



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.)
Financial Statements
and Supplementary Information
June 30, 2014 and 2013**

With Independent Auditor's Report Thereon

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

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-17
Supplementary Information:	
Independent Auditor's Report on Supplementary Information	19
Statement of Functional Expenses	20



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

5430 Wade Park Boulevard
Suite 208
Raleigh, NC 27607

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, 2014 and 2013, 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, 2014 and 2013, 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 12, 2015

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,	2014	2013
Assets:		
Receivable from The Howard University, Inc.	\$ 4,680,512	\$ 5,011,124
Grants receivable	6,718	37,450
Prepaid expenses	14,882	--
Investments	127,983	117,814
Property and equipment, net	1,450,674	1,572,322
Total Assets	\$ 6,280,769	\$ 6,738,710
Liabilities:		
Accounts payable and accrued expenses	\$ 347,969	\$ 181,693
Deferred revenue	1,047,373	874,493
Total Liabilities	1,395,342	1,056,186
Net Assets:		
Unrestricted	4,741,175	5,553,941
Temporarily restricted	39,688	24,019
Permanently restricted	104,564	104,564
Total Net Assets	4,885,427	5,682,524
Total Liabilities and Net Assets	\$ 6,280,769	\$ 6,738,710

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,	2014	2013
Unrestricted Support and Revenue:		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,355,594	\$ 2,065,917
Indirect cost appropriations	1,224,021	1,110,184
Total Support from The Howard University, Inc.	2,579,615	3,176,101
Public Support and Other Income:		
Government and other private grants	17,900	82,961
Community service and interconnection grants from Corporation for Public Broadcasting	670,672	547,518
Contributions	430,030	641,362
Telecasting, production and other income	166,182	99,796
Investment income gains	10,169	6,796
Total Public Support and Other Income	1,294,953	1,378,433
Total Unrestricted Support and Revenue	3,874,567	4,554,534
Expenses:		
Compensation	1,314,605	1,021,510
Utilities	74,170	178,569
Office supplies	79,643	135,638
Repairs and maintenance	129,848	87,010
Professional and administrative services	1,541,493	1,359,400
Sponsorship expense	104,000	50,000
Depreciation	203,884	414,913
Administrative support from The Howard University, Inc.	1,224,021	1,110,184
Total Expenses	4,671,664	4,357,224
Change in Net Assets	(797,097)	197,310
Unrestricted	(812,766)	185,194
Temporarily restricted	15,669	12,116
Permanently restricted	--	--
Change in Net Assets	(797,097)	197,310
Net Assets, beginning of year	5,682,524	5,485,214
Net Assets, end of year	\$ 4,885,427	\$ 5,682,524

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,	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ (797,097)	\$ 197,310
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	203,884	414,913
Realized gains on investments	(9,294)	(5,398)
Unrealized gain on investments	(4,493)	(5,204)
Decrease (increase) in receivable from Howard University, Inc.	330,612	(679,255)
Decrease in grants receivable	30,732	85,747
Increase in prepaid expenses	(14,882)	--
Increase in accounts payable and accrued expenses	166,276	64,333
Increase (decrease) in deferred revenue	172,880	(76,252)
Net Cash Provided by (Used in) Operating Activities	78,618	(3,806)
Cash Flows from Investing Activities:		
Purchases of investments	(1,882)	(1,514)
Proceeds from investments	5,500	5,320
Purchase and renovations of property and equipment	(82,236)	--
Net Cash (Used in) Provided by Investing Activities	(78,618)	3,806
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, 2014 and 2013

Note 1 **Organization**

WHUT-TV Channel 32 (the Station) is an 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) Reclassifications

In certain instances, amounts previously reported in the 2013 financial statements have been reclassified to conform to the 2014 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 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

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. 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, 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, 2014 and 2013, 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, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

(e) 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.

(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, 2014 and 2013. 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, 2014 and 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. 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 2014 and 2013 are as follow:

Buildings	10 - 40 years
Equipment	5 - 15 years
Software	3 - 10 years
Furniture and fixtures	5 - 7 years

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

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.

(h) 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.

(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 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.

(j) License Agreements

The Station has license agreements with two providers. These agreements are recorded as a prepaid expense and amortized over the life of the licenses.

(k) 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 2014 and 2013, the values of goods or services received were \$104,000 and \$50,000, respectively.

(l) 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, 2014 and 2013

Note 3 Property and Equipment, net

Property and equipment, net, is summarized as follows as of June 30, 2014 and 2013:

Property and equipment	2014	2013
Building and renovations	\$ 4,806,730	\$ 4,806,730
Equipment	3,033,371	2,997,432
Software	46,297	--
Total property and equipment	7,886,398	7,804,162
Less: accumulated depreciation	(6,435,724)	(6,231,840)
Net property and equipment	\$ 1,450,674	\$ 1,572,322

Depreciation expense for the years ended June 30, 2014 and 2013 was \$203,884 and \$414,913, 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

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, 2014 and 2013 was \$285,608 and \$281,818, respectively.

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:

Lease Obligations	Operating Leases
2015	\$ 289,623
2016	301,208
2017	313,256
2018	325,786
2019	158,731
Total Lease Obligations, net	\$ 1,388,604

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, 2014 and 2013, the total support provided by Howard recorded in the Statement of Activities, was \$2,579,615 and \$3,176,101, 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).

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

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

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, 2014 and 2013, 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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

As of June 30, 2014 and 2013, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment June 30,	2014	2013
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	\$ 104,565
Temporarily Restricted Net Assets The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA: With purpose restrictions	23,419	13,249
Total endowment funds classified as temporarily restricted net assets	\$ 23,419	\$ 13,249

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	--	127,983
Board-designated endowment funds	--	--	--	--
Endowment net assets, end of year	\$ --	\$ 23,419	\$ 104,564	\$ 127,983

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

The change in value and the composition of the amounts classified as the Station's endowment for the year 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

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.

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, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

The Station's financial assets and liabilities are subject to fair value accounting and are as follows for the fiscal years ended June 30, 2014 and 2013:

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
Private Equity and Venture Capital (4)	--	--	19,725	19,725
Real Estate (4)	--	--	3,693	3,693
Total endowment investments	\$ 39,889	\$ 63,076	\$ 25,018	\$ 127,983

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

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 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

- (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, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2014 and 2013

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 the Station. Since the Station 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 February 12, 2015, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of June 30, 2014.

Supplementary Information



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

5430 Wade Park Boulevard
Suite 208
Raleigh, NC 27607

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 12, 2015

WHUT-TV (An operating segment of The Howard University, Inc)

Statement of Functional Expenses

For the Year Ended June 30, 2014 (with 2013 Totals)

	Program Services				Supporting Services				Total	
	Programming & Production	Broadcasting	Program Information & Promotion	Total	Management & General	Fundraising & Development	Underwriting & Grant Solicitation	Total	2014	2013
Compensation	\$ 115,138	\$ 520,351	\$ -	\$ 635,489	\$ 641,365	\$ 37,751	\$ -	\$ 679,116	\$ 1,314,605	\$ 1,021,510
Supplies	53,162	1,300	-	54,462	13,752	(17,748)	-	(3,996)	50,466	113,223
Postage and printing	36	-	5,465	5,501	1,130	22,546	-	23,676	29,177	22,414
Marketing	560	-	1,986	2,546	14,493	-	104,000	118,493	121,039	50,242
Dues & Subscriptions	431,728	15,727	-	447,455	11,437	-	-	11,437	458,892	444,224
License and permits	15,046	-	-	15,046	-	-	-	-	15,046	2,965
Professional fees	325,669	97,411	1,818	424,898	45,213	98,005	5,425	148,643	573,541	464,172
Outside services	-	(24,657)	-	(24,657)	39,065	38,208	-	77,273	52,616	82,851
Repairs and maintenance	81,622	45,316	-	126,938	2,910	-	-	2,910	129,848	87,010
Rent	883	284,287	-	285,170	438	-	-	438	285,608	281,818
Utilities	-	-	-	-	74,170	-	-	74,170	74,170	178,569
Travel and meals	-	1,004	-	1,004	17,654	414	-	18,068	19,072	22,660
Miscellaneous	580	-	2,500	3,080	(1,377)	94,123	-	92,746	95,826	33,749
Equipment	11,451	-	-	11,451	12,402	-	-	12,402	23,853	26,720
Depreciation	24,466	106,020	-	130,486	73,398	-	-	73,398	203,884	414,913
Administrative support from Howard	-	-	-	-	1,224,021	-	-	1,224,021	1,224,021	1,110,184
Total	\$ 1,060,341	\$ 1,046,759	\$ 11,769	\$ 2,118,869	\$ 2,170,071	\$ 273,299	\$ 109,425	\$ 2,552,795	\$ 4,671,664	\$ 4,357,224