WQED MULTIMEDIA AND SUBSIDIARY
Pittsburgh, Pennsylvania

Consolidated Financial Statements
For the years ended September 30, 2015 and 2014

and Independent Auditors’ Report Thereon

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
WQED Multimedia and Subsidiary
Pittsburgh, Pennsylvania

We have audited the accompanying consolidated financial statements of WQED Multimedia and Subsidiary (WQED), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' 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 auditors' 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 WQED as of September 30, 2015 and 2014, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
February 29, 2016

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WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30	
	2015	2014
ASSETS		
Cash and cash equivalents	$ 205,518	$ 179,557
Accounts receivable, net	217,572	177,078
Grants receivable	2,170,129	2,761,455
Pledges receivable	861,134	1,138,612
Prepaid expenses	176,237	413,805
Investments	7,138,157	7,422,675
Property and equipment, net	6,636,680	7,160,359
Total Assets	$17,405,427	$19,253,541
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	$ 4,900,000	$ 5,050,000
Accounts payable	917,520	1,337,122
Accrued liabilities	1,742,456	1,365,393
Gift annuity payable	221,152	114,878
Deferred revenue	278,940	148,642
Total Liabilities	8,060,068	8,016,035
NET ASSETS		
Unrestricted	(2,305,693)	(2,139,992)
Temporarily restricted	6,416,054	8,142,500
Permanently restricted	5,234,998	5,234,998
Total Net Assets	9,345,359	11,237,506
Total Liabilities And Net Assets	$17,405,427	$19,253,541

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND SUPPORT				
Contributed Income:				
Membership	$ 3,907,013	$ 497,141	-	$ 4,404,154
Government grants and contributions	-	2,464,433	-	2,464,433
Foundation grants and contributions	40,000	1,216,732	-	1,256,732
Corporate grants and contributions	127,018	-	-	127,018
Sales and underwriting	1,177,189	297,500	-	1,474,689
Earned Income:				
Distribution, royalties and ancillary services	1,504,219	-	-	1,504,219
Investment income	49,009	(171,673)	-	(122,664)
Other	43,187	-	-	43,187
	6,847,635	4,304,133	-	11,151,768
Net assets released from restriction	6,030,579	(6,030,579)	-	-
	12,878,214	(1,726,446)	-	11,151,768
EXPENSES AND OTHER DEDUCTIONS				
Salaries	3,959,242	-	-	3,959,242
Payroll taxes and benefits	1,304,067	-	-	1,304,067
Professional fees	698,315	-	-	698,315
Facilities	1,428,041	-	-	1,428,041
Travel and entertainment	124,672	-	-	124,672
Supplies	71,465	-	-	71,465
Marketing	58,961	-	-	58,961
Distribution and fulfillment	15,335	-	-	15,335
Membership	811,331	-	-	811,331
Other operating expense	451,194	-	-	451,194
Depreciation	676,459	-	-	676,459
Interest expense	96,589	-	-	96,589
Program acquisition	1,898,016	-	-	1,898,016
Production/project costs	1,450,228	-	-	1,450,228
	13,043,915	-	-	13,043,915
Changes in Net Assets	(165,701)	(1,726,446)	-	(1,892,147)
NET ASSETS				
Beginning of year	(2,139,992)	8,142,500	$ 5,234,998	11,237,506
End of year	$(2,305,693)	$ 6,416,054	$ 5,234,998	$ 9,345,359

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 4,349,536	$ 1,250,061	-	$ 5,599,597
-	2,602,409	-	2,602,409
37,000	1,983,681	-	2,020,681
97,772	535,000	-	632,772
1,220,873	692,000	-	1,912,873
1,668,721	-	-	1,668,721
63,974	733,842	-	797,816
55,365	-	-	55,365
7,493,241	7,796,993	-	15,290,234
6,199,535	(6,199,535)	-	-
13,692,776	1,597,458	-	15,290,234
4,111,332	-	-	4,111,332
1,388,506	-	-	1,388,506
908,781	-	-	908,781
1,508,543	-	-	1,508,543
175,981	-	-	175,981
69,134	-	-	69,134
48,276	-	-	48,276
26,991	-	-	26,991
1,109,655	-	-	1,109,655
401,090	-	-	401,090
769,956	-	-	769,956
102,425	-	-	102,425
1,878,497	-	-	1,878,497
1,781,059	-	-	1,781,059
14,280,226	-	-	14,280,226
(587,450)	1,597,458	-	1,010,008
(1,552,542)	6,545,042	$ 5,234,998	10,227,498
$(2,139,992)	$ 8,142,500	$ 5,234,998	$ 11,237,506

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$(1,892,147)	$ 1,010,008
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	676,459	769,956
Loss on sale of property and equipment	-	44,054
Net realized and unrealized loss (gain) on investments	318,972	(602,609)
Changes in assets and liabilities:		
Accounts receivable	(40,494)	61,149
Grants receivable	591,326	(245,806)
Pledge receivable	277,478	(799,612)
Prepaid expenses and other assets	237,568	176,778
Accounts payable	(419,602)	(368,719)
Accrued liabilities	377,063	(514,383)
Gift annuity payable	106,274	114,878
Deferred revenue	130,298	94,535
Net Cash Provided By (Used In) Operating Activities	363,195	(259,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	621,995	1,633,903
Purchase of investments	(656,449)	(991,989)
Purchase of property and equipment	(152,780)	(432,777)
Net Cash (Used In) Provided By Investing Activities	(187,234)	209,137
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net	(150,000)	(200,000)
Net Increase (Decrease) In Cash And Cash Equivalents	25,961	(250,634)
CASH AND CASH EQUIVALENTS		
Beginning of year	179,557	430,191
End of year	$ 205,518	$ 179,557

See notes to the consolidated financial statements.

NOTE 1 - ORGANIZATION

WQED Multimedia (WQED) is a nonprofit corporation whose purpose is to harness the power of public media and partnerships for the digital age in order to create and share outstanding public media that educates, entertains and inspires. The financial statements include the accounts of WQED and its subsidiaries (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 a subsidiary, WQED Productions, LLC. WQED is the sole member of the LLC. This entity shares the same common mission of education and cultural radio and television programming and share common management with WQED.

WQED is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Under the provisions of the IRC and similar state provisions, the LLCs are considered to be disregarded entities and are not taxed. Under these provisions, WQED reflects its proportionate share of the income or loss on its federal filing. The LLC is not liable for income taxes, and its income is not taxable to WQED.

NOTE 2 - LIQUIDITY AND CAPITAL RESOURCES

As of and for the year ended September 30, 2015, WQED has negative unrestricted net assets totaling $2,305,693, and a net negative change in unrestricted net assets totaling $165,701. Management has instituted a cost reduction plan that reduces certain operating costs, including staff and salary cuts, and is engaged in fundraising efforts to raise additional capital. Ultimately, WQED’s plan is to create a sustainable, repeatable revenue base over the next three years that will retire $5 million in debt over the next 15 years. Subsequent to year-end, WQED has entered into a new term loan and line-of-credit agreement with its bank. The new agreement calls for a $4,000,000 term loan, payable over 15 years and a $2,000,000 line-of-credit arrangement that expires in December 2020.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation - The consolidated financial statements of WQED have been prepared on the accrual basis of accounting, and are presented in accordance with accounting pronouncements generally accepted in the United States of America.

Principles of Consolidation - The consolidated financial statements include the accounts of WQED Multimedia, and WQED Productions, LLC. All intercompany balances and transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - Net assets of WQED and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Unrestricted Board-Designated Net Assets - Net assets that have been designated by the Board to provide support for activities that further WQED's mission.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed or legal stipulations that may or will be met either by actions of WQED and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by WQED. Generally, the donors of these assets permit WQED to use all or part of the income earned on related investments for general or specific purposes.

Grants and contributions 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 due to satisfaction of program restrictions.

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 that has not been earned as of the statement of financial position date. Program expenses related to uncompleted projects are capitalized as assets.

Grants and contributions related to program production and other development projects underwritten by foundations, corporations and others (which are nonlicensing transactions) are initially recorded in temporarily restricted net assets.

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 Organization has a 99-year lease with a local university, which expires in February of 2066, at a nominal fee of $1 per year for the land and building where its studio and office facilities are located. The lease states that the land and facilities are to be used in operation of a noncommercial, nonprofit, 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 contribution revenue and rent expense for the amount of $335,000 in 2015 and 2014.

Cash and Cash Equivalents - For purposes of the statements of cash flows, WQED considers all investments purchased with maturities of three months or less to be cash equivalents. Carrying value approximates fair value for these investments. WQED maintains cash and cash equivalents that might exceed federally insured amounts at times.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 approximately $47,000 and $44,000 at September 30, 2015 and 2014, respectively.

Grants Receivable - Grants receivable, primarily for temporarily restricted net assets, are recognized as revenues or gains in the period the grant is received. Grants receivable include assets and decreases of liabilities, or expenses depending on the form of the benefits received. The Organization expects that substantially all of the grants will be collected within one year. As of September 30, 2015 and 2014, no allowance for uncollectible grants was considered to be necessary.

One donor accounted for approximately 82% of the Organization’s grants receivable and two donors accounted for approximately 68% of the Organization’s grants receivable at September 30, 2015 and 2014, respectively.

Pledges Receivable - Pledges receivable expected within one year are recorded at their net realized value. Pledges that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Conditional pledges are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at September 30, 2015 and 2014.

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.

WQED 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 consolidated statement of financial position.

Property and Equipment - Property and equipment are stated at the lower of cost or fair value. Repairs, maintenance and minor replacements of existing facilities that are not considered to extend the useful lives of assets are included with expenditures as incurred. Provision for depreciation has been computed using the straight-line method based upon estimated useful lives. Contributions of donated asset are recorded at their fair values in the period received. 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

WQED reviews the carrying amount of property and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of an asset to future net undiscounted pre-tax cash flows expected to be generated by the asset. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the related estimated fair value. There were no impairment losses recorded for the years ended September 30, 2015 and 2014.

Compensated Absences - Employees are entitled to vacations that can accumulate up to a year if unused. WQED recognizes the expense and related liability when earned by the employees.

Expense Allocation - Directly identifiable expenses are charged to programs and supporting services. Certain costs not charged directly have been allocated among the programs and supporting services benefited according to the WQED's cost allocation plan, which management believes is fair and equitable.

Charitable Gift Annuities - Annuity agreements are issued in exchange for a payment that is part charitable contribution and part purchase of an annuity, providing payments for the stated annuitant during their lifetime. A liability is recorded at the present value of the expected future payments under these agreements based on current rates in the Internal Revenue Service's actuarial tables for annuities.

Fair Value Measurements - WQED applies the Fair Value Measurements topic of the Accounting Standards Codification (Codification or ASC), which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. The three levels of the fair value hierarchy are described as follows:

> Level 1 - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.
>
> Level 2 - Securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction as of the reporting date.
>
> Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

WQED uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, WQED measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority. All of WQED's investments were valued using Level 1 measurements at September 30, 2015 and 2014.

Endowment Funds - WQED's endowment consists of donor-restricted investment funds established for support of the WQED's mission. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. These disclosures are included in Note 9.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements - The FASB has issued ASU No. 2014-15 Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Currently, accounting principles generally accepted in the United States of America lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. WQED is assessing the impact that ASU 2014-15 will have on its consolidated financial statements.

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will replace all current GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued a deferral on the implementation date, and this guidance will be effective for the Company beginning September 30, 2020 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new accounting guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). Under ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Under finance leases, a lessee will be required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position, recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income, and classify repayments on the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows. For operating leases, a lessee is required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position, recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and classify all cash payments within operating activities in the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2019, and early application is permitted. WQED is assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

Subsequent Events - Subsequent events are defined as events or circumstances that occur after the balance sheet date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through February 29, 2016, which is the date that the financial statements were available to be issued.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at September 30 are as follows:

	2015	2014
Gross pledges receivable	$ 861,134	$ 1,138,612
Less allowance	-	-
	$ 861,134	$ 1,138,612
Amounts due in:		
Less than one year	$ 335,842	$ 324,143
One to five years	525,292	814,469
	$ 861,134	$ 1,138,612

NOTE 5 - INVESTMENTS

The cost and related market value of WQED's investments at June 30 are summarized as follows:

	2015		2014	
	Market	Cost	Market	Cost
Money market	$ 168,128	$ 168,129	$ 318,742	$ 318,742
Exchange traded funds:				
Equity	1,492,333	1,133,108	1,657,476	1,179,889
Mutual funds:				
Equity	1,420,274	1,407,408	1,425,247	1,208,662
Fixed income	2,282,477	2,346,289	2,112,176	2,122,051
Common stock:				
Consumer discretionary	231,934	176,012	282,639	232,844
Consumer staples	191,466	157,396	165,197	143,804
Energy	149,448	197,084	186,454	175,759
Financial	291,178	268,332	316,641	264,617
Health care	199,366	203,389	190,978	162,142
Industrials	168,968	154,810	217,957	181,645
Information technology	431,168	350,660	425,219	326,410
Materials	39,892	41,248	44,263	35,763
Telecommunication services	48,639	32,702	47,211	25,715
Utilities	21,886	19,429	25,304	24,731
Other Equity	1,000	1,000	7,171	7,629
	$ 7,138,157	$ 6,656,996	$ 7,422,675	$ 6,410,403

NOTE 5 - INVESTMENTS (Continued)

Investment (loss) income is composed of the following:

	2015	2014
Interest and dividends	$ 196,308	$ 195,207
Realized gain on sale of investments	181,456	584,520
Total realized income	377,764	779,727
Unrealized (depreciation) appreciation	(500,428)	18,089
Net investment (loss) income	$ (122,664)	$ 797,816

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.

In August 2011, WQED became a member in GiST-iT LLC (GiST-iT). At September 30, 2011, WQED owns 150,000 units or approximately 23% of the units outstanding of GiST-iT with a provision that it will not be diluted below a 10% interest in GiST-iT. WQED has limited liability for GiST-iT's obligations and debt, and the net book profits and losses are ratably allocated to GiST-iT's members in accordance with their ownership percentage. WQED did not make any capital contributions to GiST-iT, and GiST-iT did not conduct any significant operations in 2015 and 2014.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2015	2014
Transmitter:		
Building	$ 328,454	$ 328,454
Tower	3,308,875	3,308,875
Studio building and improvements	12,903,552	12,763,228
Technical equipment	5,939,557	5,932,166
Office furniture and equipment	2,998,768	2,973,583
	25,479,206	25,306,306
Less: Accumulated depreciation	18,842,826	18,166,365
Construction in process	-	20,118
Land	300	300
	$ 6,636,680	$ 7,160,359

WQED 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.

NOTE 6 - PROPERTY AND EQUIPMENT (Continued)

In prior years, WQED acquired equipment with grants received from the Public Telecommunications Facilities Program (PTFP). Under the agreements with PTFP, equipment purchased through this program must be maintained by WQED for ten years, during which the grantor has a lien on this property. The WQED has capitalized the equipment, since it is probable that the equipment will be maintained for at least ten years. The remaining net book value of this equipment was $311,653 and $549,868 as of September 30, 2015 and 2014, respectively.

NOTE 7 - LINE-OF-CREDIT ARRANGEMENT

In June 2013, WQED entered into a revolving credit loan agreement that provides for borrowings up to $6,000,000, through a maturity date of June 30, 2015. The revolving credit loan agreement was extended through a maturity date of December 31, 2015. The note had a rate equal to the one-month LIBOR rate (0.19% at September 30, 2015) plus 1%, fully floating; provided, however, that in no event shall the rate be less than 2%.

The line is collateralized by substantially all assets of WQED and by the marketable securities of WQED, which at all times must be equal to or greater than one hundred fifteen percent (115%) of all outstanding amounts under this agreement. At September 30, 2015 and 2014, $4,900,000 and $5,050,000, respectively, was outstanding under this agreement.

Subsequent to year-end, on December 18, 2015, WQED refinanced its line of credit arrangement. The new agreement calls for a $4,000,000 term loan and a $2,000,000 line of credit. The $4,000,000 term loan is due in weekly installments of $6,121, plus interest over 15 years. Interest will be charged at a floating rate of the greater of 2.0% or one-month LIBOR plus 1.0%. In addition, WQED has the option of electing either a five-year or ten-year swap index rate based upon rates in effect at the time of the election. The $2,000,000 line-of-credit arrangement remains in effect until December 31, 2020. The line of credit will bear interest at the greater of 2.0% or one month LIBOR rate plus 1.0%. The modified arrangement is collateralized by all eligible assets of WQED included certain marketable securities, the value of which at all times must be equal or greater than one hundred fifteen percent (115%) of all outstanding amounts under the agreements.

Interest expense incurred and paid was $96,589 and $102,425 for 2015 and 2014, respectively.

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30 are available for the following purposes:

	2015	2014
Capital	$ 693,804	$ 717,831
Program production and development	5,529,881	6,862,267
Education	30,000	389,617
FM radio	90,562	105,822
Membership development	71,807	66,963
	$ 6,416,054	$ 8,142,500

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Permanently restricted net assets are restricted to the original corpus of the gifts to the endowment fund. The income from these assets is expendable to support the activities within each category. Permanently restricted net assets at September 30 provide income for the following purposes:

	2015	2014
WQED-FM Endowment Fund	$ 510,000	$ 510,000
Bessie F. Anathan Scholarship Fund	50,000	50,000
Program Development Seed Fund	4,674,998	4,674,998
	$ 5,234,998	$ 5,234,998

Net assets released from restrictions consist of the following:

	2015	2014
Program production and development	$ 5,823,896	$ 5,956,321
Capital projects	149,027	172,623
Other	57,656	70,591
	$ 6,030,579	$ 6,199,535

NOTE 9 - ENDOWMENT

WQED's endowment consists of various investment funds established primarily for support of the organization's mission. Its endowment includes donor-restricted endowment funds and board-designated quasi-endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by WQED to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Trustees of WQED have elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141). Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Trustees of the Board, in writing, must elect a spending rate of between 2% and 7%. In accordance with Act 141, WQED annually transfers between 4% and 7% of the previous 12 quarters' market value average of the permanently restricted endowment fund. This percentage is applied to a 12-quarter average market value of the investments at June 30 of the previous year. WQED classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with Act 141, WQED has adopted a written investment policy, of which a section specifically relates to the endowment fund.

NOTE 9 - ENDOWMENT (Continued)

Endowment fund net assets as of September 30 comprise the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2015	$ (429,003)	$ 1,676,666	$ 5,234,998	$ 6,482,661
September 30, 2014	$ (426,663)	$ 2,131,544	$ 5,234,998	$ 6,939,879

The following table represents the change in endowment funds by net asset type for the years ended September 30, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets September 30, 2013	$ 579,280	$ 1,647,702	$ 5,234,998	$ 7,461,980
Investment income, net of related expenses	(54,264)	179,554	-	125,290
Net appreciation	48,321	554,288	-	602,609
Appropriation of endowment funds	(1,000,000)	(250,000)	-	1,250,000
Endowment net assets September 30, 2014	(426,663)	2,131,544	5,234,998	6,939,879
Investment income, net of related expenses	82,782	134,264	-	217,046
Net depreciation	(85,122)	(305,937)	-	(391,059)
Appropriation of endowment funds	-	(283,205)	-	(283,205)
Endowment net assets September 30, 2015	$ (429,003)	$ 1,676,666	$ 5,234,998	$ 6,482,661

As of September 30, 2015, WQED has net borrowings of $1,917,625 from the Program Development Seed Fund, which was established as a revolving production fund from which funds could be borrowed and repaid to complete the production of programs. Original borrowings, dating from 1993 and 1996, were $4,500,000 and have been reduced by transfers from operating funds and releases of donor restrictions. WQED intends to repay the borrowings as funds become available.

During 2011, the Board of Directors designated $2,000,000 from the WQEX sale proceeds to establish an operating endowment. In 2014, $1,000,000 of those funds was withdrawn in order to reduce aged payables and help with operating cash flows. This withdrawal was approved by vote of the Board of Directors. As a result, the board-designated unrestricted endowment balance was $1,488,621 at September 30, 2015.

NOTE 9 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - WQED has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, WQED 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). WQED targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board of Trustees, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - In accordance with Act 141, WQED annually transfers between 4% and 7% of the previous 12 quarters' market value average of the permanently restricted endowment fund to unrestricted net assets for use in current and future operations. In 2015 and 2014, the spendable return totaled $283,205 and $250,000, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with WQED's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 10 - EXPENSES

Expenses consist of the following as of September 30:

	2015	2014
Programs	$ 8,258,271	$ 8,888,316
Management and general	2,309,386	2,383,070
Membership and development	2,476,258	3,008,840
	$ 13,043,915	$ 14,280,226

NOTE 11 - DEFINED CONTRIBUTION PLAN

The Organization maintains a qualified salary deferral plan covering substantially all of its employees. Employees who participate may make elective contributions to the Plan, subject to IRS limitations, and WQED contributes 2% of eligible compensation. The Organization contributed approximately $103,200 and $107,300 to the Plan in 2015 and 2014, respectively.

NOTE 12 - GOVERNMENT CONTRACTS

The Organization receives a significant portion of its grant revenue from federal agencies. Any of the funding sources may, at its 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.

In 2011, the Office of Inspector General (OIG) for the Corporation for Public Broadcasting (CPB) completed an audit of CPB grants awarded to WQED for the period October 1, 2007 through September 30, 2010. The OIG proposed adjustments relating to non-federal, financial support, which, it concluded, resulted in CPB making excess grant payments ultimately totaling approximately $759,000 through the year ended September 30, 2012. The final OIG report calls for WQED's annual CPB grants to be reduced by approximately $152,000 per year for five fiscal years, beginning in the fiscal year ended September 30, 2013, for the excess grant payments. As a result, the Organization has accrued $331,091 and $455,598 at September 30, 2015 and 2014, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

WQED has employees covered under two collective bargaining agreements with the International Alliance of Theatrical Stage Employees Union. One of the agreements covering 10 employees expired on February 1, 2014. The other collective bargaining agreement covers 8 employees and expires on June 5, 2016.

NOTE 14 - SUBSEQUENT EVENTS

As described in Note 7, subsequent to year-end, WQED refinanced its existing line-of-credit arrangement into a $4,000,000 term loan and a $2,000,000 line-of-credit.