



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.)
Financial Statements
and Supplementary Information
June 30, 2015 and 2014**

With Independent Auditor's Report Thereon

WHUT-TV
(an unincorporated operating segment of
The Howard University, Inc.)
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Independent Auditor's Report

Board of Trustees of The Howard University, Inc.
Howard University Television WHUT-TV
Washington, DC

We have audited the accompanying financial statements of Howard University Television WHUT-TV (an unincorporated operating segment of The Howard University, Inc.), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

Auditor's 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 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 Howard University Television WHUT-TV as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

February 11, 2016

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Financial Position June 30,	2015	2014
Assets:		
Receivable from The Howard University, Inc.	\$ 4,644,121	\$ 4,680,512
Grants receivable	--	6,718
Prepaid expenses	1,246	14,882
Investments	121,440	127,983
Property and equipment, net	1,616,554	1,450,674
Total Assets	\$ 6,383,361	\$ 6,280,769
Liabilities:		
Accounts payable and accrued expenses	\$ 310,357	\$ 347,969
Deferred rent	201,743	--
Deferred revenue	1,365,085	1,047,373
Total Liabilities	1,877,185	1,395,342
Net Assets:		
Unrestricted	4,362,779	4,741,175
Temporarily restricted	38,833	39,688
Permanently restricted	104,564	104,564
Total Net Assets	4,506,176	4,885,427
Total Liabilities and Net Assets	\$ 6,383,361	\$ 6,280,769

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Activities For the Years Ended June 30,	2015	2014
Unrestricted Support and Revenue:		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,789,661	\$ 1,355,594
Indirect cost appropriations	1,536,351	1,224,021
Total Support from The Howard University, Inc.	3,326,012	2,579,615
Public Support and Other Income:		
Government and other private grants	252,391	17,900
Community service and interconnection grants from Corporation for Public Broadcasting	740,665	670,672
Contributions	731,274	430,030
Telecasting, production and other income	156,768	166,182
Investment income (loss) gain	(6,543)	10,169
Total Public Support and Other Income	1,874,555	1,294,953
Total Unrestricted Support and Revenue	5,200,567	3,874,567
Expenses:		
Compensation	1,686,206	1,314,605
Utilities	102,597	74,170
Office supplies	97,682	79,643
Repairs and maintenance	171,083	129,848
Professional and administrative services	1,689,034	1,541,493
Sponsorship expense	120,000	104,000
Depreciation	176,865	203,884
Administrative support from The Howard University, Inc.	1,536,351	1,224,021
Total Expenses	5,579,818	4,671,664
Change in Net Assets	(379,251)	(797,097)
Unrestricted	(378,396)	(812,766)
Temporarily restricted	(855)	15,669
Change in Net Assets	(379,251)	(797,097)
Net Assets, beginning of year	4,885,427	5,682,524
Net Assets, end of year	\$ 4,506,176	\$ 4,885,427

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Cash Flows For the Years Ended June 30,	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (379,251)	\$ (797,097)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	176,865	203,884
Realized gain on investments	(6,071)	(9,294)
Unrealized loss (gain) on investments	8,775	(4,493)
Decrease in receivable from Howard University, Inc.	36,391	330,612
Decrease in grants receivable	6,718	30,732
Decrease (increase) in prepaid expenses	13,636	(14,882)
(Decrease) increase in accounts payable and accrued expenses	(37,612)	166,276
Increase in deferred rent	201,743	--
Increase in deferred revenue	317,712	172,880
Net Cash Provided by Operating Activities	338,906	78,618
Cash Flows from Investing Activities:		
Purchases of investments	(1,849)	(1,882)
Proceeds from investments	5,688	5,500
Purchase and renovations of property and equipment	(342,745)	(82,236)
Net Cash Used in Investing Activities	(338,906)	(78,618)
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, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

Note 1 Organization

WHUT-TV Channel 32 (the Station) is an unincorporated operating segment of The Howard University, Inc. (Howard) located in Washington, D.C. Howard is a private, nonprofit institution of higher education that also operates a hospital similarly located in Washington, D.C.

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 of Accounting

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

(b) 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 that 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.

Contributions are reported as increases in the appropriate category of net assets. 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

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.

(c) Revenue Recognition

Contributions, including unconditional promises to give, 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. The Station's allowance for doubtful contributions receivable policy is based on various relevant factors including creditworthiness of the donors and past collection experience.

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 that began with the Community Service Grants awarded in prior years.

The grants are reported in the accompanying Statements of Activities as public support. At June 30, 2015 and 2014, 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.

(d) Grant Funds and Inter Unit Receivables Due from Howard

Cash transactions are processed on behalf of the Station by Howard. The Station does not hold separate custody of cash and cash equivalents as the Station is an operating segment of Howard. Residual amounts due to the Station each fiscal year are recorded as a receivable from Howard.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

(e) 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, 2015 and 2014. 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, 2015 and 2014 are included in investments.

(f) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation. 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 2015 and 2014 are as follow:

Buildings	10 - 40 years
Equipment	5 - 15 years
Software	3 - 10 years

Property and equipment acquired under capital leases are depreciated in a manner consistent with the Station's normal depreciation policy for owned assets. Equipment is depreciated using the straight-line method, over the shorter period of the lease term or the estimated useful life.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

(g) Income Tax Status

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.

(h) 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 functional expenses. 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.

(i) License Agreements

The Station has license agreements with one provider in fiscal year 2015 and two providers in fiscal year 2014. These agreements are recorded as prepaid expenses and amortized over the life of the licenses.

(j) Barter Agreements

The Station participates in barter agreements with vendors and records revenues and expenses based on the fair value of the goods or services received. In fiscal years 2015 and 2014, the values of goods or services received were approximately \$120,000 and \$104,000, respectively, and is recorded as telecasting, production and other income in the statements of activities.

(k) 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 certain investments, the carrying value of property and equipment and the realization value of receivables.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

(l) New Accounting Pronouncements

In June 2015, FASB issued ASU 2015-10, *Technical Corrections and Improvements*, which clarified guidance related to expiration of donor-imposed restriction. The amendment to the accounting guidance focuses on the accounting for situations involving two temporary restrictions- a purpose and time restriction, that were specified by the donor. The new guidance indicates that when a purpose restriction has been satisfied, the time restriction may be released. The new guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Howard does not anticipate that the ASU will have a material impact to the financial statements.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, by removing the requirement to categorize within the fair value hierarchy all investments for which a fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient, limiting those disclosures to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are to be applied retrospectively and are effective for fiscal year periods beginning after December 15, 2016, and interim periods within those fiscal years. Early application is permitted. Howard is evaluating the impact of ASU 2015-07.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Howard is currently evaluating the impact of adopting the ASU 2014-09.

In August 2015, ASU 2015-14 *Revenue from Contracts with Customers: Deferral of the Effective Date* was issued. With the issuance of ASU 2015-14, entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Howard is currently evaluating the impact of adopting ASU 2014-09 and the different transition methods available.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

Note 3 Property and Equipment, net

Property and equipment, net, is summarized as follows as of June 30, 2015 and 2014:

Property and equipment	2015	2014
Building and renovations	\$ 4,806,730	\$ 4,806,730
Equipment	3,227,323	3,033,371
Software	46,297	46,297
Total property and equipment	8,080,351	7,886,398
Less: accumulated depreciation	(6,463,797)	(6,435,724)
Property and equipment, net	\$ 1,616,554	\$ 1,450,674

Depreciation expense for the years ended June 30, 2015 and 2014 was \$176,865 and \$203,884, 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 construction 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, 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. The lien was granted June 9, 2012.

Note 4 Leases

The Station has a non-cancelable operating lease for a tower that expires 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, 2015 and 2014 was \$371,950 and \$285,608, respectively. As a result of timing differences between the recognition of rent expense and rent payments, the Station has a cumulative difference at June 30, 2015 of \$201,743.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

The minimum lease payments under the non-cancelable operating lease (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow as of June 30, 2015:

Lease Obligations	Operating Leases
2016	\$ 301,208
2017	313,256
2018	325,786
2019	158,731
Total Lease Obligations, net	\$ 1,098,981

Note 5 **Howard (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, 2015 and 2014, the total support provided by Howard recorded in the statement of activities, was \$3,527,755 and \$2,579,615, respectively as general appropriations and indirect cost appropriations.

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).

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-restricted use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

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, 2015 and 2014, 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 investments, 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 Howard resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to Howard's charitable purpose

As of June 30, 2015 and 2014, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment June 30,	2015	2014
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	\$ 104,564	\$ 104,564
Temporarily Restricted Net Assets The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA: With purpose restrictions	16,876	23,419
Total endowment funds classified as temporarily restricted net assets	\$ 16,876	\$ 23,419

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

The change in value and the composition of the amounts classified as the Station's endowment for the year ended June 30, 2015 are as follows:

Endowment Change in Value For period ended June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	\$ 23,419	\$ 104,564	\$ 127,983
Investment return:				
Investment income	--	2,687	--	2,687
Net appreciation (realized and unrealized)	--	(3,542)	--	(3,542)
Total investment return	--	(855)	--	(855)
Appropriation of endowment assets for operations	--	(5,688)	--	(5,688)
Endowment net assets, end of year	\$ --	\$ 16,876	\$ 104,564	\$ 121,440
Donor-restricted endowment funds	--	16,876	104,564	121,440
Board-designated endowment funds	--	--	--	--
Endowment net assets, end of year	\$ --	\$ 16,876	\$ 104,564	\$ 121,440

The change in value and the composition of the amounts classified as the Station's endowment for the year ended June 30, 2014 are as follows:

Endowment Change in Value For period ended June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	\$ 13,249	\$ 104,565	\$ 117,814
Investment return:				
Investment income	--	2,765	--	2,765
Net appreciation (realized and unrealized)	--	12,905	(1)	12,904
Total investment return	--	15,670	(1)	15,669
Appropriation of endowment assets for operations	--	(5,500)	--	(5,500)
Endowment net assets, end of year	\$ --	\$ 23,419	\$ 104,564	\$ 127,983
Donor-restricted endowment funds	--	23,419	104,564	127,983
Board-designated endowment funds	--	--	--	--
Endowment net assets, end of year	\$ --	\$ 23,419	\$ 104,564	\$ 127,983

On October 19, 2010, the Station received a contribution of donated stock with a fair value of \$104,565. In accordance with the terms of the contribution, the Station utilized the funds to establish an endowment.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

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.

The Station’s financial assets and liabilities are subject to fair value accounting and are as follows for the fiscal years ended June 30, 2015 and 2014:

Fair Value as of June 30, 2015	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 58	\$ 7,966	\$ --	\$ 8,024
Commingled Funds (2)	--	41,296	--	41,296
Common Stock (2)	9,606	--	--	9,606
Fixed Income (3)	--	9	--	9
Hedge Funds (4)	--	10,646	1,373	12,019
Mutual Funds Investment (2)(3)	30,399	--	--	30,399
Limited partnerships (4)	--	--	16,722	16,722
Real Estate (4)	--	--	3,365	3,365
Total endowment investments	\$ 40,063	\$ 59,917	\$ 21,460	\$ 121,440

Level 3 investments were 18% of total investments.

Fair Value as of June 30, 2014	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 182	\$ 7,554	\$ --	\$ 7,736
Commingled Funds (2)	--	43,754	--	43,754
Common Stock (2)	13,375	--	--	13,375
Fixed Income (3)	--	1,297	--	1,297
Hedge Funds (4)	--	10,471	1,600	12,071
Mutual Funds Investment (2)(3)	26,332	--	--	26,332
Limited partnerships (4)	--	--	19,725	19,725
Real Estate (4)	--	--	3,693	3,693
Total endowment investments	\$ 39,889	\$ 63,076	\$ 25,018	\$ 127,983

Level 3 investments were 20% of total investments.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

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.
- (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 commingled 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2015 and 2014

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.

Note 8 **Commitments and Contingencies**

Certain federally funded programs are routinely subject to 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**

In January 2016, Howard University elected to participate in the Federal Communications Commission (FCC) Broadcast Incentive Auction that will occur in the spring of 2016.

Howard performed an evaluation of subsequent events through February 11, 2016, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of June 30, 2015.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

Board of Trustees of The Howard University, Inc.
Howard University Television WHUT-TV
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

February 11, 2016

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)

Statement of Functional Expenses

For the Year Ended June 30, 2015 (with 2014 Totals)

	Program Services				Supporting Services				Total	
	Programming & Production	Broadcasting	Program Information & Promotion	Total	Management & General	Fundraising & Development	Underwriting & Grant Solicitation	Total	2015	2014
Compensation	\$ 402,723	\$ 579,234	\$ -	\$ 981,957	\$ 639,788	\$ 64,461	\$ -	\$ 704,249	\$ 1,686,206	\$ 1,314,605
Supplies	46,615	8,028	1,917	56,560	14,825	4,172	-	18,997	75,557	50,466
Postage and printing	1,755	-	8,038	9,793	87	12,245	-	12,332	22,125	29,177
Marketing	-	189	17,610	17,799	805	-	121,000	121,805	139,604	121,039
Dues & Subscriptions	482,149	-	633	482,782	129	-	-	129	482,911	458,892
License and permits	62,095	-	-	62,095	50	-	-	50	62,145	15,046
Professional fees	430,850	10,925	4,191	445,966	9,720	76,564	11,736	98,020	543,986	573,541
Outside services	29,076	-	100	29,176	4,355	-	-	4,355	33,531	52,616
Repairs and maintenance	21,032	64,576	2,203	87,811	22,332	885	-	23,217	111,028	129,848
Rent	21,575	350,375	-	371,950	-	-	-	-	371,950	285,608
Utilities	-	313	-	313	102,284	-	-	102,284	102,597	74,170
Travel and meals	13,868	-	-	13,868	(11,152)	338	-	(10,814)	3,054	19,072
Miscellaneous	6,924	(2,910)	612	4,626	(12,885)	180,112	-	167,227	171,853	95,826
Equipment	44,050	6,943	120	51,113	8,942	-	-	8,942	60,055	23,853
Depreciation	21,224	91,970	-	113,194	63,671	-	-	63,671	176,865	203,884
Administrative support from Howard	-	-	-	-	1,536,351	-	-	1,536,351	1,536,351	1,224,021
Total	\$ 1,583,936	\$ 1,109,643	\$ 35,424	\$ 2,729,003	\$ 2,379,302	\$ 338,777	\$ 132,736	\$ 2,850,815	\$ 5,579,818	\$ 4,671,664