

**THE WNEB FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
The WNED Foundation, Inc.

We have audited the accompanying balance sheets of The WNED Foundation, Inc. (the Foundation) as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



October 4, 2016

THE WNE D FOUNDATION, INC.

**Balance Sheets**

June 30,	2016	2015
<b>Assets</b>		
Cash	\$ 154,761	\$ 42,869
Contributions receivable	-	116,086
Loan receivable (Note 2)	1,824,000	1,874,000
Interest receivable (Note 2)	256,578	212,824
Investments (Note 3)	21,488,871	22,975,584
Property and equipment, net (Note 4)	561,506	585,078
	<b>\$ 24,285,716</b>	<b>\$ 25,806,441</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 250,305	\$ 74
Loan payable (Note 6)	1,824,000	1,874,000
	<b>2,074,305</b>	<b>1,874,074</b>
<b>Net assets:</b>		
Unrestricted	21,956,987	23,671,581
Temporarily restricted (Note 7)	46,924	53,286
Permanently restricted	207,500	207,500
	<b>22,211,411</b>	<b>23,932,367</b>
	<b>\$ 24,285,716</b>	<b>\$ 25,806,441</b>

See accompanying notes.

THE WNED FOUNDATION, INC.

**Statements of Activities**

For the years ended June 30,

2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues:				
Investment activity:				
Interest and dividends	\$ 466,482	\$ 3,586	\$ -	\$ 470,068
Realized gains	513,864	4,359	-	518,223
Unrealized losses	(1,551,823)	(13,163)	-	(1,564,986)
	(571,477)	(5,218)	-	(576,695)
Less investment fees	134,792	1,144	-	135,936
Total investment activity	(706,269)	(6,362)	-	(712,631)
Contributions	512,430	-	-	512,430
Total revenues	(193,839)	(6,362)	-	(200,201)
Expenses:				
Contributions to the Association (Note 5)	1,440,000	-	-	1,440,000
Professional fees	4,650	-	-	4,650
Other	8,779	-	-	8,779
Interest expense	43,754	-	-	43,754
Depreciation	23,572	-	-	23,572
Total expenses	1,520,755	-	-	1,520,755
<b>Change in net assets</b>	(1,714,594)	(6,362)	-	(1,720,956)
Net assets - beginning	23,671,581	53,286	207,500	23,932,367
Net assets - ending	\$ 21,956,987	\$ 46,924	\$ 207,500	\$ 22,211,411

See accompanying notes.

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2015

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Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
\$ 556,216	\$ 2,846	\$ -	\$ 559,062
312,069	1,726	-	313,795
(1,128,572)	(6,241)	-	(1,134,813)
(260,287)	(1,669)	-	(261,956)
228,783	1,287	-	230,070
(489,070)	(2,956)	-	(492,026)
163,547	-	-	163,547
(325,523)	(2,956)	-	(328,479)
1,100,000	-	-	1,100,000
5,187	-	-	5,187
10,150	-	-	10,150
41,557	-	-	41,557
27,708	-	-	27,708
1,184,602	-	-	1,184,602
(1,510,125)	(2,956)	-	(1,513,081)
25,181,706	56,242	207,500	25,445,448
\$ 23,671,581	\$ 53,286	\$ 207,500	\$ 23,932,367

THE WNED FOUNDATION, INC.

**Statements of Cash Flows**

For the years ended June 30,	2016	2015
<b>Operating activities:</b>		
Change in net assets	\$ (1,720,956)	\$ (1,513,081)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	23,572	27,708
Net realized and unrealized losses on investments	1,046,763	821,018
Net change in other operating assets and liabilities:		
Contributions receivable	116,086	(90,156)
Interest receivable	(43,754)	(41,557)
Accounts payable	250,231	(443)
<b>Net operating activities</b>	<b>(328,058)</b>	<b>(796,511)</b>
<b>Investing activities:</b>		
Loan receivable collections, net	50,000	-
Proceeds from sales of investments	35,323,427	1,000,000
Purchases of investments	(34,883,477)	(404,300)
<b>Net investing activities</b>	<b>489,950</b>	<b>595,700</b>
<b>Financing activities:</b>		
Payments on loan payable, net	(50,000)	-
Net change in cash	111,892	(200,811)
Cash - beginning	42,869	243,680
Cash - ending	\$ 154,761	\$ 42,869

See accompanying notes.

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies:

#### Organization:

The WNED Foundation, Inc. (the Foundation) is a nonprofit corporation whose primary purpose is to solicit, collect and invest funds on behalf of Western New York Public Broadcasting Association (the Association), the Foundation's sole member.

The Association is a nonprofit corporation chartered by the New York State Board of Regents to serve the educational, cultural, and informational needs of residents in Western New York and Southern Ontario through the operation of public television and radio stations, the provision of public television and radio programming and outreach activities. The Foundation and Association are located in Buffalo, New York, and share management personnel and Boards of Trustees.

#### Subsequent Events:

The Foundation has evaluated events and transactions for potential recognition or disclosure through October 4, 2016, the date the financial statements were available to be issued.

#### Basis of Presentation:

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity, the earnings from which can be used for unrestricted or specified purposes.

The Foundation's Board of Trustees has interpreted the New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original permanently restricted gift as of the gift date, absent explicit donor stipulations to the contrary. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide returns sufficient to address the purposes of the assets over the long-term.

Investment activity of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

#### Cash:

Cash in financial institutions may exceed insured limits at various times during the year and subject the Foundation to concentrations of credit risk.

#### Investments:

Investments are stated at estimated fair value. The fair value of marketable securities is determined by quoted prices in active markets. The Foundation uses net asset value (NAV) per share (or its equivalent) as a practical expedient to determine the fair value of investments that (i) do not have a readily determinable fair value predicated upon quoted prices in active markets, and (ii) have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company (Note 8).

#### Property and Equipment:

Property and equipment is stated at cost or fair market value at the date of donation, net of accumulated depreciation. Depreciation is computed by the straight-line method over estimated service lives.

### Contributions:

Contributions, including unconditional promises to give, are reported at fair value at the date received. Gifts are reported as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

### Tax Status:

The Foundation is a 501(c)(3) corporation exempt from income taxes under Section 501(a) of the Internal Revenue Code. The Foundation believes it is not subject to examination by Federal and State taxing authorities for years prior to 2013.

### Use of Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 2. Loan Receivable:

Loan receivable represents an advance to the Association, due no later than September 2017, including interest at the 1 month LIBOR rate plus 2%. Total interest income for the years ended June 30, 2016 and 2015 was \$43,754 and \$41,557. Accrued interest receivable at June 30, 2016 and 2015 was \$256,578 and \$212,824.

### 3. Investments:

	2016	2015
Cash for investments	\$ 12	\$ 119,782
Mutual funds	9,644,282	5,443,066
Global multi asset strategies	11,566,959	13,444,464
Hedge funds	277,618	3,968,272
	<u>\$ 21,488,871</u>	<u>\$ 22,975,584</u>

### 4. Property and Equipment:

	2016	2015
Real estate and improvements	\$ 743,550	\$ 743,550
Technical equipment	23,091	23,091
Furniture and fixtures	82,708	82,708
	<u>849,349</u>	<u>849,349</u>
Less accumulated depreciation	<u>287,843</u>	<u>264,271</u>
	<u>\$ 561,506</u>	<u>\$ 585,078</u>

### 5. Operating and Administrative Support:

The Association currently provides various operating and administrative support to the Foundation at no cost. In-kind revenue and expense recognized by the Foundation totaled \$7,463 and \$9,966 for the years ended June 30, 2016 and 2015.

Contributions by the Foundation to the Association are recorded as expenses when they are approved by the Board of Trustees for payment.

Contributions to the Association totaling \$1,440,000 and \$1,100,000 in 2016 and 2015 were approved to support operating activities and capital improvements in accordance with the Foundation's investment spending plan. Accounts payable at June 30, 2016 includes \$250,000 of contributions payable to the Association.

### 6. Loan Payable:

To facilitate financing the renovation of the Association's building, the Foundation obtained bank demand financing. The note bears interest at rates ranging from 1 month LIBOR rate plus 2% to prime plus 1%, and is secured by certain investments. Borrowings outstanding at June 30, 2016 and 2015 totaled \$1,824,000 and \$1,874,000. Interest expense for the years ended June 30, 2016 and 2015 was \$43,754 and \$41,557 (approximates interest paid).

### 7. Temporarily Restricted Net Assets:

Temporarily restricted net assets represent cumulative unappropriated earnings on permanently restricted endowment assets. At June 30, 2016 and 2015, unappropriated donor restricted endowment earnings included in temporarily restricted net assets totaled \$46,924 and \$53,286.



## 8. Fair Value Measurements:

As described in Note 1, the Foundation's investments are stated at estimated fair value. The fair values of investment assets are as follows as of June 30, 2016 and 2015:

	Quoted Prices in	
	Active Markets	NAV
<b><u>2016</u></b>		
Cash for investments	\$ 12	\$ -
Mutual funds	9,644,282	-
Global multi asset strategies	11,566,959	-
Hedge funds	-	277,618
	<b>\$ 21,211,253</b>	<b>\$ 277,618</b>
	Quoted Prices in	
	Active Markets	NAV
<b><u>2015</u></b>		
Cash for investments	\$ 119,782	\$ -
Mutual funds	5,443,066	-
Global multi asset strategies	3,867,038	9,577,426
Hedge funds	-	3,968,272
	<b>\$ 9,429,886</b>	<b>\$ 13,545,698</b>