



HOWARD UNIVERSITY TELEVISION

**HOWARD UNIVERSITY TELEVISION WHUT-TV**

**(an unincorporated operating segment of  
The Howard University, Inc.) Financial  
Statements  
and Supplementary Information  
June 30, 2018 and 2017**

**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	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-20
Supplementary Information:	
Independent Auditor's Report on Supplementary Information	22
Statement of Functional Expenses	23



Tel: 202-644-5400  
Fax: 202-644-5401  
www.bdo.com

799 9<sup>th</sup> Street N.W.  
Suite 710  
Washington, DC 20001

## **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, 2018 and 2017, 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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

**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, 2018 and 2017, 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*

Washington, DC  
February 13, 2019

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

<b>WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Financial Position June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Receivable from The Howard University, Inc.	\$ 4,557,345	\$ 4,542,451
Grants receivable	12,499	11,421
Prepaid expenses	45,201	40,451
Investments	125,243	119,019
Operating right of use asset	3,332,735	3,540,137
Long-lived assets, net	1,243,387	1,267,827
<b>Total Assets</b>	<b>\$ 9,316,410</b>	<b>\$ 9,521,306</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 110,666	\$ 71,930
Lease liability	3,289,051	3,433,317
Deferred revenue	1,408,148	1,371,507
<b>Total Liabilities</b>	<b>4,807,865</b>	<b>4,876,754</b>
<b>Net Assets:</b>		
Unrestricted	4,343,195	4,491,624
Temporarily restricted	60,786	48,364
Permanently restricted	104,564	104,564
<b>Total Net Assets</b>	<b>4,508,545</b>	<b>4,644,552</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,316,410</b>	<b>\$ 9,521,306</b>

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

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

<b>WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Activities For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Unrestricted Support and Revenue:</b>		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,831,141	\$ 1,835,595
Indirect cost appropriations	1,652,553	1,659,631
<b>Total Support from The Howard University, Inc.</b>	<b>3,483,694</b>	<b>3,495,226</b>
Public Support and Other Income:		
Government and other private grants	13,657	50,848
Community service and interconnection grants from Corporation for Public Broadcasting	994,841	1,077,997
Special events	189,056	298,749
Less: cost of direct benefits to donors	(112,888)	(65,482)
Gross profit on special events	76,168	233,267
Contributions	584,843	674,476
Telecasting, production and other income	127,780	82,702
Investment income loss	6,224	6,930
<b>Total Public Support and Other Income</b>	<b>1,803,513</b>	<b>2,126,220</b>
<b>Total Unrestricted Support and Revenue</b>	<b>5,287,207</b>	<b>5,621,446</b>
<b>Expenses:</b>		
Compensation	1,557,984	1,661,533
Utilities	1,386	42,155
Office supplies	54,170	77,460
Repairs and maintenance	124,598	106,277
Professional and administrative services	1,593,179	1,583,979
Sponsorship expense	80,500	98,212
Depreciation and amortization	358,844	67,633
Administrative support from The Howard University, Inc.	1,652,553	1,659,631
<b>Total Expenses</b>	<b>5,423,214</b>	<b>5,296,880</b>
<b>Change in Net Assets</b>	<b>(136,007)</b>	<b>324,566</b>
Unrestricted	(148,429)	311,437
Temporarily restricted	12,422	13,129
<b>Change in Net Assets</b>	<b>(136,007)</b>	<b>324,566</b>
<b>Net Assets, beginning of year</b>	<b>4,644,552</b>	<b>4,319,986</b>
<b>Net Assets, end of year</b>	<b>\$ 4,508,545</b>	<b>\$ 4,644,552</b>

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

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

<b>WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Cash Flows For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (136,007)	\$ 324,566
Adjustments to reconcile change in net assets to net cash provided by/used in operating activities:		
Depreciation and amortization	358,844	67,633
Realized (gain) on investments	(4,033)	(4,956)
Unrealized (gain) on investments	(8,694)	(7,565)
Remeasurement of lease	--	(2,675,548)
(Increase) in receivable from Howard University, Inc.	(14,894)	(505,849)
(Increase) in grants receivable	(1,078)	(8,919)
(Increase) in prepaid expenses	(4,750)	--
Increase in accounts payable and accrued expenses	38,736	3,071
(Decrease) in lease liability	(144,266)	--
Increase in deferred revenue	36,641	134,878
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>327,901</b>	<b>(2,672,689)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	305	(608)
Proceeds from investments	6,198	6,199
Investment in right of use assets	--	2,680,865
Purchase and renovations of long-lived assets	(127,002)	(13,767)
<b>Net Cash (Used in) Investing Activities</b>	<b>(327,901)</b>	<b>(2,672,689)</b>
Net Change in Cash	--	--
Cash at beginning of year	--	--
<b>Cash at end of year</b>	<b>\$ --</b>	<b>\$ --</b>

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, 2018 and 2017**

---

**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*

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, 2018 and 2017**

---

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 earned and 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, 2018 and 2017, 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, 2018 and 2017**

---

*(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, 2018 and 2017. 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, 2018 and 2017 are included in investments.

*(f) Long-lived Assets*

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 2018 and 2017 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.

*(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.

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

*(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 years 2018 and 2017. 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 2018 and 2017, the values of goods or services received were approximately \$80,500 and \$98,212, 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.

*(l) New Accounting Pronouncements*

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13 Fair Value Measurement (Topic 820) *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the Concepts Statement, including the consideration of costs and benefits. Howard is currently evaluating the impact of this amendment on its financial statements.

In June 2018, the FASB issued ASU 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update should assist entities in 1.) Evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

Topic 958, Not-For-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2.) Determining whether a contribution is conditional. Howard is currently evaluating Topic 958 and its impact on its fiscal year 2019 financial statements.

In February 2017, the FASB issued ASU 2017-05 (Topic 610-20), *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets*, which provides clarity to the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. The amendments define the term *in substance nonfinancial asset*, in part, as a financial asset promised to a counterparty in a contract if substantially all of the fair value of the assets (recognized and unrecognized) that are promised to the counterparty in the contract is concentrated in nonfinancial assets. If substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in substance nonfinancial assets within the scope of Subtopic 610-20. Howard is currently evaluating and assessing ASU 2017-05 to determine whether it applies to its operations.

In December 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-18 (Topic 230), *Statement of Cash Flows*. The ASU provides guidance on all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The update requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. Howard is currently evaluating Topic 230 and planning for the implementation in fiscal year 2019.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14 (Topic 958), *Not-for-Profit Entities*. The ASU provides guidance improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entity’s (NFP’s) such as liquidity, financial performance, and cash flows so useful information can be provided to donors, grantors, creditors, and other users of financial statements. This Update makes several improvements to current reporting requirements that address, among others, the following problems: (1) Complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent, (2) Deficiencies in the transparency and utility of information useful in assessing an entity’s liquidity caused by potential misunderstandings and confusion about the term unrestricted net assets and how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect an entity’s liquidity, classes of net assets, and financial performance, (3) Inconsistencies in the type of information provided about expenses

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

of the period, and (4) Impediment of preparing the indirect method reconciliation if an NFP chooses to use the direct method of presenting operating cash flows. This new pronouncement will be adopted in fiscal year 2019.

*(m) Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year's presentation. Such reclassifications did not have any impact on the Station's previously reported net asset balances.

---

**Note 3 Long-lived Assets**

---

Long-lived assets, net, are summarized as follows as of June 30, 2018 and 2017:

<b>Long-lived assets</b>	<b>2018</b>	<b>2017</b>
Building and renovations	\$ 4,806,730	\$ 4,806,730
Equipment	2,331,273	2,363,127
Software	53,477	46,297
<b>Total long-lived assets</b>	<b>7,191,480</b>	<b>7,216,154</b>
Less: accumulated depreciation	(5,948,093)	(5,948,327)
<b>Long-lived assets, net</b>	<b>\$ 1,243,387</b>	<b>\$ 1,267,827</b>

For the fiscal year ended June 30, 2018 there were \$127,002 in additions and \$151,677 in sales, disposals and retirements.

For the fiscal year ended June 30, 2017 there were \$13,767 in additions and \$749,724 in sales, disposals and retirements.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$151,442 and \$179,711, respectively.

In prior years, the NTIA awarded a 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 was completed in May 2006, therefore the lien expired in 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.

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

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 and extends through 2022.

---

**Note 4**      **Leases**

---

In the fiscal year ended June 30, 2017, Howard University (including the Station by default) elected to early adopt ASC 842 – *Leases*. The new standard defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (the underlying asset) for a period of time in exchange for consideration.

The primary difference between accounting for leases under ASC 840 and the new guidance under ASC 842 is the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. Accordingly, Howard has recognized all lease assets and liabilities, with certain exceptions, on its statements of financial position. Both financing leases and operating leases create an asset (right-of-use or ROU asset) and a liability measured at the present value of the lease payments.

The classification criteria in ASC 842 for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under ASC 840. Under ASC 842, a lessee finance lease exists when any of the following criteria are met at lease commencement:

- a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- c. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.
- d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.
- e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

A lessor would classify a lease having any of the above characteristics as a sales-type lease. If the lease has none of the above characteristics, then a lessee would classify the lease as an operating lease. A lessor would classify the lease as either an operating lease or a direct financing lease.

For the years ended June 30, 2018 and 2017, the Station has a material operating lease for a master antenna.

In January 2016, Howard elected to participate in the Federal Communications Commission (FCC) Broadcast Incentive Auction (the Auction) that began in the spring of 2016. In accordance with ASC 842, the Station assumed that its spectrum rights would be sold and therefore did not include any renewal periods in the determination of the remaining lease term for the master antenna. As a result, in the prior year the lease obligation reflects management's assumption that the lease term would end in 2019. In 2017, Howard determined that it would no longer participate in the Auction. This decision resulted in the remeasurement of the lease liability based on management's updated assumption that all renewal periods will be exercised, extending the lease term to 2029. A discount rate of 6.50% was used in the remeasurement of the lease obligation and right-of-use asset.

The right-of-use asset is amortized over its estimated useful life.

In addition to the master antenna lease, the Station has an additional lease for storage space.

The operating lease right of use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

<b>Operating Right of Use Assets</b>	<b>2018</b>	<b>2017</b>
Right of use assets	\$ 3,540,137	\$ 3,845,860
Less: accumulated amortization	(207,402)	(305,723)
<b>Operating right of use assets, net</b>	<b>\$ 3,332,735</b>	<b>\$ 3,540,137</b>

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 the master antenna and storage space for the fiscal years ended June 30, 2018 and 2017 was \$671,150 and \$344,221, respectively.

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

The minimum lease payments under the operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows at June 30, 2018:

Lease Obligations	Operating Leases
2019	\$ 351,968
2020	366,046
2021	380,688
2022	395,916
2023	411,752
2024 and thereafter	1,382,681
<b>Total operating lease obligations, net</b>	<b>\$ 3,289,051</b>

Certain supplemental quantitative information as required under ASC 842 is as follows for the fiscal years ended June 30:

Other information	2018	2017
Cash paid for amounts included in the measurements of lease liabilities for operating leases:		
Operating cash flows	\$ 144,266	\$ 325,414
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Operating leases	--	2,680,865
Weighted-average remaining lease term (in years):		
Operating leases	11.08	12.08
Weighted-average discount rate:		
Operating leases	6.50%	6.50%

**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, 2018 and 2017, the total support provided by Howard recorded in the Statement of Activities, was \$3,483,694 and \$3,495,226, respectively as general appropriations and indirect cost appropriations.



**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

**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.

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, 2018 and 2017, 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

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

**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, 2018 and 2017, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

<b>Restricted Endowment June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Permanently Restricted Net Assets</b> The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<b>\$ 104,564</b>	<b>\$ 104,564</b>
<b>Temporarily Restricted Net Assets</b> The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA: With purpose restrictions	20,679	14,455
<b>Total endowment funds classified as temporarily restricted net assets</b>	<b>\$ 20,679</b>	<b>\$ 14,455</b>

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

The change in value and the composition of the amounts classified as the Station's endowment for the year ended June 30, 2018 are as follows:

<b>Endowment Change in Value For period ended June 30, 2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ --	\$ 14,455	\$ 104,564	\$ 119,019
Investment return:				
Investment income	--	1,065	--	1,065
Net appreciation (realized and unrealized)	--	11,357	--	11,357
<b>Total investment return</b>	--	<b>12,422</b>	--	<b>12,422</b>
Appropriation of endowment assets for operations	--	(6,198)	--	(6,198)
<b>Endowment net assets, end of year</b>	\$ --	\$ 20,679	\$ 104,564	\$ 125,243
Donor-restricted endowment funds	--	20,679	104,564	125,243
Board-designated endowment funds	--	--	--	--
<b>Endowment net assets, end of year</b>	\$ --	\$ 20,679	\$ 104,564	\$ 125,243

The change in value and the composition of the amounts classified as the Station's endowment for the year ended June 30, 2017 are as follows:

<b>Endowment Change in Value For period ended June 30, 2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ --	\$ 7,525	\$ 104,564	\$ 112,089
Investment return:				
Investment income	--	1,787	--	1,787
Net appreciation (realized and unrealized)	--	11,342	--	11,342
<b>Total investment return</b>	--	<b>13,129</b>	--	<b>13,129</b>
Appropriation of endowment assets for operations	--	(6,199)	--	(6,199)
<b>Endowment net assets, end of year</b>	\$ --	\$ 14,455	\$ 104,564	\$ 119,019
Donor-restricted endowment funds	--	14,455	104,564	119,019
Board-designated endowment funds	--	--	--	--
<b>Endowment net assets, end of year</b>	\$ --	\$ 14,455	\$ 104,564	\$ 119,019

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, 2018 and 2017**

**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, 2018 and 2017:

Fair Value as of June 30, 2018	Level 1	Level 2	Level 3	Total
<b>Endowment Investments</b>				
Money Market Instrument (1)	\$ 1,613	\$ 9,254	\$ --	\$ 10,867
Commingled Funds (2)	--	37,278	--	37,278
Common Stock (2)	11,517	--	--	11,517
Fixed Income (3)	--	2	--	2
Hedge Funds (4)	--	12,970	3	12,973
Mutual Funds Investment (2)(3)	26,433	--	--	26,433
Limited partnerships (4)	--	--	19,138	19,138
Real Estate (4)	--	--	7,035	7,035
<b>Total endowment investments</b>	<b>\$ 39,563</b>	<b>\$ 59,504</b>	<b>\$ 26,176</b>	<b>\$ 125,243</b>

Level 3 investments were 21% of total investments.

Fair Value as of June 30, 2017	Level 1	Level 2	Level 3	Total
<b>Endowment Investments</b>				
Money Market Instrument (1)	\$ 77	\$ 11,431	\$ --	\$ 11,508
Commingled Funds (2)	--	40,250	--	40,250
Common Stock (2)	11,152	--	--	11,152
Fixed Income (3)	--	5	--	5
Hedge Funds (4)	--	7,989	14	8,003
Mutual Funds Investment (2)(3)	28,580	--	--	28,580
Limited partnerships (4)	--	--	15,555	15,555
Real Estate (4)	--	--	3,966	3,966
<b>Total endowment investments</b>	<b>\$ 39,809</b>	<b>\$ 59,675</b>	<b>\$ 19,535</b>	<b>\$ 119,019</b>

Level 3 investments were 16% of total investments.

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

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

**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Notes to Financial Statements**  
**For Fiscal Years Ended June 30, 2018 and 2017**

---

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.

---

**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 for in the financial statements.

---

**Note 9**      **Fundraising Activities**

---

For fiscal years ended June 30, 2018 and 2017, Howard incurred expenses of approximately \$232,381 and \$248,582, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying consolidated statements of activities within each respective expense category, as appropriate.

---

**Note 10**      **Subsequent Events**

---

Howard performed an evaluation of subsequent events through February 13, 2019, which is the date the financial statements were available to be issued, noting no additional events which affect the financial statements as of June 30, 2018.

**Supplementary Information**



Tel: 202-644-5400  
Fax: 202-644-5401  
www.bdo.com

799 9<sup>th</sup> Street N.W.  
Suite 710  
Washington, DC 20001

## 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*

Washington, DC  
February 13, 2019

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



**WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018 (with 2017 Totals)**

	Program Services				Supporting Services				Total	
	Programming & Production	Broadcasting	Program Information & Promotion	Total	Management & General	Fundraising & Development	Education & Outreach	Total	2018	2017
Compensation	\$ 263,938	\$ 518,339	\$ 154,123	\$ 936,400	\$ 561,189	\$ 60,396	\$ -	\$ 621,585	\$ 1,557,985	\$ 1,661,533
Supplies	4,716	3,023	318	8,057	33,718	3,130	6,888	43,736	51,793	56,224
Postage and printing	-	-	-	-	-	16,094	-	16,094	16,094	2,860
Marketing	15,000	-	-	15,000	76	85,356	-	85,432	100,432	199,120
Dues & Subscriptions	450,768	39,755	2,693	493,216	11,730	1,500	-	13,230	506,446	532,745
License and permits	23,565	30,935	-	54,500	48,340	-	-	48,340	102,840	83,012
Professional fees	47,163	104,945	4,231	156,339	20,640	44,207	11,914	76,761	233,100	482,627
Outside services	685	-	400	1,085	5,185	21,688	2,358	29,231	30,316	44,538
Repairs and maintenance	52,417	66,020	165	118,602	2,255	-	39	2,294	120,896	103,746
Rent	307	670,159	-	670,466	684	-	-	684	671,150	344,221
Utilities	579	-	807	1,386	-	-	220	15,810	1,386	42,155
Travel and meals	1,206	363	-	1,569	15,580	10	-	2,000	17,379	374
Miscellaneous	-	-	-	-	-	-	-	2,000	2,000	12,785
Equipment	-	-	-	-	-	-	-	-	-	3,676
Depreciation and amortization	-	-	-	-	358,844	-	-	358,844	358,844	67,633
Administrative support from Howard University	-	-	-	-	1,652,553	-	-	1,652,553	1,652,553	1,659,631
<b>Total</b>	<b>\$ 860,344</b>	<b>\$ 1,433,539</b>	<b>\$ 162,737</b>	<b>\$ 2,456,620</b>	<b>\$ 2,710,794</b>	<b>\$ 232,381</b>	<b>\$ 23,419</b>	<b>\$ 2,966,594</b>	<b>\$ 5,423,214</b>	<b>\$ 5,296,880</b>