



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.) Financial
Statements
and Supplementary Information
June 30, 2019 and 2018**

**With Independent Auditor's Report
Thereon**

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

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

We have audited the accompanying financial statements of Howard University Television WHUT-TV (an unincorporated operating segment of The Howard University, Inc.), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in the year ended June 30, 2019, the University adopted Accounting Standards Update and ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). Our opinion is not modified with respect to this matter.

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, 2019 and 2018, 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

Raleigh, NC
February 13, 2020

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,	2019	2018
Assets:		
Receivable from The Howard University, Inc.	\$ 4,700,694	\$ 4,557,345
Grants receivable	7,043	12,499
Prepaid expenses	2,750	45,201
Investments	125,287	125,243
Operating right of use asset	3,060,364	3,332,735
Finance right of use assets	20,186	-
Long-lived assets, net	1,047,290	1,243,387
Total Assets	8,963,614	\$ 9,316,410
Liabilities:		
Accounts payable and accrued expenses	253,640	\$ 110,666
Operating lease obligations	3,133,135	3,289,051
Finance lease obligations	21,100	-
Deferred revenue	1,254,361	1,408,148
Total Liabilities	4,662,236	4,807,865
Net Assets:		
Without donor restrictions	4,129,660	4,343,195
With donor restrictions	171,718	165,350
Total Net Assets	4,301,378	4,508,545
Total Liabilities and Net Assets	\$ 8,963,614	\$ 9,316,410

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,	2019	2018
Support and Revenue without Donor Restrictions:		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,246,393	\$ 1,831,141
Indirect cost appropriations	2,128,591	1,652,553
Total Support from The Howard University, Inc.	3,374,984	3,483,694
Public Support and Other Income:		
Government and other private grants	2,068	13,657
Community service and interconnection grants from Corporation for Public Broadcasting	1,161,413	989,618
Other grants from Corporation for Public Broadcasting	168,186	5,223
Special events	293,736	189,056
Less: cost of direct benefits to donors	(129,457)	(112,888)
Gross profit on special events	164,279	76,168
Contributions	488,851	584,843
Telecasting, production and other income	280,046	127,780
Investment income	44	6,224
Total Public Support and Other Income	2,264,887	1,803,513
Total Support and Revenue without Donor Restrictions	5,639,871	5,287,207
Expenses:		
Compensation	1,562,107	1,557,984
Utilities	26,570	1,386
Office supplies	76,974	54,170
Repairs and maintenance	22,238	124,598
Professional and administrative services	1,774,353	1,593,179
Sponsorship expense	42,290	80,500
Depreciation and amortization	213,915	358,844
Administrative support from The Howard University, Inc.	2,128,591	1,652,553
Total Expenses	5,847,038	5,423,214
Change in Net Assets	(207,167)	(136,007)
Without donor restrictions	(213,535)	(148,429)
With donor restrictions	6,368	12,422
Change in Net Assets	(207,167)	(136,007)
Net Assets, beginning of year	4,508,545	4,644,552
Net Assets, end of year	\$ 4,301,378	\$ 4,508,545

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,	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ (207,167)	\$ (136,007)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	213,915	358,844
Realized gain on investments	(10,127)	(4,033)
Unrealized loss/(gain) on investments	3,760	(8,694)
Increase in receivable from The Howard University, Inc.	(143,349)	(14,894)
Decrease/(Increase) in grants receivable	5,455	(1,078)
Decrease/(Increase) in prepaid expenses	42,451	(4,750)
Increase in accounts payable and accrued expenses	142,974	38,736
Change in operating right of use asset	272,371	-
Decrease in lease liability	(155,916)	(144,266)
(Decrease)/Increase in deferred revenue	(153,787)	36,641
Net Cash Provided by Operating Activities	10,580	120,499
Cash Flows from Investing Activities:		
Purchases of investments	-	305
Proceeds from investments	6,323	6,198
Purchase and renovations of long-lived assets	(6,748)	(127,002)
Net Cash Used in Investing Activities	(425)	(120,499)
Cash Flows from Financing Activities:		
Change in finance right of use assets and related liability	(10,155)	-
Net Cash Used in Financing Activities	(10,155)	-
Net Change in Cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -
Supplemental non-cash investing activity:		
Investment in right of use assets	\$ -	\$ 207,401

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

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:

Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

With Donor Restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

Contributions are reported in the appropriate category of revenue, except that contributions with donor-imposed restrictions met in the same fiscal year are included in revenues without donor restrictions. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions to net assets without donor restrictions. 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 (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

(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 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 to thereby 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, 2019 and 2018, 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, 2019 and 2018

(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, 2019 and 2018. 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, 2019 and 2018 are included in investments on the Statements of Financial Position.

(f) Long-lived Assets

Long-lived assets include property, plant, and equipment for the Station. Property, plant, equipment is stated at cost or at fair value if received by gift, less accumulated depreciation and amortization. Property, plant, equipment is capitalizable when the unit cost is equal to or exceeds \$3,000 and has a useful life of more than one year.

Depreciation for long-lived assets is computed using the straight-line method over the estimated useful lives of the assets. The useful lives for fiscal years reported are as follow:

Building and building improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Software	3 - 10 years

(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, 2019 and 2018

(h) Functional Allocation of Expenses

The costs of providing various program and activities has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, expenses that can be identified with a specific program are charged directly. Specific administrative support costs are directly allocated based on square footage, and those costs include general administration operations and services, such as maintenance and other indirect costs.

(i) 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 2019 and 2018, the values of goods or services received were approximately \$107,290 and \$80,500, respectively, and is recorded as telecasting, production and other income in the statements of activities.

(j) 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.

(k) New Accounting Pronouncements

Periodically, the Financial Accounting Standards Board (FASB) issues updates to the Accounting Standards Codification (ASC) which impact the Station's financial reporting and related disclosures. The following paragraphs summarize relevant updates. Unless otherwise noted, the Station is currently evaluating the impact that these updates will have on the Financial Statements.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities* (Topic 958): Updating the Definition of Collections (ASU 2019-03), effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. ASU 2019-03 modifies the definition of the term "collections" so that they are subject to an organizational policy that stipulates the use of proceeds from collection items that are sold to be for the acquisition of new collection items, the direct care of existing collections, or both. The Station is evaluating the impact of ASU 2019-03.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), effective for fiscal years beginning after December 15, 2019. ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. The Station is evaluating the impact of ASU 2018-13.

In May 2014 the FASB issued ASC 606, *Revenue Recognition from Contracts with Customers* (ASC 606). The core principle of guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Station is evaluating the impact of ASC 606.

(l) Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-For Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. As a result of adopting the pronouncement, the Station changed its presentation of net assets classes, as described in footnote 2(m) Reclassifications, and expanded the footnote disclosure as required, reclassified the opening underwater endowed net assets balances from without donor restrictions to with donor restrictions, classified capital gifts for construction as net assets without donor restrictions when the associated long-lived asset is placed in service and netted investment expenses against investment returns in the statement of activities. The Station opted to adopt the modified retrospective basis and not disclose liquidity and availability information for fiscal year 2018 as permitted under ASU 2016-14 in the year of adoption. Howard has opted to disclose expenses by function for fiscal year 2019 (see Supplemental Information).

(m) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. Additionally, the Station adopted ASU 2016-14 in July 2018. ASU 2016-04 modifies Not-for Profit (NFP) reporting requirements by changing the way NFPs classify net assets and results in significant changes to financial reporting and disclosures for NFPs. The standard requires the Station to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions, among other requirements. There is no impact to total net assets or total expenses from these changes.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

As a result of adopting this standard, net assets as of June 30, 2019, have been reclassified as follows:

Net Assets Classifications as of June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 4,343,195	\$ -	\$ 4,343,195
Temporarily restricted	-	60,786	60,786
Permanently restricted	-	104,564	104,564
Total Net Assets, Revised	\$ 4,343,195	\$ 165,350	\$ 4,508,545

Note 3 Long-lived Assets

Long-lived assets, net, are summarized as follows as of June 30, 2019 and 2018:

Long-lived assets	2019	2018
Building and building improvements	\$ 4,806,730	\$ 4,806,730
Furniture and equipment	2,173,339	2,331,273
Software	53,477	53,477
Total long-lived assets	7,033,546	7,191,480
Less: accumulated depreciation	(5,986,256)	(5,948,093)
Long-lived assets, net	\$ 1,047,290	\$ 1,243,387

For the fiscal year ended June 30, 2019 there were \$6,748 in additions and \$164,682 in retirements.

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

Depreciation expense for the years ended June 30, 2019 and 2018 was \$202,845 and \$151,442, respectively.

In prior years, the National Telecommunications and Information Administration (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.

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For Fiscal Years Ended June 30, 2019 and 2018

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**

Lease Obligations

In fiscal year 2016, Howard University (including the Station) 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

- 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.

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.

Howard measures its lease assets and lease liabilities using the discount rate implicit in the lease. If that rate is not available or readily determinable, Howard uses its incremental borrowing rate.

Operating Leases

For the years ended June 30, 2019 and 2018, 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. In 2019, Howard agreed to a second lease amendment that resulted in a second remeasurement which also used a discount rate of 6.50%.

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 for the fiscal years ended June 30, 2019 and 2018 was \$421,352 and \$671,150, respectively.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

At June 30, 2019, 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:

Lease Obligations	Operating Leases
2020	\$ 364,126
2021	378,691
2022	393,839
2023	409,592
2024	425,976
2025 and thereafter	2,265,865
Obligation, gross	4,238,089
Amounts representing 6.5% interest rate	(1,104,954)
Total operating lease obligations, net	\$ 3,133,135

At June 30, 2019, the minimum interest payments under operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

Lease Obligations - Interest	Operating Leases
2020	\$ 179,788
2021	170,212
2022	158,845
2023	145,487
2024	129,918
2025 and thereafter	320,704
Total operating lease obligations interest	\$ 1,104,954

Finance Leases

The Station entered into a four-year vehicle lease. The Station determined that the lease is a finance type lease based the length of the lease term.

The finance lease right-of-use assets and accumulated amortization at June 30 are as follows:

Finance Right of Use Assets	2019	2018
Right of use assets	\$ 31,256	\$ -
Less: accumulated amortization	(11,070)	-
Finance right of use assets, net	\$ 20,186	\$ -

The discount rates used in measuring the finance right-of-use assets and liabilities are the rates as explicitly stated in each lease (if applicable) or Howard's incremental borrowing rate of 6.5%.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

At June 30, 2019, the future minimum lease payments under finance leases (with initial or remaining lease terms in excess of one year) are as follows:

Lease Obligations	Finance Lease
2020	\$ 8,895
2021	8,895
2022	5,188
Obligation, gross	22,978
Amounts representing 6.5% interest rate	(1,878)
Total finance lease obligations, net	\$ 21,100

At June 30, 2019, the minimum interest payments under finance leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

Lease Obligations - Interest	Finance Lease
2020	\$ 1,143
2021	624
2022	111
Total finance lease obligations interest	\$ 1,878

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

Other information	2019	2018
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows	\$ 350,632	\$ 144,266
Financing cash flows	8,895	-
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Operating leases	-	-
Financing leases	21,100	-
Weighted-average remaining lease term (in years)		
Operating leases	9.67	11.08
Finance leases	2.58	-
Weighted-average discount rate:		
Operating leases	6.50%	6.50%
Finance leases	6.50%	6.50%

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

Note 5 **Howard (Licensee) Support**

Howard provides support to the Station consisting of direct expenses such as payroll, and indirect costs such as, general institutional overhead, plant maintenance costs and other expenses.

For the years ended June 30, 2019 and 2018, the total support provided by Howard recorded in the Statement of Activities, was \$3,374,984 and \$3,483,694, respectively as general appropriations and indirect cost appropriations.

Note 6 **Endowment Fund**

The Station's endowment investments are included amongst Howard's 935 individual accounts established to serve a variety of purposes. 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 net assets with donor restrictions:

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 is classified as net assets with donor restrictions 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, 2019 and 2018, 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

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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

The change in value and the composition of the amounts classified as the Station's endowment for the year ended June 30, 2019 are as follows:

Endowment Change in Value For period ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 125,243	\$ 125,243
Investment return:			
Investment income	-	10,127	10,127
Net appreciation (realized and unrealized)	-	(3,760)	(3,760)
Total investment return	-	6,367	6,367
Appropriation of endowment assets for operations	-	(6,323)	(6,323)
Endowment net assets, end of year	\$ -	\$ 125,287	\$ 125,287
Donor-restricted endowment funds	-	125,287	125,287
Board-designated endowment funds	-	-	-
Endowment net assets, end of year	\$ -	\$ 125,287	\$ 125,287

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

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:

Endowment Change in Value For period ended June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 119,019	\$ 119,019
Investment return:			
Investment income	-	1,065	1,065
Net appreciation (realized and unrealized)	-	11,357	11,357
Total investment return	-	12,422	12,422
Appropriation of endowment assets for operations	-	(6,198)	(6,198)
Endowment net assets, end of year	\$ -	\$ 125,243	\$ 125,243
Donor-restricted endowment funds	-	125,243	125,243
Board-designated endowment funds	-	--	--
Endowment net assets, end of year	\$ -	\$ 125,243	\$ 125,243

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. The balance of the fair value of the original contribution of \$104,565 is restricted in perpetuity and included in net assets with donor restrictions at June 30, 2019 and 2018. All remaining net assets with donor restrictions are restricted by purpose.

Note 7 Fair Value Measurements

Howard applies 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 a hierarchy which consists of three categories for fair value measurements based upon the 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.

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For Fiscal Years Ended June 30, 2019 and 2018

The Station's financial assets and liabilities are subject to fair value accounting and are as follows for the fiscal years ended June 30, 2019 and 2018:

Fair Value as of June 30, 2019	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 77	\$ 6,548	\$ -	\$ 6,625
Commingled Funds (2)	7,210	20,489	-	27,699
Common Stock (2)	14,322	-	-	14,322
Fixed Income (3)	-	1	-	1
Hedge Funds (4)	-	14,341	-	14,341
Mutual Funds Investment (2)(3)	18,506	-	-	18,506
Private Equity and Venture Capital (4)	-	-	19,902	19,902
Private Debt (4)	-	-	9,072	9,072
Real Estate (4)	-	-	14,819	14,819
Total endowment investments	\$ 40,115	\$ 41,379	\$ 43,794	\$ 125,287

Level 3 investments were 35% of total investments.

Fair Value as of June 30, 2018	Level 1	Level 2	Level 3	Total
Endowment Investments				
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
Total endowment investments	\$ 39,563	\$ 59,504	\$ 26,176	\$ 125,243

Level 3 investments were 21% of total investments.

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.

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- (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 Howard'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 ASC 820, *Fair Value Measurement*, which governs the classification of certain investments with the option of Net Asset Value redemption value as Level 2, Howard 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.

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Notes to Financial Statements
For Fiscal Years Ended June 30, 2019 and 2018

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, 2019 and 2018, the Station incurred expenses of approximately \$260,219 and \$232,381, 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, 2020, 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, 2019.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

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

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

Raleigh, NC
February 13, 2020

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

Statement of Functional Expenses

For the Year Ended June 30, 2019 (with 2018 Totals)

	Program Services				Supporting Services				2019 Total	2018 Total
	Programming & Production	Broadcasting	Program Information & Promotion	Program Services Total	Management & General	Fundraising & Membership	Education & Outreach	Supporting Services Total		
Operating expenses:										
Compensation	\$ 561,954	\$ 494,867	\$ -	\$ 1,056,821	\$ 453,545	\$ 42,412	\$ 9,329	\$ 505,286	\$ 1,562,107	\$ 1,557,985
Supplies	38,653	148	7,144	45,945	15,194	-	15,835	31,029	76,974	67,887
Marketing	2,410	-	62,535	64,945	-	-	1,710	1,710	66,655	100,432
Dues and subscriptions	573,739	172,645	971	747,355	33,653	5,000	-	38,653	786,008	506,446
License and permits	-	-	-	-	26,588	-	-	26,588	26,588	102,840
Professional fees	195,620	1,863	2,600	200,083	-	84,792	25,510	110,302	310,385	233,100
Outside services	89,214	13,317	-	102,531	11,846	19,423	555	31,824	134,355	30,316
Repairs and maintenance	19,786	2,000	-	21,786	452	-	-	452	22,238	120,896
Rent	-	421,352	-	421,352	11,475	-	6,800	18,275	439,627	671,150
Utilities	-	26,570	-	26,570	-	-	-	-	26,570	1,386
Travel and meals	-	304	-	304	6,682	-	878	7,560	7,864	17,379
Miscellaneous	-	48	-	48	29,729	-	8,636	38,365	38,413	2,000
Equipment	-	6,748	-	6,748	-	-	-	-	6,748	-
Depreciation and amortization	-	-	-	-	213,915	-	-	213,915	213,915	358,844
Administrative support from Howard	-	-	-	-	2,128,591	-	-	2,128,591	2,128,591	1,652,553
Total operating expenses	\$ 1,481,376	\$ 1,139,862	\$ 73,250	\$ 2,694,488	\$ 2,931,670	\$ 151,627	\$ 69,253	\$ 3,152,550	\$ 5,847,038	\$ 5,423,214