

HOWARD UNIVERSITY WHUT-TV

Financial Statements

For the Years Ended June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

HOWARD UNIVERSITY WHUT-TV

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Howard University WHUT-TV

We have audited the accompanying statement of financial position of WHUT-TV (Station), a public telecommunications entity operated by Howard University, as of June 30, 2008 and 2007, and the related statement of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. 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 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Station as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years 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 of WHUT-TV taken as a whole. The statement of functional expenses for the year ended June 30, 2008 with summary totals for June 30, 2007 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 audit 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.

Williams, Adley & Company, LLP

March 27, 2009
Washington, DC

HOWARD UNIVERSITY WHUT-TV
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2008 and 2006

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash	\$ 1,780,312	\$ 1,129,823
Grants Receivable	<u>1,741,584</u>	<u>1,024,180</u>
Total Current Assets	3,521,896	2,154,003
Investment in Buildings and Equipment, net	<u>3,883,502</u>	<u>3,661,137</u>
Total Assets	<u>\$ 7,405,398</u>	<u>\$ 5,815,140</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 460,945	\$ 379,598
Unearned award and deferred revenue	<u>2,018,502</u>	<u>1,165,099</u>
Total Liabilities	2,479,447	1,561,897
Net Assets		
Unrestricted	<u>4,925,951</u>	<u>4,270,443</u>
Total Liabilities and Net Assets	<u>\$ 7,405,398</u>	<u>\$ 5,815,140</u>

The notes are an integral part of these financial statements.

HOWARD UNIVERSITY WHUT-TV
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUE		
General Appropriations from HU	\$ 3,858,517	\$ 2,926,625
Community Service Grants from CPB	853,544	861,149
Government and Private Grants	411,808	587,952
Contributions	891,449	359,661
Donated Facilities and Administration Support	1,155,653	1,322,959
Telecasting, Production and Other Income	55,097	63,756
Other	16,233	2,303
TOTAL SUPPORT AND REVENUE	\$ 7,242,301	\$ 6,124,405
EXPENSES		
Program Services		
Local Programming and Production	\$ 1,425,864	\$ 1,250,912
Broadcasting	2,035,979	1,263,277
Total Program Services	<u>3,461,843</u>	<u>2,514,189</u>
Supporting Services		
Management and General including Administrative Support	2,735,848	3,368,895
Fundraising	389,102	232,571
Total Supporting Services	<u>3,124,950</u>	<u>3,600,834</u>
TOTAL EXPENSES	\$ 6,586,793	\$ 6,115,023
CHANGE IN UNRESTRICTED NET ASSETS	655,508	9,382
NET ASSETS—BEGINNING OF YEAR	<u>4,270,443</u>	<u>4,261,061</u>
UNRESTRICTED NET ASSETS – END OF YEAR	<u>\$ 4,925,951</u>	<u>\$ 4,270,443</u>

The notes are an integral part of these financial statements.

HOWARD UNIVERSITY WHUT-TV
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 655,508	\$ 9,382
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation	423,013	339,655
Changes in assets and liabilities:		
Increase in grants receivable	(717,404)	(7,194)
Increase (Decrease) in accounts payable	81,347	(316,989)
Increase in unearned award	853,403	510,163
	<u>1,295,867</u>	<u>535,017</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(645,378)</u>	<u>(24,546)</u>
Net Cash Used in Investing Activities	<u>(645,378)</u>	<u>(24,546)</u>
Net Increase (Decrease) in Cash	650,489	510,471
Cash, Beginning of Year	<u>1,129,823</u>	<u>619,352</u>
Cash, End of Year	<u>\$ 1,780,312</u>	<u>\$ 1,129,823</u>

The notes are an integral part of these financial statements.

HOWARD UNIVERSITY WHUT-TV
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008 with Summary Totals for 2007

Account Description	Programming & Production	Broad- Casting	Total Program Services	Mgmt / General	Fund- Raising	Total Support Services	Total 2008	Total 2007
Salaries, Wages & Benefits	\$ 430,879	935,762	1,366,641	863,208	105,435	946,040	2,335,284	2,424,697
Office Supplies	95,302	4,054	99,356	476	103,332	103,808	203,164	139,008
Maintenance Supplies	2,639	2,957	5,596	0	1,914	1,914	7,510	6,618
Program Acquisition	95,799	267,851	363,650	26,179		26,179	389,829	95,399
Professional Fees	258,809	17,821	276,630	51,197	130,550	181,747	458,377	560,617
Repairs	38,971	56,155	95,126	6,172	4,413	10,585	105,711	94,938
Rental	86,880	384,105	470,985		23,122	23,122	494,107	665,515
Telephone / Communication	412	0	412	178,574		178,574	178,986	189,996
Utilities	38,300	3,368	41,668		270	270	41,938	2,656
Travel / Reception	20,669	320	20,989		17,264	17,264	38,353	109,342
Equipment	316,495	355,241	671,736	13,410		13,410	685,146	32,983
Other Costs	40,709	8,345	49,054	17,967	2,802	20,769	69,823	130,640
Depreciation				423,013		423,013	423,013	339,655
Admin Support from HU				1,155,653		1,155,653	1,155,653	1,322,959
Total	\$ 1,425,864	2,035,979	3,461,843	2,735,848	389,102	3,124,950	6,586,793	6,115,023

The notes are an integral part of these financial statements.

HOWARD UNIVERSITY WHUT-TV
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader:

(a) Organization

WHUT-TV Channel 32 (Station) is owned and operated by Howard University (University) in Washington, D.C. Started in 1980, WHUT-TV is the only public station owned and operated by a predominantly historically Black College or University. The Station provides training to students of the University as well as service to the residents of the DC metropolitan area and the country.

(b) Restricted Support

The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor's restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, the Station did not receive restricted support in FY 2008 or 2007.

(c) Depreciation

The University depreciates its assets using the straight-line method. The useful lives of the plant assets are as follows:

Building	40 years
Transmitter and Tower	11 years
Equipment	5-10 years
Furniture and fixtures	5 years

HOWARD UNIVERSITY WHUT-TV
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

(d) Revenue Recognition

Contributions and pledges that are restricted are recorded as revenues in the statement of activity when they are received. Corporation for Public Broadcasting (CPB) and other grants are recognized as revenue in the Statement of Financial Activities to the extent that expenses have been incurred for the purpose specified by the grantor or donor during the specified funding period. Unspent balances are accounted for as unearned awards.

(e) Administrative Support

Administrative support from the University consists of general institutional overhead and plant maintenance costs and certain other expenses incurred by the University on behalf of the Station.

(f) 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, 2008 and 2007, no provision for income tax was required.

(g) Pension Plan

The Station's employees participate in the University's non-contributory, defined benefits retirement plan covering substantially all full-time employees. All allocations of current year pension expense attributable to the Station employees are included as revenue in the general appropriation from the University are allocated to appropriate expense categories in the Statement of Financial Activity. Separate information for actuarial disclosures for the Station's portion of the plan is not available.

(h) Community Service Grants

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 (CSGs) to qualifying public telecommunications entities.

HOWARD UNIVERSITY WHUT-TV
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies (Continued)

(h) Community Service Grants, continued

CSGs 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. WHUT-TV 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 financial statements as unrestricted operating funds. At the end of fiscal years 2008 and 2007, WHUT had received grant funds from CPB in advance. These funds are reported as unearned awards.

(2) Investment in Plant Assets, Net

Investment in plant assets, net, is summarized as follows as June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Building	\$ 4,818,341	\$ 4,818,341
Transmitter and tower	1,988,350	1,988,350
Equipment	8,412,578	7,767,201
Furniture and fixtures	209,311	209,311
Construction in progress	<u>0</u>	<u>0</u>
	15,428,580	14,783,203
Less: accumulated depreciation	<u>(11,545,078)</u>	<u>(11,122,066)</u>
Net property and equipment	<u>\$ 3,883,502</u>	<u>\$ 3,661,137</u>

Depreciation expense for FY 2008 and 2007 was \$423,013 and \$339,655, respectively.

HOWARD UNIVERSITY WHUT-TV
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007

(2) Investment in Plant Assets, Net (Continued)

Construction in progress relates to the changing of the WHUT signal to digital. With funding from CPB and matching funds from Howard University, WHUT purchased equipment and software to comply with the FCC requirements for digital conversion. The process was completed in May 2006. Under a financing statement filed on February 12, 1998, the Department of Commerce retains a lien of \$458,438 on the Station's equipment as a result of National Telecommunications and Information Administration (NTIA) grant funds provided by the department to the Station for equipment purchases during the grant funding period September 1, 1997 to April 30, 2000. The term of the lien is 10 years from April 1, 2000.

Additionally, NTIA awarded grant funds of \$588,000 for the purchase of transmitter equipment during the grant funding period October 1, 2004 to September 1, 2005. Therefore, 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 (May 2006).

(3) Commitments and Contingencies

The University had commitments to outside vendors in amounts totaling approximately \$ 361,324 and \$605,890 as of June 30, 2008 and 2007, respectively for goods and services to be provided on behalf of the Station. These amounts will be reported as expenses in the period the goods and services are received.

(4) 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 years ended June 30, 2008 and 2007, the total support provided by the University recorded in the Statement of Activities and Changes in Net Assets was \$4,854,851 and \$4,249,584, respectively as general appropriations from HU and donated Facilities and Administration support.

HOWARD UNIVERSITY WHUT-TV
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007

(5) Increase in Grants Receivable

Grants receivable are comprised of awards received by WHUT to assist in the Digital Distribution conversion process mandated by the Federal Communication Commission and to upgrade the transmitter equipment. Grants were received from CPB and NTIA/PTFP. These receivables primarily represent reimbursements due to WHUT from these two organizations.