WGBH Educational Foundation and Subsidiaries

Consolidated Financial Statements
Supplemental Consolidating Information
June 30, 2018 and 2017

WGBH Educational Foundation and Subsidiaries
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June 30, 2018 and 2017

Report of Independent Auditors

To the Board of Trustees of
WGBH Educational Foundation and Subsidiaries

We have audited the accompanying consolidated financial statements of WGBH Educational Foundation and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Public Radio International, Inc., a subsidiary whose sole member is WGBH Educational Foundation, which statements reflect total assets of 1.4 percent and 1.7 percent of consolidated total assets at June 30, 2018 and June 30, 2017, respectively, and total revenues of 7.9 percent and 9.1 percent of consolidated total operating revenue and other support for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Public Radio International, Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WGBH Educational Foundation and Subsidiaries as of June 30, 2018 and 2017, and their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, changes in net assets and cash flows of the individual companies.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
November 6, 2018

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash	$ 58,790,761	$ 26,188,423
Short-term investments	109,990,556	-
Accounts receivable (less allowance for uncollectible accounts of $556,000 and $547,000 for 2018 and 2017, respectively)	16,282,144	12,099,435
FCC spectrum auction receivable	-	218,767,868
Current portion of receivables for asset sales	5,379,267	48,680,415
Grants receivable (less allowance for uncollectible grants of $165,000 and $175,500 for 2018 and 2017, respectively)	89,945,784	83,761,851
Current portion of pledges receivable, net	2,905,440	5,981,858
Prepaid expenses and other assets	2,141,056	1,433,700
Total current assets	285,435,008	396,913,550
Long-term pledges receivable, net	4,364,980	1,617,466
Long-term grants receivable, net	46,348,781	36,315,006
Long-term receivables for asset sales	95,569,984	95,579,738
Radio and television licenses	18,728,713	16,868,713
Other assets	5,462,938	5,026,362
Equity investments	23,760,619	19,288,767
Funds held under bond agreements - restricted	2,818,686	941,085
Long-term investments	282,710,879	88,650,545
Property, facilities and equipment, net	158,668,143	161,048,795
Total assets	$ 923,868,731	$ 822,250,027
Liabilities		
Current liabilities		
Current maturities of debt	$ 2,590,031	$ 2,247,200
Accounts payable	8,250,297	6,303,847
Accrued expenses	16,882,107	16,537,003
Royalties payable	2,584,407	2,464,466
Accrued bond interest expense	5,371,712	5,720,442
Deferred revenue and other liabilities	7,100,131	11,353,399
Total current liabilities	42,778,685	44,626,357
Long-term deferred revenue and other liabilities	78,578,217	9,320,808
Long-term debt, net	169,458,148	167,866,904
Accrued bond interest expense	21,640,248	18,988,240
Total liabilities	312,455,298	240,802,309
Commitments and contingencies (Note 11)		
Net assets		
Unrestricted	394,495,483	387,623,131
Temporarily restricted	168,680,394	148,963,633
Permanently restricted	48,237,556	44,860,954
Total net assets	611,413,433	581,447,718
Total liabilities and net assets	$ 923,868,731	$ 822,250,027

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

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Contributions, principally viewer and listener support	$ 33,656,480	$ 17,176,978	$ 2,931,795	$ 53,765,253
Contributions for national programming	53,406	120,470,019	-	120,523,425
Contributions for local corporate sponsorship	-	8,488,146	-	8,488,146
Community service grants from Corporation for Public Broadcasting	9,268,131	-	-	9,268,131
Royalty and licensing	7,483,707	-	-	7,483,707
Captioning and ancillary services	7,503,215	-	-	7,503,215
Planned giving	483,182	260,986	175,000	919,168
Change in value of split interest agreements	-	262,265	307,225	569,490
Accretion of interest and other income on long-term receivables	7,115,804	-	-	7,115,804
Investment earnings authorized for operations	1,862,095	(1,788,412)	(73,683)	-
In-kind contributions and donated services	3,371,669	-	-	3,371,669
Affiliation fees	4,361,272	-	-	4,361,272
Distribution fees	5,533,273	-	-	5,533,273
Miscellaneous income	17,630,093	-	-	17,630,093
Total operating revenue	98,322,327	144,869,982	3,340,337	246,532,646
Net assets released from restrictions	129,039,620	(129,039,620)	-	-
Total operating revenue and other support	227,361,947	15,830,362	3,340,337	246,532,646
Operating expenses				
Program services				
Programming and production	158,207,004	-	-	158,207,004
Broadcasting	19,192,992	-	-	19,192,992
Public information, guides and educational material	7,272,392	-	-	7,272,392
Total program services	184,672,388	-	-	184,672,388
Supporting services				
Fundraising and development	24,370,332	-	-	24,370,332
Underwriting	8,269,005	-	-	8,269,005
General and administrative	19,857,069	-	-	19,857,069
Total supporting services	52,496,406	-	-	52,496,406
Total operating expenses	237,168,794	-	-	237,168,794
(Deficit) surplus of operating revenue over operating expenses	(9,806,847)	15,830,362	3,340,337	9,363,852
Nonoperating gains (losses)				
Realized gains on investments	1,660,852	1,269,765	18,164	2,948,781
Change in net unrealized gains (losses) on investments	1,034,488	886,204	(30,433)	1,890,259
Investment income	2,439,202	1,730,430	48,534	4,218,166
Gain on equity investments	15,186,058	-	-	15,186,058
Loss on defeasance	(3,341,401)	-	-	(3,341,401)
Other losses	(300,000)	-	-	(300,000)
Nonoperating gains, net	16,679,199	3,886,399	36,265	20,601,863
Increase in net assets	6,872,352	19,716,761	3,376,602	29,965,715
Net assets				
Beginning of year	387,623,131	148,963,633	44,860,954	581,447,718
End of year	$ 394,495,483	$ 168,680,394	$ 48,237,556	$ 611,413,433

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

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Contributions, principally viewer and listener support	$ 29,711,676	$ 9,089,109	$ 579,123	$ 39,379,908
Contributions for national programming	-	109,719,567	-	109,719,567
Contributions for local corporate sponsorship	-	8,031,557	-	8,031,557
Community service grants from Corporation for Public Broadcasting	9,004,184	-	-	9,004,184
Royalty and licensing	4,550,878	-	-	4,550,878
Captioning and ancillary services	7,456,950	-	-	7,456,950
Planned giving	835,922	-	2,418,031	3,253,953
Change in value of split interest agreements	-	559,596	(1,214,048)	(654,452)
Accretion of interest and other income on long-term receivables	8,596,707	-	-	8,596,707
Investment earnings authorized for operations	1,659,945	(1,659,945)	-	-
In-kind contributions and donated services	608,113	-	-	608,113
Affiliation fees	4,561,157	-	-	4,561,157
Distribution fees	5,950,449	-	-	5,950,449
Miscellaneous income	12,469,445	-	-	12,469,445
Total operating revenue	85,405,426	125,739,884	1,783,106	212,928,416
Net assets released from restrictions	112,792,461	(112,792,461)	-	-
Total operating revenue and other support	198,197,887	12,947,423	1,783,106	212,928,416
Operating expenses				
Program services				
Programming and production	142,820,894	-	-	142,820,894
Broadcasting	18,769,607	-	-	18,769,607
Public information, guides and educational material	6,853,957	-	-	6,853,957
Total program services	168,444,458	-	-	168,444,458
Supporting services				
Fundraising and development	24,394,441	-	-	24,394,441
Underwriting	7,212,050	-	-	7,212,050
General and administrative	19,910,231	-	-	19,910,231
Total supporting services	51,516,722	-	-	51,516,722
Total operating expenses	219,961,180	-	-	219,961,180
(Deficit) surplus of operating revenue over operating expenses	(21,763,293)	12,947,423	1,783,106	(7,032,764)
Nonoperating gains (losses)				
Realized gains (losses) on investments	1,081,600	688,894	(230,721)	1,539,773
Change in net unrealized gains on investments	3,801,002	3,231,817	485,582	7,518,401
Investment income	609,532	302,156	-	911,688
Gain on equity investments	16,647,346	-	-	16,647,346
Loss on defeasance	(4,497,740)	-	-	(4,497,740)
FCC spectrum auction revenue	218,767,868	-	-	218,767,868
Nonoperating gains, net	236,409,608	4,222,867	254,861	240,887,336
Increase in net assets	214,646,315	17,170,290	2,037,967	233,854,572
Net assets				
Beginning of year	172,976,816	131,793,343	42,822,987	347,593,146
End of year	$ 387,623,131	$ 148,963,633	$ 44,860,954	$ 581,447,718

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

WGBH Educational Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Increase in net assets	$ 29,965,715	$ 233,854,572
Adjustments to reconcile increase in net assets to cash used in operating activities		
Change in unrealized losses on investments and beneficial interest in perpetual trust	(2,459,749)	(6,863,949)
Realized gains on investments	(2,948,781)	(1,539,773)
Depreciation and amortization	8,815,047	9,135,503
Amortization of deferred assets and deferred liabilities	(343,590)	-
Loss on debt defeasance	3,341,401	4,497,740
Gain on equity investments	(15,186,058)	(16,647,346)
Loss on disposal of assets	-	31,698
Contributions of securities	(13,670,982)	(5,327,131)
Proceeds from sale of contributed securities	526,738	305,486
Contributions restricted for investment in facilities and endowment	(3,361,000)	(3,485,619)
Accretion of interest on long-term receivables for asset sales	(7,115,804)	(8,596,707)
In-kind contribution of television license	(1,860,000)	-
Provision for bad debts	352,614	(606,196)
Changes in operating assets and liabilities		
Accounts receivable	(4,511,182)	468,762
FCC spectrum auction receivable	218,767,868	(218,767,868)
Grants receivable	(16,207,536)	(10,609,824)
Pledges receivable	294,591	3,208,031
Prepaid expenses and other assets	(755,467)	(11,162)
Receivables for asset sales	50,426,706	5,472,765
Accounts payable	1,947,250	(3,030,514)
Royalties payable	119,941	184,535
Accrued expenses	366,174	(355,958)
Accrued bond interest	2,303,278	3,598,738
Premium on long-term debt issuance	1,966,901	5,613,554
Deferred revenue and other liabilities	65,244,023	6,810,608
Cash flows provided by (used in) operating activities	316,018,098	(2,660,055)
Cash flows from investing activities		
Purchases of property, facilities and equipment	(6,686,418)	(3,449,413)
Capital contributions to equity investments	-	(500,000)
Distributions received from equity investments	10,714,206	13,604,727
Purchases of investments	(388,113,310)	(9,779,373)
Proceeds from sales of investments	89,196,216	10,405,976
Proceeds from the sale of contributed securities	39,118	521,163
Increase in funds held under bond agreement	(1,877,601)	(940,998)
Cash flows (used in) provided by investing activities	(296,727,789)	9,862,082
Cash flows from financing activities		
Contributions restricted for investment in facilities and endowment	3,361,000	3,485,619
Proceeds from the sale of contributed securities	13,095,098	4,500,482
Line of credit advances	12,765,175	24,940,016
Line of credit payments	(12,542,343)	(25,233,338)
Debt principal payments	(54,557,750)	(49,906,382)
Debt issuance costs	(624,151)	(492,472)
Proceeds from issuance of long-term debt	51,815,000	43,650,000
Cash flows provided by financing activities	13,312,029	943,925
Net increase in cash	32,602,338	8,145,952
Cash		
Beginning of year	26,188,423	18,042,471
End of year	$ 58,790,761	$ 26,188,423
Supplemental cash flow information		
Interest paid	$ 5,829,690	$ 7,139,042
Contributed services	1,511,669	608,113
Property, facilities and equipment included in accounts payable and accrued expenses	245,627	71,304

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

1. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

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

Permanently Restricted Net Assets

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

Temporarily Restricted Net Assets

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

Unrestricted Net Assets

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

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

The Foundation receives capital contributions for long-lived assets and these contributions are reported as increases in temporarily restricted net assets upon receipt. The Foundation's policy is to release the capital contributions into unrestricted net assets ratably over the estimated useful life of the long-lived asset. The Foundation released $571,000 in capital contributions in both 2018 and 2017, from temporarily restricted net assets to unrestricted net assets.

Use of Estimates
The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the revenues and expenses reported for the periods. Significant estimates include radio and television licenses, royalties payable, deferred revenue and other liabilities, and the valuation of nonmarketable investments. Actual results could differ from those estimates.

Related Parties
The Foundation may procure from time to time certain services from business organizations that employ individuals that are also members of the Foundation's Board. The procurement of these services is performed in accordance with the Foundation's established policies and procedures, and management and the Board report and monitor related party transactions in accordance with the Foundation's Conflict of Interest Policy. The Chief Executive Officer is a Board member of Public Media Distribution LLC, which conducts business under the name PBS Distribution ("PBSd"), an affiliate in which the Foundation holds a 32% and 33% ownership interest at June 30, 2018 and 2017, respectively. In 2018 and 2017, the Foundation provided rental space and administrative support services to PBSd. For the years ended June 30, 2018 and 2017, the Foundation earned $210,000 and $210,000, respectively, in rental income and has net receivables of $364,000 and $194,000 for administrative support services as of June 30, 2018 and 2017, respectively.

The Foundation's President of WGBH Business Services serves as a nonpaid director on the Foundation's behalf on the board of RoundCorner, Inc. ("RoundCorner"). The Foundation has a minority equity investment in RoundCorner software. For the years ended June 30, 2018 and 2017, the Foundation utilized software created by RoundCorner and paid fees for software services received of $27,000 and $21,000, respectively. The transactions were at arm's length and in the ordinary course of business.

The Foundation's President of WGBH Business Services serves as a nonvoting director on the board of RadioPublic PBC ("RadioPublic"). The Foundation made an initial capital contribution of $500,000 to RadioPublic on June 28, 2017. No other transactions were entered into between the Foundation and RadioPublic for the year ended June 30, 2018.

There were five members of PRI's Board of Directors employed by PRI's radio station affiliates as of June 30, 2018 and 2017. PRI paid approximately $1,683,000 and $1,883,000 to one of these affiliates for the production of programs for the years ended June 30, 2018 and 2017, respectively. These expenditures were incurred in the normal course of PRI's operations.

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

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

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

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

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

Revenue from royalties is recognized, net of royalties payable, upon notification from the third party distributor. Licensing revenue is recognized when delivery of the license has occurred, on a pro-rata basis over the term of the license.

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

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

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

Miscellaneous income is comprised of various revenue streams derived from the rental of office space, the filing of film tax credits, fundraising services provided to other public broadcasting stations, commissions earned from securing sponsorships for third party producers, and work-for-hire services provided to other organizations, among others. The revenue within each of these streams is recognized in accordance with revenue recognition accounting guidance under *ASC 605 Revenue Recognition*.

FCC Spectrum Auction Receivable
Since 1994, the Federal Communications Commission ("FCC") has conducted auctions of licenses for electromagnetic spectrum. On March 29, 2016, the FCC commenced the first-ever "incentive auction" designed to repurpose spectrum for new uses. Authorized by Congress in 2012, the auction used market forces to align the use of broadcast airwaves with 21st century consumer demands for video and broadband services.

The Foundation participated in the incentive auction, which concluded on March 30, 2017. By trading designations in the ultra-high frequency ("UHF") band of spectrum for designations in the very high frequency ("VHF") band, WGBH yielded approximately $218,768,000 in nonoperating gains for the year ended June 30, 2017.

Channel Sharing
On October 18, 2017, the Foundation entered into a channel sharing agreement with a third party, in which the Foundation will provide hosting services. As consideration for the transaction, the Foundation received $75,300,000 during the year ended June 30, 2018. The proceeds will be recognized as revenue in equal installments over a period of 25 years, starting at the commencement of the agreement. As of June 30, 2018, $3,012,000 was recognized as miscellaneous income in the consolidated statements of activities, and $72,288,000 was recorded in deferred revenue and long-term deferred revenue and other liabilities in the consolidating statement of financial position.

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

Cash
The Foundation maintains its cash balance with two institutions of approximately $58,791,000 and $26,188,000 at June 30, 2018 and 2017, respectively.

Investments
Short-term investments consist of investments with original maturities greater than ninety days and less than one year from the balance sheet date. Long-term investments consist of investments with maturities of greater than one year.

Investments are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on June 30, 2018 and 2017; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices. Private equity and certain other nonmarketable securities, and certain of the Foundation's investments in hard assets, are valued using current estimates of fair value obtained from the general partner or investment manager in the absence of readily determinable public market values. Such valuations may reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earning multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of investments. Since there are inherent uncertainties in valuing certain of these investments, the investment manager or general partner's estimate may differ from the values that would have been used had a ready market existed and the differences could be significant. The agreements underlying participation in nonmarketable investment funds may limit the Foundation's ability to liquidate its interest in such investments for a period of time. The Foundation believes that the carrying amount of its nonmarketable securities is a reasonable estimate of fair value as of June 30, 2018 and 2017. The carrying values of the investments in the limited partnerships are based on reports from each limited partnership. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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

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

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

Annually, the Foundation reviews investments where the fair value is substantially below cost, and in cases where the decline is considered to be "other than temporary," an adjustment is recorded as a realized loss, and a new cost basis is established. At June 30, 2018 and 2017, there were no investments that had fair values less than cost that were determined to be other than temporary.

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

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

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

Radio and Television Licenses
The Foundation owns various radio licenses for five separate radio frequencies which cover Cape Cod, the islands of Martha's Vineyard and Nantucket, Greater Boston and Southern New Hampshire. These radio licenses are indefinite lived assets and are subject to at least annual impairment testing.

In December 2017, the Foundation received a contribution of the FCC license for television station WFXZ-CD, Boston, Massachusetts, with a fair value of $1,860,000.

There was no impairment of radio and television licenses in 2018 or 2017. The combined value for these radio and television licenses was approximately $18,729,000 and $16,869,000 at June 30, 2018 and 2017, respectively.

Equity Investments
In 2008, the Foundation acquired a 20% equity share in National Public Media LLC (“NPM”), a private marketing firm, for $1,600,000. In 2009, the members of NPM issued additional shares, which diluted the Foundation’s share of ownership of NPM to 18%. This investment is recorded using the equity method of accounting. The equity method has been chosen since the investment is not publicly traded and the Foundation has significant influence over the operations of NPM. The carrying amount of this investment was $478,000 and $500,000 at June 30, 2018 and 2017, respectively, with the corresponding income and losses included in the gain on equity investments in the consolidated statements of activities.

Effective January 1, 2009, the Foundation entered into a joint venture with Public Broadcasting Service (“PBS”) to form PBSd (a Delaware Limited Liability Company). The purpose of PBSd is to further the educational mission of public broadcasting and other media through worldwide distribution of public television content and other high quality content as provided by and on behalf of its members. The Foundation’s initial capital contribution represented a 40% interest in PBSd. The investment is recorded using the equity method of accounting with net income allocated to the Foundation subject to certain revenue thresholds and consumer price index (“CPI”) escalators. The carrying amount of this investment was $22,602,000 and $18,108,000 at June 30, 2018 and 2017, respectively, with the corresponding gains included in the gain on equity investments in the consolidated statements of activities.

RadioPublic
Effective June 28, 2017, the Foundation acquired a 14% equity share in RadioPublic for $500,000. RadioPublic is a public benefit corporation focused on creating consumer applications for the podcasting industry. This investment has been recorded using the cost method. The cost method has been chosen since the investment is not publicly traded, the Foundation owns less than 20% equity share and does not exercise significant influence over the operations of RadioPublic. The cost of the equity is not an estimate and there are no factors that would significantly affect the value recorded at June 30, 2018. An assessment of the carrying value resulted in no significant differences between the cost and fair value recorded at June 30, 2018.

Public Media Management
In March 2015, the Foundation entered into a joint venture with Sony Electronics Inc. through its Professional Solutions of America Division (“Sony”). The Foundation’s agreement provides for the creation of Content Distribution Services (“CDS”) which utilizes Network Operations Centers (“NOC”) to provide an automated workflow to enable program content to flow from Sony’s Ci Cloud to others, without operator intervention. The agreement provides that Sony will share in expenses and revenue at 60% and the Foundation at 40%. Associated revenues and expenses have been recorded in the consolidated statements of activities in accordance with *ASC 808 Collaborative Arrangements*.

Other Assets
Other assets consist of capitalized broker fees, deferred compensation, deferred rental assets, outside managed trusts and a beneficial interest in perpetual trust.

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

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

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

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

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

PIF, CGA and CRTs are recorded in long-term investments on the statements of financial position.

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

Beneficial Interest in Perpetual Trust
The Foundation has a beneficial interest in the Ralph Lowell Fund (the “Fund”) held by the Boston Foundation (“TBF”). The annual distribution from the Fund is recorded as investment income in the consolidated statements of activities.

The fair value of the Fund was $1,201,000 and $988,000 at June 30, 2018 and 2017, respectively. A grant distribution in the amount of $41,000 and $127,000 was made to the Foundation during the years ended June 30, 2018 and 2017, respectively, and was recorded as investment income in the consolidated statements of activities.

Royalties Payable
The Foundation recognizes royalty revenue pursuant to terms outlined in the rights sales agreements. Royalty agreements exist with third-parties from which the third-party receives a percentage of net royalty revenue received by the Foundation. These amounts are accrued for and recorded as a royalty payable when the royalty revenue is recorded by the Foundation.

Income Taxes
The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. US GAAP requires the Foundation to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Foundation has analyzed the tax positions taken and has concluded that as of June 30, 2018 and 2017, there are no significant uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

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

Health Insurance Plan
WGBH Educational Foundation and its wholly owned affiliated stations are self-insured for all of its employee health insurance plans. These costs are accounted for on an accrual basis to include estimates of future payments on claims incurred as of the date of the statements of financial position and are included in accounts payable and accrued expenses on the statements of financial position.

New Proposed Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017 or fiscal year 2019 for the Foundation.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance allows an entity to choose, investment-by-investment, to report an equity investment that neither has a readily determinable fair value, nor qualifies for the practical expedient for fair value estimation using NAV, at its cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issue. Impairment of such investments must be assessed qualitatively at each reporting period. Entities must disclose their financial assets and liabilities by measurement category and form of asset either on the face of the statement of financial position or in the accompanying notes. The ASU is effective for annual reporting periods beginning after December 15, 2018 or fiscal year 2020 for the Foundation. The provision to eliminate the requirement to disclose the fair value of financial instruments measured at cost (such as the fair value of debt) may be early adopted. The Foundation is evaluating the impact of the new guidance on the consolidated financial statements. The Foundation has early adopted the provision permitting the omission of fair value disclosures for financial instruments at amortized cost.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal years beginning after December 15, 2018, or fiscal year 2020 for the Foundation. Early adoption is permitted. The Foundation is evaluating the impact of the new guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, net asset reporting will be streamlined such that the existing three-category classification of net assets will be replaced with a model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Not-for-profits will continue to have flexibility to decide whether to report an operating subtotal and if so, to self-define what is included or excluded. However, if the operating subtotal includes internal transfers made by the governing board, transparent disclosure must be provided. The ASU also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The ASU is effective for fiscal years beginning after December 15, 2017 or fiscal year 2019 for the Foundation and early adoption is permitted.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The standard addresses the classification of certain transactions within the statement of cash flows, including cash payments for debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, and distributions received from equity method investments. The ASU is effective for fiscal years beginning after December 15, 2018, or fiscal year 2020 for the Foundation. Early adoption is permitted. The Foundation is evaluating the impact this will have on the financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces new guidance for the accounting for credit losses on financial assets within its scope. The amendments in this Update require a financial asset (or a group of financial assets) measured at amortized cost to be presented at the amount that is expected to be collected on the financial asset, net of an allowance for credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This standard is effective for annual periods beginning after December 15, 2020, or fiscal year 2022 for the Foundation. The Foundation is evaluating the impact this will have on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU is effective in fiscal year 2019.

2. Grants Receivable and Concentration of Credit Risk

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

	2018 Grant Source		
	Short-Term	Long-Term	Total
Public Broadcasting Service	$ 54,883,781	$ 34,069,188	$ 88,952,969
Individual donors	2,000,000	3,744,196	5,744,196
Corporations and co-productions	14,538,612	4,357,657	18,896,269
Corporation for Public Broadcasting	5,892,820	454,662	6,347,482
U.S. government agencies	7,375,976	2,542,973	9,918,949
Other (subcontracts, nonprofits, state colleges & universities, foundations, and public television entities)	5,254,595	1,180,105	6,434,700
Total grants receivable, net	$ 89,945,784	$ 46,348,781	$ 136,294,565

	2017 Grant Source		
	Short-Term	Long-Term	Total
Public Broadcasting Service	$ 48,474,431	$ 18,194,115	$ 66,668,546
Individual donors	2,000,000	5,486,407	7,486,407
Corporations and co-productions	15,475,143	5,422,423	20,897,566
Corporation for Public Broadcasting	3,512,667	262,709	3,775,376
U.S. government agencies	10,409,095	4,088,196	14,497,291
Other (subcontracts, nonprofits, state colleges & universities, foundations, and public television entities)	3,890,515	2,861,156	6,751,671
Total grants receivable, net	$ 83,761,851	$ 36,315,006	$ 120,076,857

The Foundation's long-term grants receivable are discounted using the Foundation's taxable unsecured borrowing rate. The total discount was $3,808,000 and $2,111,000 at June 30, 2018 and 2017, respectively. The average discount rates were 3.51% and 2.40% at June 30, 2018 and 2017, respectively.

3. Receivables for Asset Sales

On December 31, 2001, the Foundation entered into an agreement to sell all assets, properties, rights and interests of every kind connected to "This Old House" for $132,090,000. At that time, the Foundation recorded a noninterest-bearing note receivable of $120,614,000. The note matured in January 2018 and the remaining balance of $45,000,000 was received by the Foundation. The receivable is carried at its present value of approximately $0 and $43,254,000 in the consolidated statements of financial position at June 30, 2018 and 2017, respectively.

On March 21, 2002, the Foundation sold certain real estate for $282,316,000. At that time, the Foundation recorded a noninterest-bearing note receivable of $282,316,000, which is carried at its present value of approximately $100,949,000 and $101,006,000 in the consolidated statements of financial position at June 30, 2018 and 2017, respectively. Under the contract terms, the Foundation received the first payment in December 2004 and is being paid in semi-annual installments with a maturity date of December 2041.

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

4. Pledges Receivable

Pledges receivable at June 30, 2018 and 2017:

	2018	2017
In less than one year	$ 2,973,527	$ 6,046,799
Allowance for unfulfilled pledges	(68,087)	(64,941)
Pledges receivables, net	$ 2,905,440	$ 5,981,858
Between one year and five years	$ 4,861,966	$ 1,779,500
Less: Present value discount	(496,986)	(162,034)
Long-term pledges receivable, net	$ 4,364,980	$ 1,617,466

The Foundation had $8,145,000 and $6,875,000 in conditional pledges at June 30, 2018 and 2017, respectively. These conditional pledges were not recorded and will be recorded when the conditions are satisfied.

Nine donors comprised 61% of the June 30, 2018 balance of pledges receivable. Eight donors comprised 81% of the June 30, 2017 balance of pledges receivable.

The total discount was $497,000 and $162,000 at June 30, 2018 and 2017, respectively. The average discount rates were 3.92% and 3.32% at June 30, 2018 and 2017, respectively.

5. Investments

Investments held by the Foundation are comprised of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Investments				
Money market funds	$ 11,506	$ 11,506	$ 1,821	$ 1,821
Government securities	110,791,309	109,990,556	-	-
Domestic equities	24,958	24,958	35,194	35,194
Investments in funds externally managed				
Domestic equities	48,823,065	52,830,775	5,303,275	9,833,342
Domestic bonds	5,081,552	4,971,149	-	-
Foreign equities	66,931,024	67,612,087	19,116,337	22,835,652
Foreign bonds	3,090,177	2,946,245	-	-
Real assets	189,589	225,293	3,269,683	2,434,010
Venture capital	504,876	569,510	-	-
Hedge funds	115,055,334	133,438,303	22,503,254	35,543,092
Private equity	3,069,767	3,619,951	1,313,034	1,848,326
Total investments	353,573,157	376,240,333	51,542,598	72,531,437
Assets in split interest agreements				
Money market funds	347,638	347,638	79,067	79,067
Domestic equities	639,807	1,591,182	652,060	1,439,702
Foreign equities	105,288	153,279	114,202	150,972
Domestic bonds	83,586	80,843	108,586	109,187
Investments in funds externally managed	11,941,345	14,288,160	12,250,427	14,340,180
Total assets in split interest agreements	13,117,664	16,461,102	13,204,342	16,119,108
Total investments and assets in split interest agreements	$ 366,690,821	$ 392,701,435	$ 64,746,940	$ 88,650,545

For the years ended June 30, 2018 and 2017, the Foundation recorded net realized gains of $2,949,000 and $1,540,000, and dividend and interest income from investments of $4,218,000 and $912,000, respectively.

The Foundation recognized changes in net unrealized gains (losses) of $1,890,000 and $7,518,000, for the years ended June 30, 2018 and 2017, respectively, on the above investments.

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

Hedge fund – This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Real assets – This class includes several real estate funds that invest in U.S. commercial real estate and other hard asset investments. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital.

Private equity and venture capital -The fair values of private investments are determined by the Foundation and based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable public market values. These values are audited annually by other auditors, most typically based on calendar year end information. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. The estimated values as determined by the general partners and investment managers may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be materially higher or lower.

Government securities – The Foundation holds investments in U.S. Treasury bills. These investments are carried at fair value, which approximates the present value of the securities, discounted by a rate equal to the yield to maturity, commensurate with the duration of the securities.

The balances of the split interest agreements for which the Foundation is the trustee are recorded as investments and the liabilities for future payments are recorded as accrued expenses or long-term deferred revenue and other liabilities. Split interest agreements held by third parties are valued at the present value of the future payments due from Trustees. These liabilities were calculated using discount factors based on the Foundation's taxable unsecured borrowing rate. A summary of the investments and liabilities for future payments are as follows:

	2018	2017
Pooled Life Income Funds		
Fair value	$ 908,565	$ 912,110
Liability for future payments	188,408	199,506
Gift Annuity Funds		
Fair value	$ 5,216,628	$ 5,155,822
Liability for future payments	3,293,254	3,491,746
Charitable Remainder Trust, where Foundation is Trustee		
Fair value	$ 4,787,997	$ 4,525,732
Liability for future payments	2,688,237	2,840,577
Beneficial Interest in Perpetual Trust		
Fair value	$ 5,547,912	$ 5,525,444
Liability for future payments	-	-

6. Fair Value of Investment Assets and Liabilities

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

Additionally, the standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

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

- Fair value for *Level 3* is typically based on unobservable inputs that are supported by little or no market activity and rely on assumptions and estimates about pricing derived from available information.

The net asset value ("NAV") of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents the financial instruments carried at fair value and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position as of June 30, 2018:

	Assets and Liabilities at Fair Value as of June 30, 2018				
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs and/or Restrictions	NAV	Total
Investments					
Money market funds	$ 11,506	$ -	$ -	$ -	$ 11,506
Government securities	109,990,556	-	-	-	109,990,556
Domestic equities	24,958	-	-	-	24,958
Investments in funds externally managed					
Domestic equities	24,933,620	-	-	27,897,155	52,830,775
Domestic bonds	4,971,149	-	-	-	4,971,149
Foreign equities	-	689,921	-	66,922,166	67,612,087
Foreign bonds	2,946,245	-	-	-	2,946,245
Real assets	-	-	-	225,293	225,293
Venture capital	-	-	-	569,510	569,510
Hedge funds	-	-	-	133,438,303	133,438,303
Private equity	-	-	-	3,619,951	3,619,951
Total investments	142,878,034	689,921	-	232,672,378	376,240,333
Assets in split interest agreements					
Money market funds	275,047	-	72,591	-	347,638
Domestic equities	-	-	1,591,182	-	1,591,182
Foreign equities	-	-	153,279	-	153,279
Domestic bonds	-	-	80,843	-	80,843
Investments in funds externally managed	-	-	14,288,160	-	14,288,160
Total assets in split interest agreements	275,047	-	16,186,055	-	16,461,102
Total investments and assets in split interest agreements	$ 143,153,081	$ 689,921	$ 16,186,055	$ 232,672,378	$ 392,701,435
Beneficial interest in perpetual trust					
Interest in investments held by trustee	$ -	$ -	$ 1,641,384	$ -	$ 1,641,384
Total beneficial interest in perpetual trust	$ -	$ -	$ 1,641,384	$ -	$ 1,641,384

The following table presents the financial instruments carried at fair value and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position as of June 30, 2017:

	Assets and Liabilities at Fair Value as of June 30, 2017				
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs and/or Restrictions	NAV	Total
Investments					
Money market funds	$ 1,821	$ -	$ -	$ -	$ 1,821
Domestic equities	35,194	-	-	-	35,194
Investments in funds externally managed					
Domestic equities	1,394,742	-	-	8,438,600	9,833,342
Foreign equities	3,068,826	553,400	-	19,213,426	22,835,652
Real assets	2,136,800	-	-	297,210	2,434,010
Hedge funds	-	-	-	35,543,092	35,543,092
Private equity	-	-	-	1,848,326	1,848,326
Total investments	6,637,383	553,400	-	65,340,654	72,531,437
Assets in split interest agreements					
Money market funds	23,787	-	55,280	-	79,067
Domestic equities	-	-	1,439,702	-	1,439,702
Foreign equities	-	-	150,972	-	150,972
Domestic bonds	-	-	109,187	-	109,187
Investments in funds externally managed	-	-	14,340,180	-	14,340,180
Total assets in split interest agreements	23,787	-	16,095,321	-	16,119,108
Total investments and assets in split interest agreements	$ 6,661,170	$ 553,400	$ 16,095,321	$ 65,340,654	$ 88,650,545
Beneficial interest in perpetual trust					
Interest in investments held by trustee	$ -	$ -	$ 1,475,397	$ -	$ 1,475,397
Total beneficial interest in perpetual trust	$ -	$ -	$ 1,475,397	$ -	$ 1,475,397

The beneficial interest in perpetual trust balance is included in other assets in the consolidated statement of financial position.

The following table includes a roll-forward of the amounts classified within Level 3 for the years ended June 30, 2018 and 2017:

Fair value at June 30, 2016	$ 14,096,872
Realized losses	(20,704)
Unrealized gains	1,259,132
Purchases	1,211,034
Sales	(581,644)
Other	130,631
Fair value at June 30, 2017	16,095,321
Realized gains	293,386
Unrealized gains	623,694
Purchases	150,000
Sales	(751,745)
Other	(224,601)
Fair value at June 30, 2018	$ 16,186,055

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

The Foundation recognized changes in net unrealized gains of $166,000 and $28,000, for the years ended June 30, 2018 and 2017, respectively, for beneficial interest in perpetual trusts.

There were no transfers between levels 1 and 2 for the years ended June 30, 2018 and 2017.

The following table includes a summary of fair values, redemption features and future commitments related to investments (excluding split interest agreements) for which estimated fair value was based upon NAV, capital account or other valuation procedures for the years ended June 30, 2018 and 2017:

	2018			
	NAV	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Periods**
Investments in funds externally managed				
Domestic equities	$ 27,897,155	$ -	Daily, Quarterly	1-60 days
Foreign equities	66,922,166	-	Daily, monthly	1-30 days
Venture capital	569,510	1,475,000	At maturity	n/a
Real assets	225,293	2,500	Daily, Monthly, quarterly, annually, at maturity	1-60 days, at maturity
Hedge funds	133,438,303	18,000,000	Monthly, quarterly, annually	30-180 days
Private equity	3,619,951	11,710,487	At maturity	n/a
	$ 232,672,378	$ 31,187,987		

	2017			
	NAV	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Periods**
Investments in funds externally managed				
Domestic equities	$ 8,438,600	$ -	Daily, Quarterly	1-60 days
Foreign equities	19,213,426	-	Daily, monthly	1-30 days
Venture capital	-	1,000,000	At maturity	n/a
Real assets	297,210	2,500	Daily, Monthly, quarterly, annually, at maturity	1-60 days, at maturity
Hedge funds	35,543,092	20,000,000	Monthly, quarterly, annually	30-180 days
Private equity	1,848,326	5,719,193	At maturity	n/a
	$ 65,340,654	$ 26,721,693		

The Foundation had outstanding purchase commitments for investments in partnerships amounting to approximately $31,188,000 and $26,722,000, as of June 30, 2018 and 2017 respectively, and expects these funds to be called from July 2018 through December 2019.

7. Property, Facilities and Equipment

Property, facilities and equipment consist of the following at June 30, 2018 and 2017:

	Useful Life	2018	2017
Land and land improvements		$ 6,716,080	$ 6,716,080
Buildings and improvements	3-40 years	175,428,759	175,040,229
Broadcast, video and film equipment	3-20 years	24,591,295	23,101,261
Office equipment, furniture and fixtures	3-25 years	5,486,790	5,486,790
Computers and peripherals	3-10 years	17,037,128	14,500,945
Capitalized interest	25-39 years	19,714,140	19,714,140
Fixed assets not yet placed into service		4,713,456	2,463,654
		253,687,648	247,023,099
Less: Accumulated depreciation		(95,019,505)	(85,974,304)
Property, facilities and equipment, net		$ 158,668,143	$ 161,048,795

The Foundation disposed of $0 and $99,000 of fixed assets during the years ended June 30, 2018 and 2017, respectively. The disposals resulted in a loss of $0 and $32,000 for the years ended June 30, 2018 and 2017, respectively.

Depreciation expense related to property, facilities and equipment was $9,045,000 and $9,030,000 for the years ended June 30, 2018 and 2017, respectively.

8. Long-Term Debt

Long-term debt consists of the following at June 30, 2018 and 2017:

	Original Issuance	2018	2017
MDFA Series 2002A revenue bonds, 4.0%-5.8%, due 2006-2042	$ 111,890,000	$ 46,430,000	$ 46,430,000
MDFA Series 2008A revenue bonds, 3.0%-5.0%, due 2008-2042	107,495,000	-	53,230,000
MDFA Series 2008B revenue bonds, zero coupon, due 2024-2042	22,566,620	22,566,620	22,566,620
MDFA Series 2016 revenue bonds, 3.0%-5.0%, due on 2019-2042	43,650,000	43,650,000	43,650,000
MDFA Series 2017A revenue bonds, 3.0%-5.0%, due on 2019-2042	21,700,000	21,700,000	-
MDFA Series 2017B revenue bonds, 3.0%-5.0%, due on 2019-2042	30,115,000	30,115,000	-
PRI Citizens line of credit, due 2017	2,000,000	-	847,200
PRI Bank of America line of credit, due 2018	1,500,000	1,070,032	-
		165,531,652	166,723,820
Unamortized (discounts) and premiums, net		9,094,960	7,436,651
Unamortized bond issuance costs		(2,578,433)	(4,046,367)
Long-term debt, less unamortized (discounts), premiums and debt issuance costs		172,048,179	170,114,104
Less: Current maturities		(2,590,031)	(2,247,200)
Long-term debt, net		$ 169,458,148	$ 167,866,904

MDFA Series 2008B zero coupon bonds have a weighted average yield to maturity rate of 5.85%. Discounts and premiums include MDFA Series 2002A premium of $1,992,000 and $2,076,000 as of June 30, 2018 and 2017, respectively, MDFA Series 2008A discount of $0 and $51,000 as of June 30, 2018 and 2017, respectively, MDFA Series 2016 premium of $5,190,000 and $5,412,000 as of June 30, 2018 and 2017, respectively, and MDFA Series 2017A premium of $1,913,000 and $0 as of June 30, 2018 and 2017, respectively. The net amortization for the discounts and premiums was $358,000 and $240,000 as of June 30, 2018 and 2017, respectively.

Unamortized issuance costs incurred in conjunction with each debt offering are summarized in the following table as of June 30, 2018 and 2017:

	2018		2017	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
MDFA Series 2002A revenue bonds, 4.0%-5.8%, due 2006-2042	$ 46,430,000	$ 782,319	$ 46,430,000	$ 806,200
MDFA Series 2008A revenue bonds, 3.0%-5.0%, due 2008-2042; and	-			
MDFA Series 2008B revenue bonds, Zero Coupon, due 2024-2042	22,566,620	727,510	75,796,620	2,654,812
MDFA Series 2016 revenue bonds, 3.0%-5.0%, due on 2019-2042	43,650,000	561,463	43,650,000	585,355
PRI Citizens line of credit, due 2017			847,200	-
MDFA Series 2017A revenue bonds, 3.0%-5.0%, due on 2019-2042	21,700,000	212,390	-	-
MDFA Series 2017B revenue bonds, 3.0%-5.0%, due on 2019-2042	30,115,000	294,751	-	-
PRI Bank of America line of credit, due 2018	1,070,032	-	-	-
	$ 165,531,652	$ 2,578,433	$ 166,723,820	$ 4,046,367

The bond issuance costs are being amortized on a straight-line basis over the term of the applicable bonds issued, which approximates the effective interest rate method.

Debt Covenants

The Foundation's debt agreements contain limitations on additional indebtedness, mergers, and other covenants, including required debt service coverage and liquidity ratios. Debt service coverage ratio should be at least 1.20 times actual debt service for the period. Liquidity ratio should not be less than 90% of total unrestricted and temporarily restricted net assets.

The scheduled principal payments are shown in the table below:

Fiscal Year	
2019	$ 2,590,031
2020	1,785,000
2021	1,875,000
2022	1,890,000
2023	2,355,000
Thereafter	155,036,621
Total principal payments	$ 165,531,652

On December 19, 2017, the Foundation issued $21,700,000 of Massachusetts Development Finance Agency ("MDFA") Series 2017A revenue bonds at a net original issuance premium of $1,966,901 and $30,115,000 of MDFA Series 2017B revenue bonds at par. The proceeds were used to refund $51,830,000 of the Series 2008A bonds. A legal defeasance of the refunded bonds was completed, resulting in a loss on extinguishment of $3,341,000 for the year ended June 30, 2018. Principal on the Series 2017A and Series 2017B bonds is due annually and interest is due semi-annually. Interest rates for the Series 2017A and Series 2017B bonds range from 3 to 5%. The Series 2017A, Series 2017B Taxable 2037 and Series 2017B Taxable 2042 bonds will mature on January 1, 2036, January 1, 2037 and January 1, 2042, respectively.

On July 27, 2016, the Foundation issued $43,650,000 of MDFA Series 2016 revenue bonds at a net original issuance premium of $5,614,000. The proceeds were used to refund $45,885,000 of the Series 2008A bonds. A legal defeasance of the refunded bonds was completed, resulting in a loss on extinguishment of $4,498,000 for the year ended June 30, 2017. Principal and interest on the Series 2016 bonds is due semi-annually, with interest rates ranging from 3 to 5%. The bonds will mature on January 1, 2042.

With the exception of the zero coupon bonds, bond interest is payable semiannually. Interest on term loans and lines of credit is payable monthly. Total interest expense was $8,133,000 and $10,741,000 for the years ended June 30, 2018 and 2017, respectively, and is included in general and administrative expenses on the statements of activities.

One insurance company insures the 2002 Bonds and a different insurance company insures the 2008 Bonds. The two insurers have recourse to the Foundation if the Foundation defaults and an insurer must pay. The Foundation's obligations to the insurers in connection with the 2002 Bonds, the 2008 Bonds, and the 2016 Bonds are collateralized by an assignment of the payment stream under the noninterest-bearing note receivable issued in connection with the sale of certain real estate, and a mortgage on the headquarters of the Foundation located in Brighton, MA.

Line of Credit
On May 26, 2017, the Foundation replaced its RBS Citizens Bank Line of Credit agreement and entered into an agreement with Bank of America to access a discretionary line of credit of $25,000,000. Under the Bank of America agreement, revolving credit advances shall not exceed $23,500,000 and $1,500,000 for WGBH and PRI, respectively. Borrowings under the new agreement are made at the Foundation's option, as either a LIBOR Daily Floating Rate Loan or as a LIBOR Loan. If made as a LIBOR Daily Floating Rate Loan, interest on the outstanding principal will accrue at a rate equal to LIBOR Daily Floating Rate plus 1%. If made as a LIBOR Loan, the outstanding principal will accrue interest at a rate equal to the LIBOR Rate for such interest period plus 1%. The Foundation has debt covenants for debt service coverage ratio greater than or equal to 1.20 to 1.0, and a quarterly minimum unrestricted cash and liquid assets to funded debt of not less than 0.40 to 1.0. The outstanding balance on the PRI line of credit was $1,070,000 and $847,000 on June 30, 2018 and 2017, respectively. There were no amounts outstanding for WGBH on the line of credit at June 30, 2018 and 2017, respectively.

In addition to a term note agreement entered into with RBS Citizens Bank in November 8, 2012, PRI also entered into a line of credit agreement with RBS Citizens Bank which was collateralized by all business assets of PRI and guaranteed in full by WGBH. The line of credit was amended on October 30, 2015 and provided maximum availability through October 31, 2016 of $2,000,000. For the period of November 1, 2016 through October 31, 2017, PRI's maximum availability on the loan was $1,500,000 and was subsequently reduced to $1,000,000 thereafter. The amended termination date of the line of credit agreement was October 31, 2018, but was terminated prior to expiration on May 26, 2017. Under this agreement PRI had debt covenants for minimum operating income. Line of credit payments and advances occurred on a daily basis using a sweep. Interest is calculated at the LIBOR Advantage Rate (average 3.7%) and payments are required monthly beginning December 31, 2012, with the principal balance due upon maturity. PRI paid the outstanding balance in full on May 26, 2017 when the agreement was terminated with Citizens Bank.

9. Retirement Plan

The Foundation has multiple defined contribution plans (the "Plans") for eligible employees through the Teachers Insurance and Annuity Association ("TIAA") and College Retirement Equity Fund in accordance with the provisions of Section 403(b) of the Internal Revenue Code. Contributions are made by the provisions of Section 403(b) of the Internal Revenue Code. The Foundation's expense under the Plans totaled $1,980,000 and $1,778,000 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, the Foundation had a liability of $2,000 and $47,000, respectively, for benefits paid under the Plans. The Foundation matched 80% of qualified employee salary deferrals for the largest plan for the years ended June 30, 2018 and 2017. These amounts are included within accrued expenses on the consolidated statement of financial position.

PRI participates in a tax-deferred annuity plan (the "PRI Plan") covering substantially all employees. Participation in the PRI Plan is mandatory upon six months of employment and requires a minimum employee contribution of 1% of annual compensation, with an accompanying contribution by PRI equal to 2% of annual compensation. PRI's contributions to the PRI Plan were $176,000 and $167,000 for each of the years ended June 30, 2018 and 2017, respectively.

10. Components of Net Assets

Net assets of the Foundation consist of the following designations at June 30, 2018 and 2017:

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Detail of net assets				
Undesignated	$ 52,292,566	$ 2,530,225	$ -	$ 54,822,791
Board-designated debt service	78,461,093	-	-	78,461,093
Board-designated programming	8,643,161	-	-	8,643,161
Grants for future programming	-	113,080,220	-	113,080,220
Capital campaign and other	-	37,687,900	-	37,687,900
Endowment	255,098,663	15,382,049	48,237,556	318,718,268
	$ 394,495,483	$ 168,680,394	$ 48,237,556	$ 611,413,433

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets				
Undesignated	$ 236,807,888	$ 2,558,076	$ -	$ 239,365,964
Board-designated debt service	80,374,431	-	-	80,374,431
Board-designated programming	39,156,209	-	-	39,156,209
Grants for future programming	-	95,799,878	-	95,799,878
Capital campaign and other	-	37,583,882	-	37,583,882
Endowment	31,284,603	13,021,797	44,860,954	89,167,354
	$ 387,623,131	$ 148,963,633	$ 44,860,954	$ 581,447,718

Permanently restricted net assets of $48,238,000 and $44,861,000 at June 30, 2018 and 2017, respectively, are composed of the investments of contributed principal that have been restricted by the donor in perpetuity and the beneficial interest that the Foundation has in certain third-party perpetual trusts. Unless there are specific donor stipulations or Board of Trustees designations, the related investment income is used to support programs and operating expenses.

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

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

The policy governing the investment of the Foundation's endowment is twofold: to provide a reasonable and prudent level of currently expendable income in accordance with the spending policy set by the Investment Committee from time to time (currently 4.5% of the endowment's moving average fair value over the prior 36 months as of March 31 of the preceding fiscal year in which distribution is planned; for the year ended June 30, 2018, a modification to the policy in fiscal year 2018 allowed for a maximum of $12,000,000 in spending for unrestricted purposes); and to support the Foundation and its mission over the long term by ensuring that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for the benefit of future programs and services. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 15,382,049	$ 48,237,556	$ 63,619,605
Board-designated funds	255,098,663	-	-	255,098,663
Total endowments	$ 255,098,663	$ 15,382,049	$ 48,237,556	$ 318,718,268

Changes in endowment net assets for the years ended June 30, 2018, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2017	$ 31,284,603	$ 13,021,797	$ 44,860,954	$ 89,167,354
Investment return				
Investment income	2,020,758	1,730,430	48,534	3,799,722
Net appreciation (realized and unrealized)	2,517,694	2,418,234	(12,269)	4,923,659
Total investment gains (losses)	4,538,452	4,148,664	36,265	8,723,381
Contributions	221,002,501	-	3,106,795	224,109,296
Appropriation of endowment assets for expenditures	(1,726,893)	(1,788,412)	(73,683)	(3,588,988)
Change in value of split interest agreements	-	-	307,225	307,225
Endowment net assets at June 30, 2018	$ 255,098,663	$ 15,382,049	$ 48,237,556	$ 318,718,268

At June 30, 2017, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 13,021,797	$ 44,860,954	$ 57,882,751
Board-designated funds	31,284,603	-	-	31,284,603
Total endowments	$ 31,284,603	$ 13,021,797	$ 44,860,954	$ 89,167,354

Changes in endowment net assets for the years ended June 30, 2017, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	$ 32,631,544	$ 9,899,279	$ 42,822,987	$ 85,353,810
Investment return				
Investment income	402,688	302,156	47,275	752,119
Net appreciation (realized and unrealized)	4,631,201	4,480,307	207,586	9,319,094
Total investment gains (losses)	5,033,889	4,782,463	254,861	10,071,213
Contributions	-	-	2,997,154	2,997,154
Appropriation of endowment assets for expenditures	(6,380,830)	(1,659,945)	-	(8,040,775)
Change in value of split interest agreements	-	-	(1,214,048)	(1,214,048)
Endowment net assets at June 30, 2017	$ 31,284,603	$ 13,021,797	$ 44,860,954	$ 89,167,354

11. Commitments and Contingencies

The Foundation is obligated to make rental payments for operating facilities and equipment under various noncancelable operating lease agreements expiring from 2018 to 2040, as follows:

Fiscal Year		
2019	$	1,612,333
2020		1,281,588
2021		998,433
2022		966,402
2023		745,487
Thereafter		13,226,960
	$	18,831,203

Rent expense on these noncancelable agreements amounted to $1,980,000 and $1,806,000 for the years ended June 30, 2018 and 2017, respectively.

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

Fiscal Year		
2019	$	3,248,042
2020		2,773,804
2021		2,269,183
2022		2,225,654
2023		2,262,876
Thereafter		12,063,575
	$	24,843,134

Certain property lease agreements between the Foundation and its tenants contain rent escalation provisions. For these agreements, rental income is recognized on a straight-line basis over the lease term, resulting in a deferred asset balance of $984,000 and $905,000 for the years ended June 30, 2018 and 2017, respectively.

Rental income for building leases amounted to $3,480,000 and $3,322,000 for the years ended June 30, 2018 and 2017, respectively. These amounts have been recorded in miscellaneous income in the consolidated statements of activities.

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

Year Ending June 30,	Amount
2019	$ 5,258,328
2020	225,000
	$ 5,483,328

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

12. Subsequent Events

The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the dates of the consolidated statements of financial position. The Foundation does not recognize subsequent events that provide evidence about conditions that did not exist at the dates of the consolidated statements of financial position but arose after the consolidated statements of financial position dates but before the consolidated financial statements are issued. For these purposes, the Foundation has evaluated events occurring subsequent to the consolidated statement of financial position date through November 6, 2018, the date the consolidated financial statements were issued. There were no subsequent events that occurred after the statement of financial position date that have a material impact on the Foundation’s consolidated financial statements, except for the following:

On August 31, 2018, PRI and Public Radio Exchange (“PRX”), a not-for-profit organization focused on cutting edge content and audio technology, entered into a merger agreement. WGBH Educational Foundation, the sole member of the new organization, will provide a capital contribution of $10,500,000 to the newly formed LLC. The board of directors of the new company is comprised of PRI and PRX board members. The new company will be headquartered in Boston, Massachusetts.

Supplemental Consolidating Information
(Unaudited)

WGBH Educational Foundation and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2018

	WGBH	PRI	Elimination	WGBH-Consolidated
Assets				
Cash	$ 58,079,195	$ 711,566	$ -	$ 58,790,761
Short-term investments	109,990,556	-	-	109,990,556
Accounts receivable (less allowance for uncollectible accounts of $556,000)	15,576,922	1,436,912	(731,690)	16,282,144
FCC spectrum auction receivable	-	-	-	-
Current portion of receivables for asset sales	5,379,267	-	-	5,379,267
Grants receivable (less allowance for uncollectible grants of $165,000)	91,864,248	1,275,712	(3,194,176)	89,945,784
Current portion of pledges receivable, net	2,503,166	402,274	-	2,905,440
Prepaid expenses and other assets	1,965,376	175,680	-	2,141,056
Total current assets	285,358,730	4,002,144	(3,925,866)	285,435,008
Long-term pledges receivable, net	3,765,651	599,329	-	4,364,980
Long-term grants receivable, net	45,785,757	563,024	-	46,348,781
Long-term receivables for asset sales	95,569,984	-	-	95,569,984
Radio and television licenses	18,728,713	-	-	18,728,713
Other assets	5,462,938	-	-	5,462,938
Equity investments	23,760,619	-	-	23,760,619
Funds held under bond agreements - restricted	2,818,686	-	-	2,818,686
Long-term investments	275,794,738	6,916,141	-	282,710,879
Property, facilities and equipment, net	157,548,611	1,119,532	-	158,668,143
Total assets	$ 914,594,427	$ 13,200,170	$ (3,925,866)	$ 923,868,731
Liabilities				
Current maturities of debt	1,520,000	1,070,031	-	2,590,031
Accounts payable	8,017,150	3,313,683	(3,080,536)	8,250,297
Accrued expenses	16,638,435	1,089,002	(845,330)	16,882,107
Royalties payable	2,584,407	-	-	2,584,407
Accrued bond interest expense	5,371,712	-	-	5,371,712
Deferred revenue and other liabilities	6,955,521	144,610	-	7,100,131
Total current liabilities	41,087,225	5,617,326	(3,925,866)	42,778,685
Long-term deferred revenue and other liabilities	78,487,109	91,108	-	78,578,217
Long-term debt, net	169,458,148	-	-	169,458,148
Accrued bond interest expense	21,640,248	-	-	21,640,248
Total liabilities	310,672,730	5,708,434	(3,925,866)	312,455,298
Net assets (deficit)				
Unrestricted	397,405,206	(2,909,723)	-	394,495,483
Temporarily restricted	165,184,171	3,496,223	-	168,680,394
Permanently restricted	41,332,320	6,905,236	-	48,237,556
Total net assets	603,921,697	7,491,736	-	611,413,433
Total liabilities and net assets	$ 914,594,427	$ 13,200,170	$ (3,925,866)	$ 923,868,731

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

WGBH Educational Foundation and Subsidiaries
Consolidating Statement of Activities
Year Ended June 30, 2018

	WGBH	PRI	Elimination	WGBH-Consolidated
Operating revenue				
Contributions, principally viewer and listener support	$ 31,744,103	$ 1,912,377	$ -	$ 33,656,480
Contributions for national programming	-	53,406	-	53,406
Community service grants from the Corporation for Public Broadcasting	9,268,131	-	-	9,268,131
Royalty and licensing	7,314,584	169,123	-	7,483,707
Captioning and ancillary services	7,526,660	-	(23,445)	7,503,215
Planned giving	483,182	-	-	483,182
Accretion of interest and other income on long-term receivables	7,115,804	-	-	7,115,804
Investment earnings authorized for operations	1,788,412	73,683	-	1,862,095
In-kind contributions and donated services	3,296,469	75,200	-	3,371,669
Affiliation revenue	-	4,415,302	(54,030)	4,361,272
Distribution fees	-	5,597,086	(63,813)	5,533,273
Miscellaneous income	17,548,234	430,866	(349,007)	17,630,093
Total operating revenue	86,085,579	12,727,043	(490,295)	98,322,327
Net assets released from restrictions	126,644,817	5,310,749	(2,915,946)	129,039,620
Total operating revenue and other support	212,730,396	18,037,792	(3,406,241)	227,361,947
Operating expenses				
Program services				
Programming and production	149,215,631	12,650,092	(3,658,719)	158,207,004
Broadcasting	15,307,037	3,885,955	-	19,192,992
Public information, guides and educational material	7,272,392	-	-	7,272,392
Total program services	171,795,060	16,536,047	(3,658,719)	184,672,388
Supporting services				
Fundraising and development	23,320,192	1,050,140	-	24,370,332
Underwriting	8,269,005	-	-	8,269,005
General and administrative	18,880,472	976,597	-	19,857,069
Total supporting services	50,469,669	2,026,737	-	52,496,406
Total operating expenses	222,264,729	18,562,784	(3,658,719)	237,168,794
(Deficit) surplus of operating revenue over operating expenses	(9,534,333)	(524,992)	252,478	(9,806,847)
Nonoperating gains (losses)				
Realized gain on investments	1,660,819	33	-	1,660,852
Change in net unrealized gains on investments	1,034,488	-	-	1,034,488
Investment income	2,150,038	289,164	-	2,439,202
Gain on equity investments	15,186,058	-	-	15,186,058
Net asset transfer	(413,277)	413,277	-	-
Loss on defeasance	(3,341,401)	-	-	(3,341,401)
Other losses	(300,000)	-	-	(300,000)
Nonoperating gains, net	15,976,725	702,474	-	16,679,199
Increase in unrestricted net assets	$ 6,442,392	$ 177,482	$ 252,478	$ 6,872,352

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

WGBH Educational Foundation and Subsidiaries
Consolidating Statement of Activities, continued
Year Ended June 30, 2018

	WGBH	PRI	Elimination	WGBH-Consolidated
Unrestricted net assets at June 30, 2017	$ 390,962,814	$ (3,087,205)	$ (252,478)	$ 387,623,131
Deficit of operating revenue over operating expenses	(9,534,333)	(524,992)	252,478	(9,806,847)
Realized gains on investments	1,660,819	33	-	1,660,852
Change in net unrealized gains on investments	1,034,488	-	-	1,034,488
Investment income	2,150,038	289,164	-	2,439,202
Gain on equity investments	15,186,058	-	-	15,186,058
Net asset transfer	(413,277)	413,277	-	-
Loss on defeasance	(3,341,401)	-	-	(3,341,401)
Other losses	(300,000)	-	-	(300,000)
Total increase in unrestricted net assets	6,442,392	177,482	252,478	6,872,352
Unrestricted net assets at June 30, 2018	397,405,206	(2,909,723)	-	394,495,483
Temporarily restricted net assets at June 30, 2017	144,473,907	4,463,592	26,134	148,963,633
Contributions for national programming	120,174,071	3,238,028	(2,942,080)	120,470,019
Contributions - other	16,071,626	1,105,352	-	17,176,978
Contributions for local sponsorship	8,488,146	-	-	8,488,146
Planned giving	260,986	-		260,986
Change in value of split interest agreements	262,265	-	-	262,265
Investment earnings authorized for operations	(1,788,412)	-	-	(1,788,412)
Net assets released from restrictions used for operations	(126,644,817)	(5,310,749)	2,915,946	(129,039,620)
Realized gains on investments	1,269,765	-	-	1,269,765
Change in net unrealized gains on investments	886,204	-	-	886,204
Investment income	1,730,430	-	-	1,730,430
Total increase (decrease) in temporarily restricted net assets	20,710,264	(967,369)	(26,134)	19,716,761
Temporarily restricted net assets at June 30, 2018	165,184,171	3,496,223	-	168,680,394
Permanently restricted net assets at June 30, 2017	37,940,768	6,920,186	-	44,860,954
Restricted contributions for endowment	2,931,795	-	-	2,931,795
Planned giving	175,000	-	-	175,000
Change in value of split interest agreements	284,757	22,468	-	307,225
Investments earnings authorized for operations	-	(73,683)	-	(73,683)
Realized gains on investments	-	18,164	-	18,164
Change in net unrealized losses on investments	-	(30,433)	-	(30,433)
Investment income	-	48,534	-	48,534
Total increase (decrease) in permanently restricted net assets	3,391,552	(14,950)	-	3,376,602
Permanently restricted net assets at June 30, 2018	$ 41,332,320	$ 6,905,236	$ -	$ 48,237,556

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

1. Basis of Presentation

The accompanying supplemental consolidating information includes the consolidating statements of financial position and activities of the individual entities of WGBH Educational Foundation and Subsidiaries. All intercompany accounts and transactions between entities have been eliminated. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

Supplemental Information
(Unaudited)

WGBH Educational Foundation and Subsidiaries
Schedule of Functional Expenses
Year Ended June 30, 2018

	Program Services				Support Services				
Operating expenses	Programming and Production	Broadcasting	Public Information, Guides and Educational Material	Total Program Services	Fundraising and Development	Underwriting	General and Administrative	Total Supporting Services	Total Operating Expenses
Salaries and wages	$ 54,186,009	$ 4,091,313	$ 2,972,826	$ 61,250,148	$ 9,432,042	$ 5,364,152	$ 8,068,454	$ 22,864,648	$ 84,114,796
Retirement plan contributions	1,463,035	122,243	78,919	1,664,197	255,072	142,402	203,574	601,048	2,265,245
Other employee benefits	4,548,417	347,622	251,376	5,147,415	790,749	453,582	639,702	1,884,033	7,031,448
Payroll taxes	3,805,487	289,915	207,725	4,303,127	659,699	374,818	526,722	1,561,239	5,864,366
Legal fees	1,255,316	87,561	30,804	1,373,681	214,785	35,748	1,065,747	1,316,280	2,689,961
Accounting fees	294,302	34,856	6,273	335,431	43,649	7,223	231,508	282,380	617,811
Consulting and advisory services	3,513,575	139,028	39,394	3,691,997	2,474,101	32,701	992,040	3,498,842	7,190,839
Marketing and promotions	5,139,737	371,111	514,231	6,025,079	4,349,276	248,069	809,485	5,406,830	11,431,909
Information technology	2,096,822	456,041	83,171	2,636,034	332,841	148,647	169,270	650,758	3,286,792
Occupancy	3,949,160	171,455	188,402	4,309,017	390,065	340,644	558,140	1,288,849	5,597,866
Travel	3,791,025	136,847	46,045	3,973,917	338,411	125,736	191,321	655,468	4,629,385
Interest	4,917,583	192,900	213,974	5,324,457	612,866	360,720	1,834,926	2,808,512	8,132,969
Depreciation and amortization	4,986,579	822,047	262,436	6,071,062	551,561	276,121	1,916,303	2,743,985	8,815,047
Equipment expense	840,956	159,210	27,009	1,027,175	89,082	35,905	360,847	485,834	1,513,009
Insurance	607,578	22,593	9,199	639,370	59,938	10,494	313,678	384,110	1,023,480
Digital services	1,351,528	75,614	361,816	1,788,958	1,702,415	92,963	345,786	2,141,164	3,930,122
Rights and licenses	1,006,721	-	20,459	1,027,180	-	17	-	17	1,027,197
Production and acquisitions	57,933,765	10,782,217	363,121	69,079,103	522,646	73,507	3,008	599,161	69,678,264
In-kind	75,200	-	1,436,469	1,511,669	-	-	-	-	1,511,669
Bad debt	147,590	9,166	10,140	166,896	86,638	16,825	82,255	185,718	352,614
Miscellaneous	2,296,619	217,966	148,603	2,663,188	1,464,496	128,731	1,544,303	3,137,530	5,800,718
Distribution	-	663,287	-	663,287	-	-	-	-	663,287
Total operating expenses	$ 158,207,004	$ 19,192,992	$ 7,272,392	$ 184,672,388	$ 24,370,332	$ 8,269,005	$ 19,857,069	$ 52,496,406	$ 237,168,794

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

1. Basis of Presentation

The accompanying supplemental information includes the consolidated schedule of functional expenses of WGBH Educational Foundation and Subsidiaries. All intercompany accounts and transactions between entities have been eliminated. The consolidated information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidated information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.