

**The Greater Washington
Educational
Telecommunications
Association, Inc.**

**Consolidated Financial Statements
and Supplemental Schedules**
Years Ended June 30, 2008 and 2007



**The Greater Washington
Educational
Telecommunications
Association, Inc.**

**Consolidated Financial Statements
and Supplemental Schedules**
Years Ended June 30, 2008 and 2007

The Greater Washington Educational Telecommunications Association, Inc.

Contents

Independent Auditors' Report	3
Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Changes in Net Assets	6
Consolidated Statements of Cash Flows	7
Summary of Accounting Policies	8-12
Notes to Consolidated Financial Statements	13-22
Supplemental Material	
Schedule I – Supplemental Schedules of Revenues and Gains	23
Schedule II – Supplemental Schedules of Functional Expenses	24-25



Independent Auditors' Report

Board of Trustees
The Greater Washington Educational Telecommunications Association, Inc.
Arlington, VA

We have audited the accompanying consolidated statement of financial position of **The Greater Washington Educational Telecommunications Association, Inc.** as of June 30, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of **The Greater Washington Educational Telecommunications Association, Inc.**'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **The Greater Washington Educational Telecommunications Association, Inc.**'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Greater Washington Educational Telecommunications Association, Inc.** as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of **The Greater Washington Educational Telecommunications Association, Inc.**, taken as a whole. The accompanying schedules of revenues and gains and schedules of functional expenses for the years ended June 30, 2008 and 2007, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

BDO Seidman, LLP

November 21, 2008

The Greater Washington Educational Telecommunications Association, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2008	2007
Assets		
Cash and cash equivalents	\$ 3,707,050	\$ 1,881,144
Restricted cash	348,933	716,647
Accounts and contributions receivable, net (Note 2)	47,868,707	42,579,821
Investments (Note 3)	30,629,272	32,099,883
Prepaid expenses and other assets	4,895,504	2,746,028
Film assets	8,364,347	16,358,520
Property and equipment, net (Note 4)	23,795,264	22,012,542
Total assets	\$ 119,609,077	\$ 118,394,585
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 6,008,997	\$ 7,431,512
Deferred revenue	677,137	440,606
Interest rate swap (Note 6)	669,452	430,653
Line of credit (Note 5)	3,508,285	2,022,600
Bonds payable (Note 6)	9,898,333	10,300,000
Total liabilities	20,762,204	20,625,371
Commitments and Contingencies		
Net assets		
Unrestricted net assets	28,677,324	31,399,025
Temporarily restricted net assets (Note 7)	60,464,128	59,464,768
Permanently restricted net assets (Note 8)	9,705,421	6,905,421
Total net assets	98,846,873	97,769,214
Total liabilities and net assets	\$ 119,609,077	\$ 118,394,585

See accompanying summary of accounting policies and notes to consolidated financial statements.

The Greater Washington Educational Telecommunications Association, Inc.

Consolidated Statements of Activities

<i>Years ended June 30,</i>	2008	2007
Changes in unrestricted net assets		
Revenues and other support, including amounts released from restrictions (Note 7)		
Production funding from Public Broadcasting System	\$ 19,940,178	\$ 22,180,521
Corporate underwriting and funding	17,400,150	20,735,967
Membership and individuals	15,669,186	15,461,792
Foundations and not-for-profit organizations	12,682,505	5,345,811
Federal, state and local government grants	4,366,719	2,287,790
Community service grants from the Corporation for Public Broadcasting	3,673,723	4,396,510
Rental income and other	2,667,663	1,499,793
Total unrestricted revenues and other support	76,400,124	71,908,184
Operating expenses		
National programming and productions	42,631,958	35,850,232
Television broadcast operations	9,441,338	9,420,511
Promotion, education, and outreach	7,235,817	6,982,902
Fundraising and membership development	7,001,523	7,290,269
Underwriting and grant solicitation	4,667,260	4,731,706
Radio broadcast operations	2,659,664	4,421,493
Management and general	2,044,471	1,854,053
Total operating expenses	75,682,031	70,551,166
Net operating activities	718,093	1,357,018
Nonoperating activities		
Net investment return	(1,669,585)	4,086,898
Gain on disposal of property	127,748	24,627
Depreciation and amortization	(2,934,229)	(2,511,715)
Interest expense	(650,942)	(500,027)
Income and property tax expense	(273,987)	(125,182)
Change in market value of interest rate swap agreement	(238,799)	19,376
Total net nonoperating activities	(5,639,794)	993,977
Changes in unrestricted net assets		
Net operating and nonoperating activity	(4,921,701)	2,350,995
Permanently restricted net assets released from restrictions	2,200,000	-
Total change in unrestricted net assets	(2,721,701)	2,350,995
Changes in temporarily restricted net assets		
Television production contributions	54,342,939	62,817,696
Endowment investment return	71,779	73,864
Net assets released from restrictions	(53,415,358)	(48,864,408)
Total change in temporarily restricted net assets	999,360	14,027,152
Changes in permanently restricted net assets		
Releases from restrictions	(2,200,000)	-
Endowment gifts	5,000,000	-
Change in permanently restricted net assets	2,800,000	-
Change in total net assets	1,077,659	16,378,147
Net assets at beginning of year	97,769,214	81,391,067
Net assets at end of year	\$ 98,846,873	\$ 97,769,214

See accompanying summary of accounting policies and notes to consolidated financial statements.

The Greater Washington Educational Telecommunications Association, Inc.

Consolidated Statements of Changes in Net Assets

<i>Years Ended June 30,</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2006	\$ 29,048,030	\$ 45,437,616	\$ 6,905,421	\$ 81,391,067
Change in net assets	2,350,995	14,027,152	-	16,378,147
Net assets, June 30, 2007	31,399,025	59,464,768	6,905,421	97,769,214
Change in net assets	(2,721,701)	999,360	2,800,000	1,077,659
Net assets, June 30, 2008	\$ 28,677,324	\$ 60,464,128	\$ 9,705,421	\$ 98,846,873

See accompanying summary of accounting policies and notes to consolidated financial statements.

The Greater Washington Educational Telecommunications Association, Inc.

Consolidated Statements of Cash Flows

Years ended June 30,	2008	2007
Cash flows from operating activities		
Change in net assets	\$ 1,077,659	\$ 16,378,147
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,934,229	2,511,715
Change in value of interest rate swap	238,799	(19,376)
Unrealized and realized loss (gain) on investments	2,524,892	(3,337,583)
Accretion of multi-year contributions	784,672	957,648
Write-off of uncollectible accounts and contributions receivable	184,079	108,848
Change in provision for uncollectible accounts and contributions receivable	78,084	132,501
Gain on disposal of property	(127,748)	(24,627)
Permanently restricted contributions received	(5,000,000)	-
Changes in operating accounts		
Restricted cash	367,714	(36,183)
Accounts and contributions receivable	(6,335,721)	(10,652,772)
Prepaid expenses and other assets	(2,149,476)	(658,079)
Film assets	7,994,173	(4,107,713)
Accounts payable and accrued expenses	(1,422,515)	388,168
Deferred revenue	236,531	54,939
Net cash provided by operating activities	1,385,372	1,695,633
Cash flows from investing activities		
Proceeds from sale of investments	15,994,660	10,152,078
Purchases of investments	(17,048,941)	(12,260,816)
Purchases of property and equipment	(4,589,203)	(4,033,140)
Net cash used in investing activities	(5,643,484)	(6,141,878)
Cash flows from financing activities		
Permanently restricted contributions received	5,000,000	-
Proceeds from line of credit	2,908,285	2,022,600
Payments on line of credit	(1,422,600)	-
Payments on bonds payable	(401,667)	(395,000)
Net cash provided by financing activities	6,084,018	1,627,600
Net increase (decrease) in cash and cash equivalents	1,825,906	(2,818,645)
Cash and cash equivalents, beginning of year	1,881,144	4,699,789
Cash and cash equivalents, end of year	\$ 3,707,050	\$ 1,881,144
Supplemental cash flow information		
Income taxes paid	\$ 4,746	\$ 853
Interest paid	\$ 640,510	\$ 482,470

See accompanying summary of accounting policies and notes to consolidated financial statements.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

Organization	The Greater Washington Educational Telecommunications Association, Inc. (WETA) is a nonprofit Washington, D.C. corporation chartered in 1953 to operate a public television and public FM radio station. WETACOM, Inc., a wholly owned for-profit subsidiary of WETA, was chartered in 1981 to engage in television production for commercial use. In fiscal year 2002, WETA ceased the operations of WETACOM, Inc.
Principles of Consolidation	WETA presents consolidated financial statements that include the accounts of WETA and its wholly owned subsidiary WETACOM, Inc. All intercompany balances and transactions have been eliminated in consolidation.
Basis of Presentation	WETA maintains its records using the accrual basis of accounting.
Cash and Cash Equivalents	WETA considers highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash that is held in escrow or whose use is otherwise restricted is reported separately as restricted cash.
Investments	<p>Investments in marketable securities are reported at fair value, based on quoted market prices. Realized gains and losses from sales of investments and unrealized gains and losses from market fluctuations of the underlying investments are included in the consolidated statements of activities during the period in which they occur.</p> <p>The fair values of WETA's investments in limited partnerships are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners in the absence of readily ascertainable market values.</p> <p>Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system triggered significant events and substantial volatility in world financial markets and the banking system that had been a significant negative impact on foreign and domestic financial markets. As a result WETA's investment portfolio has incurred a significant decline in fair value since June 30, 2008. However, because the values of the WETA's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.</p>
Film Assets	WETA capitalizes the production cost of programs. The costs are recognized as expense when the program segment is first aired, as subsequent airing is not assured.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

Property and Equipment

Property and equipment is recorded at cost. Contributed property is recorded at the estimated fair value at the date of contribution. WETA capitalizes all expenditures for property and equipment over \$1,000. The useful life of the asset is determined on a case-by-case basis, and the estimated useful lives currently range from 1 to 31.5 years. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Deferred Revenue

Deferred revenue represents receipts received for local program broadcast underwriting in advance of the revenue being earned.

Net Assets

Contributions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WETA and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Revenue is reported as an increase in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. All expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as an increase or decrease in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by the actions of WETA and/or the passage of time. Releases of temporary restrictions on net assets are reported as reclassifications from temporarily restricted to unrestricted net assets when the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that must be maintained permanently by WETA.

Television and Radio Production

WETA receives sponsorships from entities to underwrite the cost of some of its programs and productions. In such instances, WETA recognizes the total sponsorship as a temporarily restricted contribution upon receipt of the gift. When the donor restriction expires through performance and/or lapse of time, the sponsorship is transferred from temporarily restricted net assets to unrestricted net assets.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

Membership and Contributions from Individuals	Contributions, which include unconditional promises receivable, are recognized as revenues at the earlier of the period received or when the promise is made.
Contributed Services, Materials, and Equipment	WETA receives contributed goods and services from outside sources to assist with outreach, education, and advertising. Such goods and services include, but are not limited to, airfare, advertising, and other services. These amounts are recorded at fair value in the accompanying consolidated statements of activities as corporate underwriting and funding revenue and the related expense of \$514,987 and \$1,201,654 for the years ended June 30, 2008 and 2007, respectively.
Expenses	Expenses are recognized by WETA during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.
Functional Allocation of Expenses	The costs of providing various program and supporting activities have been summarized on a functional basis in note 14. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. WETA is also required to make estimates and assumptions that affect the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
Advertising	Advertising expenditures are expensed as incurred. Advertising expense was \$910,114 and \$1,893,376 for the years ended June 30, 2008 and 2007, respectively.
Income Taxes	WETA is recognized as exempt from federal income taxes, except on unrelated activities, under Internal Revenue Code (IRC) Section 501(c)(3). The Internal Revenue Service has also determined that WETA is not a private foundation. WETACOM, Inc. was a taxable subsidiary that presently owes no federal taxes.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

WETA adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48) on July 1, 2007. Under FIN 48, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The implementation of FIN 48 had no impact on WETA's financial statements. WETA does not believe there are any material uncertain tax positions and accordingly it will not recognize any liability for unrecognized tax benefits. WETA has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, WETA has filed Internal Revenue Service Form 990 and Form 990-T tax returns, as required, and all other applicable returns in jurisdictions where it is required. WETA believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2005. However, WETA is still open to examination by taxing authorities from fiscal year 2005 forward. No interest or penalties were accrued as of July 1, 2007 as a result of the adoption of FIN 48. For the year ended June 30, 2008, there was no interest or penalties recorded or included in the consolidated statements of activities.

Recent Accounting Pronouncements

On September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurement*, which defines fair value, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurement. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted. Management is currently evaluating the impact of SFAS 157, but does not expect the adoption of SFAS 157 to have a material impact on WETA's financial position, change in net assets or cash flows.

On February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment to FASB Statement No. 115*. This statement allows WETA to irrevocably elect fair value as a measurement attribute for certain financial assets and financial liabilities with changes in fair value recognized in the change in net assets. The statement also establishes presentation and disclosure requirements designed to facilitate comparisons between organizations that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of SFAS 159, but does not expect the adoption of SFAS 159 to have a material effect on its financial position, change in net assets or cash flows.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

On August 6, 2008, the Financial Accounting Standards Board (FASB) issued FSP FAS No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP). The FSP provides guidance on the net asset classification of donor-restricted endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This FSP also requires enhanced disclosures by all not-for-profit organizations that have endowments (whether donor restricted or not). These disclosure requirements apply regardless of whether the organization is currently subject to UPMIFA, a model act that has not yet been adopted by all states. The FSP takes effect for fiscal years ending after December 15, 2008 with early adoption permitted. Management is currently evaluating the impact of FSP FAS No. 117-1.

Reclassifications

Certain reclassifications have been made to conform prior-year balances to the current-year presentation.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

1. **Uninsured Cash Balances** WETA maintains its cash balances at several financial institutions in accounts, which, at times, may exceed federally insured limits. WETA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

2. **Accounts and Contributions Receivable** Accounts and contributions receivable is comprised of the following amounts at:

<i>June 30,</i>	2008	2007
Unbilled accounts receivable - grants and contributions	\$ 42,060,891	\$ 37,506,648
Accounts receivable - grants and contributions	7,093,338	5,351,030
Pledges receivable	564,042	550,750
Other	490,769	805,138
Discount of long-term receivables	(2,171,650)	(1,386,978)
Allowance for doubtful accounts	(168,683)	(246,767)
Accounts and contributions receivable, net	\$ 47,868,707	\$ 42,579,821

Contributions that are expected to be received more than one year into the future are discounted using risk free rates of 1.87% - 5.86% for the years ended June 30, 2008 and 2007. Amortization of the discount is recorded as additional contribution revenue, typically ratably, and is used in accordance with donor-imposed restrictions, if any, on the contributions. When necessary, an allowance is made for uncollectible contributions, based upon managements' judgment, past collection experience, and other relevant factors. For the years ended June 30, 2008 and 2007, WETA wrote off \$184,079 and \$108,848 of receivables, respectively. Accounts and contributions receivable are expected to be collected over the following periods:

<i>June 30,</i>	2008	2007
Due in less than one year	\$ 27,883,428	\$ 27,727,971
Due after one year and before five years	16,986,300	15,936,283
Due after five years	5,339,312	549,312
Discount of long-term receivables	(2,171,650)	(1,386,978)
Allowance for doubtful accounts	(168,683)	(246,767)
Accounts and contributions receivable, net	\$ 47,868,707	\$ 42,579,821

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Long-term receivables arise primarily from grants and contributions designated to fund television projects, which often have multiyear production schedules.

3. Investments

Investments, at fair value consist of the following at:

<i>June 30,</i>	2008	2007
Investment cash	\$ 6,026,249	\$ 4,485,111
Common stocks, equity investments, and equity mutual funds	13,233,579	17,075,980
Bonds and fixed income mutual funds	5,300,321	4,480,028
Real estate partnerships	1,084,083	1,221,558
Hedge funds	4,845,700	4,702,435
Certificates of deposit	139,340	134,771
Total investments	\$ 30,629,272	\$ 32,099,883

Investment return consists of the following at:

<i>June 30,</i>	2008	2007
Interest and dividends	\$ 904,452	\$ 850,806
Unrealized (loss) gain	(3,269,538)	2,213,463
Realized gain	734,710	1,108,796
Investment management fees	(39,209)	(86,167)
Investment return, net	\$ (1,669,585)	\$ 4,086,898

Endowment investment return consists of the following at:

<i>June 30,</i>	2008	2007
Interest and dividends	\$ 61,843	\$ 58,540
Unrealized (loss) gain	(4,938)	9,848
Realized gain	14,874	5,476
Endowment investment return, net	\$ 71,779	\$ 73,864

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

4. Property and Equipment

Property and equipment consists of the following at:

<i>June 30,</i>	2008	2007
Land	\$ 2,227,039	\$ 2,227,039
Building and improvements	17,943,804	17,644,633
Production and other equipment	31,871,726	28,246,824
Fixed assets purchased, but not placed in service	910,344	2,467,076
	52,952,913	50,585,572
Less: accumulated depreciation and amortization	(29,157,649)	(28,573,030)
Property and equipment, net	\$ 23,795,264	\$ 22,012,542

In 2008, WETA retired \$2,431,093 of fixed assets no longer in service, resulting in a net gain of \$127,748. In 2007, WETA retired \$1,292,225 of fixed assets no longer in service, resulting in a net gain of \$24,627. Depreciation and amortization expense was \$2,934,229 and \$2,511,715 for the years ended June 30, 2008 and 2007, respectively.

5. Line of Credit

WETA established a line of credit in the amount of \$5,000,000 with JP Morgan Chase Bank on October 25, 2006 to fund the conversion of *The Newshour with Jim Lehrer* from standard-definition to high-definition. WETA made draw downs on the line of credit totaling \$2,908,285 and principal payments totaling \$1,422,600 for the year ended June 30, 2008. WETA made draw downs on the line of credit totaling \$2,022,600 for the year ended June 30, 2007. The outstanding balance was \$3,508,285 and \$2,022,600 for the years ended June 30, 2008 and June 30, 2007, respectively. Interest is charged on the unpaid balance at a fixed rate per annum equal to the Adjusted Libor Rate applicable at the time of the draw plus 0.65%. The average rate of interest charged was 5.91% and 5.98% in fiscal years 2008 and 2007, respectively. Interest expense on the line of credit was \$208,299 and \$25,058 for the years ended June 30, 2008 and June 30, 2007 respectively. The line of credit is secured by WETA's investment portfolio.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

- 6. Bonds Payable** On July 1, 1999, the Industrial Development Authority of the City of Alexandria issued pooled bonds totaling \$13,000,000 on behalf of WETA to reimburse the costs of renovating the office building located at 2775 South Quincy Street, Arlington, Virginia, and for planned construction of a technical center for television and radio broadcast and production activities. These bonds are deemed to be public debt in accordance with FASB Staff Position 126-1 *Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities* since some of the bond holders are the general public. The bonds carry a variable rate of interest (average bond interest rate of 6.76% and 4.18% for the years ended June 30, 2008 and 2007, respectively) and have a maturity date of July 2024. The office building and equipment serve as collateral for these bonds. The bonds are backed by a standby letter of credit in the amount of \$13,150,000 expiring on July 1, 2009. Interest expense on the bonds totaled \$295,364 and \$385,916 for the years ended June 30, 2008 and 2007, respectively.

Scheduled principal payments of bonds payable, by year and in aggregate, are as follows:

<i>Years ending June 30:</i>	
2009	\$ 430,000
2010	450,000
2011	470,000
2012	490,000
2013	515,000
Thereafter	7,543,333
Total	\$ 9,898,333

The bonds have a restrictive debt covenants under which WETA must maintain a debt service coverage ratio of no less than 1.1 to 1.0 measured annually. If the debt service covenant is not met, it will automatically be waived and not be considered a default as long as a liquidity covenant of minimum unrestricted, unencumbered liquid assets of \$12,000,000 measured semi-annually is maintained. WETA must also provide the bank with quarterly un-audited financial statements and annual audited financial statements. WETA was compliant with its debt covenants at June 30, 2008 and 2007.

WETA manages the interest rate on the outstanding bond through the use of an interest rate swap, whereby 75% of the outstanding variable rate notes were converted into fixed-rate debt. This interest rate swap qualifies as a derivative financial instrument. WETA recognizes gains or losses associated with this swap as the difference between the interest incurred under the interest rate swap

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

agreement and the interest incurred under the bond agreement. The interest rate swap agreement matures in varying increments through July 1, 2014. The average effective interest rate to be paid by WETA as a result of the swap contract is approximately 4.6% for years ended June 30, 2008 and 2007. WETA incurred additional interest expense of \$147,279 and \$90,193 for the years ended June 30, 2008 and 2007, respectively, due to the interest rate swap. The swap is currently locked in at a higher rate than the current market rate on the loan. WETA does not use derivatives for trading purposes.

WETA recorded changes in the market value of its interest rate swap of \$(238,799) and \$19,376 for the years ended June 30, 2008 and 2007, respectively. The fair value of the interest rate swap was \$(669,452) and \$(430,653), as of June 30, 2008 and 2007, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2008	2007
National production	\$ 54,050,648	\$ 52,472,064
Local broadcasting	3,430,519	3,190,482
Learning media projects	2,982,961	3,802,222
Temporarily restricted net assets	\$ 60,464,128	\$ 59,464,768

Net assets released from restrictions included in revenues within the consolidated statements of activities are as follows:

<i>June 30,</i>	2008	2007
Production funding from Public Broadcasting Service	\$ 19,480,973	\$ 22,193,149
Corporate underwriting and funding Foundations and not-for-profit organizations	13,057,427	15,023,000
Community service grants from Corporation for Public Broadcasting	12,229,067	4,702,029
Federal, state, and local government grants	4,164,457	4,396,510
Membership and individuals	4,300,219	2,287,790
	183,215	261,930
Total net assets released from restrictions	\$ 53,415,358	\$ 48,864,408

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

8. **Permanently Restricted Net Assets** Permanently restricted net assets consist of the following at:

<i>June 30,</i>	2008	2007
The Leonore Annenberg endowment	\$ 5,000,000	\$ -
Capital campaign fund	2,505,421	2,505,421
Eugene B. Casey endowment	1,000,000	1,000,000
Fisher endowment	1,000,000	1,000,000
Arts program	200,000	1,400,000
Art endowment	-	1,000,000
Total endowment funds	\$ 9,705,421	\$ 6,905,421

The Leonore Annenberg Endowment

On August 28, 2007 the Annenberg Foundation established The Leonore Annenberg Endowment to support projects that are important, national in scope and consistent with the values and integrity of its namesake. As of September 30 each year, WETA will determine the Fund's market value, including income and both realized and unrealized gains and losses net of fees, and calculate the amount that may be withdrawn. The first withdrawal will occur after September 30, 2008. As of June 30, 2008 WETA had received \$2,000,000 of the \$5,000,000 endowment.

Capital Campaign Fund

The Capital Campaign Fund was established in 1990 to help fund the development of new facilities and to create an endowment to support the development of radio and television programming for public broadcasting. During fiscal 1991, the National Endowment for the Humanities awarded WETA a \$562,000 endowment challenge grant, which was matched by \$2,442,000 from private sources. Net assets associated with these grants are recorded as permanently restricted net assets, except for \$500,000 that is unrestricted having been applied toward the purchase of equipment pursuant to donor restrictions. Income generated by the Capital Campaign Fund is applied to the development of radio and television programming for public broadcasting.

Eugene B. Casey Endowment

During fiscal 2001, the Eugene B. Casey Foundation made a \$1,000,000 permanently restricted contribution to establish the Eugene B. Casey Endowment Fund. The income from the endowment fund is used to provide programming for children and young people that will enrich them through knowledge of their bodies, minds, and spirit.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Fisher Endowment

On January 20, 2006, the Robert M. Fisher Memorial Foundation, Inc. established a \$1,000,000 Program Endowment Fund at WETA. The Program Endowment Fund will be used to acquire, produce and broadcast television and radio programs in the fulfillment of the mission of WETA. WETA will use five percent (5%) of the value of the fund as of December 31 the year prior, or \$50,000, whichever is greater, each year. If the earnings are less than \$50,000 in any one year, the \$50,000 shall be funded by the earnings and an amount from principal to bring the annual total to \$50,000. The Program Endowment earnings will become available after December 31, 2006. The balance of the Fund remains unchanged as of June 30, 2008 and 2007.

Arts Endowment and Arts Program

During fiscal 1988, WETA received a \$600,000 challenge grant from the National Endowment for the Arts (NEA). WETA was required by the terms of the grant to provide matching contributions totaling \$1,800,000. Together, the grant and matching funds were used to establish an Arts Endowment Fund of \$1,000,000 and an Arts Program Fund of \$1,400,000 (together, the Funds). The original principal of the Funds was permanently restricted under the terms of the original grants, though internal borrowing from the Arts Program Fund principal is permitted. As of June 30, 2008 and 2007, WETA had not borrowed from the Funds. In November 2007, NEA informed WETA that the permanent restriction on the funds had been removed. As of June 30, 2008 WETA reclassified \$2,200,000 of those funds into unrestricted net assets.

9. Fair Value of Financial Instruments

The estimated fair values of WETA's financial instruments are as follows:

June 30, 2008	Carrying Amount	Fair Value
Investments	\$ 30,626,272	\$ 30,626,272
Cash and cash equivalents	\$ 3,707,050	\$ 3,707,050
Debt	\$ 9,898,333	\$ 9,898,333
Interest rate swap liability	\$ 669,452	\$ 669,452
June 30, 2007	Carrying Amount	Fair Value
Investments	\$ 32,099,883	\$ 32,099,883
Cash and cash equivalents	\$ 1,881,144	\$ 1,881,144
Debt	\$ 10,300,000	\$ 10,300,000
Interest rate swap liability	\$ 430,653	\$ 430,653

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

The carrying amount is the amount at which the financial instrument is recorded on the books of WETA. The fair value is the amount at which the financial instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments: Fair values of marketable securities are based on the quoted market value. For the limited partnership interests, fair values are based on the good faith value as determined by the general partners. For the corporate interests, fair values are based on the good faith value as determined by the corporation.

Cash and cash equivalents: The carrying amount approximates fair value because of its short maturity.

Debt: Fair value is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to WETA for debt of the same remaining maturities.

Interest rate swap liability: Fair value is based on the estimated value to settle the transactions at June 30.

10. Description of Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated statements of activities.

National programming and productions

This program includes national program development and the production center facility.

Television broadcast operations

This program includes TV station program acquisition and scheduling functions, as well as the master control and engineering functions related to television.

Promotion, education and outreach

This program includes communications, Learning Media and Audience services.

Fundraising and membership development

This supporting service category includes the departments focused on raising a high volume of relatively low dollar membership gifts from individuals.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Underwriting and grant solicitation

This supporting service category includes major giving, foundation and government development, and local and national corporate underwriting.

Radio broadcast operations

This program includes radio station program acquisition and scheduling functions, as well as the FM studio and engineering functions related to radio.

Management and general

This supporting service category includes the functions necessary to support the proper administrative functioning of WETA such as human resources, management information systems, accounting and finance, legal, executive offices and facilities.

- 11. Retirement Plan** WETA provides retirement benefits for substantially all of its employees through several defined contribution retirement plans. WETA's financial liability under these plans is limited to current contributions. Total employer contributions to the plans were \$1,150,066 and \$1,158,113 for the years ended June 30, 2008 and 2007, respectively.
- 12. Deferred Compensation Plan** In January 2002, WETA adopted the 457(b) Deferred Compensation Plan of WETA (the Plan). The Plan is intended to be a deferred compensation plan for corporate officers of WETA in accordance with Section 457(b) of the IRC. The recorded asset and liability for the deferred compensation plan was \$422,802 and \$374,619 for the years ended June 30, 2008 and 2007, respectively. These amounts are recorded in investments and accounts payable and accrued expenses in the consolidated statements of financial position.
- 13. Commitments** WETA uses studio equipment, warehouse, warehouse space, its television tower, and related technical facilities under noncancelable operating leases that expire at various dates through 2020. Selected leases contain escalation clauses to cover increased operating expenses borne by the lessor.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Additionally, WETA generates rental income from office space and transmission facilities under noncancelable leases that expire at various dates through 2022.

Minimum future lease payments and receipts are as follows:

<i>Years ending June 30:</i>	Lease Payments	Lease Receipts
2009	\$ 445,523	\$ 460,153
2010	442,996	471,668
2011	432,250	368,350
2012	355,152	264,899
2013	296,151	263,879
Thereafter	2,412,077	2,408,308
	\$ 4,384,149	\$ 4,237,257

Total lease expense was \$540,596 and \$513,712 for the years ended June 30, 2008 and 2007, respectively. Total lease income was \$627,303 and \$467,294 for years ended June 30, 2008 and 2007, respectively.

14. Functional Expenses

The following is a detail of expenses by function as required by SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, which incorporates both operating expenses and non-operating expenses by function such as depreciation and amortization, interest and tax expense.

<i>Years ending June 30:</i>	2008	2007
National programming and productions	\$ 44,294,608	\$ 36,996,768
Television broadcast operations	10,777,121	10,593,222
Radio broadcast operations	3,240,755	4,929,511
Promotion, education and outreach	7,353,062	7,088,694
Total program services	65,665,546	59,608,195
Fundraising and membership development	7,047,747	7,343,960
Underwriting and grant solicitation	4,717,300	4,798,765
Management and general	2,110,596	1,937,170
Total supporting services	13,875,643	14,079,895
Total expenses	\$ 79,541,189	\$ 73,688,090

Supplemental Material



The Greater Washington Educational Telecommunications Association, Inc.

Schedule I - Supplemental Schedules of Revenues and Gains

<i>Years ended June 30,</i>	2008	2007
Consolidated schedule of revenues and gains		
Federal government	\$ 2,381,478	\$ (50,000)
Corporation for Public Broadcasting - CSGs	3,459,806	4,127,089
Corporation for Public Broadcasting - Other	1,354,785	6,463,283
Public Broadcasting Service	16,295,967	21,688,807
Other public broadcasting stations	288,369	257,013
Local government sources	443,942	839,204
Foundations and nonprofit organizations	9,172,049	15,597,211
Business and industry	27,146,430	19,917,444
Membership and individuals	15,591,347	15,318,042
Investment return, gross	(1,630,376)	4,173,065
Gain on disposal of property	127,748	24,627
In-kind contributions	514,987	1,201,654
Endowment contributions	5,000,000	-
Endowment investment return	71,779	73,864
Rental income	678,545	501,725
Total revenues and gains	\$ 80,896,856	\$ 90,133,028
Reported in the consolidated statements of activities as:		
Total unrestricted revenues and other support	\$ 76,400,124	\$ 71,908,184
Net assets released from restrictions	(53,415,358)	(48,864,408)
Investment return, gross	(1,630,376)	4,173,065
Gain on disposal of property	127,748	24,627
Endowment contributions	5,000,000	-
Endowment investment return	71,779	73,864
Television production contributions	54,342,939	62,817,696
Total revenues and gains	\$ 80,896,856	\$ 90,133,028

This Schedule I reconciles the GAAP-basis revenue reported in WETA's audited consolidated financial statements to the total revenue reported to the Corporation for Public Broadcasting (CPB) in the Annual Financial Report (AFR). The AFR is prepared according to CPB's rules, which do not differentiate among Unrestricted Revenue, Temporarily Restricted Revenue, and Permanently Restricted Revenue in the manner required by GAAP accounting.

The Greater Washington Educational Telecommunications Association, Inc.

Schedule II - Supplemental Schedule of Functional Expenses

<i>Year ended June 30, 2008</i>	National Programming and Productions	Television Broadcast Operations	Radio Broadcast Operations	Promotion, Education, and Outreach	Total Program Services	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total Supporting Services	Total Expenses 2008
Compensation of officers and directors	\$ 324,311	\$ 30,232	\$ 18,323	\$ 53,136	\$ 426,002	\$ 21,987	\$ 25,652	\$ 729,909	\$ 777,548	\$ 1,203,550
Other salaries and wages	6,164,830	2,097,943	1,373,370	2,815,586	12,451,729	1,313,874	2,213,582	1,000,125	4,527,581	16,979,310
Pension plan contributions	319,693	137,011	83,037	240,808	780,549	99,645	116,252	153,619	369,516	1,150,065
Other employee benefits	836,681	215,968	166,418	198,828	1,417,895	118,011	159,887	14,073	291,971	1,709,866
Payroll taxes	336,469	144,201	87,395	253,444	821,509	104,873	122,352	161,680	388,905	1,210,414
Professional fundraising fees	-	-	-	-	-	1,075,758	-	-	1,075,758	1,075,758
Accounting fees	44,177	18,933	11,475	33,276	107,861	13,769	16,064	21,228	51,061	158,922
Legal fees	-	1,208	-	-	1,208	-	-	165,055	165,055	166,263
Supplies	94,492	40,665	18,504	122,288	275,949	20,999	41,844	38,380	101,223	377,172
Telephone, rent, and utilities	626,011	922,429	177,730	113,181	1,839,351	188,906	52,542	72,659	314,107	2,153,458
Postage and shipping	101,216	14,584	3,042	195,213	314,055	819,747	18,577	5,129	843,453	1,157,508
Occupancy	605,212	242,172	159,807	400,515	1,407,706	189,510	192,291	(649,873)	(268,072)	1,139,634
Equipment rental and maintenance	171,842	182,669	59,118	40,421	454,050	41,905	20,758	25,214	87,877	541,927
Printing and publications	211,282	8,983	3,312	311,863	535,440	463,127	34,536	1,359	499,022	1,034,462
Travel	419,153	20,575	12,916	86,802	539,446	36,658	102,678	13,169	152,505	691,951
Conferences, conventions, and meetings	230,713	24,775	10,723	71,253	337,464	22,043	56,772	11,600	90,415	427,879
Production and acquisition costs	29,000,913	1,584,577	24,239	354,218	30,963,947	240,556	7,378	37,092	285,026	31,248,973
PBS and NPR dues	-	3,414,548	-	-	3,414,548	-	-	-	-	3,414,548
Advertising and promotions	169,111	(1,286)	168,128	546,837	882,790	(8,225)	35,313	236	27,324	910,114
Memberships and affiliations	10,000	5,865	123,292	9,052	148,209	19,904	6,727	105,590	132,221	280,430
All other expenses	2,965,852	335,286	158,834	1,389,096	4,849,068	2,218,476	1,444,055	138,228	3,800,759	8,649,827
Total operating expenses	42,631,958	9,441,338	2,659,663	7,235,817	61,968,776	7,001,523	4,667,260	2,044,472	13,713,255	75,682,031
Tax expense	-	208,229	65,758	-	273,987	-	-	-	-	273,987
Interest expense	-	494,716	156,226	-	650,942	-	-	-	-	650,942
Depreciation and amortization	1,662,650	632,838	359,108	117,245	2,771,841	46,224	50,040	66,124	162,388	2,934,229
Grand totals	\$ 44,294,608	\$ 10,777,121	\$ 3,240,755	\$ 7,353,062	\$ 65,665,546	\$ 7,047,747	\$ 4,717,300	\$ 2,110,596	\$ 13,875,643	\$ 79,541,189

The Greater Washington Educational Telecommunications Association, Inc.

Schedule II - Supplemental Schedule of Functional Expenses

<i>Year ended June 30, 2007</i>	National Programming and Productions	Television Broadcast Operations	Radio Broadcast Operations	Promotion, Education, and Outreach	Total Program Services	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total Supporting Services	Total Expenses 2007
Compensation of officers and directors	\$ 302,249	\$ 30,097	\$ 23,490	\$ 39,260	\$ 395,096	\$ 21,315	\$ 28,384	\$ 655,216	\$ 704,915	\$ 1,100,011
Other salaries and wages	6,018,686	2,141,710	1,861,428	2,296,835	12,318,659	1,298,450	2,164,164	903,176	4,365,790	16,684,449
Pension plan contributions	331,359	140,005	109,273	182,627	763,264	99,155	132,038	163,656	394,849	1,158,113
Other employee benefits	843,662	213,548	160,910	195,433	1,413,553	117,274	124,950	9,840	252,064	1,665,617
Payroll taxes	348,855	147,398	115,042	192,269	803,564	104,390	139,009	172,297	415,696	1,219,260
Professional fundraising fees	-	-	-	-	-	1,117,725	-	-	1,117,725	1,117,725
Accounting fees	30,533	12,901	10,069	16,828	70,331	9,137	12,167	15,080	36,384	106,715
Legal fees	-	-	210	-	210	-	-	111,583	111,583	111,793
Supplies	88,259	48,987	28,502	80,091	245,839	29,832	37,481	35,882	103,195	349,034
Telephone, rent, and utilities	584,946	857,856	173,392	74,578	1,690,772	139,613	47,392	66,188	253,193	1,943,965
Postage and shipping	69,522	15,890	3,317	180,975	269,704	812,029	28,251	4,909	845,189	1,114,893
Occupancy	611,781	228,434	198,996	287,906	1,327,117	175,202	206,303	(575,826)	(194,321)	1,132,796
Equipment rental and maintenance	189,478	188,509	66,611	32,706	477,304	32,488	20,325	24,144	76,957	554,261
Printing and publications	37,040	9,072	18,257	306,256	370,625	429,173	39,932	1,396	470,501	841,126
Travel	371,745	23,492	9,062	115,575	519,874	18,259	22,248	13,111	53,618	573,492
Conferences, conventions, and meetings	262,996	27,589	15,696	140,108	446,389	23,003	53,017	24,307	100,327	546,716
Production and acquisition costs	22,683,115	1,668,650	132,641	637,370	25,121,776	152,407	6,278	5,261	163,946	25,285,722
PBS and NPR dues	-	3,294,645	813,196	-	4,107,841	-	-	-	-	4,107,841
Advertising and promotions	223,028	17,944	362,740	1,221,220	1,824,932	971,049	181,901	(43)	1,152,907	2,977,839
Memberships and affiliations	2,644	1,929	110,553	2,045	117,171	8,106	4,618	104,025	116,749	233,920
All other expenses	2,850,334	351,855	208,108	980,820	4,391,117	1,731,662	1,483,248	119,851	3,334,761	7,725,878
Total operating expenses	35,850,232	9,420,511	4,421,493	6,982,902	56,675,138	7,290,269	4,731,706	1,854,053	13,876,028	70,551,166
Tax expense	-	95,138	30,044	-	125,182	-	-	-	-	125,182
Interest expense	-	380,021	120,006	-	500,027	-	-	-	-	500,027
Depreciation and amortization	1,146,536	697,552	357,968	105,792	2,307,848	53,691	67,059	83,117	203,867	2,511,715
Grand totals	\$ 36,996,768	\$ 10,593,222	\$ 4,929,511	\$ 7,088,694	\$ 59,608,195	\$ 7,343,960	\$ 4,798,765	\$ 1,937,170	\$ 14,079,895	\$ 73,688,090