



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.) Financial
Statements
and Supplementary Information
June 30, 2017 and 2016**

**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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Howard University Television WHUT-TV as of June 30, 2017 and 2016, 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
December 19, 2017

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,	2017	2016
Assets:		
Receivable from The Howard University, Inc.	\$ 4,542,451	\$ 4,036,602
Grants receivable	11,421	2,502
Prepaid expenses	40,451	40,451
Investments	119,019	112,089
Operating right of use asset	3,540,137	752,452
Long-lived assets, net	1,267,827	1,433,831
Total Assets	\$ 9,521,306	\$ 6,377,927
Liabilities:		
Accounts payable and accrued expenses	\$ 71,930	\$ 68,859
Lease liability	3,433,317	752,452
Deferred revenue	1,371,507	1,236,630
Total Liabilities	4,876,754	2,057,941
Net Assets:		
Unrestricted	4,491,624	4,180,187
Temporarily restricted	48,364	35,235
Permanently restricted	104,564	104,564
Total Net Assets	4,644,552	4,319,986
Total Liabilities and Net Assets	\$ 9,521,306	\$ 6,377,927

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

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Activities For the Years Ended June 30,	2017	2016
Unrestricted Support and Revenue:		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,835,595	\$ 1,531,824
Indirect cost appropriations	1,659,631	1,313,230
Total Support from The Howard University, Inc.	3,495,226	2,845,054
Public Support and Other Income:		
Government and other private grants	50,848	127,016
Community service and interconnection grants from Corporation for Public Broadcasting	1,077,997	999,623
Special events	298,749	236,881
Less: cost of direct benefits to donors	(65,482)	(188,866)
Gross profit on special events	233,267	48,015
Contributions	674,476	564,428
Telecasting, production and other income	82,702	169,158
Investment income (loss)	6,930	(9,351)
Total Public Support and Other Income	2,126,220	1,898,889
Total Unrestricted Support and Revenue	5,621,446	4,743,943
Expenses:		
Compensation	1,661,533	1,555,342
Utilities	42,155	11,777
Office supplies	77,460	126,297
Repairs and maintenance	106,277	69,972
Professional and administrative services	1,583,979	1,541,591
Sponsorship expense	98,212	124,200
Depreciation and amortization	67,633	187,724
Administrative support from The Howard University, Inc.	1,659,631	1,313,230
Total Expenses	5,296,880	4,930,133
Change in Net Assets	324,566	(186,190)
Unrestricted	311,437	(182,592)
Temporarily restricted	13,129	(3,598)
Change in Net Assets	324,566	(186,190)
Net Assets, beginning of year	4,319,986	4,506,176
Net Assets, end of year	\$ 4,644,552	\$ 4,319,986

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

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.) Statements of Cash Flows For the Years Ended June 30,	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 324,566	\$ (186,190)
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation and amortization	67,633	187,724
Realized (gain) loss on investments	(4,956)	2,866
Unrealized (gain) loss on investments	(7,565)	897
Change and/or remeasurement of lease	(2,680,865)	--
(Increase) decrease in receivable from Howard University, Inc.	(505,849)	405,777
(Increase) in grants receivable	(8,919)	(2,502)
(Increase) in prepaid expenses	--	(39,205)
Increase (decrease) in accounts payable and accrued expenses	3,071	(241,498)
Change in operating right of use asset	5,317	--
Increase in lease liability	--	259,425
Increase (decrease) in deferred revenue	134,878	(128,455)
Net Cash (Used in)/Provided by Operating Activities	(2,672,689)	258,839
Cash Flows from Investing Activities:		
Purchases of investments	(608)	(293)
Proceeds from investments	6,199	5,879
Right of use assets	2,680,865	(259,425)
Purchase and renovations of long-lived assets	(13,767)	(5,000)
Net Cash Provided by/(Used in) Investing Activities	2,672,689	(258,839)
Net change in cash	--	--
Cash at beginning of year	--	--
Cash at end of year	\$ --	\$ --

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016

(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, 2017 and 2016. 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, 2017 and 2016 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 2016 and 2015 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, 2017 and 2016

(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 2017 and 2016. 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 2017 and 2016, the values of goods or services received were approximately \$98,212 and \$124,200, 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 December 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 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 require that a 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 2018.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) number 2016-14 (Topic 958), *Presentation of Financial Statements of 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 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.

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2016-01, *Financial Instruments*, requiring all equity investments to be measured at fair value with changes in the fair value recognized through net income, other than those accounted for under the equity method of accounting or those that result in consolidation of the investee. Howard is evaluating the impact of ASU 2016-01.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (“ASU”) 2014-09, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

In August 2015, ASU 2015-14 *Revenue from Contracts with Customers: Deferral of the Effective Date* was issued. With the issuance of ASU 2015-14, entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Howard is currently evaluating the impact of adopting ASU 2014-09 and the different transition methods available.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

(m) Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. Such reclassifications did not have any impact on the Station's previously reported net asset balances.

(n) Change in Accounting Principle

In fiscal year 2016 Howard completed an early adoption of ASU 2016-02 (Topic 842) *Leases*, which is a change in accounting principle. See Note 4 for a description of the impact of this change on the financial statements.

Note 3 Long-lived Assets

Long-lived assets, net, are summarized as follows as of June 30, 2017 and 2016:

Long-lived assets	2017	2016
Building and renovations	\$ 4,806,730	\$ 4,806,730
Equipment	2,363,127	3,099,084
Software	46,297	46,297
Total long-lived assets	7,216,154	7,952,111
Less: accumulated depreciation	(5,948,327)	(6,518,280)
Long-lived assets, net	\$ 1,267,827	\$ 1,433,831

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, 2017 and 2016 was \$179,771 and \$187,724, 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.

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 now extends through 2022.

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Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

Note 4 **Leases**

In the prior year, 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.

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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

For the years ended June 30, 2017 and 2016, 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:

Operating Right of Use Assets	2017	2016
Right of use assets	\$ 3,845,860	\$ 964,623
Less: accumulated amortization	(305,723)	(212,171)
Operating right of use assets, net	\$ 3,540,137	\$ 752,452

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, 2017 and 2016 was \$344,221 and \$256,963, respectively.

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, 2017:

Lease Obligations	Operating Leases
2018	\$ 338,430
2019	351,968
2020	366,046
2021	380,688
2022	395,916
2023 and thereafter	1,600,269
Total operating lease obligations, net	\$ 3,433,317

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

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

Other information	2017	2016
Cash paid for amounts included in the measurements of lease liabilities for operating leases:		
Operating cash flows	\$ 325,414	\$ 259,425
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	12.08	6.81
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, 2017 and 2016, the total support provided by Howard recorded in the Statement of Activities, was \$3,495,226 and \$2,845,054, respectively as general appropriations and indirect cost appropriations.

Note 6 **Endowment Fund**

The Station's endowment investments are included amongst Howard's 800 individual accounts established to serve a variety of purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position *Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA")*, and *Enhanced Disclosures for All Endowment Funds*. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 ("DC UPMIFA").

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:

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

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, 2017 and 2016, the Station had one endowment fund whose earnings are available for general operations.

Spending - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

Management and Investment - In accordance with UPMIFA, Howard considers the following factors in making investments, as well as other management decisions regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other Howard resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to Howard's charitable purpose

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

As of June 30, 2017 and 2016, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment June 30,	2017	2016
Permanently Restricted Net Assets The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 104,564	\$ 104,564
Temporarily Restricted Net Assets The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA: With purpose restrictions	14,455	7,525
Total endowment funds classified as temporarily restricted net assets	\$ 14,455	\$ 7,525

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:

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

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Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

The change in value and the composition of the amounts classified as the Station's endowment for the year ended June 30, 2016 are as follows:

Endowment Change in Value For period ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	\$ 16,876	\$ 104,564	\$ 121,440
Investment return:				
Net depreciation (realized and unrealized)	--	(4,762)	--	(4,762)
Investment income	--	1,292	--	1,292
Total investment return	--	(3,470)	--	(3,470)
Appropriation of endowment assets for operations	--	(5,881)	--	(5,881)
Endowment net assets, end of year	\$ --	\$ 7,525	\$ 104,564	\$ 112,089
Donor-restricted endowment funds	--	7,525	104,564	112,089
Endowment net assets, end of year	\$ --	\$ 7,525	\$ 104,564	\$ 112,089

On October 19, 2010, the Station received a contribution of donated stock with a fair value of \$104,565. In accordance with the terms of the contribution, the Station utilized the funds to establish an endowment.

Note 7 Fair Value Measurements

Howard adopted the applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three categories for fair value measurements based upon transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

The Station's financial assets and liabilities are subject to fair value accounting and are as follows for the fiscal years ended June 30, 2017 and 2016:

Fair Value as of June 30, 2017	Level 1	Level 2	Level 3	Total
Endowment Investments				
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
Total endowment investments	\$ 39,809	\$ 59,675	\$ 19,535	\$ 119,019

Level 3 investments were 16% of total investments.

Fair Value as of June 30, 2016	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 6	\$ 9,819	\$ --	\$ 9,825
Commingled Funds (2)	--	39,989	--	39,989
Common Stock (2)	8,244	--	--	8,244
Fixed Income (3)	--	5	--	5
Hedge Funds (4)	--	8,084	17	8,101
Mutual Funds Investment (2)(3)	27,960	--	--	27,960
Limited partnerships (4)	--	--	14,695	14,695
Real Estate (4)	--	--	3,270	3,270
Total endowment investments	\$ 36,210	\$ 57,897	\$ 17,982	\$ 112,089

Level 3 investments were 16% 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

- (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 management indicate that the values reported are reasonable. These investments are classified as Level 3.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Station believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date and different income (loss) being recognized during the period.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2017 and 2016

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, 2017 and 2016, The Station incurred expenses of \$248,582 and \$179,378, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying statements of activities within each respective expense category, as appropriate.

Note 10 **Subsequent Events**

Howard performed an evaluation of subsequent events through December 19, 2017, 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, 2017.

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

Washington, DC
December 19, 2017

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

Statement of Functional Expenses

For the Year Ended June 30, 2017 (with 2016 Totals)

	Program Services				Supporting Services				Total	
	Programming & Production	Broadcasting	Program Information & Promotion		Management & General	Fundraising & Development	Education & Outreach	Total	2017	2016
				Total						
Compensation	\$ 554,591	\$ 491,960	\$ -	\$ 1,046,551	\$ 606,828	\$ 8,154	\$ -	\$ 614,982	\$ 1,661,533	\$ 1,555,342
Supplies	30,636	586	3,794	35,015	5,456	192	15,561	21,209	56,224	54,004
Postage and printing	1,534	-	50	1,584	721	221	333	1,276	2,860	16,467
Marketing	34,123	-	87,741	121,864	326	70,902	6,029	77,256	199,120	133,925
Dues & Subscriptions	498,173	5,360	1,843	505,376	27,370	-	-	27,370	532,745	473,444
License and permits	10,467	-	-	10,467	72,545	-	-	72,545	83,012	86,161
Professional fees	266,178	67,555	396	334,129	5,000	137,198	6,300	148,498	482,627	660,445
Outside services	2,051	6,000	167	8,218	2,535	30,769	3,016	36,320	44,538	4,952
Repairs and maintenance	64,955	35,956	1,008	101,920	1,826	-	-	1,826	103,746	67,580
Rent	2,333	341,887	-	344,221	-	-	-	-	344,221	256,963
Utilities	14,145	-	-	14,145	28,010	-	-	28,010	42,155	11,777
Travel and meals	374	-	-	374	-	-	-	-	374	43,164
Miscellaneous	5,009	1,029	-	6,038	6,481	-	266	6,747	12,785	44,478
Equipment	-	-	-	-	83	1,145	2,448	3,676	3,676	20,477
Depreciation	-	-	-	-	67,633	-	-	67,633	67,633	187,724
Administrative support from Howard	-	-	-	-	1,659,631	-	-	1,659,631	1,659,631	1,313,230
Total	\$ 1,484,570	\$ 950,333	\$ 94,998	\$ 2,529,901	\$ 2,484,444	\$ 248,582	\$ 33,953	\$ 2,766,979	\$ 5,296,880	\$ 4,930,133