative Investment</b>				
Hedge fund	1,006,431	438,263	-	1,444,694
	<u>\$ 26,507,955</u>	<u>\$ 2,307,152</u>	<u>\$ (418,188)</u>	<u>\$ 28,396,919</u>

**WITF, Inc. and Subsidiary**
**Notes to Consolidated Financial Statements**

June 30, 2020 and 2019

**Note 7 - Investments (continued)**

	2019			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<b>Cash and Cash Equivalents</b>	\$ 1,898,623	\$ -	\$ -	\$ 1,898,623
<b>Mutual Funds</b>				
Equity - domestic	13,389,591	1,232,797	(96)	14,622,292
Fixed income	9,165,938	184,881	(1,903)	9,348,916
Equity - international	5,202,690	9,775	(440,123)	4,772,342
Other real assets	8,532	191	-	8,723
<b>Total Mutual Funds</b>	<u>27,766,751</u>	<u>1,427,644</u>	<u>(442,122)</u>	<u>28,752,273</u>
<b>Alternative Investment</b>				
Hedge fund	756,431	277,602	-	1,034,033
	<u>\$ 30,421,805</u>	<u>\$ 1,705,246</u>	<u>\$ (442,122)</u>	<u>\$ 31,684,929</u>

Investment return consists of the following for the years ended June 30:

	2020	2019
Interest and dividends, net of fees	\$ 679,232	\$ 849,838
Net realized and unrealized gains	<u>620,137</u>	<u>779,893</u>
	<u>\$ 1,299,369</u>	<u>\$ 1,629,731</u>

Long-term investments held as of June 30, 2020 and 2019 are comprised of investments in fixed income and equity securities. The Organizations have recorded total unrealized holding losses on seventeen and fifteen of these securities, respectively. Management believes that holding losses recorded on these investments are not a permanent impairment, but rather a temporary market decline.

The following table shows the investments gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of June 30:

	2020					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Mutual Funds</b>						
Equity - domestic	\$ 2,657,210	\$ (142,147)	\$ -	-	\$ 2,657,210	\$ (142,147)
Fixed income	-		3,816	(427)	3,816	(427)
Equity - international	22,556	(934)	2,952,479	\$ (274,341)	2,975,035	(275,275)
Other real assets	3,825	(339)	-	-	3,825	(339)
	<u>\$ 2,683,591</u>	<u>\$ (143,420)</u>	<u>\$ 2,956,295</u>	<u>\$ (274,768)</u>	<u>\$ 5,639,886</u>	<u>\$ (418,188)</u>

**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 7 - Investments (continued)**

	2019					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Mutual Funds</b>						
Equity - domestic	\$ 7,415	\$ (96)	\$ -	\$ -	\$ 7,415	\$ (96)
Fixed income	-	-	494,230	(1,903)	494,230	(1,903)
Equity - international	5,350	(254)	4,463,684	(439,869)	4,469,034	(440,123)
	<u>\$ 12,765</u>	<u>\$ (350)</u>	<u>\$ 4,957,914</u>	<u>\$ (441,772)</u>	<u>\$ 4,970,679</u>	<u>\$ (442,122)</u>

**Note 8 - Property and Equipment**

Property and equipment consists of the following as of June 30:

	2020	2019
Building	\$ 16,746,449	\$ 16,746,449
Broadcasting equipment	8,007,468	7,705,062
Production equipment	2,430,221	2,375,302
Office equipment	1,724,619	1,613,872
Land *	1,542,360	1,542,360
DTV equipment	1,079,408	1,076,978
Furniture and fixtures	839,127	839,127
Donated equipment	603,920	603,920
Leasehold improvements	547,940	528,721
Trucks	214,140	157,140
FM equipment	191,308	191,308
Uplink equipment	129,532	129,532
Building improvements	54,147	54,147
Domain name	6,000	6,000
	<u>34,116,639</u>	<u>33,569,918</u>
Accumulated depreciation and amortization	<u>(19,752,747)</u>	<u>(18,402,125)</u>
	<u>\$ 14,363,892</u>	<u>\$ 15,167,793</u>

\* Not depreciated

Depreciation and amortization expense amounted to \$1,350,622 and \$1,322,943 for the years ended June 30, 2020 and 2019, respectively.

WHP, a commercial television station in Harrisburg, Pennsylvania, contributed land, which was valued at \$122,000 by the Executive Committee of the Board of Directors in 1964 when received. The land was contributed with the provision that, if at any time after January 1975, WITF should cease to use said land for educational television purposes, it will revert to WHP.



## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 9 - Station License**

In December 1995, Hudson Broadcasting Corp. (Hudson) waived claims for payment under an agreement, which transferred rights to broadcast on television Channel 33 from Hudson to WITF. The FCC license to transmit on Channel 33 has been valued at \$35,000 by the Executive Committee of the Board of Directors.

In January 2009, WITF closed an asset purchase agreement with Broadcast Communications, Inc. to acquire station license WROG-FM, Chambersburg, Pennsylvania. The FCC license to transmit on WROG-FM amounted to \$875,000.

#### **Note 10 - Interest in Net Assets of a Community Foundation**

WITF is the beneficiary of endowment funds of The Foundation for Enhancing Communities and York County Community Foundation (collectively, Foundations), both community foundations. As beneficiary, WITF is entitled to annual distributions from the funds, based upon the Foundations' spending policies. The Foundations maintain variance power only over distributions from the funds.

In accordance with the accounting standard on *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the organizational endowment funds created by WITF are reflected in the consolidated statement of financial position as interest in net assets of a community foundation. Through June 30, 2020 and 2019, WITF has contributed \$62,267 to the funds. Future contributions are at the discretion of the Board of Directors of WITF. The fair value of WITF's interest in net assets of a community foundation amounted to \$64,677 and \$72,119 as of June 30, 2020 and 2019, respectively.

#### **Note 11 - Endowments**

WITF's endowments consist of several funds established for a variety of purposes. Its endowments include a donor-restricted endowment fund. As required by accounting principles generally accepted in the United States (U.S. GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 11 - Endowments (continued)

##### Interpretation of Relevant Law (continued)

The Board of Directors of WITF has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, WITF classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, which includes unrealized gains or losses on investments. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, which includes interest and dividends and realized gains or losses on sale of investments, net of fees, is classified as net assets without donor restrictions or net assets with donor restrictions until those amounts are appropriated for expenditure by WITF in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, WITF considers the following factors in making a determination to accumulate or appropriate endowment funds:

- a) The duration and preservation of the fund
- b) The purposes of the organization and the donor-restricted endowment fund
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and appreciation of investments
- f) Other resources of WITF
- g) The investment policies of WITF

The following schedule represents the endowment net asset composition by type of endowment fund as of June 30:

	<u>2020</u>	<u>2019</u>
Without donor restrictions	\$ 27,920,890	\$ 31,216,118
With donor restrictions	<u>342,153</u>	<u>329,934</u>
	<u>\$ 28,263,043</u>	<u>\$ 31,546,052</u>

**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 11 - Endowments (continued)****Interpretation of Relevant Law (continued)**

The following schedule represents the changes in endowment net assets for the years ended June 30:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets, Beginning</b>	<b>\$ 31,216,118</b>	<b>\$ 329,934</b>	<b>\$ 31,546,052</b>
Contributions	263,088	-	263,088
Investment return			
Interest and dividends	712,015	11,231	723,246
Realized and unrealized holding gains	594,881	14,417	609,298
Disbursements	(4,833,678)	-	(4,833,678)
Fees	(44,613)	(350)	(44,963)
Transfer	13,079	(13,079)	-
<b>Endowment Net Assets, Ending</b>	<b>\$ 27,920,890</b>	<b>\$ 342,153</b>	<b>\$ 28,263,043</b>
	<b>2019</b>		
<b>Endowment Net Assets, Beginning</b>	<b>\$ 30,683,441</b>	<b>\$ 302,068</b>	<b>\$ 30,985,509</b>
Contributions	175,490	1,332	176,822
Investment return			
Interest and dividends	877,176	12,871	890,047
Realized and unrealized holding gains	751,512	21,663	773,175
Disbursements	(1,236,549)	-	(1,236,549)
Fees	(42,952)	-	(42,952)
Transfer	8,000	(8,000)	-
<b>Endowment Net Assets, Ending</b>	<b>\$ 31,216,118</b>	<b>\$ 329,934</b>	<b>\$ 31,546,052</b>

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 11 - Endowments (continued)**

##### **Funds with Deficiencies**

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires WITF to retain as a fund of perpetual duration. The relevant state law has no requirement to restore donor-restricted fund deficiencies and accounting standards provided that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absence of donor stipulations or laws to the contrary. The Organizations have interpreted state law to allow spending of the original principal with no requirement to restore fund deficiencies to the original value. As such, the Organizations has no underwater endowments as of June 30, 2020 and 2019. Any fund deficiencies are reported as reductions to net assets with donor restrictions.

##### **Return Objectives and Risk Parameters**

WITF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WITF must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results to allow WITF to fund the appropriate programs while assuming a moderate level of investment risk.

##### **Strategies Employed for Achieving Objectives**

WITF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WITF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### **Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy**

The endowment funds of WITF are comprised of donor-designated endowment funds. The spending rate is the withdrawal rate from the endowment funds to fund specific expenditures consistent with specific endowment funds' objectives and approved by the Board of Directors. The not-to-exceed spending rate shall be recommended by the Investment Committee and approved by the Board of Directors, taking into consideration the following goals:

- a) Maximize long-term return goals
- b) Preserve the real long-term purchasing power of the endowment funds' portfolio's principal
- c) Optimize annual distribution from the endowment funds' portfolio
- d) Promote accountability of asset management
- e) Promote the Organizations' fundraising efforts

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 11 - Endowments (continued)

##### Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy (continued)

The general spending policy of the endowment funds is based on a total return policy in which capital gains, interest, and dividends are reinvested in the endowment. The spending rate shall be 4.0% of the fair market value of the fund assets determined June 30 of each year based on a three-year moving average, or as the Board of Directors may determine. For approval each year, the Investment and Finance Committee will recommend to the Board of Directors the spending rate, considering the size, growth, and performance (past and projected) of the endowment funds and the needs of the operating budget. For both of the years ended June 30, 2020 and 2019, the Board of Directors approved a spending rate of 4.0%.

#### Note 12 - Obligations under Capital Leases

An analysis of leased property under capital leases consists of the following as of and for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 11,832	\$ 53,868
Accumulated depreciation	<u>(6,782)</u>	<u>(40,488)</u>
	<u>\$ 5,050</u>	<u>\$ 13,380</u>
Amortization expense	<u>\$ 7,010</u>	<u>\$ 10,773</u>
Interest expense	<u>\$ 1,956</u>	<u>\$ 2,355</u>

The amortization expense on capital leases is included in the amount of depreciation and amortization expense reported in Note 8.

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, consist of the following for the remaining three years ending June 30:

2021	\$ 3,488
2022	2,403
2023	<u>408</u>
	6,299
Amount representing interest	<u>(807)</u>
	<u>\$ 5,492</u>
Current portion	\$ 2,815
Noncurrent portion	<u>2,677</u>
	<u>\$ 5,492</u>

## **WITF, Inc. and Subsidiary**

### **Notes to Consolidated Financial Statements**

June 30, 2020 and 2019

#### **Note 13 - Long-Term Debt**

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 23). WITF applied for a loan under this Program and received from PNC Bank a loan in the amount of \$911,900 on April 13, 2020. The loan is forgivable if WITF meets certain criteria as established under the Program. WITF anticipates there may be further guidance issued by the Small Business Administration, the U.S. Department of Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. WITF will seek loan forgiveness in fiscal year 2021. The loan is unsecured and does not require personal guarantees.

The loan bears interest at a fixed rate of 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan and thereafter would convert to monthly payments of principal and interest over the remaining term, or \$50,661 beginning on November 13, 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the SBA remits the loan forgiveness amount, or if loan forgiveness is not requested, ten months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. WITF has elected to use a 24-week loan forgiveness covered period. If any portion of the loan is forgiven in connection with the CARES Act and the terms of the Program, the monthly payments of principal and interest shall thereafter be recalculated by the lender to fully amortize any outstanding amounts remaining after forgiveness over the remaining term of the loan. The loan matures on April 13, 2022, at which time all remaining principal and interest is due.

On December 27, 2019, WITF entered into an agreement for \$13,000,000 with PNC Bank, which refinanced the outstanding note payable with Citizen's Bank. The loan requires varying annual principal repayments, with all outstanding principal due on the maturity date of December 27, 2029. Additionally, the loan requires monthly interest payments, the amount of which is determined based on a rate of 30-day LIBOR, plus 110 points, which was 1.27% as of June 30, 2020. All accrued and unpaid interest will be due on the maturity date. The loan is collateralized by assets of WITF, including investments and property.

As part of the agreement with PNC Bank, WITF also entered into a revolving line of credit for \$2,500,000. Interest on any outstanding balance will be based on a rate of 30-day LIBOR, plus 110 basis points. The expiration date of the line is December 31, 2022. There were no borrowings on the line as of June 30, 2020.

On August 3, 2009, WITF entered into an agreement with Citizens Bank, which converted an outstanding Tax-Exempt Variable Rate Demand Revenue Bond, Series of 2005 to a Bank Qualified Tax-Free Term Loan for \$18,615,000. The loan required varying annual principal repayments, with all outstanding principal due on the maturity date of October 31, 2032. The agreement also included a three-year call option with the next call option due October 1, 2021. Additionally, the loan required monthly interest payments, the amount of which was determined based on a rate of 30-day LIBOR, plus 250 basis points, multiplied by 68%, which was 3.36% (effective interest rate of 3.38%) as of June 30, 2019. The effective interest rate for the year ended June 30, 2020 was 4.36%. The loan was collateralized by a mortgage on the location of WITF's primary facility. During the year ended June 30, 2020, the loan was repaid with proceeds from the PNC loan.

**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 13 - Long-Term Debt (continued)**

Long-term debt consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
PNC Bank	\$ 12,713,036	\$ -
PNC Bank - PPP	911,900	
Citizens Bank of Pennsylvania	-	13,440,000
Unamortized loan costs	-	(107,805)
	<u>13,624,936</u>	13,332,195
Current maturities of long-term debt	<u>(1,106,291)</u>	(666,760)
	<u>\$ 12,518,645</u>	<u>\$ 12,665,435</u>

Aggregate maturities of long-term debt, assuming no change in these terms or other current terms, consist of the following for the five years ending June 30; and thereafter:

2021	\$ 1,106,291
2022	1,229,630
2023	745,682
2024	766,561
2025	794,036
Thereafter	<u>8,982,736</u>
	<u>\$ 13,624,936</u>

In order to achieve a fixed interest rate on a portion of the PNC Bank variable rate debt, WITF entered into an interest rate swap agreement that began on January 2, 2020 and ends on January 1, 2035. The agreement provided for WITF to pay a fixed rate of interest of 1.95% applied to the notional amount of the swap to the counterparty to the agreement and receive a variable rate of USD-LIBOR-BBA-Bloomberg applied to the notional amount of the swap from the counterparty over the term of the agreement. The notional amount of the swap amounted to \$8,000,000 at the beginning of the agreement and will decrease to \$55,457 at maturity.

In order to achieve a fixed interest rate on a portion of the Citizens Bank variable rate debt, WITF entered into an interest rate swap agreement that began on September 28, 2005. The agreement provided for WITF to pay a fixed rate of interest of 3.40% applied to the notional amount of the swap to the counterparty to the agreement and receive a variable rate of 68% of one-month LIBOR applied to the notional amount of the swap from the counterparty over the term of the agreement. The notional amount of the swap amounted to \$2,226,000 at the beginning of the agreement, increasing to a high of \$11.2 million through 2009, and then decrease to \$7.7 million at maturity. This interest rate swap agreement was terminated on December 26, 2019 with WITF paying a termination fee of \$146,000, of which \$18,482 repaid accrued interest.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 13 - Long-Term Debt (continued)

WITF entered into another interest rate swap agreement that began on April 1, 2008 related to a portion of the Citizens Bank variable rate debt. The agreement provided for WITF to pay a fixed rate of interest of 2.98% applied to the notional amount of the swap to the counterparty to the agreement and receive a variable rate of 68% of one-month LIBOR applied to the notional amount of the swap from the counterparty over the term of the agreement. The notional amount of the swap amounted to \$7,600,000 at the beginning of the agreement and will decrease to \$5,106,000 at maturity. This interest rate swap agreement was terminated on December 26, 2019 with WITF paying a termination fee of \$81,000.

WITF entered into another interest rate swap agreement that began on November 5, 2013 and ended on November 5, 2018. The agreement provides for WITF to pay a fixed rate of interest of 1.33% applied to the notional amount of the swap to the counterparty to the agreement and receive a variable rate of one-month LIBOR applied to the notional amount of the swap from the counterparty over the term of the agreement. The notional amount of the swap amounted to \$525,954 at the beginning of the agreement and will decrease to \$8,766 at maturity.

WITF has recorded the value of the interest rate swaps on the consolidated statement of financial position with the change in value reported on the consolidated statement of activities. The interest rate swaps are reported in the consolidated financial statements of WITF as follows for the years ended June 30:

	<b>2020</b>	
	<b>Presentation on Consolidated Statement of Financial Position</b>	<b>Presentation on Consolidated Statement of Activities (Without Donor Restrictions)</b>
	<b>Interest Rate Swap Asset (Liability)</b>	<b>Change in Fair Value of Interest Rate Swap</b>
Interest rate swap (2005)	\$ -	\$ 96,413
Interest rate swap (2008)	-	39,334
Interest rate swap (2020)	<u>(885,869)</u>	<u>(885,869)</u>
	<u>\$ (885,869)</u>	<u>\$ (750,122)</u>
	<b>2019</b>	
Interest rate swap (2005)	\$ (223,931)	\$ 75,993
Interest rate swap (2008)	(120,334)	28,438
Interest rate swap (2013)	-	(84)
	<u>\$ (344,265)</u>	<u>\$ 104,347</u>

Interest expense amounted to \$620,207 and \$690,285 for the years ended June 30, 2020 and 2019, respectively.



## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 13 - Long-Term Debt (continued)

Long-term debt includes an agreement that contains restrictive covenants which, among other things, requires the Organizations to maintain a minimum liquidity ratio. For the year ended June 30, 2020, the Organizations was in compliance with this covenant.

#### Note 14 - Charitable Gift Annuity Obligation

During the year ended June 30, 2011 and prior, WITF was the recipient of gift annuities that provides for the payment of distributions to the annuitants for the remainder of their lives. After this time period, the remaining assets are available for WITF's use. The annuities are reflected as a liability on WITF's consolidated statement of financial position at their present value discounted over the expected lives of the annuitants using discount rates ranging from 2.00% to 6.20%. The value of the gift annuities received over the calculated liability is recognized as contribution revenue without donor restrictions. There were no new gift annuities during the years ended June 30, 2020 and 2019. WITF will calculate the present value of the estimated future payments to the annuitants on an annual basis. The charitable gift annuity obligation amounted to \$89,873 and \$100,171 as of June 30, 2020 and 2019, respectively.

#### Note 15 - Commitments

WITF leases various operating facilities and equipment under operating leases. Future minimum lease payments, assuming no change in current terms, consist of the following for the remaining three years ending June 30:

2021	\$	154,688
2022		125,554
2023		34,820

Future minimum lease payments disclosed above exclude sublease income related to the broadcast tower. The amounts to be received consist of the following for the remaining five years ending June 30:

2021	\$	208,517
2022		164,828
2023		118,836
2024		22,716
2025		1,893

Rent expense amounted to \$173,922 and \$177,644 for the years ended June 30, 2020 and 2019, respectively, excluding sublease income of \$205,319 and \$229,838, respectively.

WITF entered into several leases for Educational Broadband Service (EBS) stations that are not currently being used by WITF. The stations are being leased in four different locations. The leases each required an initial deposit to WITF, which amounted to \$8,268,228 in total. The leases require initial monthly payments ranging from \$5,992 to \$17,775 and have an initial term of ten years, with two ten-year renewal options. The monthly payment amounts will increase by 3% on an annual basis. The initial deposits, along with the monthly payments, are being recognized on a straight-line basis over the term of the agreements.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 15 - Commitments (continued)

During the year ended June 30, 2009, WITF entered into another lease for excess capacity use of EBS. The lease required an initial deposit to WITF of \$432,943. The lease requires initial monthly payments of \$2,598 and has an initial term of ten years, with two ten-year renewal options. The monthly payment amounts will increase by 3% on an annual basis. The initial deposits, along with the monthly payments, are being recognized on a straight-line basis over the term of the agreement.

Deferred revenue on the above leases amounted to \$1,948,235 and \$2,347,359 as of June 30, 2020 and 2019, respectively. Rental income on the above leases amounted to \$1,283,547 for each of the years ended June 30, 2020 and 2019.

Future minimum lease payments, assuming no change in current terms, consist of the following for the five years ending June 30; and thereafter:

2021	\$	909,869
2022		937,165
2023		965,279
2024		994,238
2025		1,024,065
Thereafter		<u>15,528,490</u>
	\$	<u>20,359,106</u>

#### Note 16 - Net Assets without Donor Restrictions

The Organizations' net assets without donor restrictions consist of undesignated and board-designated amounts for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 1,071,413	\$ (1,444,840)
Board-designated for Endowment	<u>27,920,890</u>	<u>31,216,118</u>
	<u>\$ 28,992,303</u>	<u>\$ 29,771,278</u>

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 17 - Net Assets with Donor Restrictions

The Organizations' net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time		
Promises to give - PA Post	\$ 304,750	\$ 774,250
Television and radio underwriting contracts	184,087	206,570
Grant receivable - Learning at Home	142,857	-
Promises to give - <i>On Trusted Ground</i> campaign	89,984	188,899
Grant receivable - educational events	55,000	-
Grant receivable - TV translators relocation	42,906	-
Grant receivable - America Amplified	42,500	-
Grant receivable - Report for America	30,000	-
Grant receivable - <i>StateImpact PA</i>	25,000	-
Grant receivable - other	5,000	-
Subject to expenditures for a specific purpose		
Cash - <i>StateImpact PA</i>	50,000	-
Cash - educational events	18,715	-
Cash - other	9,000	-
Cash - Media Literacy	-	10,000
Perpetual in nature		
Endowment investments	342,153	329,934
	<u>\$ 1,341,952</u>	<u>\$ 1,509,653</u>

#### Note 18 - Donated Services and Materials

WITF receives services donated by people interested in WITF's programs. However, when the value of donated services is ascertainable and the services meet the requirements for financial statement recognition, they are reflected in the consolidated financial statement as revenue and expenses. There were no donated licensing agreements, equipment, or professional services recorded for each of the years ended June 30, 2020 and 2019.

#### Note 19 - Pension

WITF sponsored a defined benefit pension plan. The benefits under this plan were frozen effective April 30, 2005. The Board of Directors approved the termination of the pension plan on June 18, 2019. The termination liability amounted to approximately \$2.5 million and was funded by the board-designated endowment. The official plan termination date was September 20, 2019 with final payouts made in February 2020 and March 2020.

Guidance on fair value measurements establishes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable (refer to Note 3).

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 19 - Pension (continued)

The following is a description of the valuation methodology used for plan investments measured at fair value. There has been no significant change in the methodology used during the years ended June 30, 2020 and 2019.

##### Level 1 - Fair Value Measurements

Investments in interest-bearing cash are stated at cost, which approximates fair value. The fair values of money market, equity securities, debt securities, government securities, and real estate investment trusts are based on quoted market prices reported in the active market on which the individual securities are traded. All of these investments are classified within Level 1 of the valuation hierarchy. The plan did not hold any Level 2 or 3 investments.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the plan's management believes the valuation methodology is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's investments at fair value as of June 30:

	2019			
	Total	Level 1	Level 2	Level 3
<b>Cash and Money Market Fund</b>	\$ 1,379,404	\$ 1,379,404	\$ -	\$ -
<b>Debt Securities</b>				
Mutual funds	3,964,444	3,964,444	-	-
	<u>\$ 5,343,848</u>	<u>\$ 5,343,848</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth the Plan's funded status as of June 30, 2020 and 2019, and amounts recognized in WITF's consolidated statement of financial position as of:

	March 31, 2020	June 30, 2019
<b>Change in Benefit Obligation</b>		
Projected benefit obligation at beginning of year	\$ 7,868,471	\$ 7,336,688
Experience loss	-	33,920
Interest cost	184,334	282,907
Change due to change in assumptions	171,739	621,242
Distributions	(322,434)	(406,286)
Projected benefit obligation at termination date/end of year, respectively	<u>7,902,110</u>	<u>7,868,471</u>

**WITF, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 19 - Pension (continued)**

	<b>March 31, 2020</b>	<b>June 30, 2019</b>
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	\$ 5,343,848	\$ 5,185,297
Employer contributions	196,615	405,029
Actual return on plan assets	165,169	159,808
Distributions	(322,434)	(406,286)
Payment for termination	2,518,912	-
Fair value of plan assets at termination date/end of year, respectively	<u>7,902,110</u>	<u>5,343,848</u>
<b>Funded Status and Accrued Pension Liability</b>	<u>\$ -</u>	<u>\$ (2,524,623)</u>

Items not yet recognized as a component of net periodic pension cost amounted to \$4,966,281 and \$4,725,817 for the period ended March 31, 2020 and year ended June 30, 2019, respectively. Net periodic pension cost as of June 30, 2020 and 2019 is reported net of deferred tax expense of \$74,000 and deferred tax benefit of \$10,000 and deferred tax expense of \$74,000, respectively, for the portion related to Enterprises.

Net periodic pension cost included the following components for the years ended June 30:

	<b>2020</b>	<b>2019</b>
Interest cost	\$ 184,334	\$ 282,907
Amortization of net loss	134,283	132,778
Expected return on plan assets	<u>(368,117)</u>	<u>(442,891)</u>
<b>Net Periodic Pension Cost</b>	<u>\$ (49,500)</u>	<u>\$ (27,206)</u>

The plan's funded status as of any measurement date is based on prevailing market conditions as to discount rate and plan assets and, accordingly, is subject to volatility.

The following weighted average rates were used in determining the actuarial present value of the projected benefit obligations and the related net periodic pension cost as of and for the years ended June 30:

	<b>2020</b>	<b>2019</b>
Discount rate	See below	3.22%
Expected long-term rate of return on plan assets	8.50%	8.50%
Rate of increase in future compensation levels	-	-

The discount rate at the time of termination includes lump sum interest rates of 3.33%, 4.39% and 4.72%.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 19 - Pension (continued)

The expected long-term rate of return on plan assets (8.50%) reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The selected rate considers the historical and expected future investment trends of the present and expected assets in the plan.

The long-term stated investment objective was to maximize investment return for a given level of risk with a sole and exclusive purpose that the invested assets combined with future contributions would be sufficient to meet all future benefits owed to plan participants. In order to meet these objectives, the plan intended to invest a target of 65% of total plan assets in equity securities of U.S. and foreign companies. A target of 35% of total plan assets were to be invested in fixed income. Investments in money market funds were permitted as needed for liquidity purposes or for temporary defensive purposes. Derivative investments required permission from the investment committee to be included in the portfolio.

The investment allocation of Plan assets consist of the following as of June 30:

	<u>2019</u>
Cash and money markets	26 %
Debt securities	74
Equity securities	-
	<u>100 %</u>

WITF had a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan was funded entirely by employee contributions. Effective October 1, 2000, WITF replaced the 403(b) plan with a defined contribution plan under Section 401(k) of the Internal Revenue Code covering employees who meet certain length of service requirements. WITF's expense under the plan for the years ended June 30, 2020 and 2019 amounted to \$230,262 and \$229,812, respectively.

#### Note 20 - Income Taxes

Income taxes for Enterprises consist of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Deferred tax expense (benefit), excluding effects of the following	\$ (74,000)	\$ 10,000
Benefit of net operating loss carryforwards	(9,000)	(101,000)
	<u>\$ (83,000)</u>	<u>\$ (91,000)</u>

The federal income tax provision differs from the provision that would result from applying graduated federal statutory rates to income before income taxes because of the federal benefit of state income taxes and because certain transactions are without tax consequences.

## WITF, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### Note 20 - Income Taxes (continued)

The net deferred income taxes for Enterprises in the accompanying consolidated statement of financial position consist of the following as of June 30:

	2020		
	Federal	State	Total
Deferred income tax assets	\$ 605,000	\$ 346,000	\$ 951,000
Deferred income tax liabilities	-	-	-
Valuation allowance	(95,000)	(55,000)	(150,000)
	<u>\$ 510,000</u>	<u>\$ 291,000</u>	<u>\$ 801,000</u>
	2019		
Deferred income tax assets	\$ 650,000	\$ 371,000	\$ 1,021,000
Deferred income tax liabilities	(51,000)	(28,000)	(79,000)
	<u>\$ 599,000</u>	<u>\$ 343,000</u>	<u>\$ 942,000</u>

Enterprises has federal net operating loss carryforwards of \$3,226,482 and state net operating loss carryforwards of \$3,473,360.

The net operating losses will expire as follows through the years ending June 30, 2040:

	Federal	State
2030	\$ 191,129	\$ 438,007
2031	9,533	9,533
2035	788,378	788,378
2036	1,024,272	1,024,272
2037	418,340	418,340
2038	432,760	432,760
2039	347,592	347,592
2040	-	14,478
	<u>\$ 3,212,004</u>	<u>\$ 3,473,360</u>

Additionally, Enterprises has federal net operating loss carryforwards of \$14,478 that will not expire under current tax guidance.

#### Note 21 - Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public telecommunication entities. CSG is used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services.

According to the Communications Act, funds may be used at the discretion of recipients. Public broadcasters use these funds for purposes relating primarily for program acquisition and general station operations.

## **WITF, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### **Note 21 - Community Service Grants (continued)**

The grants are reported on the accompanying consolidated financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the FCC.

Community Service Grants received during the years ended June 30, 2020 and 2019 amounted to \$1,444,090 and \$1,095,474, respectively.

#### **Note 22 - Concentrations of Cash and Credit Risk**

At times during the years ended June 30, 2020 and 2019, the Organizations' cash balances may have exceeded the federally insured limit of \$250,000.

The interest rate swap (refer to Note 13) exposes WITF to credit risk to the extent the swap has a positive fair value. A positive fair value indicates that the counterparty owes WITF money while a negative fair value indicates that WITF owes the counterparty. WITF manages this risk by dealing with high-quality counterparties.

#### **Note 23 - Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the Organizations operate. It is unknown how long these conditions will last and what the complete financial effect will be to the Organizations.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

#### **Note 24 - Reclassifications**

Certain information in the 2019 consolidated financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2020 consolidated financial statements. There was no change to total changes in net assets or total net assets.

#### **Note 25 - Subsequent Events**

The Organizations have evaluated subsequent events through October 16, 2020, which is the date the consolidated financial statements were available to be issued. The following material event subsequent to June 30, 2020 were noted:

In September 2020, WITF was notified that a grant from the Pennsylvania Department of Education (PDE) was awarded for \$11.5 million. The grant was awarded to PDE from the Governors Emergency Education Relief (GEER) fund under the CARES Act for educational programming. The GEER grant, which will be received by WITF through an agreement with PDE, will be allocated evenly among the seven public broadcasting stations in Pennsylvania to be used for educational programming costs during the period of July 1, 2020 through September 30, 2021.



**WITF, Inc. and Subsidiary**

## Consolidating Schedule of Financial Position Information

	June 30, 2020			
	WITF, Inc.	WITF Enterprises, Inc.	Eliminations	Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash, operating	\$ 1,798,286	\$ 3,301	\$ -	\$ 1,801,587
Cash, restricted	77,715	-	-	77,715
Accounts receivable, net	457,103	-	-	457,103
Grants receivable	346,947	-	-	346,947
Contracts receivable	184,087	-	-	184,087
Inventory and prepaid expenses	155,802	-	-	155,802
Broadcast rights	38,726	-	-	38,726
Promises to give, net	333,750	-	-	333,750
Investments	8,928,194	-	-	8,928,194
Due from WITF Enterprises, Inc.	3,091,527	-	(3,091,527)	-
<b>Total Current Assets</b>	<b>15,412,137</b>	<b>3,301</b>	<b>(3,091,527)</b>	<b>12,323,911</b>
<b>Property and Equipment, Net</b>	<b>14,361,208</b>	<b>2,684</b>	<b>-</b>	<b>14,363,892</b>
<b>Other Assets</b>				
Investments	19,468,725	-	-	19,468,725
Station license	910,000	-	-	910,000
Deferred income taxes	-	801,000	-	801,000
Interest in net assets of a community foundation	64,677	-	-	64,677
Promises to give, net	60,984	-	-	60,984
Prepaid pension asset	-	-	-	-
Investment in affiliates	(2,284,542)	-	2,284,542	-
<b>Total Other Assets</b>	<b>18,219,844</b>	<b>801,000</b>	<b>2,284,542</b>	<b>21,305,386</b>
<b>Total Assets</b>	<b>\$ 47,993,189</b>	<b>\$ 806,985</b>	<b>\$ (806,985)</b>	<b>\$ 47,993,189</b>

**WITF, Inc. and Subsidiary**

Consolidating Schedule of Financial Position Information (continued)

	June 30, 2020			
	WITF, Inc.	WITF Enterprises, Inc.	Eliminations	Totals
<b>Liabilities and Net Assets/ Stockholder's Equity (Deficit)</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 701,002	\$ -	\$ -	\$ 701,002
Current portion of obligations under capital leases	2,815	-	-	2,815
Accounts payable	606,341	-	-	606,341
Accrued payroll and vacation	337,635	-	-	337,635
Accrued and withheld payroll taxes	9,625	-	-	9,625
Deferred revenue	1,402,060	-	-	1,402,060
Accrued interest payable	26,590	-	-	26,590
Broadcast rights	5,826	-	-	5,826
Due to WITF, Inc.	-	3,091,527	(3,091,527)	-
<b>Total Current Liabilities</b>	<b>3,091,894</b>	<b>3,091,527</b>	<b>(3,091,527)</b>	<b>3,091,894</b>
<b>Other Liabilities</b>				
Long-term debt	12,923,934	-	-	12,923,934
Interest rate swap liability	885,869	-	-	885,869
Deferred revenue	664,687	-	-	664,687
Charitable gift annuity obligation	89,873	-	-	89,873
Obligations under capital leases	2,677	-	-	2,677
Accrued pension liability	-	-	-	-
<b>Total Other Liabilities</b>	<b>14,567,040</b>	<b>-</b>	<b>-</b>	<b>14,567,040</b>
<b>Total Liabilities</b>	<b>17,658,934</b>	<b>3,091,527</b>	<b>(3,091,527)</b>	<b>17,658,934</b>
<b>Net Assets</b>				
Without donor restrictions	28,992,303	-	-	28,992,303
With donor restrictions	1,341,952	-	-	1,341,952
<b>Total Net Assets</b>	<b>30,334,255</b>	<b>-</b>	<b>-</b>	<b>30,334,255</b>
<b>Stockholder's Equity (Deficit)</b>				
Common stock	-	100	(100)	-
Paid-in capital	-	503,189	(503,189)	-
Accumulated other comprehensive loss	-	-	-	-
Retained earnings	-	(2,787,831)	2,787,831	-
<b>Total Stockholder's Equity (Deficit)</b>	<b>-</b>	<b>(2,284,542)</b>	<b>2,284,542</b>	<b>-</b>
<b>Total Net Assets/ Stockholder's Equity (Deficit)</b>	<b>30,334,255</b>	<b>(2,284,542)</b>	<b>2,284,542</b>	<b>30,334,255</b>
<b>Total Liabilities and Net Assets/Stockholder's Equity (Deficit)</b>	<b>\$ 47,993,189</b>	<b>\$ 806,985</b>	<b>\$ (806,985)</b>	<b>\$ 47,993,189</b>

**WITF, Inc. and Subsidiary**

Consolidating Schedule of Financial Position Information (continued)

	June 30, 2019			
	WITF, Inc.	WITF Enterprises, Inc.	Eliminations	Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash, operating	\$ 380,294	\$ 10,114	\$ -	\$ 390,408
Cash, restricted	10,000	-	-	10,000
Accounts receivable, net	402,865	66	-	402,931
Grants receivable	117,941	-	-	117,941
Contracts receivable	206,570	-	-	206,570
Inventory and prepaid expenses	174,015	1,700	-	175,715
Broadcast rights	39,463	-	-	39,463
Promises to give, net	874,250	-	-	874,250
Investments	8,441,296	-	-	8,441,296
Due from WITF Enterprises, Inc.	3,084,955	-	(3,084,955)	-
<b>Total Current Assets</b>	<b>13,731,649</b>	<b>11,880</b>	<b>(3,084,955)</b>	<b>10,658,574</b>
<b>Property and Equipment, Net</b>	<b>15,164,492</b>	<b>3,301</b>	<b>-</b>	<b>15,167,793</b>
<b>Other Assets</b>				
Investments	23,243,633	-	-	23,243,633
Station license	910,000	-	-	910,000
Deferred income taxes	-	942,000	-	942,000
Interest in net assets of a community foundation	72,119	-	-	72,119
Promises to give, net	88,899	-	-	88,899
Prepaid pension asset	-	13,919	(13,919)	-
Investment in affiliates	(2,114,964)	-	2,114,964	-
<b>Total Other Assets</b>	<b>22,199,687</b>	<b>955,919</b>	<b>2,101,045</b>	<b>25,256,651</b>
<b>Total Assets</b>	<b>\$ 51,095,828</b>	<b>\$ 971,100</b>	<b>\$ (983,910)</b>	<b>\$ 51,083,018</b>

**WITF, Inc. and Subsidiary**

Consolidating Schedule of Financial Position Information (continued)

	June 30, 2019			
	WITF, Inc.	WITF Enterprises, Inc.	Eliminations	Totals
<b>Liabilities and Net Assets/ Stockholder's Equity (Deficit)</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 666,760	\$ -	\$ -	\$ 666,760
Current portion of obligations under capital leases	7,298	-	-	7,298
Accounts payable	598,800	1,109	-	599,909
Accrued payroll and vacation	253,857	-	-	253,857
Accrued and withheld payroll taxes	8,382	-	-	8,382
Deferred revenue	1,504,900	-	-	1,504,900
Accrued interest payable	51,556	-	-	51,556
Broadcast rights	5,629	-	-	5,629
Due to WITF, Inc.	-	3,084,955	(3,084,955)	-
<b>Total Current Liabilities</b>	<b>3,097,182</b>	<b>3,086,064</b>	<b>(3,084,955)</b>	<b>3,098,291</b>
<b>Other Liabilities</b>				
Long-term debt	12,665,435	-	-	12,665,435
Interest rate swap liability	344,265	-	-	344,265
Deferred revenue	1,063,811	-	-	1,063,811
Charitable gift annuity obligation	100,171	-	-	100,171
Obligations under capital leases	5,491	-	-	5,491
Accrued pension liability	2,538,542	-	(13,919)	2,524,623
<b>Total Other Liabilities</b>	<b>16,717,715</b>	<b>-</b>	<b>(13,919)</b>	<b>16,703,796</b>
<b>Total Liabilities</b>	<b>19,814,897</b>	<b>3,086,064</b>	<b>(3,098,874)</b>	<b>19,802,087</b>
<b>Net Assets</b>				
Without donor restrictions	29,771,278	-	-	29,771,278
With donor restrictions	1,509,653	-	-	1,509,653
<b>Total Net Assets</b>	<b>31,280,931</b>	<b>-</b>	<b>-</b>	<b>31,280,931</b>
<b>Stockholder's Equity (Deficit)</b>				
Common stock	-	100	(100)	-
Paid-in capital	-	503,189	(503,189)	-
Accumulated other comprehensive loss	-	(197,046)	197,046	-
Retained earnings	-	(2,421,207)	2,421,207	-
<b>Total Stockholder's Equity (Deficit)</b>	<b>-</b>	<b>(2,114,964)</b>	<b>2,114,964</b>	<b>-</b>
<b>Total Net Assets/ Stockholder's Equity (Deficit)</b>	<b>31,280,931</b>	<b>(2,114,964)</b>	<b>2,114,964</b>	<b>31,280,931</b>
<b>Total Liabilities and Net Assets/Stockholder's Equity (Deficit)</b>	<b>\$ 51,095,828</b>	<b>\$ 971,100</b>	<b>\$ (983,910)</b>	<b>\$ 51,083,018</b>

**WITF, Inc. and Subsidiary**

## Consolidating Schedule of Activities Information

	Year Ended June 30, 2020					
	WITF, Inc.			WITF Enterprises, Inc.	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
<b>Revenue</b>						
Contributions	\$ 5,962,403	\$ 450,978	\$ 6,413,381	\$ -	\$ -	\$ 6,413,381
Fees and rentals	3,294,172	-	3,294,172	-	-	3,294,172
Program underwriting	-	1,107,515	1,107,515	-	-	1,107,515
Interest income, net of fees	686,900	-	686,900	1	-	686,901
Net assets released from restrictions	1,738,413	(1,738,413)	-	-	-	-
Management fee income	-	-	-	-	-	-
Investment in subsidiary income	(169,578)	-	(169,578)	-	169,578	-
Loss on sale of property and equipment	-	-	-	-	-	-
Loss on sale of investments	(218,710)	-	(218,710)	-	-	(218,710)
<b>Total Revenue</b>	<b>11,293,600</b>	<b>(179,920)</b>	<b>11,113,680</b>	<b>1</b>	<b>169,578</b>	<b>11,283,259</b>
<b>Expenses</b>						
Programming and production	3,816,521	-	3,816,521	-	-	3,816,521
Broadcasting	3,821,036	-	3,821,036	164,660	-	3,985,696
Fundraising	2,408,851	-	2,408,851	-	-	2,408,851
Management and general	1,300,103	-	1,300,103	-	-	1,300,103
Education	274,958	-	274,958	-	-	274,958
Program information	309,964	-	309,964	-	-	309,964
Income taxes	1,183	-	1,183	(83,000)	-	(81,817)
<b>Total Expenses</b>	<b>11,932,616</b>	<b>-</b>	<b>11,932,616</b>	<b>81,660</b>	<b>-</b>	<b>12,014,276</b>
<b>Excess (Deficiency) of Revenue over (under) Expenses</b>	<b>(639,016)</b>	<b>(179,920)</b>	<b>(818,936)</b>	<b>(81,659)</b>	<b>169,578</b>	<b>(731,017)</b>
<b>Change in Interest in Net Assets of a Community Foundation</b>	<b>(7,442)</b>	<b>-</b>	<b>(7,442)</b>	<b>-</b>	<b>-</b>	<b>(7,442)</b>
<b>Unrealized Holding Gains on Investments</b>	<b>826,628</b>	<b>12,219</b>	<b>838,847</b>	<b>-</b>	<b>-</b>	<b>838,847</b>
<b>Change in Fair Value of Interest Rate Swap</b>	<b>(750,122)</b>	<b>-</b>	<b>(750,122)</b>	<b>-</b>	<b>-</b>	<b>(750,122)</b>
<b>Change in Charitable Gift Annuity Obligation</b>	<b>(6,493)</b>	<b>-</b>	<b>(6,493)</b>	<b>-</b>	<b>-</b>	<b>(6,493)</b>
<b>Loss on Items Not Yet Recognized as a Component of Net Periodic Pension Cost</b>	<b>(202,530)</b>	<b>-</b>	<b>(202,530)</b>	<b>(87,919)</b>	<b>-</b>	<b>(290,449)</b>
<b>Management Fee Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in Net Assets/Net Loss</b>	<b>\$ (778,975)</b>	<b>\$ (167,701)</b>	<b>\$ (946,676)</b>	<b>\$ (169,578)</b>	<b>\$ 169,578</b>	<b>\$ (946,676)</b>

**WITF, Inc. and Subsidiary**

Consolidating Schedule of Activities Information (continued)

	Year Ended June 30, 2019					
	WITF, Inc.			WITF Enterprises, Inc.	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
<b>Revenue</b>						
Contributions	\$ 5,456,312	\$ 785,582	\$ 6,241,894	\$ -	\$ -	\$ 6,241,894
Fees and rentals	3,435,795	-	3,435,795	201,169	-	3,636,964
Program underwriting	-	1,136,085	1,136,085	-	-	1,136,085
Interest income, net of fees	856,636	-	856,636	-	-	856,636
Net assets released from restrictions	1,621,401	(1,621,401)	-	-	-	-
Management fee income	140,931	-	140,931	-	(140,931)	-
Investment in subsidiary income	(249,654)	-	(249,654)	-	249,654	-
Loss on sale of property and equipment	(41,925)	-	(41,925)	-	-	(41,925)
Loss on sale of investments	(535,189)	-	(535,189)	-	-	(535,189)
<b>Total Revenue</b>	<b>10,684,307</b>	<b>300,266</b>	<b>10,984,573</b>	<b>201,169</b>	<b>108,723</b>	<b>11,294,465</b>
<b>Expenses</b>						
Programming and production	3,784,252	-	3,784,252	-	-	3,784,252
Broadcasting	3,955,860	-	3,955,860	376,725	-	4,332,585
Fundraising	2,380,700	-	2,380,700	-	-	2,380,700
Management and general	1,264,861	-	1,264,861	-	-	1,264,861
Education	300,783	-	300,783	-	-	300,783
Program information	186,769	-	186,769	-	-	186,769
Income taxes	(19,162)	-	(19,162)	(91,000)	-	(110,162)
<b>Total Expenses</b>	<b>11,854,063</b>	<b>-</b>	<b>11,854,063</b>	<b>285,725</b>	<b>-</b>	<b>12,139,788</b>
<b>Excess (Deficiency) of Revenue over (under) Expenses</b>	<b>(1,169,756)</b>	<b>300,266</b>	<b>(869,490)</b>	<b>(84,556)</b>	<b>108,723</b>	<b>(845,323)</b>
<b>Change in Interest in Net Assets of a Community Foundation</b>	<b>(283)</b>	<b>-</b>	<b>(283)</b>	<b>-</b>	<b>-</b>	<b>(283)</b>
<b>Unrealized Holding Gains on Investments</b>	<b>1,288,548</b>	<b>26,534</b>	<b>1,315,082</b>	<b>-</b>	<b>-</b>	<b>1,315,082</b>
<b>Change in Fair Value of Interest Rate Swap</b>	<b>104,347</b>	<b>-</b>	<b>104,347</b>	<b>-</b>	<b>-</b>	<b>104,347</b>
<b>Change in Charitable Gift Annuity Obligation</b>	<b>(5,385)</b>	<b>-</b>	<b>(5,385)</b>	<b>-</b>	<b>-</b>	<b>(5,385)</b>
<b>Loss on Items Not Yet Recognized as a Component of Net Periodic Pension Cost</b>	<b>(771,299)</b>	<b>-</b>	<b>(771,299)</b>	<b>(24,167)</b>	<b>-</b>	<b>(795,466)</b>
<b>Management Fee Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(140,931)</b>	<b>140,931</b>	<b>-</b>
<b>Changes in Net Assets/Net Loss</b>	<b>\$ (553,828)</b>	<b>\$ 326,800</b>	<b>\$ (227,028)</b>	<b>\$ (249,654)</b>	<b>\$ 249,654</b>	<b>\$ (227,028)</b>

**WITF, Inc. and Subsidiary**

Consolidating Schedule of Changes in Net Assets/Stockholder's Equity Information

	Years Ended June 30, 2020 and 2019									
	WITF, Inc.			WITF Enterprises, Inc.						
	Without Donor Restrictions	With Donor Restrictions	Totals	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Totals	Eliminations	Totals
<b>Net Assets/Stockholder's Equity, June 30, 2018</b>	\$ 30,325,106	\$ 1,182,853	\$ 31,507,959	\$ 100	\$ 503,189	\$ (172,879)	\$ (2,195,720)	\$ (1,865,310)	\$ 1,865,310	\$ 31,507,959
Changes in net assets/net loss	(553,828)	326,800	(227,028)	-	-	-	(225,487)	(225,487)	225,487	(227,028)
Other comprehensive loss for net periodic pension costs, net of \$10,000 of deferred tax benefit	-	-	-	-	-	(24,167)	-	(24,167)	24,167	-
<b>Net Assets/Stockholder's Equity, June 30, 2019</b>	29,771,278	1,509,653	31,280,931	100	503,189	(197,046)	(2,421,207)	(2,114,964)	2,114,964	31,280,931
Changes in net assets/net loss	(778,975)	(167,701)	(946,676)	-	-	-	(81,659)	(81,659)	81,659	(946,676)
Other comprehensive income for net periodic pension costs, net of \$74,000 of deferred tax expense	-	-	-	-	-	(87,919)	-	(87,919)	87,919	-
Transfer to retained earnings	-	-	-	-	-	284,965	(284,965)	-	-	-
<b>Net Assets/Stockholder's Equity, June 30, 2020</b>	<u>\$ 28,992,303</u>	<u>\$ 1,341,952</u>	<u>\$ 30,334,255</u>	<u>\$ 100</u>	<u>\$ 503,189</u>	<u>\$ -</u>	<u>\$ (2,787,831)</u>	<u>\$ (2,284,542)</u>	<u>\$ 2,284,542</u>	<u>\$ 30,334,255</u>

**WITF, Inc. and Subsidiary**

## Consolidating Schedule of Revenue Information

	Year Ended June 30, 2020			
	WITF			
	WITF, Inc.	Enterprises, Inc.	Eliminations	Totals
Memberships	\$ 2,357,269	\$ -	\$ -	\$ 2,357,269
Federal grants	1,460,440	-	-	1,460,440
Educational Broadband Service	1,283,547	-	-	1,283,547
Program underwriting	1,107,515	-	-	1,107,515
Other grants	1,050,753	-	-	1,050,753
Satellite uplink services	850,704	-	-	850,704
Cash contributions	722,329	-	-	722,329
Program revenue	716,297	-	-	716,297
Interest income, net of fees	686,900	1	-	686,901
Special gifts	624,618	-	-	624,618
Tower rental	205,319	-	-	205,319
Equipment rental	158,033	-	-	158,033
TV revenue	94,743	-	-	94,743
State grants	86,143	-	-	86,143
Miscellaneous income	32,730	-	-	32,730
Special events	27,890	-	-	27,890
Fundraising campaign	17,086	-	-	17,086
Teleconference revenue	14,980	-	-	14,980
School district revenue	4,180	-	-	4,180
Sale of premiums	492	-	-	492
Radio PA revenue	-	-	-	-
NASRN advertising revenue	-	-	-	-
Management fee income	-	-	-	-
Investment in subsidiary income	(169,578)	-	169,578	-
Loss on sale of property and equipment	-	-	-	-
Loss on sale of investments	(218,710)	-	-	(218,710)
	<u>\$ 11,113,680</u>	<u>\$ 1</u>	<u>\$ 169,578</u>	<u>\$ 11,283,259</u>



**WITF, Inc. and Subsidiary**

Consolidating Schedule of Revenue Information (continued)

	Year Ended June 30, 2019			
	WITF			
	WITF, Inc.	Enterprises, Inc.	Eliminations	Totals
Memberships	\$ 2,314,176	\$ -	\$ -	\$ 2,314,176
Federal grants	1,112,517	-	-	1,112,517
Educational Broadband Service	1,283,547	-	-	1,283,547
Program underwriting	1,136,085	-	-	1,136,085
Other grants	1,521,834	-	-	1,521,834
Satellite uplink services	883,645	-	-	883,645
Cash contributions	513,259	-	-	513,259
Program revenue	763,264	-	-	763,264
Interest income, net of fees	856,636	-	-	856,636
Special gifts	551,794	-	-	551,794
Tower rental	229,838	-	-	229,838
Equipment rental	110,655	-	-	110,655
TV revenue	164,854	-	-	164,854
State grants	50,406	-	-	50,406
Miscellaneous income	44,518	1	-	44,519
Special events	85,871	-	-	85,871
Fundraising campaign	13,054	-	-	13,054
Teleconference revenue	30,320	-	-	30,320
School district revenue	4,080	-	-	4,080
Sale of premiums	57	-	-	57
Radio PA revenue	-	192,970	-	192,970
NASRN advertising revenue	-	8,198	-	8,198
Management fee income	140,931	-	(140,931)	-
Investment in subsidiary income	(249,654)	-	249,654	-
Loss on sale of property and equipment	(41,925)	-	-	(41,925)
Loss on sale of investments	(535,189)	-	-	(535,189)
	<u>\$ 10,984,573</u>	<u>\$ 201,169</u>	<u>\$ 108,723</u>	<u>\$ 11,294,465</u>

**WITF, Inc. and Subsidiary**

## Schedule of Activities Information - TV and FM

	Year Ended June 30, 2020		
	TV	FM	Consolidated
<b>Revenue</b>			
Contributions	\$ 4,089,392	\$ 2,323,989	\$ 6,413,381
Fees and rentals	3,031,179	262,993	3,294,172
Program underwriting	402,071	705,444	1,107,515
Interest income, net of fees	628,300	58,601	686,901
Loss on sale of property and equipment	-	-	-
Loss on sale of investments	(142,161)	(76,549)	(218,710)
<b>Total Revenue</b>	<b>8,008,781</b>	<b>3,274,478</b>	<b>11,283,259</b>
<b>Expenses</b>			
Programming and production	3,816,521	-	3,816,521
Broadcasting	903,089	3,082,607	3,985,696
Fundraising	1,437,359	971,492	2,408,851
Management and general	845,067	455,036	1,300,103
Education	178,723	96,235	274,958
Program information	201,477	108,487	309,964
Income taxes	1,183	(83,000)	(81,817)
<b>Total Expenses</b>	<b>7,383,419</b>	<b>4,630,857</b>	<b>12,014,276</b>
<b>Excess (Deficiency) of Revenue over Expenses</b>	<b>625,362</b>	<b>(1,356,379)</b>	<b>(731,017)</b>
<b>Change in Interest in Net Assets of a Community Foundation</b>	<b>(4,837)</b>	<b>(2,605)</b>	<b>(7,442)</b>
<b>Unrealized Holding Gains on Investments</b>	<b>545,251</b>	<b>293,596</b>	<b>838,847</b>
<b>Change in Fair Value of Interest Rate Swap</b>	<b>(487,579)</b>	<b>(262,543)</b>	<b>(750,122)</b>
<b>Change in Charitable Gift Annuity Obligation</b>	<b>(4,221)</b>	<b>(2,272)</b>	<b>(6,493)</b>
<b>Loss on Items Not Yet Recognized as a Component of Net Periodic Pension Cost</b>	<b>(188,792)</b>	<b>(101,657)</b>	<b>(290,449)</b>
<b>Changes in Net Assets</b>	<b>\$ 485,184</b>	<b>\$ (1,431,860)</b>	<b>\$ (946,676)</b>