



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

**Consolidated Financial Statements and
Supplemental Schedules**
Years Ended June 30, 2010 and 2009

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

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Supplemental Schedules
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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 - 32
Supplemental Information	
Schedule I - Supplemental Schedules of Revenues and Gains	33
Schedule II - Supplemental Schedules of Functional Expenses	34 - 35



Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of **The Greater Washington Educational Telecommunications Association, Inc.** as of June 30, 2010 and 2009, and the related consolidated statements of activities, changes in net assets, 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 consolidated financial position of **The Greater Washington Educational Telecommunications Association, Inc.** as of June 30, 2010 and 2009, 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 basic consolidated financial statements of **The Greater Washington Educational Telecommunications Association, Inc.**, taken as a whole. The accompanying supplemental schedules of revenues and gains and supplemental schedules of functional expenses for the years ended June 30, 2010 and 2009 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 USA, LLP

November 9, 2010

Consolidated Financial Statements

The Greater Washington Educational Telecommunications Association, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 5,820,554	\$ 4,777,539
Restricted cash	350,452	350,180
Accounts and contributions receivable, net (Note 2)	41,047,231	59,428,503
Investments (Note 3)	30,488,453	26,916,380
Prepaid expenses and other assets	4,409,583	3,008,580
Film assets	16,886,956	16,579,300
Property and equipment, net (Note 4)	19,777,574	21,230,939
Total assets	\$ 118,780,803	\$ 132,291,421
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 6,512,737	\$ 5,539,394
Deferred revenue	626,774	646,483
Line of credit (Note 5)	1,960,000	2,560,000
Interest rate swap (Note 6 and 7)	885,231	866,553
Bonds payable (Note 6)	9,035,846	9,468,333
Total liabilities	19,020,588	19,080,763
Commitments and Contingencies		
Net Assets		
Unrestricted net assets	20,763,737	17,211,332
Temporarily restricted net assets (Note 11)	69,341,057	86,343,905
Permanently restricted net assets (Note 12)	9,655,421	9,655,421
Total net assets	99,760,215	113,210,658
Total liabilities and net assets	\$ 118,780,803	\$ 132,291,421

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>	2010	2009
Changes in unrestricted net assets		
Revenues and other support, including amounts released from restrictions (Note 11)		
Production funding from Public Broadcasting System	\$ 20,595,610	\$ 20,382,813
Corporate underwriting and funding	19,382,463	13,050,156
Membership and individuals	16,365,304	14,888,316
Foundations and not-for-profit organizations	17,945,372	8,985,590
Federal, state and local government grants	3,878,553	3,787,322
Community service grants from the Corporation for Public Broadcasting	5,337,357	4,298,919
Rental income and other	1,453,433	1,666,183
Total unrestricted revenues and other support	84,958,092	67,059,299
Operating expenses		
National programming and productions	49,248,555	33,765,032
Television broadcast operations	8,740,982	9,179,640
Radio broadcast operations	2,428,100	2,437,144
Promotion, education, and outreach	5,543,008	6,868,416
Fundraising and membership development	7,212,013	7,180,408
Underwriting and grant solicitation	3,677,259	3,143,277
Management and general	1,826,184	1,601,644
Total operating expenses	78,676,101	64,175,561
Net operating activities	6,281,991	2,883,738
Nonoperating activities		
Net investment return	1,322,784	(2,852,288)
Loss on disposal of property	(154,271)	(8,176)
Depreciation and amortization	(3,072,952)	(3,338,118)
Interest expense	(399,793)	(522,757)
Income and property tax expense	(406,676)	(379,360)
Change in market value of interest rate swap agreement	(18,678)	(197,101)
Total net nonoperating activities	(2,729,586)	(7,297,800)
Total change in unrestricted net assets	3,552,405	(4,414,062)
Changes in temporarily restricted net assets		
Television production and other restricted contributions	45,479,953	67,592,356
Permanently restricted net assets released from restrictions	-	50,000
Endowment investment return	921,177	(2,318,119)
Net assets released from restrictions	(63,403,978)	(46,496,390)
Total change in temporarily restricted net assets	(17,002,848)	18,827,847
Changes in permanently restricted net assets		
Releases from restrictions	-	(50,000)
Total change in permanently restricted net assets	-	(50,000)
Change in total net assets	(13,450,443)	14,363,785
Net assets at beginning of year	113,210,658	98,846,873
Net assets at end of year	\$ 99,760,215	\$ 113,210,658

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, 2008	\$ 21,625,394	\$ 67,516,058	\$ 9,705,421	\$ 98,846,873
Change in net assets	(4,414,062)	18,827,847	(50,000)	14,363,785
Net assets, June 30, 2009	17,211,332	86,343,905	9,655,421	113,210,658
Change in net assets	3,552,405	(17,002,848)	-	(13,450,443)
Net assets, June 30, 2010	\$ 20,763,737	\$ 69,341,057	\$ 9,655,421	\$ 99,760,215

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,	2010	2009
Cash flows from operating activities		
Change in net assets	\$ (13,450,443)	\$ 14,363,785
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,072,952	3,338,118
Change in market value of interest rate swap agreement	18,678	197,101
Unrealized and realized (gain) loss on investments	(1,951,708)	5,681,525
Change in unamortized discount on contributions receivable	(1,103,840)	1,348,031
Write-off of uncollectible accounts and contributions receivable	50,889	17,340
Change in provision for uncollectible accounts and contributions receivable	(1,834)	37,829
Loss on disposal of property	154,271	8,176
Changes in operating accounts		
Restricted cash	(272)	(1,247)
Accounts and contributions receivable	19,436,057	(12,962,996)
Prepaid expenses and other assets	(1,401,003)	1,886,923
Film assets	(307,656)	(8,214,953)
Accounts payable and accrued expenses	973,343	(469,600)
Deferred revenue	(19,709)	(30,655)
Net cash provided by operating activities	5,469,725	5,199,377
Cash flows from investing activities		
Additions to investment portfolio	(2,000,000)	(2,900,000)
Withdrawals from investment portfolio	(426,885)	1,381,621
Purchases of investments	806,520	(450,258)
Purchases of property and equipment	(1,773,858)	(781,966)
Net cash used in investing activities	(3,394,223)	(2,750,603)
Cash flows from financing activities		
Proceeds from line of credit	1,960,000	2,560,000
Payments on line of credit	(2,560,000)	(3,508,285)
Payments on bonds payable	(432,487)	(430,000)
Net cash used in financing activities	(1,032,487)	(1,378,285)
Net increase in cash and cash equivalents	1,043,015	1,070,489
Cash and cash equivalents, beginning of year	4,777,539	3,707,050
Cash and cash equivalents, end of year	\$ 5,820,554	\$ 4,777,539
Supplemental cash flow information		
Income taxes paid	\$ 106,385	\$ 65,548
Interest paid	\$ 397,401	\$ 539,476

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.

Principles of Consolidation

WETA presents consolidated financial statements that include the accounts of WETA and its wholly owned subsidiary WETACOM, Inc., which has been inactive since 2002. 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 except for the cash accounts held as part of investments. Cash that is held in escrow or whose use is otherwise restricted is reported separately as restricted cash.

Investments

The fair value of marketable investments in equity and debt securities (which includes both domestic and foreign issues) are based on the published current market value at June 30, 2010 and 2009. 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.

Certain hedge fund and real estate limited partnerships (limited partnerships) have no readily determined market value and are valued at fair value as estimated by the general partners. Because of the inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with concentrations of investments in one geographic region and in certain industries. The hedge funds and limited partnership's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the limited partnership may own a relatively large portion of the issuers' equity securities.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

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.

Film Assets

WETA capitalizes the production cost of television programs. The costs are recognized as expense when the program segment is first aired, as subsequent airing is not assured.

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.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

Permanently Restricted Net Assets: Net assets that must be maintained permanently by WETA in accordance with donor-imposed restrictions.

Endowment

WETA's endowment consists of individual funds established for a variety of purposes that are subject to varying levels of donor-imposed restrictions.

WETA classifies amounts designated by the donor to be preserved in perpetuity as permanently restricted. Donor restricted funds that are not designated by the donor to be preserved in perpetuity are classified as temporarily restricted. Earnings from all donor-restricted funds are classified as temporarily restricted until such time as they are appropriated for use. Both the principal and earnings of Board-designated funds are classified as unrestricted. Investment income and investment gains and losses are attributed to individual endowment funds in proportion to their pro rata share of the investment balance at the beginning of the fiscal year.

When WETA'S Board of Trustees, or in certain circumstances, WETA's Finance and Budget Committee, has approved a disbursement from a donor restricted fund, the approved amount is reclassified to unrestricted.

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.

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, fundraising, 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 \$863,084 and \$477,687 for the years ended June 30, 2010 and 2009, respectively.

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

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 \$985,033 and \$491,360 for the years ended June 30, 2010 and 2009, 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. is a taxable subsidiary that presently owes no federal taxes.

Reclassifications

Certain reclassifications in the 2009 consolidated financial statements have been made to conform to the current-year presentation.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) became the source of authoritative generally accepted accounting principles (GAAP) for nongovernmental entities effective on a prospective basis for financial statements issued for

The Greater Washington Educational Telecommunications Association, Inc.

Summary of Accounting Policies

interim and annual periods ending after September 15, 2009. The Codification does not change current GAAP, but organizes pre-existing guidance by topic. Updates to the ASC will be made using Accounting Standards Updates (ASU). WETA adopted the Codification as of June 30, 2010. As such, references to GAAP guidance will now refer to Accounting Standards Updates (or to the ASC itself).

In 2009, FASB Staff Position FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP)*, was issued and later codified into ASC 820, *Fair Value Measurements*. FSP 157-4, which expanded disclosures and required that major categories for debt and equity securities in the fair value hierarchy table be determined on the basis of the nature and risks of the investments. This guidance was adopted by WETA for the year ended June 30, 2010.

In September 2009, the FASB issued ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820) - Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 permits the use of net asset value per share, without further adjustment, to estimate the fair value of investments in investment companies that do not have readily determinable fair values. This guidance also required additional disclosure for investments within the scope of the ASU. This guidance is effective for periods ending after December 15, 2009. Council adopted the provisions of this ASU effective July 1, 2009. The adoption did not have a material impact on WETA's financial statements.

The FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures About Fair Value Measurements (ASU 2010-06)* in January 2010. It requires improved disclosures about fair value measurements, including reporting of significant transfers between Level 1, Level 2 and Level 3 assets and presenting purchases, sales, issuances and settlements on a gross basis (instead of as one net amount) in the reconciliation of activity in Level 3 assets. These requirements are effective for interim and annual reporting period beginning after December 15, 2009, except for the disclosure of Level 3 purchases, sales, issuances and settlements on a gross basis, which is effective for interim and annual reporting periods beginning after December 15, 2010. The application of this guidance will only affect disclosures in future financial statements.

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 are comprised of the following amounts at:

<i>June 30,</i>	2010	2009
Unbilled accounts receivable - grants and contributions	\$ 37,289,673	\$ 58,712,720
Accounts receivable - grants and contributions	5,359,144	3,441,153
Pledges receivable	680,786	668,139
Other	270,437	312,195
Discount of long-term receivables	(2,415,841)	(3,519,681)
Allowance for doubtful accounts	(136,968)	(186,023)
Accounts and contributions receivable, net	\$ 41,047,231	\$ 59,428,503

Contributions that are expected to be received more than one year into the future are discounted using average risk free rates of 3.48% and 3.59% for the years ended June 30, 2010 and 2009, respectively. 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, 2010 and 2009, WETA wrote off \$50,889 and \$17,340 of receivables, respectively. Accounts and contributions receivable are expected to be collected over the following periods:

<i>June 30,</i>	2010	2009
Due in less than one year	\$ 23,213,105	\$ 34,036,053
Due after one year and before five years	12,891,225	18,172,444
Due after five years	7,495,710	10,925,710
Discount of long-term receivables	(2,415,841)	(3,519,681)
Allowance for doubtful accounts	(136,968)	(186,023)
Accounts and contributions receivable, net	\$ 41,047,231	\$ 59,428,503

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

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

Notes to Consolidated Financial Statements

3. Investments

Investments, at fair value consist of the following at:

<i>June 30,</i>	2010	2009
Money market fund	\$ 4,029,854	\$ 8,198,957
Common stocks, equity investments, and equity mutual funds	15,501,135	9,578,445
Bonds and fixed income mutual funds	9,683,072	4,550,849
Real estate limited partnerships	761,231	857,911
Hedge funds	366,488	3,586,164
Certificates of deposit	146,673	144,054
Total investments	\$ 30,488,453	\$ 26,916,380

Unrestricted investment return consists of the following:

<i>Years ended June 30,</i>	2010	2009
Interest and dividends	\$ 179,991	\$ 290,123
Unrealized gain (loss)	1,136,471	(1,057,440)
Realized loss	(339,392)	(1,601,318)
Funds with recovery (deficiency)	406,218	(432,716)
Investment management fees	(60,504)	(50,937)
Unrestricted investment return, net	\$ 1,322,784	\$ (2,852,288)

Donor-restricted endowment investment return consists of the following:

<i>Years ended June 30,</i>	2010	2009
Interest and dividends	\$ 172,766	\$ 271,932
Unrealized gain (loss)	1,480,797	(1,521,849)
Realized loss	(326,168)	(1,500,918)
Funds with (recovery) deficiency	(406,218)	432,716
Donor restricted endowment investment return	\$ 921,177	\$ (2,318,119)

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>	2010	2009
Land	\$ 2,222,725	\$ 2,227,039
Building and improvements	18,117,521	18,005,108
Production and other equipment	27,333,458	32,151,468
Fixed assets purchased, but not yet placed in service	(10,322)	15,633
	47,663,382	52,399,248
Less: accumulated depreciation and amortization	(27,885,808)	(31,168,309)
Property and equipment, net	\$ 19,777,574	\$ 21,230,939

In 2010, WETA retired \$6,355,453 of fixed assets no longer in service, resulting in a net loss of \$154,271. In 2009, WETA retired \$1,327,458 of fixed assets no longer in service, resulting in a net loss of \$8,176. Depreciation and amortization expense was \$3,072,952 and \$3,338,118 for the years ended June 30, 2010 and 2009, 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 finance the conversion of PBS NewsHour from standard-definition to high-definition. WETA made draw downs on the line of credit totaling \$1,960,000 and principal payments totaling \$2,560,000 for the year ended June 30, 2010. WETA made draw downs on the line of credit totaling \$2,560,000 and principal payments totaling \$3,508,285 for the year ended June 30, 2009. The outstanding balance was \$1,960,000 and \$2,560,000 for the years ended June 30, 2010 and June 30, 2009, respectively. The line of credit is secured by WETA's investment portfolio.

Interest is charged on the unpaid balance at a fixed rate equal to the Adjusted Libor Rate applicable at the time of the draw plus 0.65%. The average rate of interest charged was 2.27% and 3.76% in fiscal years 2010 and 2009, respectively. Interest expense on the line of credit was \$66,265 and \$126,684 for the years ended June 30, 2010 and 2009 respectively.

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

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

are deemed to be public debt in accordance with FASB ASC 470, *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 .25% and 1.35% for the years ended June 30, 2010 and 2009, 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 at the end of June, 2011. Interest expense on the bonds totaled \$22,988 and \$128,279 for the years ended June 30, 2010 and 2009, respectively.

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

<i>Years ending June 30:</i>	
2011	\$ 470,000
2012	490,000
2013	515,000
2014	540,000
2015	565,000
Thereafter	6,455,846
Total	\$ 9,035,846

The bonds have a restrictive debt covenant 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 \$6,000,000 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, 2010 and 2009.

WETA manages the interest rate on the outstanding bonds 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 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, 2010 and 2009. WETA incurred additional interest expense of \$310,540 and \$267,794 for the years ended June 30, 2010 and 2009, 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.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

WETA recorded changes in the market value of its interest rate swap of \$(18,678) and \$(197,101) for the years ended June 30, 2010 and 2009, respectively. The fair value of the interest rate swap was \$(885,231) and \$(866,553), as of June 30, 2010 and 2009, respectively.

7. Fair Value Measurement

WETA adopted FASB ASC 820 in 2009. FASB ASC 820 (formerly known as SFAS 157), 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). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement

Level 1: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects WETA's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

WETA's investments in marketable securities (common stocks, certificates of deposits, equity investments, equity mutual funds and fixed income) are reported at fair value, based on quoted market prices. The fair value of WETA's investments in marketable securities is determined to be Level 1 as they are traded in active markets.

The fair values of WETA's investments in real estate limited partnerships and hedge funds, in the absence of readily ascertainable markets are based on management's valuation of estimates and assumptions provided by information and representations from the general partnerships. WETA's investments in limited partnerships are classified as level 3 in

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

accordance with FASB ASC 820, as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the investments.

The interest rate swap is classified as a level 3 liability in accordance with ASC 820, as its valuation requires substantial judgment and estimation of factors that are not currently observable in the market.

The following tables set forth by level within the fair value hierarchy WETA's investment assets and liabilities at fair value as of June 30, 2009 and 2010, respectively. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis consist of the following amounts as of June 30, 2010:

	Investments at Fair Value			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Balance as of June 30, 2010
Asset Category:				
Money Market Fund:				
Cash and Cash Equivalent	\$ 1,072,227	\$ -	\$ -	\$ 1,072,227
Annenberg Program Trust Account	2,957,627	-	-	2,957,627
Certificates of deposits:				
City First Bank of DC	146,673	-	-	146,673
Equity investments:				
457(b) Deferred Comp Plan	565,672	-	-	565,672
Accrued Income	22,160	-	-	22,160
Artio International Equity (Julius Baer)	683,568	-	-	683,568
Dodge & Cox International Stock	662,386	-	-	662,386
Eaton Vance Mut FDS Tr	500,241	-	-	500,241
Eaton Vance SPL INVT TR	620,257	-	-	620,257
Hartford Mid Cap Fd 1	445,000	-	-	445,000
Highbridge Dynamic Commodities	249,462	-	-	249,462
Highbridge Statistically Enhanced	537,537	-	-	537,537
iShares Russell 2000 Index	554,374	-	-	554,374
iShares Russell Midcap Index	1,126,744	-	-	1,126,744
JPM Asia Equity	848,828	-	-	848,828
JPM Large Cap Core Plus	1,019,130	-	-	1,019,130
JPM Tr 1	470,286	-	-	470,286
Knightsbridge	843,598	-	-	843,598
Manning & Napier Fund, Inc.	755,643	-	-	755,643
Manning and Napier World Opportunities	602,451	-	-	602,451
Matthews-Pacific Tiger	1,000,833	-	-	1,000,833
PTMMG	11,007	-	-	11,007
SPDR Gold Trust	129,954	-	-	129,954

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

Notes to Consolidated Financial Statements

	Quoted prices in active markets for identical assets (level 1)	Investments at Fair Value		Balance as of June 30, 2010
		Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	
SPDR S&P 500 ETF Trust	1,020,536	-	-	1,020,536
Structured Investments	1,975,775	-	-	1,975,775
Thornberg	543,480	-	-	543,480
Wachovia Charitable Gift Annuity Program	312,213	-	-	312,213
Fixed Income:				
Dreyfus/Laurel FDS Tr	235,563	-	-	235,563
JP Morgan Blackrock	522,943	-	-	522,943
JP Morgan High Yield Bond	994,469	-	-	994,469
JP Morgan Leveraged Loans	599,136	-	-	599,136
JP Morgan Short Duration Bond Fund	5,938,293	-	-	5,938,292
JP Morgan Strategic Income	1,392,669	-	-	1,392,669
Real Estate Limited Partnerships:				
Guggenheim Plus II	-	-	530,211	530,211
Guggenheim Plus REIT	-	-	515	515
JP Morgan Alternative Property Fund	-	-	230,505	230,505
Hedge Funds:				
Avenue International, LTD	-	-	93,572	93,572
Chilton Diversified Offshore Fund, LTD	-	-	20,907	20,907
Coatue Offshore Fund, LTD	-	-	14,305	14,305
Opportunity Fund SPC Offshore	-	-	237,703	237,704
Total investments at fair value	\$ 29,360,734	\$ -	\$ 1,127,719	\$ 30,488,453
Interest rate swap liability	\$ -	\$ -	\$ (885,231)	\$ (885,231)

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Financial assets and liabilities measured at fair value on a recurring basis consist of the following amounts as of June 30, 2009:

	Quoted prices in active markets for identical assets (level 1)	Investments at Fair Value Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Balance as of June 30, 2009
Asset Category:				
Money market fund:				
Cash and cash equivalent	\$ 5,679,489	\$ -	\$ -	\$ 5,679,489
Annenberg Program Trust Account	2,519,468	-	-	2,519,468
Certificates of deposits:				
City First Bank of DC	144,054	-	-	144,054
Equity investments:				
457(b) Deferred Comp Plan	437,781	-	-	437,781
Accrued Income	15,665	-	-	15,665
Artio International Equity (Julius Baer)	232,694	-	-	232,694
Dodge & Cox International Stock	738,956	-	-	738,956
Eaton Vance SPL INVT TR	562,323	-	-	562,323
Highbridge Statistically Enhanced	452,010	-	-	452,010
iShares Russell Midcap Index	360,305	-	-	360,305
JPM Asia Equity	678,810	-	-	678,810
JPM Growth Advantage SL	408,316	-	-	408,316
JPM Large Cap Core Plus	890,073	-	-	890,073
Manning & Napier Fund, Inc.	681,302	-	-	681,302
Matthews-Pacific Tiger	725,765	-	-	725,765
PTMMG	11,007	-	-	11,007
Structured Investments	2,597,342	-	-	2,597,342
Thornberg	456,511	-	-	456,511
Wachovia Charitable Gift Annuity Program	329,585	-	-	329,585
Fixed Income:				
JP Morgan Short Duration Bond Fund	4,037,629	-	-	4,037,629
JP Morgan Strategic Income	513,220	-	-	513,220
Real Estate Partnership:				
Guggenheim Plus II	-	-	547,057	547,057
Guggenheim Plus REIT	-	-	515	515
JP Morgan Alternative Property Fund	-	-	310,339	310,339
Hedge Funds:				
Avenue International	-	-	645,720	645,720
Chilton Diversified Offshore Fund, LTD	-	-	399,930	399,930
Coatue Offshore Fund, LTD	-	-	461,021	461,021
JP Morgan Leveraged Loans, LTD	-	-	527,431	527,431
Opportunity Fund SPC Offshore	-	-	882,045	882,045
PSAM Worldwide Fund	-	-	670,017	670,017
Total investments at fair value	\$ 22,472,305	\$ -	\$ 4,444,075	\$ 26,916,380
Interest rate swap liability	\$ -	\$ -	\$ (866,553)	\$ (866,553)

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

The table below sets forth a summary of changes in fair value of WETA's level 3 investments for the year ended June 30, 2010:

	Alternative Investments			Total of Level 3 Assets and Liabilities
	Real Estate Limited Partnerships	Hedge Funds	Interest Rate Swap Liability	
Balance at July 1, 2009	\$ 857,911	\$ 3,586,164	\$ (866,553)	\$ 3,577,522
Unrealized gain/loss	871,666	(559,218)	-	312,448
Sales/redemptions	(968,346)	(2,660,458)	-	(3,628,804)
Change in market value	-	-	(18,678)	(18,678)
Balance at June 30, 2010	\$ 761,231	\$ 366,488	\$ (885,231)	\$ 242,488

Unrealized gain and change in market value is recorded in the consolidated statements of activities as part of nonoperating activities.

The table below sets forth a summary of changes in fair value of WETA's level 3 investments for the year ended June 30, 2009:

	Alternative Investments			Total of Level 3 Assets and Liabilities
	Real Estate Limited Partnerships	Hedge Funds	Interest Rate Swap Liability	
Balance at July 1, 2008	\$ 1,084,083	\$ 4,845,700	\$ (669,452)	\$ 5,260,331
Unrealized loss	(610,566)	(793,254)	-	(1,403,820)
Purchases and sales/redemptions	384,394	(466,282)	-	(81,888)
Change in market value	-	-	(197,101)	(197,101)
Balance at June 30, 2009	\$ 857,911	\$ 3,586,164	\$ (866,553)	\$ 3,577,522

Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, WETA expanded its disclosures for those assets whose fair value is estimated using the net asset value per share or its equivalent for which the fair value is not readily determinable, as of June 30, 2010. The following table for June 30, 2010, sets forth a summary of WETA's investments with a reported NAV.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Guggenheim LLP (a)	\$ 530,726	\$ -	Quarterly	100 days
Opportunity Fund SPC Offshore (b)	237,706	-	N/A	N/A
JP Morgan Alternative Property Fund (c)	230,505	77,909	N/A	N/A
Avenue International, Ltd (d)	93,572	-	Quarterly	65 days
Chilton Diversified Offshore Fund, Ltd (e)	20,907	-	Quarterly	5 days
Coatue Offshore Fund, Ltd (f)	14,305	-	Quarterly	50 days
	\$ 1,127,719	\$ 77,909		

- (a) Guggenheim LLP invests in publicly-owned real estate securities and privately owned real estate investments. The fair market values of investments are estimated using the net asset value per share. The Fund has temporarily suspended redemptions.
- (b) This Fund is in the process of liquidating; the liquidation is not considered imminent. Opportunity Fund is a multi-manager, multi-strategy “funds-of-funds” formed to invest in limited funds and similar pooled investment vehicles and managed accounts managed by independent portfolio managers that employ diverse, alternative investment strategies across a variety of asset classes primarily in the U.S. The fair market values of investments are estimated using the net asset value per share.
- (c) This Fund is in the process of liquidating, a process that will take approximately three or four years. JP Morgan Alternative Property Fund invests in real estate and real estate-related assets. The fair market values of investments are estimated using the net asset value per share.
- (d) WETA redeemed its investment in this Fund in March 2010; a 10% holdback remains in the account. Avenue International, Ltd invests in public and private debt obligations or equity securities or other indebtedness of companies undergoing financial distress, a turnaround in business operations or companies which Fund management believes are undervalued because of a discrete extraordinary event. The fair market values of investments are estimated using the net asset value per share.
- (e) WETA redeemed its investment in this Fund in March 2010; a 5% holdback remains in the account. Chilton Diversified Offshore Fund, Ltd invests in publicly-traded equity securities of U.S. and non-U.S. growth companies with strong, experienced management teams and significant revenue and earnings potential. The fair market values of investments are estimated using the net asset value per share.
- (f) WETA redeemed its investment in this Fund in March 2010; a 3% holdback remains in the account. Coatue Offshore Fund, Ltd invests in securities sold short that are listed on a national securities exchange or reported on the NASDAQ. This Fund does not report the shares outstanding or net asset value per share. The Fund uses multiple valuation approaches; observable inputs are used whenever they are available.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

The estimated fair values of WETA's financial instruments that are not measured at fair value on a recurring basis as of the year ended June 30, 2010 and 2009 are as follows:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Accounts and contributions receivable, net	\$ 41,047,231	\$41,582,056	\$59,428,503	\$60,220,213
Bonds payable	\$ 9,035,846	\$ 9,156,333	\$ 9,468,333	\$ 9,503,317

Contributions receivable:

The fair value of contributions receivable is estimated using risk free interest rates applied to multi-year contributions receivable when notice of intent is given.

Bonds payable:

The carrying amount is the amount at which the financial instrument is recorded on the books of WETA. The fair value is estimated using the discounted cash flow analysis using market rates for similar types of bonds discounted to present value.

8. Retirement Plan

WETA provides retirement benefits for substantially all of its employees through a 403(b) defined contribution retirement plan. WETA's financial liability under this plan is limited to current contributions. Total employer contributions to the plan were \$1,290,029 and \$1,278,056 for the years ended June 30, 2010 and 2009, respectively.

9. 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 \$565,672 and \$437,781 for the years ended June 30, 2010 and 2009, respectively. These amounts are recorded in investments and accounts payable and accrued expenses in the consolidated statements of financial position.

10. Income Taxes

WETA has adopted the provisions of FASB ASC 740 (FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). Under ASC 740, 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 Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

the position will be sustained. 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 2007. However; WETA is still open to examination by taxing authorities from fiscal year 2007 forward. No interest or penalties were accrued as of July 1, 2008 as a result of the adoption of ASC 740. For the years ended June 30, 2010 and 2009, no interest or penalties were recorded or included in the consolidated statements of activities.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2010	2009
National production	\$ 57,347,520	\$ 71,487,210
Local broadcasting	9,243,448	12,901,809
Learning media projects	2,750,089	1,954,886
Temporarily restricted net assets	\$ 69,341,057	\$ 86,343,905

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

<i>June 30,</i>	2010	2009
Production funding from Public Broadcasting System	\$ 20,600,458	\$ 19,526,163
Corporate underwriting and funding	15,675,574	9,321,066
Foundations and not-for-profit organizations	17,479,233	8,542,544
Community service grants from Corporation for Public Broadcasting	4,987,742	5,140,177
Federal, state, and local government grants	3,937,611	3,652,904
Membership and individuals	723,360	313,536
Total net assets released from restrictions	\$ 63,403,978	\$ 46,496,390

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

12. Permanently Restricted Net Assets

<i>June 30,</i>	2010	2009
<i>Endowments</i>		
The Leonore Annenberg Endowment	\$ 5,000,000	\$ 4,000,000
Capital campaign fund - Program Trust	2,505,421	2,505,421
Eugene B. Casey Endowment	1,000,000	1,000,000
Fisher Endowment	950,000	950,000
Arts Program Fund	200,000	200,000
Subtotal	9,655,421	8,655,421
<i>Other Permanently Restricted Net Assets</i>		
The Leonore Annenberg Endowment	-	1,000,000
Total permanently restricted net assets	\$ 9,655,421	\$ 9,655,421

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, 2010. As of June 30, 2010 WETA had received \$5,000,000 of the \$5,000,000 endowment. \$1,000,000 of the endowment pledged were recorded in contributions receivable in the consolidated statements of financial position as of June 30, 2009, and therefore are not included in the endowment fund.

Capital Campaign Fund - Program Trust

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 year 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 this fund is applied to the development of radio and television programming for public broadcasting.

Eugene B. Casey Endowment

During fiscal year 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 Fisher 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.

Arts Endowment and Arts Program

During fiscal year 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, 2010 and 2009, 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. \$200,000 of the Art Program Fund remains permanently restricted since the funds were matching funds and have not been released from restriction by the donors.

13. Endowment

WETA's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. Effective with the fiscal year 2009 financial statements, WETA reports these funds in accordance with FASB ASC 958 (*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 (UPMIFA)*), and *Enhanced Disclosures for All Endowment Funds*.

The District of Columbia enacted UPMIFA with an effective date of February 2008. FASB ASC 958 requires WETA to report the results of implementation and the change due to the net asset reclassification in a separate line item in the statements of activities in the period of implementation.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Description of Endowment Funds

At June 30, 2010, WETA had nine endowment funds totaling \$26,450,998. Six of these funds have donor-imposed restrictions on the use of the funds, including five funds with amounts totaling \$9,655,421 that are permanently restricted - that is, intended to be preserved in perpetuity. In addition to the five permanently restricted endowment funds described in Note 12, WETA has one additional donor-restricted endowment fund and three Board-designated endowment funds.

Donor Restricted Fund

Arts Endowment Fund and Arts Program Fund: To establish an arts endowment fund for WETA. A significant portion of the funds were released from permanently restricted net assets in fiscal year 2008 in accordance with the donor's instructions. At June 30, 2010, \$200,000 of the Arts Program Fund remained donor restricted.

Board Designated Funds

WETA Endowment Fund: To provide a continued source of income for operations or to fund special projects, capital improvements or emergency needs.

Capital Building Fund: To be used for the purchase of capital assets without obligation (or donor expectation) to preserve any amount of capital.

Program Investment Fund: To provide a continuing source of investment capital for expenditure in the development of and participation in projects of interest to WETA.

The distribution of endowment net assets between donor restricted and board designated for the years ending June 30, 2010 and 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Leonore Annenberg Endowment	\$ (26,499)	\$ -	\$ 5,000,000	\$ 4,973,501
Eugene B. Casey Endowment	-	239,917	1,000,000	1,239,917
Fisher Endowment	-	26,614	950,000	976,614
Program Trust Fund	-	3,044,914	2,505,421	5,550,335
Arts Endowment Fund	-	1,407,614	-	1,407,614
Arts Program Fund	-	1,882,880	200,000	2,082,880
Donor restricted endowment funds	(26,499)	6,601,939	9,655,421	16,230,861
WETA Endowment Fund	2,055,922	-	-	2,055,922
Capital Building Fund	5,787,137	-	-	5,787,137
Program Investment Fund	2,377,078	-	-	2,377,078
Board designated funds	10,220,137	-	-	10,220,137
Total endowment net assets	\$ 10,193,638	\$ 6,601,939	\$ 9,655,421	\$ 26,450,998

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Leonore Annenberg Endowment	\$ (373,936)	\$ -	\$ 4,000,000	\$ 3,626,064
Eugene B. Casey Endowment	-	131,500	1,000,000	1,131,500
Fisher Endowment	(58,780)	-	950,000	891,220
Program Trust Fund	-	2,513,972	2,505,421	5,019,393
Arts Endowment Fund	-	1,284,534	-	1,284,534
Arts Program Fund	-	1,700,756	200,000	1,900,756
Donor restricted endowment funds	(432,716)	5,630,762	8,655,421	13,853,467
WETA Endowment Fund	1,876,155	-	-	1,876,155
Capital Building Fund	5,481,881	-	-	5,481,881
Program Investment Fund	2,169,229	-	-	2,169,229
Board designated funds	9,527,265	-	-	9,527,265
Total endowment net assets	\$ 9,094,549	\$ 5,630,762	\$ 8,655,421	\$ 23,380,732

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires WETA to retain as a fund of perpetual duration. Due to the significant declines in securities markets in fiscal year 2010 and fiscal year 2009, one fund had a deficiency of \$26,499 as of June 30, 2010 and two funds had deficiencies that totaled \$432,716 at June 30, 2009. The Leonore Annenberg Fund had a deficiency of \$26,499 and \$373,936 and the Fisher Endowment had a deficiency of \$0 and \$58,780 for the years ended June 30, 2010 and 2009, respectively. In 2010, the Fisher Endowment fund had investment earnings to cover the deficiency from 2009, bringing the 2010 deficiency balance to zero. In accordance with generally accepted accounting principles these deficiencies are reported as a reduction of unrestricted net assets. Other endowment funds, while also sustaining substantial investment losses, had accumulated income and gains from years prior to fiscal year 2009 that exceeded the losses.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Changes in Endowment Net Assets for the fiscal year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Endowment net assets, beginning of year	\$ 9,094,549	\$ 5,630,762	\$ 8,655,421	\$ 23,380,732
Investment income	118,813	172,766	-	291,579
Investment gains and losses, net	794,058	1,154,629	-	1,948,687
Contributions and additions	-	50,000	1,000,000	1,050,000
Distributions	(220,000)	-	-	(220,000)
Funds with recovery (deficiency)	406,218	(406,218)	-	-
Appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	\$ 10,193,638	\$ 6,601,939	\$ 9,655,421	\$ 26,450,998

Changes in Endowment Net Assets for the fiscal year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Endowment net assets, beginning of year	\$ 12,837,465	\$ 8,007,416	\$ 6,705,421	\$ 27,550,302
Investment income	237,271	271,932	-	509,203
Investment gains and losses, net	(2,637,471)	(3,022,767)	-	(5,660,238)
Contributions and additions	-	125,000	2,000,000	2,125,000
Distributions	(910,000)	(183,535)	(50,000)	(1,143,535)
Funds with (recovery) deficiency	(432,716)	432,716	-	-
Appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	\$ 9,094,549	\$ 5,630,762	\$ 8,655,421	\$ 23,380,732

Endowment Investing Policies

Endowment funds constitute substantially all of WETA's investments. Permanent endowments and other endowments are aggregated into a single pool to permit optimal asset allocation. WETA's primary investment objective is long-term growth to preserve and enhance the inflation-adjusted purchasing power of the total endowment.

WETA has a well-diversified investment portfolio that includes fixed income and equity mutual funds, hedge funds, real estate limited partnerships, cash and individual stocks. WETA's Investment Subcommittee monitors the portfolio and investment manager, and advises the Finance and Budget Committee of the Board of Trustees on investment matters in accordance with a written committee charter.

Endowment Spending Policies

Endowment gifts are spent in accordance with the wishes of the donor. WETA may not spend certain endowment earnings every year if projects that meet donor restrictions are not undertaken. If earnings are not used in a particular year, WETA reinvests them for appropriate

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

use in a future year. Allowable withdrawals that are not taken within a particular year may be withdrawn in subsequent years with the approval of WETA's Finance and Budget Committee.

Unless a donor establishes a fund with other or more specific rules about how distributions are to be determined, distributable amounts are calculated as follows:

Permanent endowments whose principal is to be preserved in perpetuity: WETA may annually withdraw up to 4% of the prior year's ending balance. This rate is reviewed periodically by WETA's Finance and Budget Committee to ensure that it continues to be an appropriate rate to preserve the principal value of the gift in perpetuity.

The Capital Building Fund: WETA may withdraw any amount authorized by the Finance and Budget Committee.

The Program Trust Fund: WETA may withdraw any amount authorized by the Finance and Budget Committee, except for the \$2,505,421 that is permanently restricted.

For all other funds where principal preservation is not required: WETA may annually withdraw up to 5% of the average ending balances of the prior three years.

The decision whether to include withdrawal of money for a particular year's annual budget is made by the Finance and Budget Committee and approved by the Board of Trustees. Subject to all donor-imposed restrictions, WETA's Finance and Budget Committee may approve an extraordinary withdrawal to support essential operations in a significant or protracted economic downturn; cover critical capital expenditures lacking other sources of funding; provide cash flow for a strategic business initiative, or meet other organizational needs.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

14. Functional Expenses

The following is a detail of expenses by function as required by FASB ASC 958-205, *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>	2010	2009
National programming and productions	\$ 51,247,955	\$ 35,898,594
Television broadcast operations	9,938,228	10,518,888
Radio broadcast operations	2,868,543	2,949,977
Promotion, education and outreach	5,627,612	6,974,220
Total program services	69,682,338	56,341,679
Fundraising and membership development	7,262,776	7,232,226
Underwriting and grant solicitation	3,720,045	3,181,661
Management and general	1,890,363	1,660,230
Total supporting services	12,873,184	12,074,117
Total expenses	\$ 82,555,522	\$ 68,415,796

15. Description of Program and Supporting Services

The following program and supporting services are included in the functional expense note above.

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.

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.

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, as well as major giving.

The Greater Washington Educational Telecommunications Association, Inc.

Notes to Consolidated Financial Statements

Underwriting and grant solicitation: This supporting service category includes foundation and government development, and local and national corporate program and production underwriting.

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.

16. Commitments

WETA uses warehouse space, television towers, 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.

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
2011	\$ 480,336	\$ 472,006
2012	422,258	343,150
2013	308,881	289,938
2014	322,590	272,082
2015	336,910	280,613
Thereafter	1,844,517	1,796,813
	<u>\$ 3,715,492</u>	<u>\$ 3,454,602</u>

Total lease expense was \$542,854 and \$540,203 for the years ended June 30, 2010 and 2009, respectively. Total lease income was \$605,295 and \$598,176 for years ended June 30, 2010 and 2009, respectively.

17. Subsequent Events

WETA evaluated subsequent events through November 9, 2010 which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these consolidated financial statements.

Supplemental Information

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

Schedule I - Supplemental Schedules of Revenues and Gains

<i>Years ended June 30,</i>	2010	2009
Consolidated schedule of revenues and gains		
Federal government	\$ 4,695,151	\$ 2,309,289
Corporation for Public Broadcasting - CSGs	5,388,613	4,475,115
Corporation for Public Broadcasting - Other	4,024,961	20,794,164
Public Broadcasting Service	4,691,147	24,216,207
Other public broadcasting stations	103,500	172,711
Local government sources	(725)	338,543
State government sources	99,288	-
Foundations and nonprofit organizations	8,779,432	10,262,060
Business and industry	21,443,015	9,725,593
Membership and individuals	16,292,156	14,809,880
Investment return	1,322,784	(2,852,288)
(Loss) on disposal of property	(154,271)	(8,176)
In-kind contributions	863,084	477,687
Endowment investment return	921,177	(2,318,119)
Rental income	654,445	624,016
Total revenues and gains	\$ 69,123,757	\$ 83,026,682
Reported in the consolidated statements of activities as:		
Total unrestricted revenues and other support	\$ 84,958,092	\$ 67,059,299
Net assets released from restrictions	(63,403,978)	(46,496,390)
Investment return	1,322,784	(2,852,288)
Loss on disposal of property	(154,271)	(8,176)
Net assets released from permanent restrictions	-	50,000
Endowment investment return	921,177	(2,318,119)
Television production and other restricted contributions	45,479,953	67,592,356
Total revenues and gains	\$ 69,123,757	\$ 83,026,682

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, 2010</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 2010
Compensation of officers and directors	\$ 312,727	\$ 25,962	\$ 18,882	\$ 35,403	\$ 392,974	\$ 23,602	\$ 21,242	\$ 672,780	\$ 717,624	\$ 1,110,598
Other salaries and wages	5,840,648	1,848,835	1,310,321	2,617,494	11,617,298	1,717,696	1,398,038	1,097,651	4,213,385	15,830,683
Pension plan contributions	427,849	142,616	103,721	194,477	868,663	129,651	116,686	175,029	421,366	1,290,029
Other employee benefits	840,378	188,557	147,082	301,181	1,477,198	192,505	47,005	8,023	247,533	1,724,731
Payroll taxes	379,028	126,343	91,886	172,286	769,543	114,857	103,371	155,057	373,285	1,142,828
Professional fundraising fees	-	-	-	-	-	920,444	-	-	920,444	920,444
Accounting fees	43,288	14,429	10,494	19,677	87,888	13,118	11,806	17,709	42,633	130,521
Legal fees	1,691	564	588	769	3,612	513	1,422	57,101	59,036	62,648
Supplies	65,967	17,513	13,781	55,830	153,091	41,163	18,879	26,194	86,236	239,327
Telephone, rent, and utilities	711,206	713,032	147,922	77,923	1,650,083	175,076	44,380	70,361	289,817	1,939,900
Postage and shipping	42,452	4,006	1,615	156,775	204,848	746,762	4,844	4,060	755,666	960,514
Occupancy	677,305	254,613	196,308	326,586	1,454,812	250,812	195,937	(705,540)	(258,791)	1,196,021
Equipment rental and maintenance	232,299	220,325	69,099	28,609	550,332	39,013	19,431	24,398	82,842	633,174
Printing and publications	70,834	637	463	263,603	335,537	355,613	1,496	1,142	358,251	693,788
Travel	552,961	16,298	4,537	28,303	602,099	57,386	34,611	8,942	100,939	703,038
Conferences, conventions, and meetings	168,625	10,540	4,811	33,197	217,173	39,515	12,580	11,835	63,930	281,103
Production and acquisition costs	35,741,646	1,269,117	82,738	354,630	37,448,131	168,830	598	9,777	179,205	37,627,336
Public Broadcasting Service and National Public Radio dues	-	3,617,406	-	-	3,617,406	-	-	-	-	3,617,406
Advertising and promotions	528,960	(238)	68,895	160,310	757,927	11,990	213,403	1,713	227,106	985,033
Memberships and affiliations	7,355	1,342	15,895	4,146	28,738	23,545	2,476	95,326	121,347	150,085
All other expenses	2,603,336	269,085	139,062	711,809	3,723,292	2,189,922	1,429,054	94,626	3,713,602	7,436,894
Total operating expenses	49,248,555	8,740,982	2,428,100	5,543,008	65,960,645	7,212,013	3,677,259	1,826,184	12,715,456	78,676,101
Income and property tax expense	-	317,207	89,469	-	406,676	-	-	-	-	406,676
Interest expense	-	311,839	87,954	-	399,793	-	-	-	-	399,793
Depreciation and amortization	1,999,400	568,200	263,020	84,604	2,915,224	50,763	42,786	64,179	157,728	3,072,952
Grand totals	\$ 51,247,955	\$ 9,938,228	\$ 2,868,543	\$ 5,627,612	\$ 69,682,338	\$ 7,262,776	\$ 3,720,045	\$ 1,890,363	\$ 12,873,184	\$ 82,555,522

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

Schedule II - Supplemental Schedule of Functional Expenses

<i>Year ended June 30, 2009</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 2009
Compensation of officers and directors	\$ 341,524	\$ 33,328	\$ 18,388	\$ 50,566	\$ 443,806	\$ 27,581	\$ 21,835	\$ 745,300	\$ 794,716	\$ 1,238,522
Other salaries and wages	5,625,025	2,188,081	1,335,839	3,043,865	12,192,810	1,863,746	1,460,752	631,266	3,955,764	16,148,574
Pension plan contributions	371,593	163,276	90,083	247,729	872,681	135,125	106,974	163,276	405,375	1,278,056
Other employee benefits	778,986	205,341	168,803	283,491	1,436,621	201,684	72,466	82,497	356,647	1,793,268
Payroll taxes	352,810	155,022	85,530	235,206	828,568	128,294	101,566	155,022	384,882	1,213,450
Professional fundraising fees	-	-	-	-	-	994,055	-	-	994,055	994,055
Accounting fees	36,573	16,033	8,846	24,326	85,778	13,269	10,504	16,033	39,806	125,584
Legal fees	-	-	1,063	-	1,063	-	416	92,490	92,906	93,969
Supplies	68,331	30,888	12,037	90,192	201,448	41,739	20,824	26,865	89,428	290,876
Telephone, rent, and utilities	675,018	975,599	175,754	105,438	1,931,809	169,617	44,068	70,705	284,390	2,216,199
Postage and shipping	36,165	9,087	1,975	167,648	214,875	755,938	4,202	4,972	765,112	979,987
Occupancy	593,548	244,391	150,147	365,305	1,353,391	227,161	157,746	(662,595)	(277,688)	1,075,703
Equipment rental and maintenance	184,288	173,381	49,188	32,749	439,606	34,709	16,517	20,533	71,759	511,365
Printing and publications	41,466	2,854	187	268,051	312,558	430,096	1,549	338	431,983	744,541
Travel	336,265	11,811	2,063	69,572	419,711	74,374	75,152	3,924	153,450	573,161
Conferences, conventions, and meetings	141,154	28,191	3,053	51,530	223,928	51,007	20,871	11,045	82,923	306,851
Production and acquisition costs	21,904,478	1,058,539	78,364	418,149	23,459,530	137,011	411	12,281	149,703	23,609,233
Public Broadcasting Service and National Public Radio dues	-	3,617,406	-	-	3,617,406	-	-	-	-	3,617,406
Advertising and promotions	38,852	(1,520)	115,696	308,946	461,974	5,614	23,767	5	29,386	491,360
Memberships and affiliations	2,074	2,261	18,387	7,310	30,032	21,992	2,703	93,325	118,020	148,052
All other expenses	2,236,882	265,671	121,741	1,098,343	3,722,637	1,867,396	1,000,954	134,362	3,002,712	6,725,349
Total operating expenses	33,765,032	9,179,640	2,437,144	6,868,416	52,250,232	7,180,408	3,143,277	1,601,644	11,925,329	64,175,561
Income and property tax expense	-	295,901	83,459	-	379,360	-	-	-	-	379,360
Interest expense	-	407,751	115,006	-	522,757	-	-	-	-	522,757
Depreciation and amortization	2,133,562	635,596	314,368	105,804	3,189,330	51,818	38,384	58,586	148,788	3,338,118
Grand totals	\$ 35,898,594	\$ 10,518,888	\$ 2,949,977	\$ 6,974,220	\$ 56,341,679	\$ 7,232,226	\$ 3,181,661	\$ 1,660,230	\$ 12,074,117	\$ 68,415,796