



HOWARD UNIVERSITY TELEVISION

HOWARD UNIVERSITY TELEVISION WHUT-TV

**(an unincorporated operating segment of
The Howard University, Inc.)
Financial Statements
June 30, 2022 and 2021**

**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, 2022 and 2021, 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, 2022 and 2021, 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

February 10, 2023

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,	2022	2021
Assets:		
Receivable from The Howard University, Inc.	\$ 4,867,718	\$ 4,424,201
Grants receivable	689,246	3,892
Other accounts receivable	21,608	-
Prepaid expenses	17,415	17,415
Investments	148,920	145,477
Operating right of use asset	2,301,575	2,565,042
Finance right of use assets	-	5,610
Long-lived assets, net	861,567	1,043,158
Total Assets	8,908,049	8,204,795
Liabilities:		
Accounts payable and accrued expenses	132,539	103,135
Operating lease obligations	2,481,533	2,705,996
Finance lease obligations	-	5,869
Deferred revenue	516,522	1,118,644
Total Liabilities	3,130,594	3,933,644
Net Assets:		
Without donor restrictions	5,628,535	4,125,674
With donor restrictions	148,920	145,477
Total Net Assets	5,777,455	4,271,151
Total Liabilities and Net Assets	\$ 8,908,049	\$ 8,204,795

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,	2022	2021
Support and Revenue without Donor Restrictions:		
Support from The Howard University, Inc.:		
General appropriations	\$ 1,298,948	\$ 935,921
Indirect cost appropriations	1,377,701	912,839
Total Support from The Howard University, Inc.	2,676,649	1,848,760
Public Support and Other Income:		
Government and other private grants	-	8,632
Community service and interconnection grants from Corporation for Public Broadcasting	660,738	1,025,561
Other grants from Corporation for Public Broadcasting	730,558	265,910
Special events	202,065	199,381
Less: cost of direct benefits to donors	(86,604)	(85,670)
Gross profit on special events	115,461	113,711
Contributions of cash and other financial assets	1,008,735	1,089,528
Telecasting, production and other income	1,064,014	56,416
Endowment appropriation for operation	4,557	4,984
Total Public Support and Other Income	3,584,063	2,564,742
Total Support and Revenue without Donor Restrictions	6,260,712	4,413,502
Support and Revenue with Donor Restrictions:		
Investment income	8,000	19,722
Endowment appropriation for operation	(4,557)	(4,984)
Total Support and Revenue with Donor Restrictions	3,443	14,738
Total Support and Revenue with or without Donor Restrictions	6,264,155	4,428,240
Program and Supporting Services Expenses:		
Programming and production	1,063,070	1,106,700
Broadcasting	991,421	1,039,178
Program information and promotion	-	26,850
Management and general	2,433,381	1,789,966
Fundraising and membership	269,979	238,353
Education and outreach	-	49,961
Total Program and Supporting Services Expenses	4,757,851	4,251,008
Change in Net Assets	1,506,304	177,232
Without donor restrictions	1,502,861	162,494
With donor restrictions	3,443	14,738
Change in Net Assets	1,506,304	177,232
Net Assets, beginning of year	4,271,151	4,093,919
Net Assets, end of year	\$ 5,777,455	\$ 4,271,151

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, 2022									
	Program Services				Supporting Services				2022 Total
	Programming & Production	Broadcasting	Program Information & Promotion	Program Services Total	Management & General	Fundraising & Membership	Education & Outreach	Supporting Services Total	
Operating expenses:									
Compensation	\$ 394,460	\$ 331,204	\$ -	\$ 725,664	\$ 254,121	\$ 11,769	\$ -	\$ 265,890	\$ 991,554
Office Supplies	13,645	-	-	13,645	182,986	4,472	-	187,458	201,103
Marketing	-	-	-	-	603	11,169	-	11,772	11,772
Dues and subscriptions	559,879	-	-	559,879	24,428	2,000	-	26,428	586,307
License and permits	38,481	-	-	38,481	28,707	-	-	28,707	67,188
Professional fees	49,867	232,078	-	281,945	239,066	240,569	-	479,635	761,580
Outside services	-	-	-	-	16,385	-	-	16,385	16,385
Repairs and maintenance	1,863	17,245	-	19,108	32,132	-	-	32,132	51,240
Rent	1,000	410,894	-	411,894	38,767	-	-	38,767	450,661
Travel and meals	-	-	-	-	636	-	-	636	636
Miscellaneous	3,875	-	-	3,875	33,550	-	-	33,550	37,425
Depreciation and amortization	-	-	-	-	204,299	-	-	204,299	204,299
Administrative support from Howard	-	-	-	-	1,377,701	-	-	1,377,701	1,377,701
Total operating expenses	\$ 1,063,070	\$ 991,421	\$ -	\$ 2,054,491	\$ 2,433,381	\$ 269,979	\$ -	\$ 2,703,360	\$ 4,757,851

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 Cash Flows For the Years Ended June 30,	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,506,304	\$ 177,232
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	204,299	189,865
Income on investments	(3,550)	1,990
Net appreciation on investments	(4,450)	(21,712)
(Increase)/decrease in receivable from The Howard University, Inc.	(443,517)	241,702
Increase in grants receivable	(685,354)	(3,892)
Increase in other receivable	(21,608)	-
Increase in prepaid expenses	-	(16,665)
Increase/(decrease) in accounts payable and accrued expenses	29,404	(27,052)
Change in operating right of use asset	263,467	249,904
Decrease in operating lease obligation	(224,463)	(195,751)
Decrease in deferred revenue	(602,122)	(216,487)
Net Cash Provided by Operating Activities	18,410	379,134
Cash Flows from Investing Activities:		
Proceeds from sale on investments	4,557	4,984
Purchase and renovations of long-lived assets	(20,584)	(374,660)
Disposal of long-lived assets	3,486	-
Net Cash Used in Investing Activities	(12,541)	(369,676)
Cash Flows from Financing Activities:		
Change in finance lease obligation	(5,869)	(9,458)
Net Cash Used in Financing Activities	(5,869)	(9,458)
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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, 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.

Special events revenue is derived from donation campaigns run by the Station where community members purchase primarily CD or DVD box sets and is directly offset by the direct costs incurred by the Station in purchasing the CD or DVD box sets. Revenues are recognized at the time of the sale.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2022 and 2021

Telecasting, production and other income consists primarily of production, underwriting, and hosting fees and are recognized when the services are provided.

(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, 2022 and 2021. 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, 2022 and 2021 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:

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2022 and 2021

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.

(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. There were no barter agreements in fiscal years 2022 and 2021, respectively.

(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, 2022 and 2021

In October 2020, the FASB issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07) to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. Under the standard, contributed nonfinancial assets will be presented as a separate line in the statement of activities apart from contributions of cash and other financial assets and specific disclosures will be required regarding the contributed nonfinancial assets. The effective date for this standard is for fiscal years beginning after June 15, 2021. The Station adopted ASU 2020-07 during the year ended June 30, 2022. Retrospective application of the adoption was required, therefore the impact is reflected for both fiscal years presented within these financial statements. There was not a significant impact on to the financial statements or disclosures of the Station.

Note 3 **Long-lived assets**

Long-lived assets, net, are summarized as follows as of June 30, 2022 and 2021:

Long-lived assets	2022	2021
Building and building improvements	\$ 4,806,730	\$ 4,806,730
Furniture and equipment	2,565,097	2,547,999
Software	53,477	53,477
Total long-lived assets	7,425,304	7,408,206
Less: accumulated depreciation	(6,563,737)	(6,365,048)
Long-lived assets, net	\$ 861,567	\$ 1,043,158

For the fiscal year ended June 30, 2022 there were \$20,584 in additions and \$3,486 in disposals.

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

Depreciation expense for long-lived assets for the years ended June 30, 2022 and 2021 was \$198,689 and \$180,599, 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 extended through June 9, 2022.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2022 and 2021

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.

Note 4 **Leases**

Lease Obligations

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, 2022 and 2021, the Station has a material operating lease for a master antenna. The related operating right of use asset balance as of June 30, 2022 and 2021 was \$2,301,575 and \$2,565,042, respectively.

Rental payments are recognized on a straight-line basis. Rent expense related to the master antenna for the fiscal years ended June 30, 2022 and 2021 was \$432,845, respectively.

At June 30, 2022, 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
2023	\$ 409,592
2024	425,976
2025	443,015
2026	460,736
2027	479,165
Thereafter	883,181
Obligation, gross	3,101,665
Amounts representing 6.5% interest rate	(620,132)
Total operating lease obligations, net	\$ 2,481,533

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2022 and 2021

At June 30, 2022, 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
2023	\$ 153,868
2024	136,249
2025	116,333
2026	93,921
2027	68,800
Thereafter	50,961
Total operating lease obligations interest	\$ 620,132

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	2022	2021
Right of use assets	\$ 33,658	\$ 33,658
Less: accumulated amortization	(33,658)	(28,048)
Finance right of use assets, net	\$ -	\$ 5,610

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 at the date of lease commencement.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2022 and 2021

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

Other information	2022	2021
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows	\$ 393,839	\$ 378,691
Financing cash flows	5,930	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	6.75	7.75
Finance leases	-	0.67
Weighted-average discount rate:		
Operating leases	6.50%	6.50%
Finance leases	-%	2.75%

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, 2022 and 2021, the total support provided by Howard recorded in the accompanying statements of activities, was \$2,676,649 and \$1,848,760, respectively, as general appropriations and indirect cost appropriations.

WHUT-TV (an unincorporated operating segment of The Howard University, Inc.)
Notes to Financial Statements
For Fiscal Years Ended June 30, 2022 and 2021

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, 2022 and 2021, the Station had one endowment fund whose earnings are available for general operations.

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

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

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

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation

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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, 2022 are as follows:

Endowment Change in Value For Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 145,477	\$ 145,477
Investment return:			
Investment income	-	3,550	3,550
Net appreciation (realized and unrealized)	-	4,450	4,450
Total investment return	-	8,000	8,000
Appropriation of endowment assets for operations	-	(4,557)	(4,557)
Endowment net assets, end of year	\$ -	\$ 148,920	\$ 148,920

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 loss	-	(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

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, 2022 and 2021. All remaining net assets with donor restrictions are restricted by purpose.

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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.
- Measured at Net Asset Value (NAV) – investment in funds reported at NAV which is the proportional share of the fund’s underlying investments held by the fund less its liabilities

The Station’s financial assets and liabilities are subject to fair value accounting and are as follows as of June 30, 2022 and 2021:

<u>Fair Value as of June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Measured at NAV</u>	<u>Total</u>
Endowment Investments					
Money Market Instrument (1)	\$ -	\$ 15,010	\$ -	\$ -	\$ 15,010
Commingled Funds (2)	-	-	-	8,629	8,629
Common Stock (2)	27,351	-	-	-	27,351
Fixed Income (3)	-	1	-	-	1
Hedge Funds (4)	-	-	-	14,278	14,278
Mutual Funds Investment (2)(3)	14,099	-	-	-	14,099
Limited Partnerships (4)	-	-	-	61,517	61,517
Real Estate (4)	-	-	-	8,035	8,035
Total endowment investments	\$ 41,450	\$ 15,011	\$ -	\$ 92,459	\$ 148,920

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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, 2022 and 2021:

Fair Value as of June 30, 2021	Level 1	Level 2	Level 3	Measured at NAV	Total
Endowment Investments					
Money Market Instrument (1)	\$ 1,199	\$ 4,391	\$ -	\$ -	\$ 5,590
Commingled Funds (2)	-	-	-	15,940	15,940
Common Stock (2)	12,719	-	-	-	12,719
Fixed Income (3)	-	1	-	-	1
Hedge Funds (4)	-	-	-	13,175	13,175
Mutual Funds Investment (2)(3)	26,327	-	-	-	26,327
Limited Partnerships (4)	-	-	-	55,513	55,513
Real Estate (4)	-	-	-	16,212	16,212
Total endowment investments	\$ 40,245	\$ 4,392	\$ -	\$ 100,840	\$ 145,477

The Station's fair value of investments is based on the Station's allocation of units within Howard's investment pool.

The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

- (1) Money market instruments include investments in open ended mutual funds that invest in US treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.
- (2) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date and are classified as Level 2.
- (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.

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(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. These investments are reported at the Net Asset Value (NAV), as provided by the fund managers. The NAV is used as a practical expedient to measure fair value but is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The fund managers use pricing models, appraisals, discounted cash flow models, and other valuation techniques to determine fair value of the underlying investments in each fund. Units held within common/collective trusts (“CCTs”) are valued at the NAV. The NAV is used as a practical expedient to estimate fair value and is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

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

Note 8 Commitments and Contingencies

Certain federally funded programs are routinely subject to special audits. Such audits could result in claims against the resources of WHUT-TV. Since WHUT-TV does not expect claims to arise as a result of such audits, no provision for liabilities has been provided for in the financial statements.

Note 9 Subsequent Events

Howard performed an evaluation of subsequent events through February 10, 2023, 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, 2022.