



**HOWARD UNIVERSITY TELEVISION
WHUT-TV**

**(An Unincorporated Operating
Segment of The Howard University)
Financial Statements
And Supplementary Information
June 30, 2013 and 2012**

With Independent Auditors' Report Thereon

WHUT-TV
(An Unincorporated Operating Segment of
The Howard University)
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Independent Auditor's Report

Board of Trustees of The Howard University
WHUT-TV (an unincorporated operating segment of The Howard University)
Washington, DC

We have audited the accompanying financial statements of WHUT-TV, which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Howard University as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10, WHUT-TV improperly recognized fixed assets during the fiscal year ended June 30, 2012. WHUT-TV has restated its 2012 financial statements for the correction of this misstatement. Our opinions on the 2013 and 2102 financial statements are not modified with respect to this matter.

Other Matters

The financial statements of WHUT-TV for the year ended June 30, 2012, before restatement for the matter described in the Emphasis of Matter paragraph, were audited by other auditors, whose report dated December 7, 2012 on those statements was unmodified.

BDO USA, LLA

January 31, 2014

WHUT-TV (An Unincorporated Operating Segment of The Howard University)

WHUT-TV (An Unincorporated Operating Segment of The Howard University) Statements of Financial Position		
June 30,	2013	2012 (Restated)
Assets:		
Cash due from Howard	\$ 5,011,124	\$ 4,331,869
Grants receivable	37,450	123,197
Investments	117,814	111,018
Property and equipment, net	1,572,322	1,987,235
Total Assets	\$ 6,738,710	\$ 6,553,319
Liabilities:		
Accounts payable and accrued expenses	\$ 181,693	\$ 117,360
Deferred revenue	874,493	950,745
Total Liabilities	1,056,186	1,068,105
Net Assets:		
Unrestricted	5,553,941	5,368,747
Temporarily restricted	24,019	11,903
Permanently restricted	104,564	104,564
Total net assets	5,682,524	5,485,214
Total liabilities and net assets	\$ 6,738,710	\$ 6,553,319

The accompanying notes are an integral part of these financial statements

WHUT-TV (An Unincorporated Operating Segment of The Howard University)

WHUT-TV (An Unincorporated Operating Segment of The Howard University) Statements of Activities		
For the Years Ended June 30,	2013	2012
Support and Revenue:		
Support from Howard:		
General appropriations from Howard	\$ 2,065,917	\$ 1,829,530
Indirect cost appropriations from Howard	1,110,184	1,043,161
Total Support from Howard	3,176,101	2,872,691
Public Support and Other Income:		
Government and other private grants	82,961	64,562
Community service and interconnection grants from Corporation for Public Broadcasting	547,518	901,554
Contributions	641,362	438,676
Telecasting, production and other income	49,796	96,193
Investment income gains/(losses)	6,796	(8,629)
Total Public Support and Other Income	1,328,433	1,492,356
Total Unrestricted Support and Revenue	4,504,534	4,365,047
Expenses:		
Compensation	1,021,510	833,294
Utilities	178,569	130,423
Office supplies	135,638	50,244
Repairs and maintenance	87,010	86,266
Professional and administrative services	1,359,400	1,537,860
Depreciation	414,913	416,190
Administrative support from Howard	1,110,184	1,043,161
Total Expenses	4,307,224	4,097,438
Change in Net Assets	197,310	267,609
Unrestricted	185,194	270,788
Temporarily restricted	12,116	(3,179)
Permanently restricted	--	--
Change in Net Assets	197,310	267,609
Prior Period Adjustment – see note 10	--	(343,991)
Net Assets, beginning of year, as restated	5,485,214	5,217,605
Net Assets, end of year	\$ 5,682,524	\$ 5,485,214

The accompanying notes are an integral part of these financial statements

WHUT-TV (An Unincorporated Operating Segment of The Howard University)

WHUT-TV (An Unincorporated Operating Segment of The Howard University) Statements of Cash Flows		
For the Years Ended June 30,	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ 197,310	\$ 267,609
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	414,913	416,190
Realized (gain) /loss on investments	(5,398)	238
Unrealized (gain)/ loss on investments	(5,204)	3,899
Increase in cash due from Howard	(679,255)	(749,251)
Decrease in grants receivable	85,747	1,284
Decrease in prepaid expense	--	1,246
Increase in accounts payable and accrued expenses	64,333	4,143
(Decrease)/increase in deferred revenue	(76,252)	50,150
Net Cash Used in Operating Activities	(3,806)	(4,492)
Cash Flows from Investing Activities:		
Purchases of investments	(1,514)	(1,284)
Proceeds from investments	5,320	5,776
Net Cash Provided by Investing Activities	3,806	4,492
Net Change in Cash	--	--
Cash at beginning of year	--	--
Cash at end of year	\$ --	\$ --

The accompanying notes are an integral part of these financial statements

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Note 1 Organization

WHUT-TV Channel 32 (Station) is an operating segment of The Howard University in Washington, D.C. The Howard University (Howard) is a private, nonprofit institution of higher education that also operates a hospital located in Washington, D.C. Howard is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Commencing operations in 1980, the Station is the only public station owned and operated by a predominantly historically Black College or University. The Station provides educational training to students of Howard as well as service to the residents of the DC metropolitan area and the country. Various direct and indirect support functions are provided by Howard, which are recorded in the accompanying financial statements as general and indirect cost appropriations from Howard.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Station have been prepared in accordance with accounting principles generally accepted in the United States of America.

(b) Reclassifications

In certain instances, amounts previously reported in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation. Such reclassifications had no net effect on net assets.

(c) Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations and are fully available at the discretion of management and the Board of Trustees of Howard.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Station pursuant to those stipulations.

Permanently Restricted – Net assets subject to donor-imposed stipulations that do not expire with time. Generally, the donors of these assets permit the Station to use all or part of the income earned on related investments for general or specific purposes.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Contributions are reported as increases in the appropriate category of net assets, except contributions with donor-imposed restrictions met in the same fiscal year are included in unrestricted revenues. Operating expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

(d) Revenue Recognition

Contributions are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Allowance is made for creditworthiness of the donors, past collection experience, and other relevant factors.

Grants and contracts revenue is recognized when reimbursable expenses are incurred. These revenues include recoveries of eligible direct expenses and of indirect costs and fringe benefits, which are generally determined as a negotiated or agreed-upon percentage of direct costs, with certain exclusions.

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants to qualifying public telecommunications entities.

Community Service Grants are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating to programming and production, transmission and distribution, development and promotion, and administrative activities. Also, the grants may be used to sustain activities begun with the Community Service Grants awarded in prior years.

The grants are reported in the accompanying statement of activities as public support. At June 30, 2013 and 2012, the Station had received grant funds from CPB in advance, and the portion of such funds that have not yet been expended are reported as deferred revenue on the Statements of Financial Position.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

(e) Grant funds and inter unit receivables due from Howard

The Station does not hold separate custody of cash and cash equivalents as an operating segment of Howard. Howard maintains cash and cash equivalents for the operations of Howard as a whole, including all operating segments such as the Station. As such, all cash and cash equivalents held by Howard on behalf of the Station are reported as cash due from Howard on the Statements of Financial Position.

(f) Investments

Investments represent endowment investments on the Statements of Financial Position, which are stated at fair value and defined in Note 7.

Such balances represent the Station's portion of Howard's pooled endowment investments held at June 30, 2013 and 2012. Such investments are spread across various types of marketable and non-marketable securities.

Fair values are determined by the most relevant available and observable valuation inputs. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs utilize data points that are observable, such as quoted prices for comparable assets, interest rates and yield curves. Level 3 inputs are based on data points consistent with applicable valuation methodologies for similar assets and could include situations where there is little, if any, market activity for the asset.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities are based upon average historical value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at June 30, 2013 are included in investments.

(g) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A half year of depreciation is recorded in the year of acquisition. The useful lives for fiscal years 2013 and 2012 are as follow:

Buildings	10-40 years
Equipment	5-15 years
Furniture and fixtures	5-7 years

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Property and equipment acquired under capital leases are amortized in a manner consistent with the Station's normal depreciation policy for owned assets. Obligations are amortized using the straight-line method, over the shorter period of the lease term or the estimated useful life. The Station has not acquired any property and equipment under capital leases.

(h) Income Taxes

Howard (which includes the Station) is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, expenses that can be identified with a specific program are charged directly. Indirect costs related to the operation and maintenance of physical plant, including depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

(j) Estimates

The preparation of financial statements in conformity with accounting procedures generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include carrying value of property and equipment and the realization value of receivables.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Note 3 Property and Equipment, net

Property and equipment, net, is summarized as follows as of June 30, 2013 and 2012:

Property and Equipment	2013	2012
Building and renovations	\$ 4,806,730	\$ 4,806,730
Equipment	2,997,432	2,997,432
Total property and equipment	7,804,162	7,804,162
Less: accumulated depreciation	(6,231,840)	(5,816,927)
Net property and equipment	\$ 1,572,322	\$ 1,987,235

Depreciation expense for the years ended June 30, 2013 and 2012 was \$414,913 and \$416,190, respectively.

The NTIA awarded an additional grant in the amount of \$588,000 for the purchase of transmitter equipment during the grant funding period October 1, 2004 to September 1, 2005. The NTIA retains a priority reversionary interest in all equipment acquired with these grant funds. The term of the lien is 10 years after constructions is completed which was May 2006, therefore the lien expires May 2016.

During the year ended June 30, 2009, the Station completed its digital distribution conversion as required of the Federal Communications Commission (FCC). This project was funded by grants received from the Corporation for Public Broadcasting, matching funds from Howard University, and the NTIA. Accordingly, the NTIA requested a 10 year priority reversionary interest in all equipment purchased with NTIA grant funds, up to the total of \$495,250. As of the date of the opinion, the Station is awaiting approval from NTIA before lien documents can be filed with the District of Columbia.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Note 4 Leases

The Station has several non-cancelable operating leases for an antenna and tower that expire by 2018. Rental payments are recognized on a straight-line basis and reflected in the Statements of Activities within professional and administrative services expense. Rent expense related to equipment for fiscal years ended June 30, 2013 and 2012 was \$281,818 and \$307,395, respectively.

The minimum lease payments under the non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease Obligations	Operating Leases
2014	\$ 284,925
2015	296,322
2016	308,174
2017	320,501
2018 and thereafter	448,873
Total Lease Obligations, net	\$ 1,658,795

Note 5 Howard University (Licensee) Support

Howard provides support to the Station consisting of direct expenses such as payroll, general institutional overhead, plant maintenance costs and certain other expenses. For the years ended June 30, 2013 and 2012, the total support provided by Howard recorded in the Statement of Activities and Changes in Net Assets was \$3,176,101 and \$2,872,691, respectively as general appropriations from Howard, indirect cost appropriations from Howard and matching grant funds from Howard.

Note 6 Endowment Fund

The Station's endowment investments are included amongst Howard's 800 individual accounts established to serve a variety of purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position – Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (DC UPMIFA).

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. For the years ended June 30, 2013 and 2012, the Station had one endowment fund whose earnings are available for general operations.

Spending - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

Management and Investment - In accordance with UPMIFA, Howard considers the following factors in making investment, as well as other management decisions regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other University resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to the University's charitable purpose.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

As of June 30, 2013 and 2012, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	June 30, 2013	June 30, 2012
Permanently Restricted Net Assets The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 104,565	\$ 104,565
Temporarily Restricted Net Assets The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA: With purpose restrictions	13,249	6,453
Total endowment funds classified as temporarily restricted net assets	\$ 13,249	\$ 6,453

The change in value and the composition of the amounts classified as the Station's endowment for the years ended June 30, 2013 are as follows:

Endowment Change in Value For period ended June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	\$ 6,453	\$ 104,565	\$ 111,018
Investment return:				
Investment income	--	2,371	--	2,371
Net appreciation (realized and unrealized)	--	9,745	--	9,745
Total investment return	--	12,116	--	12,116
Appropriation of endowment assets for operations	--	(5,320)	--	(5,320)
Endowment net assets, end of year	\$ --	\$ 13,249	\$ 104,565	\$ 117,814
Donor-restricted endowment funds	\$ --	\$ 13,249	\$ --	\$ 13,250
Board-designated endowment funds	--	--	--	--
Endowment net assets, end of year	\$ --	\$ 13,249	\$ 104,565	\$ 117,814

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

The change in value and the composition of the amounts classified as the Station's endowment for the years ended June 30, 2012 are as follows:

Endowment Change in Value For period ended June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	\$ 15,082	\$ 104,565	\$ 119,647
Investment return:				
Investment income	--	1,284	--	1,284
Net appreciation (realized and unrealized)	--	(4,463)	--	(4,463)
Total investment return	--	(3,179)	--	(3,179)
Appropriation of endowment assets for operations	--	(5,450)	--	(5,450)
Endowment net assets, end of year	\$ --	\$ 6,453	\$ 104,565	\$ 111,018
Donor-restricted endowment funds	\$ --	\$ 6,453	\$ --	\$ 6,453
Board-designated endowment funds	--	--	--	--
Endowment net assets, end of year	\$ --	\$ 6,453	\$ 104,565	\$ 111,018

On October 19, 2010, the Station received a contribution of donated stock with a fair value of \$104,565. This contribution was used by the Station to establish an endowment.

Note 7 Fair Value Measurements

Howard adopted the applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three categories for fair value measurements based upon transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

The Station's financial assets and liabilities as of June 30, 2013 and 2012 are subject to fair value accounting.

Fair value as of June 30, 2013 is as follows:

Fair Value as of June 30, 2013	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 161	\$ 6,335	--	\$ 6,496
Commingled Funds (2)	--	27,209	--	27,209
Common Stock (2)	11,629	--	--	11,629
Fixed Income (3)	--	1,572	--	1,572
Hedge Funds (4)	--	9,621	1,359	10,980
Mutual Funds Investment (2)(3)	36,487	--	--	36,487
Private Equity and Venture Capital (4)	--	--	21,443	21,443
Real Estate (4)	--	--	1,998	1,998
Total endowment investments	\$ 48,277	\$ 44,737	\$ 24,800	\$ 117,814

Fair value as of June 30, 2012 is as follows:

Fair Value as of June 30, 2013	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 220	\$ 9,421	--	\$ 9,641
Commingled Funds (2)	--	23,469	--	23,469
Common Stock (2)	15,167	--	--	15,167
Fixed Income (3)	--	2,031	--	2,031
Hedge Funds (4)	--	9,084	1,331	10,415
Mutual Funds Investment (2)(3)	25,681	--	--	25,681
Private Equity and Venture Capital (4)	--	--	22,444	22,444
Real Estate (4)	--	--	2,170	2,170
Total endowment investments	\$ 41,068	\$ 44,005	\$ 25,945	\$ 111,018

The Station's fair value of investments is based on the Station's allocation of units within Howard's investment pool.

The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

- (1) Money market instruments include investments in open ended mutual funds that invest in US treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

- (2) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2. Investments in comingled funds with underlying securities in common stock are classified as Level 2 because there is a readily determinable unit price and the units held can be redeemed in less than one month.
- (3) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.
- (4) Alternative investments include the Station's limited partnership interests, hedge funds, private equity and real estate and commodity funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued based on valuation techniques that take into account each fund's underlying assets and include valuation methods such as market, cost and income approaches. In accordance with an accounting standard update governing the classification of certain investments which provide the option of NAV redemption value as Level 2, the Station has classified qualifying investments in Hedge Funds and Commodity Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. Hedge Funds and Commodity Funds with liquidation terms in excess of 90 days are classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3. These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by management indicate that the values reported are reasonable. These investments are classified as Level 3.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Station 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 as of the reporting date and different income (loss) being recognized during the period.

WHUT-TV (An Unincorporated Operating Segment of The Howard University)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2013 and 2012

Note 8 **Commitments and Contingencies**

Certain federally funded programs are routinely subject special audits. Such audits could result in claims against the resources of WHUT-TV. Since WHUT-TV does not expect claims to arise as a result of such audits, no provision for liabilities has been provided in the financial statements.

Note 9 **Subsequent Events**

Howard performed an evaluation of subsequent events through January 31, 2014, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of June 30, 2013.

Note 10 **Correction of Prior Period Error - Opening Net Assets**

During the fiscal year ended June 30, 2013, Howard discovered that it had improperly recognized fixed assets during fiscal year ended June 30, 2011. The correction of this error reduced opening net assets by \$343,991 and required a restatement of fiscal year 2012 financial statements as reflected in the Statements of Financial Position, Activities and Cash Flows.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

Board of Trustees of The Howard University
WHUT-TV (an unincorporated operating segment of The Howard University)
Washington, DC

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

BDO USA, LLP

January 31, 2014

WHUT-TV (An Operating Segment of The Howard University)

Statement of Functional Expenses

For the Years Ended June 30, 2013 with 2012 Totals

	Program Services			Supporting Services			Total	
	Programming &			Fundraising &			2013	2012
	Production	Broadcasting	Total	Administrative	Development	Total		
Compensation	\$ 83,520	\$ 408,094	\$ 491,614	\$ 525,660	\$ 4,236	\$ 529,896	\$ 1,021,510	\$ 833,294
Supplies	40,034	505	40,539	17,525	55,159	72,684	113,223	39,633
Postage and printing		205	205	3,728	18,481	22,209	22,414	10,611
Marketing	242		242	-		-	242	89
Dues & Subscriptions	411,800	11,824	423,624	20,600		20,600	444,224	468,178
License and permits	-	2,965	2,965			-	2,965	1,750
Professional fees	136,039	112,030	248,069	82,569	133,534	216,103	464,172	510,073
Outside services	6,399	-	6,399	17,749	58,703	76,452	82,851	49,602
Repairs and maintenance	32,081	51,008	83,089	3,921		3,921	87,010	86,266
Rent	1,811	278,161	279,972	1,846		1,846	281,818	307,395
Utilities		45,900	45,900	132,669		132,669	178,569	130,423
Travel and meals			-	22,660		22,660	22,660	5,319
Miscellaneous	(18,023)	1	(18,022)	5,000	46,771	51,771	33,749	195,456
Equipment	23,683	3,037	26,720	-		-	26,720	-
Depreciation	49,790	215,754	265,544	149,369		149,369	414,913	416,190
Administrative support from Howard			-	1,110,184		1,110,184	1,110,184	1,043,161
Total	\$ 767,376	\$ 1,129,484	\$ 1,896,860	\$ 2,093,480	\$ 316,884	\$ 2,410,364	\$ 4,307,224	4,097,440