

**WHUT-TV (A Department of The Howard University)
Financial Statements
And Supplementary Information
June 30, 2009**

With Independent Auditors' Report Thereon

**WHUT-TV (A Department of The Howard University)
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Independent Auditors' Report

The Board of Trustees of The Howard University
WHUT-TV (A Department of The Howard University)
Washington, DC

We have audited the accompanying statement of financial position of WHUT-TV (A Department of The Howard University) as of June 30, 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of The Howard University (Howard). 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WHUT-TV (A Department of The Howard University) as of June 30, 2009, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rockville, Maryland
May 25, 2010

Arklin & Company, Chartered

WHUT-TV (A Department of The Howard University)
Statement of Financial Position
June 30, 2009

Assets

Current Assets	
Cash appropriations due from Howard	\$ 1,252,748
Grants receivable	<u>551,226</u>
Total Current Assets	1,803,974
Investment in Property and Equipment, net	<u>5,396,313</u>
Total Assets	<u>\$ 7,200,287</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 266,286
Deferred revenue	<u>495,493</u>
Total Current Liabilities	761,779
Net Assets - unrestricted	<u>6,438,508</u>
Total Liabilities and Net Assets	<u>\$ 7,200,287</u>

The accompanying notes are an integral part of the financial statements

WHUT-TV (A Department of The Howard University)
Statement of Activities
For the Year Ended June 30, 2009

Support and Revenue	
Public Support	
General appropriations from Howard	\$ 2,763,111
Indirect cost appropriations from Howard	1,467,694
Matching grant funds from Howard	1,137,924
Government and other private grants	1,002,618
Community service and interconnection grants from Corporation for Public Broadcasting	537,159
Contributions	292,741
Telecasting, production and other income	<u>265,058</u>
Total Public Support	<u>7,466,305</u>
Expenses	
Program Services	
Programming and production Broadcasting	856,713
	<u>2,022,513</u>
Total Program Services	<u>2,879,226</u>
Supporting Services	
Administrative	2,777,357
Fundraising & Development	<u>297,165</u>
Total Supporting Services	<u>3,074,522</u>
Total Expenses	<u>5,953,748</u>
Change in Net Assets	1,512,557
Net Assets, beginning of year	<u>4,925,951</u>
Net Assets, end of year	<u><u>\$ 6,438,508</u></u>

The accompanying notes are an integral part of the financial statements

WHUT-TV (A Department of The Howard University)
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows From Operating Activities:	
Change in net assets	\$ 1,512,557
Adjustments to reconcile change in net assets to net cash provided by operating expenses:	
Depreciation	478,259
Increase in cash appropriations due from Howard	527,564
Decrease in grants receivable	1,190,358
Decrease in accounts payable and accrued expenses	(194,659)
Decrease in deferred revenue	<u>(1,523,009)</u>
Net Cash Provided By Operating Activities	<u>1,991,070</u>
Cash Flows From Investing Activities:	
Purchase of Property and Equipment	<u>(1,991,070)</u>
Net Cash Used In Investing Activities	<u>(1,991,070)</u>
Net Decrease In Cash	-
Cash at Beginning of Year	<u>-</u>
Cash at End of Year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial Statements

WHUT-TV (A Department of The Howard University)
Notes to Financial Statements

Note 1: Organization

WHUT-TV Channel 32 (Station) is a department 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, DC. Howard is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Started 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.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

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

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.

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

WHUT-TV (A Department of The Howard University)
Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies, *continued*

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. As of June 30, 2009, the Station had received grant funds from CPB in advance. These funds are reported as deferred revenue on the statement of financial position.

Cash Appropriations due from Howard

The Station does not hold separate custody of cash and cash equivalents as a separate department of Howard. Howard maintains cash and cash equivalents for the operations of Howard as a whole, including all departments such as the Station. As such, all cash and cash equivalents held by Howard on behalf of the Station are reported as Cash appropriation due from Howard on the Statement of Financial Position.

**WHUT-TV (A Department of The Howard University)
Notes to Financial Statements**

Note 2: Summary of Significant Accounting Policies, *continued*

Property and Equipment

Property and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation and amortization. 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 year 2009 are as follow:

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

Property and equipment acquired under capital leases are amortized in a manner consistent with Howard'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.

Repairs and maintenance costs are expensed as incurred. Howard University capitalizes all expenditures for fixed assets at cost which exceed \$5,000.

Income Taxes

Under provisions of the Internal Revenue Code, the University (Licensee), including the Station, is exempt from income taxes other than unrelated business income. Since the University had no material unrelated business income during the year ended June 30, 2009, no provision for income tax was required.

Pension and Postretirement Benefits

Howard has a noncontributory, defined benefit pension plan (the Plan) available to substantially all full-time employees. The policy of Howard is to make annual contributions to the Plan at least equal to the minimum contribution, in accordance with government funding regulations. The Plan's benefit formula provides that eligible retirees receive a percentage of their final annual pay, based upon years of service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds, and private investment funds. There were no changes in the Plan during fiscal 2009.

WHUT-TV (A Department of The Howard University)
Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies, *continued*

Pension and Postretirement Benefits, *continued*

Howard also provides postretirement medical benefits and life insurance to employees who meet specified eligibility and service requirements at the time they retire. Howard pays a portion of the cost of participants' medical insurance coverage. Howard's portion of the cost for an individual participant depends on various factors, including employment start date, age, years of service and time of retirement or retirement eligibility of the participant. The postretirement benefit plan is unfunded and has no plan assets.

Howard supplements its pension plan by offering employees a defined contribution plan referred to as a 403(b), or tax deferred annuity, which operates under Section 403(b) of the Internal Revenue Code. Howard contributes 6% of an eligible employee's base salary on a bi-weekly basis to the plan. Eligible employees are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group - Variable Annuity Life Insurance Company, and Lincoln Financial. These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees.

All allocations of current year pension and postretirement benefit expense attributable to the Station's employees are included within the General appropriation from Howard as revenue and are allocated to the appropriate expense categories within the Statement Functional Expenses. Separate information for actuarial disclosures for the Station's employees is not available.

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.

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 (A Department of The Howard University)
Notes to Financial Statements

Note 3: Investment in Property and Equipment, net

Investment in property and equipment, net, is summarized as follows as of June 30, 2009:

Building	\$ 4,818,341
Transmitter and tower	1,988,350
Equipment	10,403,648
Furniture and fixtures	<u>209,311</u>
	17,419,650
Less: accumulated depreciation	<u>12,023,337</u>
Net property and equipment	<u>\$ 5,396,313</u>

Depreciation expense for the year ended June 30, 2009 was \$478,259.

Under a financing statement filed on February 12, 1998, the Department of Commerce (DOC) retains a lien of \$458,438 on the Station's equipment as a result of National Telecommunications and Information Administration (NTIA) grant funds. The funds provided by the DOC to the Station were for equipment purchases related to the early stages of the change of the Station signal to digital during the grant funding period September 1, 1997 to April 30, 2000. The term of the lien is 10 years beginning April 1, 2000 and expiring April 1, 2010.

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 began May 2006 and 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 (A Department of Howard University)
Notes to Financial Statements

Note 4: Restatement of Opening Cash and Cash Equivalents

During the fiscal year ended June 30, 2009, it was determined that the Station does not maintain control nor does it have custody over separate cash or cash equivalent accounts. Custody and control over cash and cash equivalents are that of Howard. There is no effect on net assets due to this correction. The correction presents opening cash and cash equivalent in the amount of \$0 as Cash appropriation due from Howard for purposes of the statement of cash flows.

Note 5: Howard University (Licensee) Support

The University provides support to the Station consisting of direct expenses such as payroll, general institutional overhead, plant maintenance costs and certain other expenses. For the year ended June 30, 2009, the total support provided by the University recorded in the Statement of Activities and Changes in Net Assets was \$5,368,729 as general appropriations from Howard, indirect cost appropriations from Howard and matching grant funds from Howard.

Howard University WHUT-TV
Statement of Functional Expenses
For the Year Ended June 30, 2009

	Program Services		Supporting Services			Total
	Programming & Production	Broadcasting	Total	Administrative	Fundraising & Development	
Compensation	\$ 301,512	\$ 910,746	\$ 1,212,258	\$ 690,808	\$ 32,064	\$ 1,935,130
Supplies	35,373	4,339	39,712	6,013	45,506	91,231
Postage and printing	1,222	175	1,397	15,000	16,876	33,273
Marketing	1,682	-	1,682	-	135	1,817
Dues & Subscriptions	60,373	23,750	84,123	18,514	3,024	105,661
Taxes and licenses	5,706	371	6,077	331	-	6,408
Professional fees	146,618	344,181	490,799	24,998	34,650	550,447
Outside services	19,683	-	19,683	1,865	22,832	44,380
Repairs and maintenance	12,510	42,636	55,146	14,114	21,030	90,290
Rent	68,136	357,188	425,324	35,572	60,388	521,284
Utilities	37,390	579	37,969	145,477	1,051	184,497
Travel and meals	8,253	1,503	9,756	1,323	10,562	21,641
Miscellaneous	15,790	113	15,903	304,941	17,779	338,623
Equipment	22,064	27,170	49,234	4,748	29,131	83,113
Depreciation	120,401	309,762	430,163	45,959	2,137	478,259
Administrative support from Howard	-	-	-	1,467,694	-	1,467,694
Total	\$ 856,713	\$ 2,022,513	\$ 2,879,226	\$ 2,777,357	\$ 297,165	\$ 5,953,748
Percentages	14.39%	33.97%	48.36%	46.65%	5.00%	100.00%

The accompanying notes are an integral part of the financial statements