



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.)
Financial Statements
June 30, 2020 and 2019**

**With Independent Auditor's Report
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WHUT-TV
(an unincorporated operating segment of
The Howard University, Inc.)
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Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

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, 2020 and 2019, and the related statements of activities, functional expenses 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, 2020 and 2019, 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

February 5, 2021

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,	2020	2019
Assets:		
Receivable from The Howard University, Inc.	\$ 4,665,903	\$ 4,700,694
Grants receivable	-	7,043
Prepaid expenses	750	2,750
Investments	130,739	125,287
Operating right of use asset	2,814,946	3,060,364
Finance right of use assets	14,024	20,186
Long-lived assets, net	849,097	1,047,290
Total Assets	8,475,459	8,963,614
Liabilities:		
Accounts payable and accrued expenses	130,187	253,640
Operating lease obligations	2,901,747	3,133,135
Finance lease obligations	14,475	21,100
Deferred revenue	1,335,131	1,254,361
Total Liabilities	4,381,540	4,662,236
Net Assets:		
Without donor restrictions	3,963,180	4,176,091
With donor restrictions	130,739	125,287
Total Net Assets	4,093,919	4,301,378
Total Liabilities and Net Assets	\$ 8,475,459	\$ 8,963,614

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,	2020	2019
Support and Revenue without Donor Restrictions:		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,525,445	\$ 1,246,393
Indirect cost appropriations	1,713,558	2,128,591
Total Support from The Howard University, Inc.	3,239,003	3,374,984
Public Support and Other Income:		
Government and other private grants	750	2,068
Community service and interconnection grants from Corporation for Public Broadcasting	1,217,931	1,161,413
Other grants from Corporation for Public Broadcasting	104,246	168,186
Special events	210,418	293,736
Less: cost of direct benefits to donors	(106,188)	(129,457)
Gross profit on special events	104,230	164,279
Contributions	671,599	488,851
Telecasting, production and other income	93,886	280,046
Investment income	5,452	44
Total Public Support and Other Income	2,198,094	2,264,887
Total Support and Revenue without Donor Restrictions	5,437,097	5,639,871
Expenses:		
Compensation	1,485,348	1,562,107
Utilities	49,166	26,570
Office supplies	131,403	76,974
Repairs and maintenance	92,700	22,238
Professional and administrative services	1,961,917	1,774,353
Sponsorship expense	3,005	42,290
Depreciation and amortization	207,459	213,915
Administrative support from The Howard University, Inc.	1,713,558	2,128,591
Total Expenses	5,644,556	5,847,038
Change in Net Assets	(207,459)	(207,167)
Without donor restrictions	(212,911)	(207,211)
With donor restrictions	5,452	44
Change in Net Assets	(207,459)	(207,167)
Net Assets, beginning of year	4,301,378	4,508,545
Net Assets, end of year	\$ 4,093,919	\$ 4,301,378

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)									
Statements of Functional Expenses									
For the Year Ended June 30, 2020									
	Program Services				Supporting Services				2020 Total
	Programming & Production	Broadcasting	Program Information & Promotion	Program Services Total	Management & General	Fundraising & Membership	Education & Outreach	Supporting Services Total	
Operating expenses:									
Compensation	\$ 413,207	\$ 432,836	\$ -	\$ 846,043	\$ 569,823	\$ 58,615	\$ 10,867	\$ 639,305	\$ 1,485,348
Supplies	55,464	9,250	1,452	66,166	30,113	14,384	20,740	65,237	131,403
Marketing	-	-	20,700	20,700	-	-	44	44	20,744
Dues and subscriptions	596,503	125,880	189	722,572	61,094	-	-	61,094	783,666
License and permits	13,360	-	-	13,360	3	-	-	3	13,363
Professional fees	74,150	22,669	3,403	100,222	131,821	166,552	47,022	345,395	445,617
Outside services	3,065	-	11	3,076	-	1,402	7,438	8,840	11,916
Repairs and maintenance	86,927	5,773	-	92,700	-	-	-	-	92,700
Rent	-	442,529	-	442,529	8,253	-	-	8,253	450,782
Utilities	13,173	35,993	-	49,166	-	-	-	-	49,166
Travel and meals	97	2	-	99	12,580	75	100	12,755	12,854
Miscellaneous	650	-	-	650	32,667	525	-	33,192	33,842
Equipment	63,470	-	-	63,470	128,668	-	-	128,668	192,138
Depreciation and amortization	-	-	-	-	207,459	-	-	207,459	207,459
Administrative support from Howard	-	-	-	-	1,713,558	-	-	1,713,558	1,713,558
Total operating expenses	\$ 1,320,066	\$ 1,074,932	\$ 25,755	\$ 2,420,753	\$ 2,896,039	\$ 241,553	\$ 86,211	\$ 3,223,803	\$ 5,644,556

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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)									
Statements of Functional Expenses									
For the Year Ended June 30, 2019									
	Program Services				Supporting Services				2019 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
Supplies	38,653	148	7,144	45,945	15,194	-	15,835	31,029	76,974
Marketing	2,410	-	62,535	64,945	-	-	1,710	1,710	66,655
Dues and subscriptions	573,739	172,645	971	747,355	33,653	5,000	-	38,653	786,008
License and permits	-	-	-	-	26,588	-	-	26,588	26,588
Professional fees	195,620	1,863	2,600	200,083	-	84,792	25,510	110,302	310,385
Outside services	89,214	13,317	-	102,531	11,846	19,423	555	31,824	134,355
Repairs and maintenance	19,786	2,000	-	21,786	452	-	-	452	22,238
Rent	-	421,352	-	421,352	11,475	-	6,800	18,275	439,627
Utilities	-	26,570	-	26,570	-	-	-	-	26,570
Travel and meals	-	304	-	304	6,682	-	878	7,560	7,864
Miscellaneous	-	48	-	48	29,729	-	8,636	38,365	38,413
Equipment	-	6,748	-	6,748	-	-	-	-	6,748
Depreciation and amortization	-	-	-	-	213,915	-	-	213,915	213,915
Administrative support from Howard	-	-	-	-	2,128,591	-	-	2,128,591	2,128,591
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

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,	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (207,459)	\$ (207,167)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	207,459	213,915
Realized gain on investments	(8,475)	(10,127)
Unrealized (gain)/loss on investments	(1,993)	3,760
Increase/(decrease) in receivable from The Howard University, Inc.	34,791	(143,349)
Decrease in grants receivable	7,043	5,455
Decrease in prepaid expenses	2,000	42,451
(Decrease)/increase in accounts payable and accrued expenses	(123,453)	142,974
Change in operating right of use asset	245,418	272,371
Decrease in operating lease obligation	(231,388)	(155,916)
Increase/(decrease) in deferred revenue	80,770	(153,787)
Net Cash Provided by Operating Activities	4,713	10,580
Cash Flows from Investing Activities:		
Proceeds from investments	5,016	6,323
Purchase and renovations of long-lived assets	-	(6,748)
Net Cash Provided by (Used in) Investing Activities	5,016	(425)
Cash Flows from Financing Activities:		
Change in finance right of use assets and related lease obligation	(9,729)	(10,155)
Net Cash Used in Financing Activities	(9,729)	(10,155)
Net Change in Cash	-	-
Cash at beginning of year	-	-
Cash at end of year	\$ -	\$ -

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2020 and 2019

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, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019

(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, 2020 and 2019. 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, 2020 and 2019 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, 2020 and 2019

(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 2020 and 2019, the values of goods or services received were \$20,700 and \$107,290, 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 2020, the FASB issued Accounting Standard Update (ASU) 2020-03, *Codification improvements to Financial Instruments*, effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The ASU clarifies that all nonpublic companies and organizations are required to provide certain fair value option disclosures. The Station is evaluating the impact on ASU 2020-03.

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Notes to Financial Statements
For Fiscal Years Ended June 30, 2020 and 2019

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. For non-public entities, ASU 2020-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The Station is evaluating the impact ASU 2020-01.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. For non-public entities, ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The ASU improves financial statement preparers' application of income tax-related guidance and simplifies GAAP for: franchise taxes that are partially based on income; transactions with a government that result in a step up in the tax basis of goodwill; separate financial statements of legal entities that are not subject to tax; and enacted changes in tax laws in interim periods. The Station is evaluating the impact ASU 2019-12.

In May 2014 the FASB issued ASU 2014-09, *Revenue Recognition from Contracts with Customers (ASC 606)*, effective for private companies and non-for-profit organizations for annual reporting periods beginning after December 15, 2019. 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 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 has adopted ASU 2018-13. The impact includes removal of disclosures related to timing of transfers between levels and requires disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities

(m) Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. Such reclassifications did not have any impact on the University's previously reported net asset balances.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2020 and 2019

Note 3 Long-lived Assets

Long-lived assets, net, are summarized as follows as of June 30, 2020 and 2019:

Long-lived assets	2020	2019
Building and building improvements	\$ 4,806,730	\$ 4,806,730
Furniture and equipment	2,173,339	2,173,339
Software	53,477	53,477
Total long-lived assets	7,033,546	7,033,546
Less: accumulated depreciation	(6,184,449)	(5,986,256)
Long-lived assets, net	\$ 849,097	\$ 1,047,290

For the fiscal year ended June 30, 2020 there were no additions or retirements.

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

Depreciation expense for the years ended June 30, 2020 and 2019 was \$198,193 and \$202,845, 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.

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.

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Notes to Financial Statements
For Fiscal Years Ended June 30, 2020 and 2019

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.)
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For Fiscal Years Ended June 30, 2020 and 2019

- 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, 2020 and 2019, 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, 2020 and 2019 was \$432,845 and \$421,352, respectively.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2020 and 2019

At June 30, 2020, 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
2021	\$ 378,691
2022	393,839
2023	409,592
2024	425,976
2025	443,015
2026 and thereafter	1,823,082
Obligation, gross	3,874,195
Amounts representing 6.5% interest rate	(972,448)
Total operating lease obligations, net	\$ 2,901,747

At June 30, 2020, 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
2021	\$ 182,941
2022	169,375
2023	153,868
2024	136,249
2025	116,333
2026 and thereafter	213,682
Total operating lease obligations interest	\$ 972,448

Finance Leases

The Station entered into a four-year vehicle lease in 2018. 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	2020	2019
Right of use assets	\$ 33,658	\$ 31,256
Less: accumulated amortization	(19,634)	(11,070)
Finance right of use assets, net	\$ 14,024	\$ 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 near the date of lease commencement.

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At June 30, 2020, 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
2021	\$ 8,895
2022	5,930
Obligation, gross	14,825
Amounts representing 2.7% interest rate	(350)
Total finance lease obligations, net	\$ 14,475

At June 30, 2020, 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
2021	\$ 290
2022	60
Total finance lease obligations interest	\$ 350

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

Other information	2020	2019
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows	\$ 364,126	\$ 350,632
Financing cash flows	8,895	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	8.75	9.67
Finance leases	1.67	2.58
Weighted-average discount rate:		
Operating leases	6.50%	6.50%
Finance leases	2.75%	6.50%

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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, 2020 and 2019, the total support provided by Howard recorded in the accompanying statements of activities, was \$3,239,003 and \$3,374,984, 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 (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, 2020 and 2019, 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, 2020 are as follows:

Endowment Change in Value For Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 125,287	\$ 125,287
Investment return:			
Investment income	-	725	725
Net appreciation (realized and unrealized)	-	9,743	9,743
Total investment return	-	10,468	10,468
Appropriation of endowment assets for operations	-	(5,016)	(5,016)
Endowment net assets, end of year	\$ -	\$ 130,739	\$ 130,739

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 Year 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

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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, 2020 and 2019. 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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The Station's financial assets and liabilities are subject to fair value accounting and are as follows for the fiscal years ended June 30, 2020 and 2019:

Fair Value as of June 30, 2020	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 93	\$ 2,616	\$ -	\$ 2,709
Commingled Funds (2)	-	15,222	-	15,222
Common Stock (2)	17,795	-	-	17,795
Fixed Income (3)	-	1	-	1
Hedge Funds (4)	-	13,900	-	13,900
Mutual Funds Investment (2)(3)	25,183	-	-	25,183
Private Equity and Venture Capital (4)	-	-	23,032	23,032
Private Debt (4)	-	-	16,300	16,300
Real Estate (4)	-	-	16,597	16,597
Total endowment investments	\$ 43,071	\$ 31,739	\$ 55,929	\$ 130,739

Level 3 investments were 43% of total investments.

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.

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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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.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on its rapid increase in global exposure.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, included \$75 million of emergency stabilization funds for public media. Beginning on April 2, 2020, the Corporation for Public Broadcasting (“CPB”) convened an Advisory Group of public radio and television system representatives to devise a distribution plan for the funds. The Advisory Group followed two primary principles in developing the funding formula: 1) to follow congressional intent on ensuring the preservation of small or rural stations, and 2) that the funding approach would be simple in its construct, impactful and easy to explain to interested audiences. The Advisory Group recommended splitting the \$75 million stabilization funds equally between radio and television grantees.

On April 13, 2020, the CPB Board of Directors unanimously approved the distribution plan for the \$75 million of emergency stabilization funds. WHUT-TV received stabilization funds in one payment of \$260,205 in April 2020 which has been recorded as part of the deferred revenue as of June 30, 2020. The stabilization funding was provided to address an emergent situation. It is not subject to CPB’s statutory funding allocations. The funding is considered unrestricted and has no expenditure period.

WHUT-TV continued to broadcast 24 hours a day/7 days a week through June 30, 2020. Instead of closing during the pandemic, the following procedures were implemented:

- The student internship program was indefinitely suspended;
- Most of the staff started working remotely starting in March 2020, a flex schedule was implemented for essential staff to ensure social distancing and reduced studio, office, and station occupancy.

Note 9 **Subsequent Events**

Howard performed an evaluation of subsequent events through February 5, 2021, 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, 2020.

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The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the WHUT-TV is uncertain as to the full magnitude that the pandemic will have on the Station's financial condition, liquidity, and future results of operations. The Station is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, WHUT-TV is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Although WHUT-TV cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Station's results of future operations, financial position, and liquidity in fiscal year 2021.