

WETA FY 2009 Report to the Community

Fiscal Year 2009

July 1, 2008 – June 30, 2009

WETA achieved its fiscal year 2009 operating budget in spite of reduced contributions and grants from most sources. WETA finished the year with an operating surplus of \$2 million, which was both difficult and exemplary.

Success was driven by mid-year expense reductions made when the probable magnitude of the economic dislocation became apparent. Rather than take a wait-and-see approach, WETA moved quickly and aggressively to ratchet down costs to weather an extended downturn. Costs were reduced throughout the organization, including significant staff and compensation cuts. Management chose cost-cutting measures that it believes can be long-term, and cut capital expenditures without endangering operations.

The operating results do not include the major loss incurred on investments. WETA suffered along with everyone else in the horrible investing environment and is fortunate to not depend on investments to provide a large portion of the operating budget. WETA incurred \$5.2 million in net investment losses, and that followed an additional \$4 million net loss in fiscal year 2008. While not having an immediate effect on operations, WETA now has a much diminished safety margin.

However, WETA's balance sheet remains solid. Net assets increased by \$14.4 million in fiscal year 2009 due to new contribution commitments, partially offset by the significant investment loss. Total net assets have grown in each of the past four years.

Local Broadcast Operations

Even in these difficult times, members and donors supported WETA generously. WETA is acutely aware of the financial strains on individual, business and foundation contributors and greatly appreciates their continued financial support.

Contributions from individuals were down 5 percent compared to last year. Some donors reduced the amounts of their gifts as they experienced serious financial uncertainty, while others made additional contributions as they recognized the even greater value of WETA programs in a time of economic woe.

Businesses continued to underwrite radio and television broadcasts, but they too suffered in the downturn and cut back their contributions. Local corporate underwriting was down 16 percent compared to fiscal year 2008. Reliance on radio underwriting from smaller arts organizations made WETA more vulnerable than it might have been if for-profit accounts were WETA's base. TV underwriting was down less than radio, but the gifts tended to be smaller than in the past. Online and magazine underwriting, while somewhat higher than in fiscal year 2008, simply are not big enough to make up for lower TV and radio broadcast underwriting.

Community Service Grants from the Corporation for Public Broadcasting were higher in fiscal year 2009, but the Community Service Grants from Virginia were reduced mid-

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year. Further cuts to the public broadcasting allocations from the Commonwealth are feared as Virginia wrestles with its own budget deficit.

A lack of growth in the total financial support for local operations is the most significant challenge to WETA's ability to make improvements in the services offered to the local community. When WETA prepared the fiscal year 2009 budget, a small increase in total revenue did not seem out of reach. But as the year unfolded, there was a major decline. The contribution declines are thought to be the result of the economy and not WETA's programs or fundraising efforts. Other public broadcasters and other not-for-profits are reporting similar (if not worse) results.

The biggest success of fiscal year 2009 was the ability to avoid making cuts to radio and television programming. Television viewers and radio listeners were able to count on WETA for excellent programming as always.

National Television Production

WETA's national television production activities also experienced a tough fiscal year 2009. *The NewsHour with Jim Lehrer* and *Washington Week with Gwen Ifill* and *National Journal* continued to have strong support from corporate underwriters, but the commitments were often smaller than in the past and some underwriters were unable to renew their support. Foundations made up some of the gap, as did program payments from PBS and the Corporation for Public Broadcasting.

Acceptable financial results from national television production during a very difficult economic time speak to the strong financial discipline that WETA has around television production projects. WETA has avoided serious problems that have snared other public broadcasters because production on a project does not begin until full funding is secured. That conservative fiscal policy served WETA well this year.

Total Expenses by Activity

Except for significant fluctuations in the level of national television production from year to year, WETA's expenses by activity are fairly stable. Over the past three years, fundraising expenses ranged from 17 percent of the total in fiscal year 2007 to 15.2 percent of the total in fiscal year 2009. Management and general expense was steady at about 2.5 percent. Program expenses constituted more than 80 percent of the total in each year.

Summary

WETA achieved budgeted operating results in an extremely challenging year and is braced for another tough year but reasonably well-positioned to weather it because of the actions taken in fiscal year 2009 and the loyalty and generosity of WETA's donors.