

WGBH Educational Foundation and Subsidiaries

**Consolidated Financial Statements with
Supplemental Consolidating Information
Year Ended June 30, 2014 and
Ten Months Ended June 30, 2013**

WGBH Educational Foundation and Subsidiaries

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Independent Auditor's Report

To the Board of Trustees of the
WGBH Educational Foundation and Subsidiaries

We have audited the accompanying consolidated financial statements of the WGBH Educational Foundation and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2014 and June 30, 2013, and the related consolidated statements of operations, changes in net assets, and of cash flows for the year ended June 30, 2014 and ten months ended June 30, 2013.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 audit 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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 financial position of the WGBH Educational Foundation and Subsidiaries at June 30, 2014 and 2013, and the results of their operations, their changes in net assets, and their cash flows for the year ended June 30, 2014 and ten months ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating 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 audit 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. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 26, 2014

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash	\$ 16,829,545	\$ 22,199,165
Accounts receivable (less allowance for uncollectible accounts of \$514,000 and \$342,000 for 2014 and 2013, respectively)	11,508,064	11,247,042
Current portion of receivables for asset sales	5,560,896	5,603,046
Grants receivable (less allowance for uncollectible grants of of \$88,000 and \$59,000 for 2014 and 2013, respectively)	87,437,223	58,406,437
Pledges receivable, net	2,638,192	1,566,710
Prepaid expenses and other assets	1,495,455	3,025,208
Total current assets	125,469,375	102,047,608
Long-term pledges receivable, net	5,060,686	1,293,833
Long-term grants receivable, net	22,109,495	16,828,261
Long-term receivables for asset sales	130,140,496	127,718,748
Radio licenses	16,868,713	16,868,713
Other assets	8,104,407	8,010,830
Equity investments	12,782,549	10,708,163
Funds held under bond agreements - restricted	85	3,775,179
Investments, at fair market value	87,623,136	76,337,886
Property, facilities and equipment, net	170,882,434	172,684,828
Total assets	<u>\$ 579,041,376</u>	<u>\$ 536,274,049</u>
Liabilities		
Current liabilities		
Current maturities of debt	\$ 2,836,846	\$ 2,970,667
Accounts payable	8,760,974	8,455,319
Accrued expenses	11,863,870	10,207,428
Royalties payable	2,649,747	2,406,303
Accrued bond interest expense	6,150,824	6,183,075
Deferred revenue and other liabilities	3,423,379	1,860,488
Total current liabilities	35,685,640	32,083,280
Long-term deferred revenue and other liabilities	8,565,567	8,506,943
Long-term debt, net of unamortized discount and premium	173,386,421	175,761,774
Accrued bond interest expense	10,748,334	8,592,341
Total liabilities	<u>228,385,962</u>	<u>224,944,338</u>
Commitments and contingencies (Note 11)		
Net Assets		
Unrestricted	190,868,444	184,106,053
Temporarily restricted	119,608,893	90,584,379
Permanently restricted	40,178,077	36,639,279
Total net assets	<u>350,655,414</u>	<u>311,329,711</u>
Total liabilities and net assets	<u>\$ 579,041,376</u>	<u>\$ 536,274,049</u>

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

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Operations
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

	2014	2013
Operating revenue		
Contributions, principally viewer and listener support	\$ 26,806,566	\$ 22,985,174
Community service grants from the Corporation for Public Broadcasting	7,380,784	9,119,863
Royalty and licensing	2,561,196	2,496,842
Captioning and ancillary services	7,973,539	5,887,808
Planned giving	791,154	2,217,779
Accretion of interest and other income on long-term receivables	8,325,496	6,504,221
Investment earnings authorized for operations	1,406,735	1,408,038
In-kind contributions and donated services	657,053	2,672,132
Affiliation fees	5,516,273	4,560,340
Distribution fees	7,237,482	5,865,842
Miscellaneous income	4,964,355	5,128,781
Total operating revenue	73,620,633	68,846,820
Net assets released from restrictions	106,450,427	88,477,740
Total operating revenue and other support	180,071,060	157,324,560
Operating expenses		
Programming and production	115,995,195	98,303,563
Broadcasting	12,175,750	13,497,501
Public information, guides and educational material	5,922,523	7,067,975
Fundraising and development	13,979,340	11,502,476
Underwriting	5,987,839	5,398,536
General and administrative	42,189,691	30,190,293
Total operating expenses	196,250,338	165,960,344
Deficit of operating revenue over operating expenses	(16,179,278)	(8,635,784)
Nonoperating gains		
Underwater endowment transfer	267	8,625
Realized gains on investments	2,980,713	1,905,191
Change in net unrealized gains on investments	4,107,847	1,950,264
Investment income	409,975	208,903
Gain on equity investments	15,442,867	15,252,876
Nonoperating gains, net	22,941,669	19,325,859
Increase in unrestricted net assets	\$ 6,762,391	\$ 10,690,075

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

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at August 31, 2012	\$ 173,415,978	\$ 86,228,016	\$ 36,113,039	\$ 295,757,033
Deficit of operating revenue over operating expenses	(8,635,784)	-	-	(8,635,784)
Temporarily restricted contributions for national programming	-	82,692,424	-	82,692,424
Temporarily restricted contributions - other	-	2,296,507	-	2,296,507
Temporarily restricted contributions for local sponsorship	-	5,789,398	-	5,789,398
Restricted contributions for endowment	-	-	28,117	28,117
Planned giving	-	-	253,215	253,215
Change in value of split interest agreements	-	265,457	(248,671)	16,786
Investment earnings authorized for operations	-	(1,408,038)	-	(1,408,038)
Net assets released from restrictions used for operations	-	(88,477,740)	-	(88,477,740)
Underwater endowment transfer	8,625	(8,625)	-	-
Realized gains on investments	1,905,191	1,574,147	-	3,479,338
Change in net unrealized gains on investments	1,950,264	1,434,273	493,579	3,878,116
Investment income	208,903	198,560	-	407,463
Gain on equity investments	15,252,876	-	-	15,252,876
Total increase in net assets	10,690,075	4,356,363	526,240	15,572,678
Net assets at June 30, 2013	184,106,053	90,584,379	36,639,279	311,329,711
Deficit of operating revenue over operating expenses	(16,179,278)	-	-	(16,179,278)
Temporarily restricted contributions for national programming	-	118,629,786	-	118,629,786
Temporarily restricted contributions - other	-	7,060,814	-	7,060,814
Temporarily restricted contributions for local sponsorship	-	5,989,100	-	5,989,100
Restricted contributions for endowment	-	-	2,531,026	2,531,026
Planned giving	-	-	492,903	492,903
Change in value of split interest agreements	-	304,805	(89,319)	215,486
Investment earnings authorized for operations	-	(1,406,735)	-	(1,406,735)
Net assets released from restrictions used for operations	-	(106,450,427)	-	(106,450,427)
Underwater endowment transfer	267	(267)	-	-
Realized gains on investments	2,980,713	2,060,530	-	5,041,243
Change in net unrealized gains on investments	4,107,847	2,620,142	604,188	7,332,177
Investment income	409,975	216,766	-	626,741
Gain on equity investments	15,442,867	-	-	15,442,867
Total increase in net assets	6,762,391	29,024,514	3,538,798	39,325,703
Net assets at June 30, 2014	\$ 190,868,444	\$ 119,608,893	\$ 40,178,077	\$ 350,655,414

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

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

	2014	2013
Cash flows from operating activities		
Increase in net assets	\$ 39,325,703	\$ 15,572,678
Adjustments to reconcile increase in net assets to cash used in operating activities		
Change in unrealized appreciation on investments and beneficial interest in perpetual trust	(7,547,663)	(3,909,503)
Realized gains on investments	(5,041,243)	(3,476,368)
Depreciation and amortization	8,156,647	6,720,361
Gain on equity investments	(15,442,867)	(15,252,876)
Loss on disposal of assets	-	126,498
Contributions of securities	(2,376,515)	(1,631,637)
Proceeds from sale of contributed securities	496,067	-
Contributions restricted for investment in facilities and endowment	(2,962,702)	(360,027)
Accretion of interest on long-term receivables for asset sales	(8,325,496)	(6,504,221)
Provision for bad debts	235,581	296,811
(Increase) decrease in		
Accounts receivable	(433,022)	188,432
Grants receivable	(34,341,020)	(7,595,744)
Pledges receivable	(4,872,916)	1,912,321
Prepaid expenses and other assets	1,237,176	(1,214,200)
Receivables for asset sales	5,945,898	5,643,969
Accounts payable and other liabilities	57,484	3,285,458
Royalties payable	243,444	(237,119)
Accrued expenses	1,656,442	890,249
Accrued bond interest	2,123,742	4,285,528
Deferred revenue and other liabilities	1,621,515	(4,178,650)
Cash flows used in operating activities	<u>(20,243,745)</u>	<u>(5,438,040)</u>
Cash flows from investing activities		
Purchases of property, facilities and equipment	(5,987,372)	(3,109,987)
Distributions received from equity investments	13,368,481	9,486,500
Purchases of marketable securities	(17,222,090)	(5,398,377)
Proceeds from sales of marketable securities	18,421,421	6,964,993
Proceeds from sales of contributed securities	-	1,542,646
Decrease (increase) in funds held under bond agreement	3,775,094	(2,549,570)
Cash flows provided by investing activities	<u>12,355,534</u>	<u>6,936,205</u>
Cash flows from financing activities		
Contributions restricted for investment in facilities and endowment	2,962,702	360,027
Proceeds from the sale of contributed securities	1,984,710	-
Issuance of note payable	-	2,163,404
Line of credit advances	5,995,724	2,297,334
Line of credit payments	(6,602,545)	(1,148,667)
Debt principal payments	<u>(1,822,000)</u>	<u>(1,835,000)</u>
Cash flows provided by financing activities	<u>2,518,591</u>	<u>1,837,098</u>
Net (decrease) increase in cash and cash equivalents	<u>(5,369,620)</u>	<u>3,335,263</u>
Cash		
Beginning of period	<u>22,199,165</u>	<u>18,863,902</u>
End of period	<u>\$ 16,829,545</u>	<u>\$ 22,199,165</u>
Supplemental cash flow information		
Interest paid	\$ 7,636,862	\$ 7,242,652
Contributed services	657,053	2,672,132
Property, facilities and equipment included accounts payable and accrued expenses	248,171	-

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

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

1. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements of WGBH Educational Foundation and Subsidiaries (the "Foundation") include the accounts of the Foundation and its wholly owned affiliated stations (WGBH-TV, WGBX-TV, WGBH-Radio, WGBY-TV Springfield, WCRB-Radio, WCAI-Radio, WNAN-Radio and Public Television Playhouse) and its wholly owned affiliate Public Radio International, Inc. ("PRI"). All significant intercompany accounts and transactions have been eliminated.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Net assets are classified as either unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Permanently restricted net assets include gifts of cash and other assets which are required to be permanently retained by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the related investment income or appreciation earned on these assets for general or specific purposes. Such assets primarily include the Foundation's permanent endowment funds.

Temporarily restricted net assets include assets with restrictions on the expenditure or other use of the contributed funds and assets with restrictions imposed by donor stipulation or law, including realized and unrealized gains on temporarily and permanently restricted net assets available for appropriation, but not appropriated in the current period. Temporary restrictions may expire due to the passage of time or through actions of the Foundation pursuant to the stipulations of the donor.

Unrestricted net assets are those not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Revenues are reported as increases in unrestricted net assets unless restrictions are imposed by donor-imposed stipulations or law. Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions. Upon approval by the Board of Trustees, transfers are made from undesignated, unrestricted net assets to board designated net assets.

The Foundation receives capital contributions for long-lived assets and these contributions are reported as increases in temporarily restricted net assets upon receipt. The Foundation's policy is to release the capital contributions into unrestricted net assets ratably over the estimated useful life of the long-lived asset. The Foundation released \$571,000 in both 2014 and 2013, from temporarily restricted net assets to unrestricted net assets.

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the revenues and expenses reported for the period. Significant estimates include radio licenses, royalties payable, and alternative investments. Actual results could differ from those estimates.

Related Parties

The Foundation may procure from time to time certain services from business organizations that employ individuals that are also members of the Foundation's Board of Trustees ("the Board"). The procurement of these services is performed in accordance with the Foundation's established policies and procedures, and management and the Board report and monitor related party transactions in accordance with a formally adopted Conflict of Interest Policy. The Foundation held investments of \$6,093,000 and \$6,033,000 as of June 30, 2014 and 2013, respectively, with a third party whose managing director is a spouse of a Trustee of the Foundation.

The Chief Executive Officer and the Chief Financial Officer of the Foundation are also Board members of Public Media Distribution LLC, which conducts business under the name PBS Distribution ("PBSd"), an affiliate in which the Foundation holds a 32% and 30% ownership interest at June 30, 2014 and 2013, respectively. In 2014 and 2013, the Foundation provided rental space and administrative support services to PBSd. For the year ended June 30, 2014 and ten months ended June 30, 2013 the Foundation earned \$243,000 and \$202,000, respectively, in rental income and has net receivables of \$66,000 and \$342,000 for administrative support services.

The Chief Operating Officer of the Foundation is also a Board member of RoundCorner Inc. ("RoundCorner"). In 2011, the Foundation entered into an agreement with RoundCorner to use their fundraising software platform and obtained a minority equity ownership in RoundCorner. For the year ended June 30, 2014 and ten months ended June 30, 2013, the Foundation paid RoundCorner service fees of \$119,000 and \$172,000, respectively, for use of their fundraising software platform.

Revenue Recognition

The Foundation recognizes revenue from a variety of sources, including but not limited to the following:

Revenue from unconditional grants is recognized as temporarily restricted contribution revenue upon receipt of the grant. The revenue is then released when the actual expenses are incurred. The Foundation retains editorial control over programs produced with these grants. Revenue from local broadcast contracts and community service grants from the Corporation for Public Broadcasting are recognized as unrestricted revenue upon receipt of the grant. Revenue for conditional grants is recognized as the related conditions are met.

Local corporate underwriting that involves sponsorship to be aired on the Foundation broadcasts is recognized as temporarily restricted contribution revenue upon receipt of the unconditional promise to give. The revenue is then released when the related sponsorship credit is run on Foundation broadcasts.

All other contributions that do not involve local corporate sponsorship airing on broadcasts are recognized upon notice of the donor's unconditional promise to give.

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Auction revenue is recognized upon the sale of the donated merchandise to the winning bidders.

Revenue from royalties is recognized, net of royalties payable, upon notification from the third party distributor.

Captioning and ancillary services revenue is recognized when services are provided.

Affiliation fees are charged based on the affiliation status, market size, and total station revenue of its radio station affiliates. The Foundation recognizes revenue from these affiliation fees pro rata over the twelve-month period. Amounts received for future periods are recognized as deferred revenue.

Distribution fees are charged for providing satellite distribution services to producers and are recognized as revenue and expense in the period the related services are performed.

Pledges

Unconditional promises to give are recorded as temporarily or permanently restricted revenues in the financial statements when the donor's commitment is received. Unconditional promises to give that are expected to be fulfilled within one year are recorded at fair value. Multiyear unconditional promises are recognized at the present value of the future expected cash flows, less an appropriate reserve for uncollectible pledges. Discounts are calculated using the Foundation's taxable unsecured borrowing rate from 2009 onward. Conditional promises to give are recognized once the related conditions are met.

Cash and Cash Equivalents

Cash equivalents include investments in highly liquid instruments with an original maturity of three months or less from the date of purchase. The Foundation maintains \$16,829,545 and \$22,199,165 at June 30, 2014 and 2013, respectively, of cash with two institutions.

Investments

Marketable securities are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on June 30, 2014 and 2013; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices. Private equity and certain other nonmarketable securities, and certain of the Foundation's investments in hard assets, are valued using current estimates of fair value obtained from the general partner or investment manager in the absence of readily determinable public market values. Such valuations may reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earning multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of investments. Since there may be inherent uncertainty of valuation for certain of these investments, the investment manager or general partner's estimate may differ from the values that would have been used had a ready market existed and the differences could be significant. The agreements underlying participation in nonmarketable investment funds may limit the Foundation's ability to liquidate its interest in such investments for a period of time. The Foundation believes that the carrying amount of its nonmarketable securities is a reasonable estimate of fair value as of June 30, 2014 and 2013. The carrying values of the investments in the limited partnerships are based on reports from each limited partnership. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) and unrealized changes in equity interests in limited partnerships are recorded as nonoperating gains (losses) unless the income is restricted by donor or law. If restricted by donor or law they are reported as follows:

As increases in permanently restricted net assets if the terms of the underlying gift require that they be added to the principal of a permanent endowment fund; and

As increases in temporarily restricted net assets if the terms of the underlying gift or relevant state law impose restrictions on the current use of the income or net gains. The Foundation has relied on the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by the common-wealth in July 2009 regarding relevant state law that unappropriated endowment gains should generally be classified as temporarily restricted net assets until appropriated by the Board of Trustees.

Annually, the Foundation reviews investments where the market value is substantially below cost, and in cases where the decline is considered to be "other than temporary," an adjustment is recorded as a realized loss, and a new cost basis is established. At June 30, 2014 and 2013, there were no investments that had fair values less than cost that were determined to be other than temporary.

Property, Facilities and Equipment

Property, facilities and equipment are reported at cost at the date of acquisition, or estimated fair value at the date of donation, in the case of gifts, less accumulated depreciation. For assets placed in service, depreciation is provided using the straight-line method over the estimated useful life of the asset (or for leasehold improvements over the related lease term, whichever is shorter) which range from 3 to 40 years.

Maintenance and repairs are charged to expense as incurred; betterments are capitalized. Upon retirement or sale of property, facilities and equipment, the cost of the disposed assets and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to unrestricted net assets.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Radio Licenses

The Foundation owns various radio licenses for five separate radio frequencies which cover Cape Cod, the islands of Martha's Vineyard and Nantucket, Greater Boston and Southern New Hampshire. These radio licenses are indefinite lived assets and are subject to at least annual impairment testing. There was no impairment of radio licenses in 2014 or 2013. The combined value for these radio frequencies was approximately \$16,869,000 at June 30, 2014 and 2013.

Equity Investments

In 2008, the Foundation acquired a 20% equity share in National Public Media LLC ("NPM"), a private marketing firm, for \$1,600,000. In 2009, the members of NPM issued additional shares, which diluted the Foundation's share of ownership of NPM to 18%. This investment is recorded using the equity method of accounting. The equity method has been chosen since the investment is not publicly traded and the Foundation has significant influence over the operations of NPM. The carrying amount of this investment was \$654,000 and \$775,000 at June 30, 2014 and 2013,

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

respectively, with the corresponding income and losses included in the gain on equity investments in the consolidated statements of operations.

Effective January 1, 2009, the Foundation entered into a joint venture with Public Broadcasting Service ("PBS") to form PBSd (a Delaware Limited Liability Company). The purpose of PBSd is to further the educational mission of public broadcasting and other media through worldwide distribution of public television content and other high quality content as provided by and on behalf of its Members. The Foundation's initial capital contribution represented a 40% interest in PBSd. The investment is recorded using the equity method of accounting with net income allocated to the Foundation subject to certain revenue thresholds and CPI escalators. When the net income of PBSd in any year is equal to or less than \$9,243,000, 40% of the net income is allocated to the Foundation. When the net income of PBSd in any one year is equal to or less than \$19,513,000, 35% of the excess net income over the first \$9,243,000 is allocated to the Foundation. When the net income of PBSd in any one year is more than \$19,513,000 30% of the excess net income over \$19,513,000 is allocated to the Foundation. The carrying amount of this investment was \$12,129,000 and \$9,933,000, at June 30, 2014 and 2013, respectively, with the corresponding gains included in the gain on equity investments in the consolidated statements of operations.

Other Assets

Other assets mainly consist of bond issuance costs. The bond issuance costs are being amortized on a straight-line basis over the term of the applicable bonds issued, which approximates the effective interest rate method. Total unamortized bond issuance costs were \$5,677,000 and \$5,876,000 as of June 30, 2014 and 2013, respectively.

In-Kind Contributions and Donated Services

In-Kind contributions, donated services and educational materials which are significant to the operations of the Foundation, and whose value is measurable, are recorded at the estimated fair value of the related services or educational material as revenue and expense, or capitalized as assets, when received. The fair value is determined based on the donor's usual and customary fees charged to paying customers for equivalent goods and services. Donated services and materials are received by the Foundation from various professional and educational organizations and relate principally to educational material promotion, advertising, and production in the support of national programming. The economic benefit and associated costs of these donated services and materials are recorded in the accompanying consolidated financial statements as revenue and expense at the estimated fair value of the services received to the extent that either the services require specialized skills, or would be purchased by the Foundation if not donated, or that the services create or enhance nonfinancial assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of operations. Accordingly, certain costs, such as salaries, benefits, depreciation and maintenance have been allocated among the respective program and support services benefited based on total personnel costs or other systematic methods.

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Split Interest Agreements

Various benefactors have made contributions to the Pooled Life Income Fund in the Foundation's name. Upon donation, these amounts are recorded as contribution revenue at the estimated present value of the expected future cash flows, and are classified as temporarily restricted or permanently restricted according to the donor's intent. These funds are divided into units and pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor or donor's named beneficiary is paid the income earned on the donor's assigned units. Upon the death of the donors or their named beneficiaries, the value of these assigned units reverts to the Foundation.

The Foundation has received contributions in the form of charitable gift annuities. The donor contributes assets to the Foundation in exchange for a promise by the Foundation to pay annuity payments based on the agreements between the donor and the Foundation. Gift annuity donations are recorded as permanently restricted revenue, net of the estimated liability to the donor, at the date of gift.

The Foundation has also received contributions, mostly investment securities, of interests in irrevocable charitable remainder trusts for which the Foundation serves as the trustee. The principal amounts of such gifts are established in trusts maintained by independent fiduciaries. Upon donation, the market value of these gifts are recorded as assets. Permanently restricted contribution revenue and support is recognized after recording a liability for the estimated present value of future annuity payments. The liabilities and revenue are adjusted during the term of the agreement for changes in the value of the assets and changes to estimates of future benefits to the donors or their named beneficiaries. Upon the death of the donors or their named beneficiaries, the remaining value of the fund reverts to the Foundation.

The Foundation also has received contributions of interests in irrevocable charitable remainder trusts for which the Foundation does not serve as the trustee. The Foundation records its beneficial interest in these assets as temporarily restricted or permanently restricted, contribution revenue, as appropriate, and pledges receivable at the estimated present value of the future distributions expected to be received over the term of the agreement. Adjustments to the beneficial interest, to reflect changes in the fair value, are recognized as changes in the value of split interest agreements. Upon the death of donors or their named beneficiaries, the assets received by the Foundation from the trust are recognized at fair value, and any difference is reported as a change in the value of split interest agreements in temporarily restricted or permanently restricted net assets, as appropriate.

Beneficial Interest in Perpetual Trust

The Foundation has a beneficial interest in the Ralph Lowell Fund (the "Fund") held by the Boston Foundation ("TBF"). The annual distribution from the Fund is recorded as other income in the consolidated statements of operations of the Foundation.

The fair value of the Fund was \$1,028,000 and \$940,000 at June 30, 2014 and 2013, respectively. A grant distribution in the amount of \$43,000 and \$45,000 was made to the Foundation during the year ended June 30, 2014 and the ten months ended June 30, 2013, respectively, and was recorded as income in the consolidated statements of changes in net assets.

Royalties Payable

The Foundation recognizes royalty revenue pursuant to terms outlined in the rights sales agreements. Royalty agreements exist with third-parties from which the third-party receives a

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percentage of net royalty revenue received by the Foundation. These amounts are accrued for and recorded as a royalty payable when the royalty revenue is recorded by the Foundation.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

Fair Value of Financial Instruments

The fair value of the Foundation's financial instruments approximates the carrying amount reported in the consolidated statements of financial position for cash and cash equivalents, investments, split-interest agreements and payables.

Health Insurance Plan

The Foundation is self-insured for all of its employee health insurance plans.

Reclassification

Certain amounts from the 2013 consolidated financial statements have been reclassified to conform with the 2014 presentation.

2. Grants Receivable and Concentration of Credit Risk

The Foundation's grants receivable represent unconditional commitments from Corporations, foundations and government agencies as follows (amounts below shown net of allowance for uncollectible grants and discounts):

2014 Grant Source	Short-Term	Long-Term	Total
Public Broadcasting Service	\$ 52,509,389	\$ 15,335,962	\$ 67,845,351
Individual donors	2,324,950	961,104	3,286,054
Corporations and Co-Productions	13,937,263	2,801,310	16,738,573
Corporation for Public Broadcasting	5,325,583	533,909	5,859,492
U.S. Government Agencies	3,918,606	578,042	4,496,648
Others (Subcontracts, Non-Profits, State C&U, Foundations, and Public Television Entity)	9,421,432	1,899,168	11,320,600
Total grants receivable, net	<u>\$ 87,437,223</u>	<u>\$ 22,109,495</u>	<u>\$ 109,546,718</u>

2013 Grant Source	Short-Term	Long-Term	Total
Public Broadcasting Service	\$ 27,650,985	\$ 6,279,737	\$ 33,930,722
Individual donors	2,711,500	3,150,000	5,861,500
Corporations and Co-Productions	11,078,509	-	11,078,509
Corporation for Public Broadcasting	2,996,545	2,200,498	5,197,043
U.S. Government Agencies	6,478,786	4,267,584	10,746,370
Others (Subcontracts, Non-Profits, State C&U, Foundations, and Public Television Entity)	7,490,112	930,442	8,420,554
Total grants receivable, net	<u>\$ 58,406,437</u>	<u>\$ 16,828,261</u>	<u>\$ 75,234,698</u>

The Foundation's long-term grant receivables are discounted using the Foundation's taxable unsecured borrowing rate. The total discount was \$1,063,000 and \$772,000 at June 30, 2014 and

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2013, respectively. The discount rates were 2.65% and 2.69% at June 30, 2014 and 2013, respectively.

3. Long-Term Receivables

On December 31, 2001, the Foundation entered into an agreement to sell all assets, properties, rights and interests of every kind connected to "This Old House" for \$132,090,000. At that time the Foundation recorded a noninterest-bearing note receivable of \$120,614,000. The receivable is carried at its present value of \$34,289,000 and \$31,745,000 in the consolidated statements of financial position at June 30, 2014 and 2013, respectively. The note matures in January 2018.

On March 21, 2002, the Foundation sold certain real estate for \$282,316,000. At that time, the Foundation recorded a noninterest-bearing note receivable of \$282,316,000, which is carried at its present value of \$101,412,000 and \$101,577,000 in the consolidated statements of financial position at June 30, 2014 and 2013, respectively. Under the contract terms, the Foundation received the first payment in December 2004 and is being paid in semiannual installments with a maturity date of December 2041. The gains and proceeds from the sale leaseback transaction of \$4,062,000 have been designated by the Board to fund the debt service of the Series 2002A, 2008A and 2008B bonds.

The Foundation assesses the collectability of the long-term receivables by considering factors such as the economic risk associated with the receivables and the financial condition and economic environment of the organization from which the receivables are due. There is no allowance for doubtful accounts associated with these receivables.

4. Pledges Receivable

Pledges receivable at June 30, 2014 and 2013:

	2014	2013
In less than one year	\$ 2,712,244	\$ 1,606,181
Allowance for unfulfilled pledges	<u>(74,052)</u>	<u>(39,471)</u>
Pledges receivables, net	<u>2,638,192</u>	<u>1,566,710</u>
Between one year and five years	5,296,586	1,319,467
Less: Present value discount	<u>(235,900)</u>	<u>(25,634)</u>
Long-term pledges receivable, net	<u>\$ 5,060,686</u>	<u>\$ 1,293,833</u>

The Foundation had \$0 and \$15,000 in conditional pledges at June 30, 2014 and 2013, respectively.

Two donors comprised 78% of the June 30, 2014 balance of pledges receivable.

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5. Investments

Investments held by the Foundation are comprised of the following at June 30, 2014 and 2013:

	2014		2013	
	Cost	Market Value	Cost	Market Value
Investments				
Money market funds	\$ 17,464	\$ 17,464	\$ 46,009	\$ 46,009
Domestic equities	-	-	894,998	1,104,730
Foreign equities	-	-	90,074	110,060
Investments in funds externally managed				
Domestic equities	5,374,912	7,719,177	3,753,191	5,257,231
Foreign equities	8,574,927	11,301,316	5,824,091	7,962,035
Domestic bonds	-	-	1,500,000	2,174,599
Foreign bonds	1,247,502	1,263,078	1,198,000	1,175,932
Real assets	7,306,639	8,719,010	8,593,342	8,767,209
Hedge funds	31,676,991	45,085,474	28,508,505	38,229,503
Private equity	1,397,869	2,116,318	1,624,073	1,918,232
Total investments	<u>55,596,304</u>	<u>76,221,837</u>	<u>52,032,283</u>	<u>66,745,540</u>
Assets in pooled income fund (PIF) and charitable gift annuities (CGA)				
Money market funds	61,407	61,407	108,752	108,754
Domestic equities	569,661	1,103,964	544,542	943,372
Foreign equities	154,114	207,371	156,203	189,806
Domestic bonds	150,692	153,574	157,885	161,803
Investments in funds externally managed				
Domestic equities	4,117,769	5,862,297	3,969,480	4,667,865
Foreign equities	2,008,960	2,412,877	1,673,727	1,702,612
Domestic bonds	1,339,802	1,458,006	1,689,869	1,666,597
Hedge funds	55,000	57,872	84,328	94,304
Real assets	66,628	83,931	55,000	57,233
Total assets in PIF and CGA	<u>8,524,033</u>	<u>11,401,299</u>	<u>8,439,786</u>	<u>9,592,346</u>
Total investments and assets in PIF and CGA	<u>\$ 64,120,337</u>	<u>\$ 87,623,136</u>	<u>\$ 60,472,069</u>	<u>\$ 76,337,886</u>

For the year ended June 30, 2014 and for the ten months ended June 30, 2013, the Foundation recorded net realized gains of \$5,041,000 and \$3,479,000, and dividend and interest income from investments of \$627,000 and \$407,000, respectively.

The Foundation recognized changes in net unrealized gains of \$7,332,000 and \$3,878,000, respectively, for the year ended June 30, 2014 and for the ten months ended June 30, 2013, respectively, on the above investments.

The Foundation had outstanding purchase commitments for investments in partnerships amounting to approximately \$272,000 and \$376,000, as of June 30, 2014 and 2013, respectively.

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The Foundation's endowment and similar funds are invested to maintain the real value of the principal to be capable of supporting annual spending needs and are guided by the asset allocation policies established by the investment committee of the Board of Trustees and implemented primarily through external investment managers. Investments are managed to balance the short-term need for an annualized return in excess of 4.5% in order to support current operations as well as the long-term need to maintain the endowment's purchasing power. To satisfy the long-term objectives of a diversified, volatility-managed portfolio, the Foundation targets an asset allocation of fixed income, global and domestic equities, marketable and nonmarketable alternative and real assets. The portfolio is expected to produce returns that meet or exceed long-term benchmarks.

The balances of the Pooled Life Income Funds, Gift Annuity Funds and Charitable Remainder Trusts for which the Foundation is the trustee are recorded as investments and the liabilities for future payments are recorded as accrued expenses or long-term deferred revenue and other liabilities. Split interest agreements held by third parties are valued at the present value of the future payments due to beneficiaries. These liabilities were calculated using discount factors based on the Foundation's taxable unsecured borrowing rate. A summary of the investments and liabilities for future payments are as follows:

	2014	2013
Pooled Life Income Funds		
Market value	\$ 1,046,970	\$ 1,267,736
Liability for future payments	164,475	189,711
Gift Annuity Funds		
Market value	\$ 7,026,834	\$ 5,565,903
Liability for future payments	3,807,505	3,512,080
Charitable Remainder Trust, where Foundation is Trustee		
Market value	\$ 3,327,495	\$ 2,758,707
Liability for future payments	1,983,381	1,513,724

6. Fair Value of Investment Assets and Liabilities

The Foundation values its investments at fair value in accordance with the *Fair Value Measurements* Standard. Under this Standard, fair value is defined as the price that would be received to sell an asset or be paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The standard principally affects investments (unrestricted and restricted); however, other applicable fair value measurements include discounting multiyear pledges on the initial date of recognition, and applicable liabilities of pooled income fund and charitable gift annuities.

Additionally, the standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques 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).

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Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. However, the determination of what constitutes “observable” requires significant judgment by the Foundation. The Foundation considers observable data to be that market data which is readily available; regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for instruments categorized in Level 3.

A description of the Foundation’s valuation methodologies for assets and liabilities measured at fair value is as follows:

Fair value for *Level 1* is based upon quoted prices in active markets that the Foundation has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Foundation does not adjust the quoted price for such assets and liabilities.

Fair value for *Level 2* is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for *Level 3* is typically based on unobservable inputs that are supported by little or no market activity and rely on assumptions and estimates about pricing derived from available information. Investments included in Level 3 primarily consist of the Foundation’s ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds), that are fair valued based on a partner’s capital account and do not strike a net asset value (NAV). Investments that are not redeemable at NAV in the near-term (greater than 90 days) are also classified as Level 3.

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The NAV of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The Foundation has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2014 and 2013.

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 Foundation believes 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 estimate of fair value at the reporting date.

The following table presents the financial instruments carried at fair value on the statement of financial position as of June 30, 2014:

Assets and Liabilities at Fair Value as of June 30, 2014				
	Level 1	Level 2	Level 3	
	Quoted Prices	Other Significant observable Inputs	Significant Unobservable Inputs and/or Restrictions	Total
Investments				
Money market funds	\$ 17,464	\$ -	\$ -	\$ 17,464
Investments in funds externally managed				
Domestic equities	1,444,675	-	6,274,502	7,719,177
Foreign equities	4,616,795	6,684,521	-	11,301,316
Foreign bonds	-	1,263,078	-	1,263,078
Real assets	4,252,594	-	4,466,416	8,719,010
Hedge funds	-	1,843,073	43,242,401	45,085,474
Private equity	-	-	2,116,318	2,116,318
Total investments	10,331,528	9,790,672	56,099,637	76,221,837
Assets in PIF and CGA				
Money market funds	26,741	-	34,666	61,407
Domestic equities	-	-	1,103,964	1,103,964
Foreign equities	-	-	207,371	207,371
Domestic bonds	-	-	153,574	153,574
Investments in funds externally managed				
Domestic equities	5,173,652	-	688,645	5,862,297
Foreign equities	1,833,676	-	579,201	2,412,877
Domestic bonds	1,039,734	-	418,272	1,458,006
Hedge funds	-	-	57,872	57,872
Real assets	-	-	83,931	83,931
Total assets in PIF and CGA	8,073,803	-	3,327,496	11,401,299
Total investments and assets in PIF and CGA	\$ 18,405,331	\$ 9,790,672	\$ 59,427,133	\$ 87,623,136
Beneficial interest in perpetual trust				
Interest in investments held by trustee	\$ -	\$ -	\$ 1,385,415	\$ 1,385,415
Total beneficial interest in perpetual trust	\$ -	\$ -	\$ 1,385,415	\$ 1,385,415
Liability for the future payments for the Pooled Life Income Fund, Gift Annuity Funds, and Charitable Remainder Trusts				
Liability for the future payments	\$ -	\$ -	\$ 5,955,361	\$ 5,955,361
Total liability for future payments	\$ -	\$ -	\$ 5,955,361	\$ 5,955,361

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The following table presents the financial instruments carried at fair value on the statement of financial position as of June 30, 2013:

Assets and Liabilities at Fair Value as of June 30, 2013				
	Level 1	Level 2	Level 3	
	Quoted Prices	Other Significant observable Inputs	Significant Unobservable Inputs and/or Restrictions	Total
Investments				
Money market funds	\$ 46,009	\$ -	\$ -	\$ 46,009
Domestic equities	1,104,730	-	-	1,104,730
Foreign equities	110,060	-	-	110,060
Investments in funds externally managed				
Domestic equities	1,299,397	-	3,957,834	5,257,231
Foreign equities	3,871,102	4,090,933	-	7,962,035
Domestic bonds	-	-	2,174,599	2,174,599
Foreign bonds	-	1,175,932	-	1,175,932
Real assets	3,458,638	1,184,000	4,124,571	8,767,209
Hedge funds	-	1,673,302	36,556,201	38,229,503
Private equity	-	-	1,918,232	1,918,232
Total investments	9,889,936	8,124,167	48,731,437	66,745,540
Assets in PIF and CGA				
Money market funds	48,103	-	60,651	108,754
Domestic equities	-	-	943,372	943,372
Foreign equities	-	-	189,806	189,806
Domestic bonds	-	-	161,803	161,803
Investments in funds externally managed				
Domestic equities	4,129,914	-	537,951	4,667,865
Foreign equities	1,286,616	-	415,996	1,702,612
Domestic bonds	1,416,687	-	249,910	1,666,597
Hedge funds	-	-	94,304	94,304
Real assets	-	-	57,233	57,233
Total assets in PIF and CGA	6,881,320	-	2,711,026	9,592,346
Total investments and assets in PIF and CGA	<u>\$ 16,771,256</u>	<u>\$ 8,124,167</u>	<u>\$ 51,442,463</u>	<u>\$ 76,337,886</u>
Beneficial interest in perpetual trust				
Interest in investments held by trustee	\$ -	\$ -	\$ 1,382,915	\$ 1,382,915
Total beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382,915</u>	<u>\$ 1,382,915</u>
Liability for the future payments for the Pooled Life Income Fund, Gift Annuity Funds, and Charitable Remainder Trusts				
Liability for the future payments	\$ -	\$ -	\$ 5,215,515	\$ 5,215,515
Total liability for future payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,215,515</u>	<u>\$ 5,215,515</u>

The beneficial interest in perpetual trust balance is included in other assets in the consolidated statement of financial position. The liability for future payments is included in deferred revenue and other liabilities.

The table above has been revised from the previous presentation in the Foundation's consolidated financial statements to present \$4,094,000 of securities previously disclosed as Level 1 or Level 2 investments to Level 3 as of June 30, 2013. The Foundation has concluded that this revision does not have a material impact to the prior period financial statements.

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The following table includes a roll-forward of the amounts classified within Level 3 for the year ended June 30, 2014 and for the ten months ended June 30, 2013:

	Investments						
	Domestic Equities	Domestic Bonds	Real Assets	Hedge Funds	Private Equity	PIF Assets	Total
Fair value at September 1, 2012	\$ 2,844,607	\$ 2,091,477	\$ 4,041,306	\$ 31,071,654	\$ 2,012,605	\$ 2,444,046	\$ 44,505,695
Realized gains	-	-	7,566	1,455,044	136,947	-	1,599,557
Unrealized gains (losses)	620,404	83,122	81,696	3,610,728	17,208	266,980	4,680,138
Investment income	41,657	-	2,646	1,180	1,967	-	47,450
Purchases	500,000	-	17,500	2,900,498	101,250	-	3,519,248
Sales	-	-	(22,500)	(2,030,403)	(332,627)	-	(2,385,530)
Advisory fees	(48,834)	-	(3,643)	(452,500)	(19,118)	-	(524,095)
Fair value at June 30, 2013	3,957,834	2,174,599	4,124,571	36,556,201	1,918,232	2,711,026	51,442,463
Realized gains	-	674,599	21,062	2,644,755	187,739	-	3,528,155
Unrealized gains (losses)	1,305,541	(674,599)	341,053	3,409,039	327,954	303,283	5,012,271
Investment income	79,438	-	1,072	4,500	4,985	-	89,995
Purchases	1,000,000	-	22,500	7,000,000	166,536	313,187	8,502,223
Sales	-	(2,174,599)	(42,500)	(5,766,539)	(461,278)	-	(8,444,916)
Advisory fees	(68,311)	-	(1,342)	(605,555)	(27,850)	-	(703,058)
Fair value at June 30, 2014	<u>\$ 6,274,502</u>	<u>\$ -</u>	<u>\$ 4,466,416</u>	<u>\$ 43,242,401</u>	<u>\$ 2,116,318</u>	<u>\$ 3,327,496</u>	<u>\$ 59,427,133</u>

The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs, including those obtained from external pricing sources, may be reduced for many instruments.

The Foundation has adopted a policy that defines near-term liquidity as those investments allowing liquidity within 90 days of the measurement date. Included in Level 2 are those assets valued at NAV, which are redeemable in the near-term. This policy is consistent with other not-for-profit organizations with large endowments. There were no transfers between Level 1 and Level 2 for the year ended June 30, 2014 or for the ten months ended June 30, 2013.

Liability for future payments for the pooled life income fund, gift annuity funds, and charitable remainder trusts are classified as Level 3. The following table includes a roll forward of the amounts for the year ended June 30, 2014 and 2013:

	2014	2013
Fair value at beginning of period	\$ 5,215,515	\$ 5,401,362
Termination of annuity	(467,304)	(293,469)
Expense for future payments	1,207,150	107,622
Fair value at ending of period	<u>\$ 5,955,361</u>	<u>\$ 5,215,515</u>

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The following table includes a summary of fair values, redemption features and future commitments related to investments (excluding split interest agreements) for which estimated fair value was based upon NAV, capital account or other valuation procedures for the year ended June 30, 2014:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Periods
Investments in funds externally managed				
Domestic equities	\$ 7,719,177	\$ -	Daily, Quarterly	1-60 days
Foreign equities	11,301,316	-	Daily, monthly	1-30 days
Foreign bonds	1,263,078	-	Monthly	1 day
Real assets	8,719,010	5,000	Daily, Monthly, quarterly, annually, at maturity	1-60 days, at maturity
Hedge funds	45,085,474	-	Monthly, quarterly, annually	30-180 days
Private equity	2,116,318	267,242	At maturity	n/a
Total	<u>\$ 76,204,373</u>	<u>\$ 272,242</u>		

The following table includes a summary of fair values, redemption features and future commitments related to investments (excluding split interest agreements) for which estimated fair value was based upon NAV, capital account or other valuation procedures for the ten months ended June 30, 2013:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Periods
Investments in funds externally managed				
Domestic equities	\$ 5,257,231	\$ -	Daily, Quarterly	1-60 days
Foreign equities	7,962,035	-	Daily, monthly	1-30 days
Domestic bonds	2,174,599	-	Daily, monthly	1-90 days
Foreign bonds	1,175,932	-	Monthly	1 day
Real assets	8,767,209	36,250	Daily, Monthly, quarterly, annually, at maturity	1-60 days, at maturity
Hedge funds	38,229,503	-	Monthly, quarterly, annually	30-180 days
Private equity	1,918,232	339,630	At maturity	n/a
Total	<u>\$ 65,484,741</u>	<u>\$ 375,880</u>		

The Foundation has made commitments amounting to \$272,000 and expects these funds to be called from July 2014 through December 2015.

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7. Property, Facilities and Equipment

Property, facilities and equipment consist of the following at June 30, 2014 and 2013:

	Useful Life	2014	2013
Land and improvements		\$ 6,716,080	\$ 6,716,080
Buildings and improvements	3-40 years	167,499,918	166,528,048
Broadcast, video and film equipment	1-20 years	26,607,918	26,160,279
Office equipment, furniture and fixtures	3-25 years	6,151,156	5,597,608
Computers and peripherals	2-10 years	17,185,363	15,149,896
Capitalized interest	25-39 years	19,714,140	19,714,140
Fixed assets not yet placed into service		5,980,752	3,722,023
		<u>249,855,327</u>	<u>243,588,074</u>
Less: Accumulated depreciation		<u>(78,972,893)</u>	<u>(70,903,246)</u>
Property, facilities and equipment, net		<u>\$ 170,882,434</u>	<u>\$ 172,684,828</u>

The Foundation disposed of \$721,000 and \$126,000 of fixed assets, respectively, during the year ended June 30, 2014 and ten months ended June 30, 2013. The disposals were at cost and resulted in no gain or loss.

Depreciation expense related to property, facilities and equipment was \$8,038,000 and \$6,594,000 for the year ended June 30, 2014 and for the ten months ended June 30, 2013, respectively.

8. Long-Term Debt

Long-term debt consists of the following at June 30, 2014 and 2013:

	Original Issuance	2014	2013
MDFA Series 2002A revenue bonds, 4.0%-5.8%, due 2006-2042	\$ 111,890,000	\$ 46,430,000	\$ 47,630,000
MDFA Series 2008A revenue bonds, 3.0%-5.0%, due 2008-2042	107,495,000	102,920,000	102,920,000
MDFA Series 2008B revenue bonds, Zero Coupon, due 2024-2042	22,566,620	22,566,620	22,566,620
PRI Citizens Term Loan 3.75% due 2014-2016	2,163,404	1,541,404	2,163,404
PRI Citizens Line of Credit, due 2014	1,148,667	541,846	1,148,667
		<u>173,999,870</u>	<u>176,428,691</u>
Discounts and premiums, net		<u>2,223,397</u>	<u>2,303,750</u>
		<u>176,223,267</u>	<u>178,732,441</u>
Less: Current maturities		<u>(2,836,846)</u>	<u>(2,970,667)</u>
Long-term debt, net		<u>\$ 173,386,421</u>	<u>\$ 175,761,774</u>

Discounts and premiums include MDFA Series 2002A premium of \$2,329,000 and \$2,413,000 as of June 30, 2014 and June 30, 2013, respectively, and MDFA Series 2008A discount of \$106,000 and \$109,000 as of June 30, 2014 and June 30, 2013, respectively. The net amortization for the discounts and premiums was \$80,000 and \$67,000 for the year ended June 30, 2014 and for the ten months ended June 30, 2013, respectively.

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Debt Covenants

The Foundation's debt agreements contain limitations on additional indebtedness, mergers, and other covenants, including required debt service coverage and liquidity ratios.

The scheduled principal payments are shown in the table below:

Principal Payments Schedule

Fiscal Year

2015	\$ 2,836,846
2016	1,801,404
2017	1,250,000
2018	1,400,000
2019	1,650,000
Thereafter	<u>165,061,620</u>
Total principal payments	<u>\$ 173,999,870</u>

With the exception of the zero coupon bonds, bond interest is payable semiannually. Interest on term loans and lines of credit is payable monthly. Total interest expense was \$9,766,000 and \$8,251,000 for the year ended June 31, 2014 and ten months ended June 30 2013, respectively, and is included in general and administrative expenses on the statements of operations.

One insurance company insures the 2002 Bonds and a different insurance company insures the 2008 Bonds. The two insurers have recourse to the Foundation if the Foundation defaults and an insurer must pay. The Foundation's obligations to the insurers in connection with the 2002 Bonds and the 2008 Bonds are collateralized by an assignment of the payment stream under the noninterest-bearing note receivable issued in connection with the sale of certain real estate, and a mortgage on the headquarters of the Foundation located in Brighton, MA.

PRI refinanced the WGBH Educational Foundation term note on November 8, 2012 and established a term note payable to RBS Citizens Bank of \$2,163,000. This agreement requires monthly interest payments through August 31, 2013 and monthly principal and interest payments beginning September 30, 2013. Interest rate on note is 3.75%. The note is collateralized by all business assets of PRI and is guaranteed in full by the Foundation.

The fair value of the Foundation's debt, based on quoted market prices, was \$201,789,000 and \$185,807,000 at June 30, 2014 and 2013, respectively. The estimate is based on Level 2 inputs.

Line of Credit

The Foundation has access to a discretionary line of credit to \$25,000,000. Borrowings under the agreement are made at the Foundation's option, as either a LIBOR Rate Loan or as a Prime Rate Loan. If made as a LIBOR Rate Loan, interest on the outstanding principal will accrue at a rate equal to the sum of the LIBOR Advantage Rate plus 2.5%. If made as a Prime Rate Loan, the outstanding principal will accrue interest at a per annum rate equal to the prime rate minus 1.0%. There were no amounts outstanding on the line of credit at June 30, 2014 and 2013, respectively.

WGBH Educational Foundation and Subsidiaries
Notes to Consolidated Financial Statements
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

In addition to the term note agreement entered into with RBS Citizens Bank, the Foundation also entered into a line of credit agreement with RBS Citizens Bank allowing for maximum borrowing of \$1,300,000 which is collateralized by all business assets of PRI. The balance on the line of credit was \$542,000 and \$1,149,000 on June 30, 2014 and 2013, respectively. The agreement was originally scheduled to mature September 30, 2013, but has been renewed to mature on January 15, 2015 with interest calculated at LIBOR Advantage Rate (average 3.7%). Interest payments are required monthly beginning December 31, 2012, with principal balance due upon maturity.

9. Retirement Plan

The Foundation has multiple defined contribution plans (the "Plans") for eligible employees through the Teachers Insurance and Annuity Association ("TIAA") and College Retirement Equity Fund ("CREF"), Fidelity Investments, and Lincoln retirement programs. The Plans are designed in accordance with the provisions of Section 403(b) of the Internal Revenue Code. Contributions are made by the provisions of Section 403(b) of the Internal Revenue Code. The Foundation's expense under the Plans totaled \$1,464,000 and \$1,207,000 for the year ended June 30, 2014 and the ten months ended June 30, 2013, respectively. At June 30, 2014 and 2013, the Foundation had a liability of \$46,000 and \$132,000, respectively, for benefits paid under the Plans. The Foundation matched 80% of qualified employee salary deferrals for the largest plan for the year ended June 30, 2014 and for the ten months ended June 30, 2013. These amounts are included within accrued expenses on the consolidated statement of financial position.

10. Components of Net Assets

Net assets of the Foundation consist of the following designations at June 30, 2014 and 2013:

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets				
Undesignated	\$ 24,197,576	\$ 3,179,689	\$ -	\$ 27,377,265
Board-designated debt service	91,227,799	-	-	91,227,799
Board-designated programming	38,306,382	-	-	38,306,382
Grants for future programming	-	72,157,908	-	72,157,908
Capital campaign and other	-	30,221,640	-	30,221,640
Endowment	37,136,687	14,049,656	40,178,077	91,364,420
	<u>\$ 190,868,444</u>	<u>\$ 119,608,893</u>	<u>\$ 40,178,077</u>	<u>\$ 350,655,414</u>
2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets				
Undesignated	\$ 21,233,232	\$ 3,059,120	\$ -	\$ 24,292,352
Board-designated debt service	95,090,696	-	-	95,090,696
Board-designated programming	36,176,710	-	-	36,176,710
Grants for future programming	-	50,030,662	-	50,030,662
Capital campaign and other	-	27,240,182	-	27,240,182
Endowment	31,605,415	10,254,415	36,639,279	78,499,109
	<u>\$ 184,106,053</u>	<u>\$ 90,584,379</u>	<u>\$ 36,639,279</u>	<u>\$ 311,329,711</u>

WGBH Educational Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Permanently restricted net assets of \$40,178,000 and \$36,639,000 at June 30, 2014 and 2013, respectively, are composed of the investments of contributed principal that has been restricted by the donor in perpetuity and the beneficial interest that the Foundation has in certain third-party perpetual trusts. Unless there are specific donor stipulations or Board of Trustees designations, the related investment income is used to support programs and operating expenses.

The Foundation's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets associated with endowment funds designated by the Board of Trustees may be expended by a vote of the Board of Trustees and are recorded as unrestricted net assets.

The Foundation's endowment is subject to an enacted version of the UPMIFA, and as such, generally accepted accounting principles requires disclosures about the Foundation's endowment funds including both donor-restricted and board-designated endowment funds.

The policy governing the investment of the Foundation's endowment is twofold: to provide a reasonable and prudent level of currently expendable income in accordance with the spending policy set by the Investment Committee from time to time (currently 4.5% of the endowment's moving average fair value over the prior 36 months as of March 31 of the preceding fiscal year in which distribution is planned); and to support the Foundation and its mission over the long term by ensuring that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for the benefit of future programs and services. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

At June 30, 2014, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 14,049,656	\$ 40,178,077	\$ 54,227,733
Board-designated funds	37,136,687	-	-	37,136,687
Total endowments	<u>\$ 37,136,687</u>	<u>\$ 14,049,656</u>	<u>\$ 40,178,077</u>	<u>\$ 91,364,420</u>

WGBH Educational Foundation and Subsidiaries
Notes to Consolidated Financial Statements
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Changes in endowment net assets for the year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2013	\$ 31,605,415	\$ 10,254,415	\$ 36,639,279	\$ 78,499,109
Investment return				
Investment income	307,172	216,766	-	523,938
Net appreciation (realized and unrealized)	6,632,822	4,985,477	604,188	12,222,487
Total investment gain	6,939,994	5,202,243	604,188	12,746,425
Contributions	741,154	-	2,934,610	3,675,764
Appropriation of endowment assets for expenditures	(2,150,143)	(1,406,735)	-	(3,556,878)
Other changes				
Underwater endowment transfer	267	(267)	-	-
Endowment net assets at June 30, 2014	\$ 37,136,687	\$ 14,049,656	\$ 40,178,077	\$ 91,364,420

At June 30, 2013, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ (267)	\$ 10,254,415	\$ 36,639,279	\$ 46,893,427
Board-designated funds	31,605,682	-	-	31,605,682
Total endowments	\$ 31,605,415	\$ 10,254,415	\$ 36,639,279	\$ 78,499,109

Changes in endowment net assets for the ten months ended June 30, 2013, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 1, 2012	\$ 27,513,844	\$ 8,198,641	\$ 36,113,039	\$ 71,825,524
Investment return				
Investment income	138,432	198,560	-	336,992
Net appreciation (depreciation) (realized and unrealized)	3,585,703	3,273,877	493,579	7,353,159
Total investment gain	3,724,135	3,472,437	493,579	7,690,151
Contributions	2,148,978	-	32,661	2,181,639
Appropriation of endowment assets for expenditures	(1,790,167)	(1,408,038)	-	(3,198,205)
Other changes				
Underwater endowment transfer	8,625	(8,625)	-	-
Endowment net assets at June 30, 2013	\$ 31,605,415	\$ 10,254,415	\$ 36,639,279	\$ 78,499,109

WGBH Educational Foundation and Subsidiaries
Notes to Consolidated Financial Statements
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

11. Commitments and Contingencies

The Foundation is obligated to make rental payments for other operating facilities and equipment under various noncancelable operating lease agreements expiring from 2015 to 2040, as follows:

Fiscal Year	
2015	\$ 1,318,889
2016	1,312,049
2017	1,306,008
2018	1,187,212
2019	1,065,018
Thereafter	14,526,296
	<u>\$ 20,715,472</u>

Rent expense amounted to \$1,681,000 and \$1,853,000 for the year ended June 30, 2014 and for the ten months ended June 30, 2013, respectively. Of these amounts, \$1,392,000 and \$1,322,000 related to noncancelable operating leases for the year ended June 30, 2014 and for the ten months ended June 30, 2013.

Under operating lease agreements, the Foundation rents certain office space to third parties. The total of future minimum rentals to be received by the Foundation under the noncancelable leases are as follows:

Fiscal Year	
2015	\$ 869,770
2016	1,119,098
2017	1,051,409
2018	1,028,310
2019	1,043,336
Thereafter	3,925,733
	<u>\$ 9,037,656</u>

Rental income for building leases amounted to \$902,000 and \$773,000 for the year ended June 30, 2014 and for the ten months ended June 30, 2013, respectively.

The Foundation receives funding or reimbursement from government agencies for various business activities, which are subject to audit. In addition, the Foundation is engaged in various legal cases, which have arisen in the normal course of its operations. The Foundation believes that the outcomes of these matters will not have a material adverse effect on the financial position of the Foundation.

WGBH Educational Foundation and Subsidiaries
Notes to Consolidated Financial Statements
Year Ended June 30, 2014 and Ten Months Ended June 30, 2013

Production and Acquisition Commitments

PRI, in the ordinary course of business, has entered into firm commitments for the co-production and acquisition of programming for distribution to its affiliated stations. These commitments are funded by program fees and underwriting grants, as well as through grants and gifts. Future minimum commitments under terms of these agreements and potential termination options are as follows:

Year Ending June 30,	Amount
2015	\$ 6,982,147
2016	125,000
	<u>\$ 7,107,147</u>

12. Subsequent Events

The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position. The Foundation does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date but before the consolidated financial statements are issued. For these purposes, the Foundation has evaluated events occurring subsequent to the consolidated statement of financial position date through November 26, 2014, the date the consolidated financial statements were issued.

On August 15, 2014, the Foundation entered into an operating lease with a third party to rent certain office space. The noncancelable lease is for an initial term of 15 years with tenant option to extend lease for an additional 5 years. The future minimum rentals to be received by the Foundation are as follows.

Fiscal Year	
2015	\$ 450,842
2016	1,360,434
2017	1,384,163
2018	1,407,891
2019	1,431,620
Thereafter	<u>16,744,412</u>
	<u>\$ 22,779,362</u>

**Supplemental Consolidating Information
as of and for the Year Ended June 30, 2014**

WGBH Educational Foundation and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2014

	WGBH	PRI	Elimination	WGBH- Consolidated
Assets				
Cash	\$ 16,829,545	\$ -	\$ -	\$ 16,829,545
Accounts receivable (less allowance for uncollectible accounts of \$514,000 and \$342,000 for 2014 and 2013, respectively)	10,837,932	777,086	(106,954)	11,508,064
Current portion of receivables for asset sales	5,560,896	-	-	5,560,896
Grants receivable (less allowance for uncollectible grants of \$88,000 and \$59,000 for 2014 and 2013, respectively)	86,848,290	1,521,907	(932,974)	87,437,223
Pledges receivable, net	2,606,173	32,019	-	2,638,192
Prepaid expenses and other assets	1,231,236	405,510	(141,291)	1,495,455
Total current assets	<u>123,914,072</u>	<u>2,736,522</u>	<u>(1,181,219)</u>	<u>125,469,375</u>
Long-term pledges receivable, net	5,049,062	11,624	-	5,060,686
Long-term grants receivable, net	21,758,368	351,127	-	22,109,495
Long-term receivables for asset sales	130,140,496	-	-	130,140,496
Radio licenses	16,868,713	-	-	16,868,713
Other assets	8,104,407	-	-	8,104,407
Equity Investments	12,782,549	-	-	12,782,549
Funds held under bond agreements - restricted	85	-	-	85
Investments, at market value	79,919,450	7,703,686	-	87,623,136
Property, facilities and equipment, net	169,857,360	1,025,074	-	170,882,434
Total assets	<u>\$ 568,394,562</u>	<u>\$ 11,828,033</u>	<u>\$ (1,181,219)</u>	<u>\$ 579,041,376</u>
Liabilities				
Current maturities debt	\$ 1,470,000	\$ 1,366,846	\$ -	\$ 2,836,846
Accounts payable and other liabilities	7,038,919	2,440,710	(718,655)	8,760,974
Accrued expenses	11,690,933	314,231	(141,294)	11,863,870
Royalties payable	2,649,747	-	-	2,649,747
Accrued bond interest expense	6,150,824	-	-	6,150,824
Deferred revenue and other liabilities	2,872,015	551,364	-	3,423,379
Total current liabilities	<u>31,872,438</u>	<u>4,673,151</u>	<u>(859,949)</u>	<u>35,685,640</u>
Long-term deferred revenue and other liabilities	8,587,955	636,926	(659,314)	8,565,567
Long-term debt, net of unamortized discount and premium	172,670,017	716,404	-	173,386,421
Accrued bond interest expense	10,748,334	-	-	10,748,334
Total liabilities	<u>223,878,744</u>	<u>6,026,481</u>	<u>(1,519,263)</u>	<u>228,385,962</u>
Net Assets (Deficit)				
Unrestricted	195,026,761	(4,158,819)	502	190,868,444
Temporarily restricted	117,014,666	2,256,685	337,542	119,608,893
Permanently restricted	32,474,391	7,703,686	-	40,178,077
Total net assets	<u>344,515,818</u>	<u>5,801,552</u>	<u>338,044</u>	<u>350,655,414</u>
Total liabilities and net assets	<u>\$ 568,394,562</u>	<u>\$ 11,828,033</u>	<u>\$ (1,181,219)</u>	<u>\$ 579,041,376</u>

WGBH Educational Foundation and Subsidiaries

Consolidating Statement of Operations

Year Ended June 30, 2014

	WGBH	PRI	Elimination	WGBH - Consolidated
Operating revenue				
Contributions, principally viewer and listener support	\$ 25,498,546	\$ 1,308,020	\$ -	\$ 26,806,566
Community service grants from the Corporation for Public Broadcasting	7,380,784	-	-	7,380,784
Royalty and licensing	2,561,196	-	-	2,561,196
Captioning and ancillary services	8,051,587	-	(78,048)	7,973,539
Planned giving	791,154	-	-	791,154
Accretion of interest and other income on long-term receivables	8,325,496	-	-	8,325,496
Investment earnings authorized for operations	1,406,735	-	-	1,406,735
In-kind contributions and donated services	657,053	99,996	(99,996)	657,053
Affiliation revenue	-	5,558,349	(42,076)	5,516,273
Distribution fees	-	7,317,238	(79,756)	7,237,482
Miscellaneous income	4,581,630	682,725	(300,000)	4,964,355
Total operating revenue	59,254,181	14,966,328	(599,876)	73,620,633
Net assets released from restrictions	105,990,069	3,777,038	(3,316,680)	106,450,427
Total operating revenue and other support	165,244,250	18,743,366	(3,916,556)	180,071,060
Operating expenses				
Programming and production	104,438,987	15,338,378	(3,782,170)	115,995,195
Broadcasting	12,175,750	-	-	12,175,750
Public information, guides and educational material	5,922,523	-	-	5,922,523
Fundraising and development	12,811,454	1,167,886	-	13,979,340
Underwriting	5,987,839	-	-	5,987,839
General and administrative	40,683,715	1,505,976	-	42,189,691
Total operating expenses	182,020,268	18,012,240	(3,782,170)	196,250,338
(Loss) gain from operations	(16,776,018)	731,126	(134,386)	(16,179,278)
Nonoperating gains				
Underwater endowment transfer	267	-	-	267
Realized gain on investments	2,980,713	-	-	2,980,713
Change in net unrealized gain on investments	3,733,584	374,263	-	4,107,847
Investment income	409,975	-	-	409,975
Gain on equity investments	15,442,867	-	-	15,442,867
Non-operating gains, net	22,567,406	374,263	-	22,941,669
Increase (decrease) in unrestricted net assets	\$ 5,791,388	\$ 1,105,389	\$ (134,386)	\$ 6,762,391

WGBH Educational Foundation and Subsidiaries
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2014

	WGBH	PRI	Elimination	WGBH - Consolidated
Unrestricted Net assets at June 30, 2013	\$ 189,235,373	\$ (5,264,208)	\$ 134,888	\$ 184,106,053
Deficit (profit) of operating revenue over operating expenses	(16,776,018)	731,126	(134,386)	(16,179,278)
Underwater endowment transfer	267	-	-	267
Realized gains on investments	2,980,713	-	-	2,980,713
Change in net unrealized gains on investments	3,733,584	374,263	-	4,107,847
Investment income	409,975	-	-	409,975
Gain on equity investments	15,442,867	-	-	15,442,867
Total increase in unrestricted net assets	5,791,388	1,105,389	(134,386)	6,762,391
Unrestricted Net assets at June 30, 2014	\$ 195,026,761	\$ (4,158,819)	\$ 502	\$ 190,868,444
Temporarily Restricted Net assets at June 30, 2013	\$ 87,965,837	\$ 2,415,387	\$ 203,155	\$ 90,584,379
Temporarily restricted contributions for national programming	119,864,771	1,947,308	(3,182,293)	118,629,786
Temporarily restricted contributions - other	5,403,286	1,657,528	-	7,060,814
Temporarily restricted contributions for local sponsorship	5,975,600	13,500	-	5,989,100
Change in value of split interest agreements	304,805	-	-	304,805
Investment earnings authorized for operations	(1,406,735)	-	-	(1,406,735)
Net assets released from restrictions used for operations	(105,990,069)	(3,777,038)	3,316,680	(106,450,427)
Underwater endowment transfer	(267)	-	-	(267)
Realized gains on investments	2,060,530	-	-	2,060,530
Change in net unrealized gains on investments	2,620,142	-	-	2,620,142
Investment income	216,766	-	-	216,766
Total increase in temporarily restricted net assets	29,048,829	(158,702)	134,387	29,024,514
Temporarily Restricted Net assets at June 30, 2014	\$ 117,014,666	\$ 2,256,685	\$ 337,542	\$ 119,608,893
Permanently Restricted Net assets at June 30, 2013	\$ 29,539,781	\$ 7,099,498	\$ -	\$ 36,639,279
Restricted contributions for endowment	2,531,026	-	-	2,531,026
Planned giving	492,903	-	-	492,903
Change in value of split interest agreements	(89,319)	-	-	(89,319)
Change in net unrealized gains on investments	-	604,188	-	604,188
Total increase in permanently restricted net assets	2,934,610	604,188	-	3,538,798
Permanently Restricted Net assets at June 30, 2014	\$ 32,474,391	\$ 7,703,686	\$ -	\$ 40,178,077