

**WQED MULTIMEDIA AND SUBSIDIARIES**

**Consolidated Financial Statements**

**September 30, 2009 and 2008**

# WQED MULTIMEDIA AND SUBSIDIARIES

## Consolidated Financial Statements

---

September 30, 2009 and 2008

---

### TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	2
Consolidated Balance Sheets	3
Consolidated Statements of Activities and Changes in Net Assets	4 - 5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 19



**ALPERN ROSENTHAL**  
INSPIRING OPPORTUNITIES

**Independent Auditors' Report**

**To the Board of Directors**  
**WQED Multimedia and Subsidiaries**  
Pittsburgh, Pennsylvania

We have audited the accompanying consolidated balance sheets of WQED Multimedia and Subsidiaries as of September 30, 2009 and 2008, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WQED Multimedia and Subsidiaries as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Alpern Rosenthal*

February 24, 2010

*Certified Public Accountants and Business Advisors*

A Professional Corporation  
Heinz 57 Center 339 Sixth Avenue 8th Floor Pittsburgh, PA 15222  
[p] 412.281.2501 [f] 412.471.1996 www.alpern.com email@alpern.com  
Offices also in West Palm Beach and Stuart, FL

## WQED MULTIMEDIA AND SUBSIDIARIES

### Consolidated Balance Sheets

September 30	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 60,932	\$ 135,909
Accounts receivable	595,099	2,860,184
Pledges receivable	2,647,539	4,020,567
Prepaid expenses and other assets	226,425	406,665
Investments - Note 2	4,611,383	4,243,046
Property and equipment - net - Note 3	10,392,930	10,905,129
Intangible asset	345,745	345,745
	<u>\$ 18,880,053</u>	<u>\$ 22,917,245</u>
<b>Total Assets</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Line of credit - Note 4	\$ 4,900,000	\$ 5,500,000
Accounts payable and accrued liabilities - Note 9	3,373,458	5,543,069
Deferred revenue	117,096	133,665
	<u>8,390,554</u>	<u>11,176,734</u>
<b>Total Liabilities</b>		
<b>Net Assets - Note 5</b>		
Unrestricted	(319,241)	(375,629)
Temporarily restricted	4,453,742	5,761,142
Permanently restricted	6,354,998	6,354,998
	<u>10,489,499</u>	<u>11,740,511</u>
<b>Total Net Assets</b>		
	<u>\$ 18,880,053</u>	<u>\$ 22,917,245</u>
<b>Total Liabilities and Net Assets</b>		

*The accompanying notes are an integral part of these consolidated financial statements.*

## WQED MULTIMEDIA AND SUBSIDIARIES

### Consolidated Statement of Activities and Changes in Net Assets

**For the Year Ended September 30, 2009 (With Comparative Totals for 2008)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>
<b>Operating Revenues and Support</b>		
Contributions	\$ 5,878,209	\$ 111,250
Government grants	200,939	2,458,559
Sales, underwriting and advertising	880,117	-
Distribution, royalties and ancillary services	3,562,513	-
Project revenue - Note 7	431,920	1,553,208
Investment income (loss) - Note 2	(124,813)	195,079
Other	349,688	-
Net assets released due to satisfaction of program restrictions - Note 5	5,625,496	(5,625,496)
<b>Total Operating Revenues and Support</b>	<b>16,804,069</b>	<b>(1,307,400)</b>
<b>Expenses - Note 8</b>		
Station operations	6,257,675	-
Internet services	183,770	-
Education resource center and projects	313,819	-
Distribution, royalties and ancillary services	2,697,616	-
Program production and development	3,862,953	-
Sales, underwriting and advertising	624,104	-
Membership/development, foundations and events	3,833,455	-
<b>Total Expenses</b>	<b>17,773,392</b>	<b>-</b>
<b>Decrease in Net Assets From Continuing Operations</b>	<b>(969,323)</b>	<b>(1,307,400)</b>
<b>Gain From Discontinued Operations - Note 11</b> (including gain on sale totaling \$840,000 in 2009)	1,025,711	-
<b>Increase (Decrease) in Net Assets</b>	<b>56,388</b>	<b>(1,307,400)</b>
<b>Net Assets - Beginning of year</b>	<b>(375,629)</b>	<b>5,761,142</b>
<b>Net Assets - End of year</b>	<b>\$ (319,241)</b>	<b>\$ 4,453,742</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
\$ -	\$ 5,989,459	\$ 5,592,687
-	2,659,498	5,582,536
-	880,117	872,079
-	3,562,513	4,241,436
-	1,985,128	3,863,869
-	70,266	(525,150)
-	349,688	351,533
-	-	-
-	<u>15,496,669</u>	<u>19,978,990</u>
-	6,257,675	7,033,696
-	183,770	158,382
-	313,819	794,340
-	2,697,616	3,289,817
-	3,862,953	4,477,502
-	624,104	605,212
-	<u>3,833,455</u>	<u>4,107,235</u>
-	<u>17,773,392</u>	<u>20,466,184</u>
-	(2,276,723)	(487,194)
-	<u>1,025,711</u>	<u>460,593</u>
-	(1,251,012)	(26,601)
<u>6,354,998</u>	<u>11,740,511</u>	<u>11,767,112</u>
<u>\$ 6,354,998</u>	<u>\$ 10,489,499</u>	<u>\$ 11,740,511</u>

## WQED MULTIMEDIA AND SUBSIDIARIES

### Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended September 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<b>Revenues</b>		
Contributions	\$ 5,592,687	\$ -
Government grants	2,230,678	3,351,858
Sales, underwriting and advertising	872,079	-
Distribution, royalties and ancillary services	4,241,436	-
Project revenue - Note 7	409,418	3,454,451
Investment income (loss) - Note 2	98,899	(624,049)
Other	351,533	-
Net assets released due to satisfaction of program restrictions - Note 5	6,391,623	(6,391,623)
	<u>20,188,353</u>	<u>(209,363)</u>
<b>Expenses - Note 8</b>		
Station operations	7,033,696	-
Internet services	158,382	-
Education resource center and projects	794,340	-
Distribution, royalties and ancillary services	3,289,817	-
Program production and development	4,477,502	-
Sales, underwriting and advertising	605,212	-
Membership/development, foundations and events	4,107,235	-
<b>Total Expenses</b>	<u>20,466,184</u>	<u>-</u>
<b>Decrease in Net Assets From Continuing Operations</b>	(277,831)	(209,363)
<b>Gain From Discontinued Operations - Note 11</b>	460,593	-
<b>Increase (Decrease) in Net Assets</b>	182,762	(209,363)
<b>Net Assets - Beginning of year</b>	<u>(558,391)</u>	<u>5,970,505</u>
<b>Net Assets - End of year</b>	<u>\$ (375,629)</u>	<u>\$ 5,761,142</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

<u>Permanently Restricted</u>	<u>Total</u>
\$ -	\$ 5,592,687
-	5,582,536
-	872,079
-	4,241,436
-	3,863,869
-	(525,150)
-	351,533
-	-
-	<u>19,978,990</u>
-	7,033,696
-	158,382
-	794,340
-	3,289,817
-	4,477,502
-	605,212
-	<u>4,107,235</u>
-	<u>20,466,184</u>
-	(487,194)
-	<u>460,593</u>
-	(26,601)
<u>6,354,998</u>	<u>11,767,112</u>
<u>\$ 6,354,998</u>	<u>\$ 11,740,511</u>

## WQED MULTIMEDIA AND SUBSIDIARIES

### Consolidated Statements of Cash Flows

For the Years Ended September 30	2009	2008
<b>Cash Provided by (Used for) Operating Activities</b>		
Decrease in net assets	\$ (1,251,012)	\$ (26,601)
Items not affecting cash in the current year		
Net depreciation in the fair value		
of investments	21,112	738,660
Depreciation and amortization	1,300,138	1,165,935
Gain on sale of division - Note 11	(839,788)	-
Changes in		
Accounts and pledges receivable	3,638,113	(1,794,383)
Other current assets	180,240	91,503
Accounts payable and accrued liabilities	(1,902,430)	1,266,880
Deferred revenue	(16,569)	(29,514)
Contributions restricted for long-term purposes		
Cash contributions	(661,159)	(2,293,835)
Pledges receivable	(241,837)	245,965
	<b>226,808</b>	<b>(635,390)</b>
<b>Cash Provided by (Used for) Investing Activities</b>		
Proceeds from sale of investments	697,865	3,222,319
Purchases of investments	(1,087,314)	(2,441,382)
Net proceeds on sale of division - Note 11	839,788	-
Purchase of property and equipment	(1,055,120)	(3,201,775)
	<b>(604,781)</b>	<b>(2,420,838)</b>
<b>Cash Provided by (Used for) Financing Activities</b>		
Proceeds from (payments on) line of credit	(600,000)	1,100,000
Collections of contributions restricted for long-term purposes	902,996	2,047,870
	<b>302,996</b>	<b>3,147,870</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(74,977)</b>	<b>91,642</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>135,909</b>	<b>44,267</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 60,932</b>	<b>\$ 135,909</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### Note 1 - Summary of Significant Accounting Policies

##### A. Organization

WQED Multimedia (WQED) is a non-profit corporation whose purpose is to engage in the broadcasting of non-commercial education and cultural radio and television programming. The financial statements include the accounts of WQED and its subsidiary (collectively, the Organization). All significant transactions and accounts between the consolidated entities have been eliminated.

WQED was incorporated on February 18, 1953 in the Commonwealth of Pennsylvania. In May 2002, WQED formed two subsidiaries, The War That Made America Productions, LLC and WQED Productions, LLC. WQED is the sole member of the two LLCs. These entities share the same common mission of education and cultural radio and television programming and share common management with WQED. During 2009, WQED began the process of dissolving The War That Made America Productions, LLC.

WQED is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). Under the provisions of the Code and similar state provisions, the LLC is considered to be a disregarded entity and is not taxed. Under these provisions, the member (WQED) reflects its proportionate share of the income or loss on its Federal filing. The LLCs are not liable for income taxes, nor is the income taxable to WQED.

##### B. Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

##### C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### D. Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities less than three months to be cash equivalents. A significant portion of the Organization's cash and cash equivalents is on deposit with a large regional financial institution.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for doubtful accounts was \$50,000 at September 30, 2009 and \$100,000 at September 30, 2008.

##### F. Pledges Receivable

Promises to give, primarily for temporarily restricted net assets, are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. It is expected that all pledges will be collected within one year. As of September 30, 2009 and 2008, no allowance for uncollectible pledges was considered to be necessary.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at September 30, 2009 and 2008.

##### G. Investments

Investments are carried at their current fair value. Those investments received as gifts or donations are recorded at their fair value on the date received. Net appreciation or depreciation in the fair value of the investments is reflected in unrestricted revenue unless the use of the assets received is limited by donor imposed restrictions or law.

Investment income is recognized when earned. Realized gains and losses on the sale of securities are recognized using the specific identification method at the time of the sale or redemption.

The Board of Directors of the Organization follows the Commonwealth of Pennsylvania's Principal and Income Act (the Act). The Act allows for spending of the permanently restricted endowment fund's income but not principal.

The Organization has investments in mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### H. Property and Equipment

Property and equipment acquired are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Contributions of donated assets are recorded at their fair values in the period received.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in income (expense) for the year.

##### I. Intangibles

The intangible asset consists of costs related to the acquisition of the Federal Communications Commission (FCC) commercial broadcast license.

The Organization does not amortize its intangible asset since it is determined to have an indefinite life. In place of amortization, the intangible asset is required to be tested for impairment on an annual basis.

The Organization completed its annual impairment test associated with its intangible asset for September 30, 2009 and 2008, and determined that the recorded value was not impaired.

##### J. Compensated Absences

Employees are entitled to vacations that accumulate if unused. The Organization recognizes the expense and related liability when earned by the employees.

##### K. Revenue Recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### K. Revenue Recognition (Continued)

Licensing transactions are accounted for as exchange transactions. These types of transactions are primarily recorded as distribution, royalties, and ancillary services revenues and expenses. For licensing transactions, revenue and direct expenses are recognized upon completion of the project or identifiable components within the project. Deferred revenue includes revenue on uncompleted projects, which has not been earned as of the balance sheet date. Program expenses related to uncompleted projects are capitalized as assets.

Advertising revenue is included in gain from discontinued operations (Note 11) in the accompanying statements of activities. Advertising revenue is recorded once the ad is run in the Organization's magazine.

Contributions and grants related to program production and other development projects underwritten by foundations, corporations and others (which are non-licensing transactions) are initially recorded in temporarily restricted net assets.

##### L. In-kind Donations

Donated materials and services that meet the recognition requirements under generally accepted accounting principles are reflected as contributions at their estimated values at the date of receipt.

The Pennsylvania Public Television Network Commission and the Pennsylvania Department of Education provide donated services to the Organization, primarily in an advisory and supporting capacity.

The Organization also has a 99-year lease with a local university at a nominal fee of \$1 per year for the land on which its studio and office facilities are located. The lease states that the land and improvements are to be used in operation of a non-commercial, non-profit, educational television station. The lease also states that the property must be surrendered in good condition and repair and the Organization must remove certain fixtures and equipment upon termination of the lease at its own expense which, it is estimated, would be minimal. The Organization accounts for the lease in contributed services based on the estimated annual rental income.

These contributed services are recorded as revenue and expenses and amount to \$724,967 in 2009 and \$731,648 in 2008.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### M. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses that relate to more than one function are pooled into one cost center (management and general) and allocated to programs and supporting services based upon an organization-wide indirect cost rate, which management believes is fair and equitable.

##### N. Fair Value Measurements

The Organization adopted the accounting standard for measuring fair value in accordance with generally accepted accounting principles during the year ended September 30, 2009. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of the standard did not have a material impact on the consolidated financial statements.

The Organization applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Organization defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Organization considers the principal or most advantageous market in which the Organization would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Organization applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

*Level 1* - Quoted prices in active markets for identical assets or liabilities.

*Level 2* - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### O. Endowment Funds

During 2009, the Organization adopted a new accounting pronouncement that provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The new pronouncement requires certain disclosures applicable to all non-profit organizations that have endowments, even if the organization is not yet subject to a version of UPMIFA. These disclosures are included in Note 6.

##### P. Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statements to conform with the 2009 presentation.

##### Q. Recently Issued Accounting Standards

On September 15, 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) became the single source of authoritative generally accepted accounting principles in the United States of America. The Codification changed the referencing of financial standards but did not change or alter existing generally accepted accounting principles in the United States of America. The Codification became effective for the Organization at that date.

In June 2006, the FASB issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with the asset and liability method. The standard requires a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. The guidance is effective for the Organization for its fiscal year beginning October 1, 2009. The Organization is currently evaluating the impact that adoption may have on its consolidated financial statements.

The Organization evaluates its uncertain tax positions using the provisions in which it recognizes a loss contingency when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### R. Consideration of Subsequent Events

The Audit Committee evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through February 24, 2010, the day the consolidated financial statements were approved and authorized for issue.

#### Note 2 - Investments

Investments consist of the following at September 30:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Temporarily restricted				
Money market	\$ <u>347,072</u>	\$ <u>347,072</u>	\$ <u>9,344</u>	\$ <u>9,344</u>
Permanently restricted				
Mutual funds	2,134,708	2,199,790	1,815,660	1,784,233
Common stocks	1,470,638	1,475,339	1,570,642	1,449,638
Money market	<u>589,182</u>	<u>589,182</u>	<u>999,831</u>	<u>999,831</u>
	<u>4,194,528</u>	<u>4,264,311</u>	<u>4,386,133</u>	<u>4,233,702</u>
<b>Total</b>				
investments	<u>\$4,541,600</u>	<u>\$4,611,383</u>	<u>\$4,395,477</u>	<u>\$4,243,046</u>

Income earned on investments is as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 91,378	\$ 213,511
Realized gain (loss) on sale of investments	( <u>243,326</u> )	<u>95,382</u>
Total realized income (loss)	( 151,948 )	308,893
Unrealized gain (loss)	<u>222,214</u>	( <u>834,043</u> )
Net investment income (loss)	\$ <u>70,266</u>	( \$ <u>525,150</u> )

The fair value for all of the Organization's investments is determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1 within the fair value hierarchy).

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 3 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 300	\$ 300
Transmitter		
Building	236,952	236,952
Tower	2,914,558	2,837,111
Studio building and improvements	11,290,898	11,282,499
Technical equipment	7,507,989	7,353,947
Office furniture and equipment	2,905,044	2,659,814
Construction in process	<u>685,423</u>	<u>450,134</u>
	25,541,164	24,820,757
Less: Accumulated depreciation	<u>15,148,234</u>	<u>13,915,628</u>
	<u>\$10,392,930</u>	<u>\$10,905,129</u>

The Organization holds title to the transmitter building subject to the understanding that this facility, which was acquired by gift, is to be used only for educational broadcasting purposes or research related to education.

The Organization has acquired equipment with the net book value of \$2,616,916 as of September 30, 2009 and \$2,940,820 as of September 30, 2008 with grants received from the Public Telecommunications Facilities Program (PTFP). As of September 30, 2009, the matching funding received from PTFP for the equipment was \$1,913,466. Equipment purchased through this program must be maintained by the Organization for ten years, during which the grantor has a lien on this property. The Organization has capitalized the equipment since it is probable that the equipment will be maintained for at least ten years.

#### Note 4 - Line of Credit

WQED has a revolving credit loan agreement that provides for borrowings up to \$5,500,000. The agreement is comprised of two tranches. Tranche A is equal to seventy-five percent (75%) of WQED's marketable collateral, as defined in the agreement. Tranche B is equal to the difference between the outstanding amounts under the agreement minus the amount of Tranche A. At September 30, 2009, approximately \$2,353,000 was outstanding under Tranche A and \$2,547,000 was outstanding under Tranche B.

Tranche A has a rate equal to the one-month LIBOR rate (0.26% at September 30, 2009) plus 1%; provided, however, that in no event shall the rate be less than 2%. Tranche B has a rate equal to the one-month LIBOR rate plus 2%; provided, however, that in no event shall the rate be less than 3½%.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 4 - Line of Credit (Continued)

The revolving credit loan agreement is scheduled to expire in March 2011. The line is collateralized by substantially all assets of the Organization. Under the credit agreement, the Organization is subject to various covenants which, among other things, require it to maintain certain financial results. Waivers for certain violations have been obtained.

Interest expense incurred and paid was \$226,235 for 2009 and \$333,334 for 2008.

#### Note 5 - Net Assets

Permanently restricted net assets consist of the following at September 30, 2009 and 2008:

WQED-FM Endowment Fund	\$ 510,000
Bessie F. Anathan Scholarship Fund	50,000
Capital Campaign - Program Development Seed Fund	<u>5,794,998</u>
	<u>\$6,354,998</u>

Temporarily restricted net assets consist of contributions and other grants available for:

	<u>2009</u>	<u>2008</u>
Bessie F. Anathan Scholarships	\$ 43,843	\$ 43,843
Capital Campaign Fund	1,840,020	1,429,587
Program production and development	539,332	1,448,747
Expenditures under government grants	<u>2,030,547</u>	<u>2,838,965</u>
	<u>\$4,453,742</u>	<u>\$5,761,142</u>

Net assets released from restrictions consist of the following:

	<u>2009</u>	<u>2008</u>
Satisfaction of restrictions		
Program production and development projects	\$2,573,372	\$3,212,502
Government operating grants	2,788,665	3,094,682
Other	<u>263,459</u>	<u>84,439</u>
	<u>\$5,625,496</u>	<u>\$6,391,623</u>

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 6 - Endowment Funds

The endowment funds consist of donor-restricted funds. Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions as required by generally accepted accounting principles.

The composition of net assets by type of endowment fund at September 30, 2009 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	(\$3,627,478)	\$1,883,863	\$6,354,998	\$4,611,383

The composition of net assets by type of endowment fund at September 30, 2008 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	(\$3,585,382)	\$1,473,430	\$6,354,998	\$4,243,046

Changes in endowment net assets for the years ended September 30, 2009 and 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - October 1, 2007	(\$2,502,060)	\$1,909,705	\$6,354,998	\$5,762,643
Contributions	-	266,553	-	266,553
Investment income - net	213,511	-	-	213,511
Net depreciation	( 114,612)	( 624,049)	-	( 738,661)
Appropriation of endowment funds	( 1,182,221)	( 78,779)	-	( 1,261,000)
Balance - September 30, 2008	( 3,585,382)	1,473,430	6,354,998	4,243,046

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 6 - Endowment Funds (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions	-	478,312	-	478,312
Investment income - net	91,378	-	-	91,378
Net appreciation (depreciation)	( 216,191)	195,079	-	( 21,112)
Recovery (appropriation) of endowment funds	<u>82,717</u>	( <u>262,958</u> )	<u>-</u>	( <u>180,241</u> )
Balance - September 30, 2009	( <u>\$3,627,478</u> )	<u>\$1,883,863</u>	<u>\$6,354,998</u>	<u>\$4,611,383</u>

The balance owed from the unrestricted fund represents borrowings from the endowment fund. During 1993, the Board of Directors authorized WQED to borrow approximately \$3,700,000 from the endowment funds to assist in financing operations. As of September 30, 2009, these borrowings remain outstanding.

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization established asset allocations percentages for each of its investment accounts. The target asset allocations are based on the investment objective, time horizon and risk tolerance established for each account.

WQED governing body has interpreted the State of Pennsylvania Uniform Management of Institutional Funds Act (UMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. Based on this interpretation, WQED classifies as permanently restricted net assets the original value of the gift, the original value of any subsequent gifts to the permanent endowment and accumulations made in accordance with the direction of the donor gift instrument. The remaining portion of the donor-restricted endowment funds is classified as unrestricted or temporarily restricted donor net assets as required by the donor.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 7 - Project Revenue

Project revenue, unrestricted and temporarily restricted, consists of the following as of September 30:

	<u>2009</u>	<u>2008</u>
Education resource center and projects	\$ 155,540	\$ 738,100
Program production and development	<u>1,829,588</u>	<u>3,125,769</u>
	<u>\$ 1,985,128</u>	<u>\$ 3,863,869</u>

#### Note 8 - Expenses

Expenses consist of the following as of September 30:

	<u>2009</u>	<u>2008</u>
Programs	\$13,537,843	\$16,249,637
Management and general	2,951,084	3,351,547
Development	<u>3,399,092</u>	<u>3,857,073</u>
	19,888,019	23,458,257
Less: Expenses included in discontinued operations - Note 11	<u>2,114,627</u>	<u>2,992,073</u>
	<u>\$17,773,392</u>	<u>\$20,466,184</u>

#### Note 9 - Defined Contribution Plan

The Organization maintains a qualified salary deferral plan covering substantially all of its employees. Employees eligible for an employer contribution may contribute up to 12½% of their annual earnings. Employees ineligible for an employer contribution may contribute up to 16.66% of their earnings. Through December 31, 2008, the Organization voluntarily contributed 5% of the employees' base salaries to the plan once the employee completed one year of service and met other eligibility requirements.

Beginning January 1, 2009, the Organization suspended the 5% contribution to the plan. However, the Organization may elect to contribute these suspended contributions in 2010. Therefore, as of September 30, 2009, the Organization accrued approximately \$192,000 for the suspended contributions, which is included in accounts payable and accrued liabilities. The Organization contributed approximately \$341,000 (including the accrued suspended contributions) in 2009 and \$349,000 in 2008 to the plan.

## WQED MULTIMEDIA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Continued)

#### Note 10 - Contingencies

The Organization receives a significant portion of its grant revenue from Federal and state agencies. Any of the funding sources may, at their discretion, rescind funding due to budgetary reductions or request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants.

#### Note 11 - Discontinued Operations

During May 2009, the Organization sold a division of its business. Under an Asset Purchase Agreement, the Organization sold certain publications (including the Pittsburgh Magazine), event business and online media (collectively referred to as the "Business").

The 2009 and 2008 revenues and expenses resulting from the Business have been excluded from continuing operations on the consolidated statement of activities and changes in net assets and are included in the gain from discontinued operations.

Income from discontinued operations consisted of the following at September 30:

	<u>2009</u>	<u>2008</u>
Revenues	\$2,140,338	\$3,452,666
Expenses	<u>1,954,415</u>	<u>2,992,073</u>
Gain from operations (excluding administrative overhead)	185,923	460,593
Gain from sale	<u>839,788</u>	<u>-</u>
	<u>\$1,025,711</u>	<u>\$ 460,593</u>