



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.)
Financial Statements
June 30, 2021 and 2020**

**With Independent Auditor's Report
Thereon**

HOWARD UNIVERSITY TELEVISION 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

Opinion

We have audited the financial statements of Howard University Television WHUT-TV (an unincorporated operating segment of The Howard University, Inc.), (the Station), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but



is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

April 1, 2022

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,	2021	2020
Assets:		
Receivable from The Howard University, Inc.	\$ 4,424,201	\$ 4,665,903
Grants receivable	3,892	-
Prepaid expenses	17,415	750
Investments	145,477	130,739
Operating right of use asset	2,565,042	2,814,946
Finance right of use assets	5,610	14,024
Long-lived assets, net	1,043,158	849,097
Total Assets	8,204,795	8,475,459
Liabilities:		
Accounts payable and accrued expenses	103,135	130,187
Operating lease obligations	2,705,996	2,901,747
Finance lease obligations	5,869	14,475
Deferred revenue	1,118,644	1,335,131
Total Liabilities	3,933,644	4,381,540
Net Assets:		
Without donor restrictions	4,125,674	3,963,180
With donor restrictions	145,477	130,739
Total Net Assets	4,271,151	4,093,919
Total Liabilities and Net Assets	\$ 8,204,795	\$ 8,475,459

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,	2021	2020
Support and Revenue without Donor Restrictions:		
Support from The Howard University, Inc.:		
General appropriations	\$ 935,921	\$ 1,525,445
Indirect cost appropriations	912,839	1,713,558
Total Support from The Howard University, Inc.	1,848,760	3,239,003
Public Support and Other Income:		
Government and other private grants	8,632	750
Community service and interconnection grants from Corporation for Public Broadcasting	1,025,561	1,217,931
Other grants from Corporation for Public Broadcasting	265,910	104,246
Special events	199,381	210,418
Less: cost of direct benefits to donors	(85,670)	(106,188)
Gross profit on special events	113,711	104,230
Contributions	1,089,528	671,599
Telecasting, production and other income	56,416	88,870
Endowment transfer	4,984	5,016
Total Public Support and Other Income	2,564,742	2,192,642
Total Support and Revenue without Donor Restrictions	4,413,502	5,431,645
Support and Revenue with Donor Restrictions:		
Investment income	19,722	10,468
Endowment transfer	(4,984)	(5,016)
Total Support and Revenue with Donor Restrictions	14,738	5,452
Total Support and Revenue with or without Donor Restrictions	4,428,240	5,437,097
Expenses:		
Compensation	1,094,233	1,485,348
Utilities	112,699	49,166
Office supplies	72,676	131,403
Repairs and maintenance	40,594	92,700
Professional and administrative services	1,828,102	1,961,917
Sponsorship expense	-	3,005
Depreciation and amortization	189,865	207,459
Administrative support from The Howard University, Inc.	912,839	1,713,558
Total Expenses	4,251,008	5,644,556
Change in Net Assets	177,232	(207,459)
Without donor restrictions	162,494	(212,911)
With donor restrictions	14,738	5,452
Change in Net Assets	177,232	(207,459)
Net Assets, beginning of year	4,093,919	4,301,378
Net Assets, end of year	\$ 4,271,151	\$ 4,093,919

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, 2021									
	Program Services				Supporting Services				2021 Total
	Programming & Production	Broadcasting	Program Information & Promotion	Program Services Total	Management & General	Fundraising & Membership	Education & Outreach	Supporting Services Total	
Operating expenses:									
Compensation	\$ 237,442	\$ 512,763	\$ -	\$ 750,205	\$ 282,894	\$ 58,376	\$ 2,758	\$ 344,028	\$ 1,094,233
Office Supplies	7,589	2,483	18,593	28,665	13,093	18,944	11,975	44,012	72,677
Marketing	-	-	7,882	7,882	55,163	25,012	-	80,175	88,057
Dues and subscriptions	598,558	-	-	598,558	55,357	11,500	-	66,857	665,415
License and permits	26,780	-	-	26,780	934	-	-	934	27,714
Professional fees	82,338	50,190	375	132,903	255,652	76,148	25,275	357,075	489,978
Outside services	-	-	-	-	600	10,444	-	11,044	11,044
Repairs and maintenance	40,594	-	-	40,594	-	-	-	-	40,594
Rent	-	473,742	-	473,742	13,554	-	-	13,554	487,296
Utilities	112,699	-	-	112,699	-	-	-	-	112,699
Travel and meals	-	-	-	-	204	-	-	204	204
Miscellaneous	-	-	-	-	4,061	37,929	9,953	51,943	51,943
Equipment	700	-	-	700	5,750	-	-	5,750	6,450
Depreciation and amortization	-	-	-	-	189,865	-	-	189,865	189,865
Administrative support from Howard	-	-	-	-	912,839	-	-	912,839	912,839
Total operating expenses	\$ 1,106,700	\$ 1,039,178	\$ 26,850	\$ 2,172,728	\$ 1,789,966	\$ 238,353	\$ 49,961	\$ 2,078,280	\$ 4,251,008

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
Office 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 Cash Flows For the Years Ended June 30,	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 177,232	\$ (207,459)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	189,865	207,459
Realized gain on investments	(1,260)	(8,475)
Unrealized gain on investments	(18,462)	(1,993)
Decrease in receivable from The Howard University, Inc.	241,702	34,791
(Increase)/decrease in grants receivable	(3,892)	7,043
(Increase)/decrease in prepaid expenses	(16,665)	2,000
(Decrease)/increase in accounts payable and accrued expenses	(27,052)	(123,453)
Change in operating right of use asset	249,904	245,418
Decrease in operating lease obligation	(195,751)	(231,388)
(Decrease)/increase in deferred revenue	(216,487)	80,770
Net Cash Provided by Operating Activities	379,134	4,713
Cash Flows from Investing Activities:		
Proceeds from investments	4,984	5,016
Purchase and renovations of long-lived assets	(374,660)	-
Net Cash (Used in) Provided by Investing Activities	(369,676)	5,016
Cash Flows from Financing Activities:		
Change in finance right of use assets and related lease obligation	(9,458)	(9,729)
Net Cash Used in Financing Activities	(9,458)	(9,729)
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, 2021 and 2020

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 (U.S. GAAP).

(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, fulfilled by actions of the Station pursuant to those stipulations, or both. These net assets include net assets subject to donor-imposed restrictions that are invested to provide perpetual source of income to the Station (endowment funds). Donor-restricted endowment funds generally result from donor’s stipulation or by extension of donor restriction imposed through the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that limits Station’s use of an endowment fund. The original gifted amount, any additional gifts to that fund, and any resulting investment returns shall initially be classified as net assets with donor restrictions. Therefore, unless stated otherwise in the gift, the assets in donor-restricted endowment fund are donor-restricted assets until they are appropriated for expenditure by the Station’s governing body or law.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

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. Satisfaction of 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.

(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, 2021 and 2020, 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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

(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 The Howard University, Inc. on the Statements of Financial Position.

(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, 2021 and 2020. 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, 2021 and 2020 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

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

(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.

(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 historically participated in barter agreements with vendors and records revenues and expenses based on the fair value of the goods or services received. In fiscal year 2020, the values of goods or services received were \$20,700, and is recorded as telecasting, production and other income in the statements of activities. There were no barter agreements in fiscal year 2021.

(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.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

In January 2020, the FASB issued Accounting Standards Update (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.

(l) Recently Adopted Accounting Pronouncements

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. Subsequent to the adoption of ASC 606, the University measures revenue from contracts with customers based on the consideration specified in a contract with a customer, and recognizes revenue as a result of satisfying its promise to transfer goods or services in a contract with a customer using the following general revenue recognition five-step model: (1) identify the contract; (2) identify performance obligations; (3) determine transaction price; (4) allocate transaction price; and (5) recognize revenue. The Station has few contracts with customers, and there were no material impacts to the financial statements as a result of adoption by the Station.

(m) Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation. Such reclassifications did not have any impact on the Station'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, 2021 and 2020

Note 3 Long-lived assets

Long-lived assets, net, are summarized as follows as of June 30, 2021 and 2020:

Long-lived assets	2021	2020
Building and building improvements	\$ 4,806,730	\$ 4,806,730
Furniture and equipment	2,547,999	2,173,339
Software	53,477	53,477
Total long-lived assets	7,408,206	7,033,546
Less: accumulated depreciation	(6,365,048)	(6,184,449)
Long-lived assets, net	\$ 1,043,158	\$ 849,097

For the fiscal year ended June 30, 2021 there were \$374,660 in additions and no retirements.

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

Depreciation expense for long-lived assets for the years ended June 30, 2021 and 2020 was \$180,599 and \$198,193, respectively.

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 June 9, 2022.

Certain equipment acquired or improved under NTIA/WARN – Public Broadcasting Service Grant Award is designated as held in trust for the benefit of the NTIA WARN – Public Broadcasting Service Program. The Federal government retains an undivided equitable reversionary interest in the equipment for ten years from the date the items were placed into service. The equipment purchased under this program was acquired beginning in the year ended June 30, 2016. The total acquisition cost of this equipment is \$229,574. The lien is present in place for pieces of the equipment ranging from December 2025 through August 2029.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

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.
- e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

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, 2021 and 2020, the Station has a material operating lease for a master antenna.

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, 2021 and 2020 was \$432,845, respectively.

At June 30, 2021, 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
2022	\$ 393,839
2023	409,592
2024	425,976
2025	443,015
2026	460,736
Thereafter	1,362,347
Obligation, gross	3,495,504
Amounts representing 6.5% interest rate	(789,507)
Total operating lease obligations, net	\$ 2,705,996

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2021 and 2020

At June 30, 2021, 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
2022	\$ 169,375
2023	153,868
2024	136,249
2025	116,333
2026	93,921
Thereafter	119,761
Total operating lease obligations interest	\$ 789,507

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	2021	2020
Right of use assets	\$ 33,658	\$ 33,658
Less: accumulated amortization	(28,048)	(19,634)
Finance right of use assets, net	\$ 5,610	\$ 14,024

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.

At June 30, 2021, 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
2022	\$ 5,930
Obligation, gross	5,930
Amounts representing 2.7% interest rate	(61)
Total finance lease obligations, net	\$ 5,869

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At June 30, 2021, 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
2022	\$ 61
Total finance lease obligations interest	\$ 61

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

Other information	2021	2020
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows	\$ 378,691	\$ 364,126
Financing cash flows	8,895	8,895
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Operating leases	-	-
Financing leases	-	-
Weighted-average remaining lease term (in years)		
Operating leases	15.50	8.75
Finance leases	1.67	1.67
Weighted-average discount rate:		
Operating leases	6.50%	6.50%
Finance leases	2.75%	2.75%

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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, 2021 and 2020, the total support provided by Howard recorded in the accompanying statements of activities, was \$1,848,760 and \$3,239,003, 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 donor-restricted net assets in perpetuity:

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, 2021 and 2020, 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, 2021 are as follows:

Endowment Change in Value For Year Ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 130,739	\$ 130,739
Investment return:			
Investment income	-	(1,990)	(1,990)
Net appreciation (realized and unrealized)	-	21,712	21,712
Total investment return	-	19,722	19,722
Appropriation of endowment assets for operations	-	(4,984)	(4,984)
Endowment net assets, end of year	\$ -	\$ 145,477	\$ 145,477

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

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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, 2021 and 2020. 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 as of June 30, 2021 and 2020:

Fair Value as of June 30, 2021	Level 1	Level 2	Level 3	Total
Endowment Investments				
Money Market Instrument (1)	\$ 1,214	\$ 4,448	\$ -	\$ 5,662
Commingled Funds (2)	-	16,145	-	16,145
Common Stock (2)	12,881	-	-	12,881
Fixed Income (3)	-	1	-	1
Hedge Funds (4)	-	13,344	-	13,344
Mutual Funds Investment (2)(3)	26,665	-	-	26,665
Private Equity and Venture Capital (4)	-	-	37,671	37,671
Private Debt (4)	-	-	17,119	17,119
Real Estate (4)	-	-	15,989	15,989
Total endowment investments	\$ 40,760	\$ 33,938	\$ 70,779	\$ 145,477

Level 3 investments were 49% of total investments.

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.

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.

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Note 9 **Subsequent Events**

Howard performed an evaluation of subsequent events through April 1, 2022, 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, 2021.

On September 3, 2021, the Howard University information technology team detected unusual activity on the University's network. Based on the subsequent investigation and the information we have to date, the University experienced a ransomware cyberattack, causing some functions critical to the University to shut down. The information technology team and its partners subsequently worked to increase end user access to the University's network and its applications while generating new mechanisms to access data and use tools in a secure manner. The information technology team also distributed new and reimaged laptops and hardware devices to faculty and staff. While all cloud-based academic applications were not impacted by the ransomware attack, the University strengthened cloud-based security to further mitigate the risk of a breach. Through those efforts, the University campus was reopened on September 13, 2021, and efforts to further stabilize the network are ongoing. As of the date through which the University evaluated subsequent events, the University is not aware of any of the University's data being extracted as a result of the ransomware cyberattack.