



Hampton Roads Educational Telecommunications Association, Inc.

Financial Report
June 30, 2015 and 2014



ASSURANCE, TAX & ADVISORY SERVICES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hampton Roads Educational Telecommunications Association, Inc.
Norfolk, Virginia

We have audited the accompanying financial statements of Hampton Roads Educational Telecommunications Association, Inc. (WHRO) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Hampton Roads Educational Telecommunications Association, Inc., as of June 30, 2015 and 2014, 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.

Other Matter

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

PB Mares, LLP

Norfolk, Virginia
October 23, 2015

FINANCIAL STATEMENTS

HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS ASSOCIATION, INC.

Statements of Financial Position June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,816,855	\$ 2,759,319
Accounts receivable, net	560,487	934,603
Pledges receivable, net	1,489,799	1,039,656
Underwriting receivables	239,906	213,513
Inventory	12,946	37,220
Tower rights	47,081	47,081
Prepaid expenses	<u>175,491</u>	<u>126,010</u>
Total current assets	<u>4,342,565</u>	<u>5,157,402</u>
NONCURRENT ASSETS		
Pledges receivable, net	1,407,895	1,049,055
Split interest agreement	1,136,141	808,422
Property, plant and equipment, net	7,142,070	7,791,331
Tower rights, net of current portion	894,539	941,620
Investments	<u>8,636,485</u>	<u>6,375,090</u>
Total noncurrent assets	<u>19,217,130</u>	<u>16,965,518</u>
Total assets	<u>\$ 23,559,695</u>	<u>\$ 22,122,920</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 3,438,281	\$ 3,648,180
Accounts payable	414,875	720,009
Accrued liabilities	535,468	547,264
Capital lease obligations, current portion	82,356	136,325
Deferred revenue, current portion	<u>360,561</u>	<u>458,290</u>
Total current liabilities	<u>4,831,541</u>	<u>5,510,068</u>
NONCURRENT LIABILITIES		
Capital lease obligations, long-term portion	14,726	89,842
Deferred revenue, long-term portion	<u>21,630</u>	<u>21,630</u>
Total liabilities	<u>4,867,897</u>	<u>5,621,540</u>
NET ASSETS		
Unrestricted:		
Undesignated	6,194,920	6,867,323
Board designated	<u>8,911,083</u>	<u>6,883,875</u>
Total unrestricted	<u>15,106,003</u>	<u>13,751,198</u>
Temporarily restricted	3,460,795	2,574,805
Permanently restricted	<u>125,000</u>	<u>175,377</u>
Total net assets	<u>18,691,798</u>	<u>16,501,380</u>
Total liabilities and net assets	<u>\$ 23,559,695</u>	<u>\$ 22,122,920</u>

See accompanying notes.

HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS ASSOCIATION, INC.

Statements of Activities

Years Ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, SUPPORT, AND OTHER INCOME								
Membership	\$ 3,801,208	\$ -	\$ -	\$ 3,801,208	\$ 3,581,906	\$ -	\$ -	\$ 3,581,906
Grants and contributions	103,932	-	-	103,932	30,287	-	-	30,287
Capital campaign contributions	2,485,057	1,255,907	25,000	3,765,964	1,102,485	415,718	-	1,518,203
Change in value of split interest agreement	-	410,118	-	410,118	-	43,389	-	43,389
School assessments	525,618	-	-	525,618	527,639	-	-	527,639
Government grants	1,792,822	-	-	1,792,822	1,862,584	-	-	1,862,584
Special events	88,058	-	-	88,058	190,746	-	-	190,746
Program underwriting	1,468,952	-	-	1,468,952	1,296,375	-	-	1,296,375
Education service fees	1,748,635	-	-	1,748,635	2,668,978	-	-	2,668,978
Production fees	287,470	-	-	287,470	251,693	-	-	251,693
Production funding	14,000	-	-	14,000	24,000	-	-	24,000
Internet service provider and website design fees	261,664	-	-	261,664	278,463	-	-	278,463
Tower rental fees	695,026	-	-	695,026	728,212	-	-	728,212
Broadcast channel fees	129,109	-	-	129,109	117,392	-	-	117,392
Royalties and advertising	68,577	-	-	68,577	145,134	-	-	145,134
Spectrum lease income	989,136	-	-	989,136	974,352	-	-	974,352
Investment income	539,371	926	-	540,297	275,504	16,170	-	291,674
Miscellaneous income	70,356	-	-	70,356	48,316	-	-	48,316
Realized and unrealized gain (loss) on investments	(401,762)	(8,618)	-	(410,380)	327,195	9,772	-	336,967
Reclassification pursuant to donor direction	75,377	-	(75,377)	-	-	-	-	-
Net assets released from restrictions:								
Satisfaction of program restrictions	772,343	(772,343)	-	-	1,144,077	(1,144,077)	-	-
Total revenues, support, and other income	<u>15,514,949</u>	<u>885,990</u>	<u>(50,377)</u>	<u>16,350,562</u>	<u>15,575,338</u>	<u>(659,028)</u>	<u>-</u>	<u>14,916,310</u>
EXPENSES								
Program services	10,357,112	-	-	10,357,112	11,524,636	-	-	11,524,636
Supporting:								
Management and general	1,487,409	-	-	1,487,409	1,416,564	-	-	1,416,564
Fundraising and development	2,315,623	-	-	2,315,623	2,222,321	-	-	2,222,321
Total supporting expenses	<u>3,803,032</u>	<u>-</u>	<u>-</u>	<u>3,803,032</u>	<u>3,638,885</u>	<u>-</u>	<u>-</u>	<u>3,638,885</u>
Total expenses	<u>14,160,144</u>	<u>-</u>	<u>-</u>	<u>14,160,144</u>	<u>15,163,521</u>	<u>-</u>	<u>-</u>	<u>15,163,521</u>
CHANGE IN NET ASSETS	<u>1,354,805</u>	<u>885,990</u>	<u>(50,377)</u>	<u>2,190,418</u>	<u>411,817</u>	<u>(659,028)</u>	<u>-</u>	<u>(247,211)</u>
NET ASSETS, beginning of year	<u>13,751,198</u>	<u>2,574,805</u>	<u>175,377</u>	<u>16,501,380</u>	<u>13,339,381</u>	<u>3,233,833</u>	<u>175,377</u>	<u>16,748,591</u>
NET ASSETS, end of year	<u>\$ 15,106,003</u>	<u>\$ 3,460,795</u>	<u>\$ 125,000</u>	<u>\$ 18,691,798</u>	<u>\$ 13,751,198</u>	<u>\$ 2,574,805</u>	<u>\$ 175,377</u>	<u>\$ 16,501,380</u>

See accompanying notes.

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from memberships and contributions	\$ 6,567,079	\$ 4,092,926
Cash receipts from grants	1,846,369	1,872,168
Cash receipts from education activities	2,502,666	3,221,055
Cash receipts from enterprise activities	2,486,490	2,534,867
Cash receipts from underwriting	1,442,559	1,290,949
Cash receipts from all other sources	698,711	530,736
Cash paid for operating expenses	(6,266,242)	(6,329,477)
Cash paid for wages and fringe benefits	(6,969,674)	(6,944,305)
Cash paid for interest and taxes	(93,031)	(111,620)
	2,214,927	157,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,860,943)	(3,604,846)
Proceeds from sale of investments	2,300,197	3,413,476
Purchases of property, plant and equipment	(524,074)	(459,462)
	(3,084,820)	(650,832)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from split interest agreement	82,400	68,800
Net (repayments) borrowings on line of credit	(209,899)	6,035
Contributions restricted for property, plant, equipment and other long-term purposes	184,013	309,501
Principal payments on capital lease obligations	(129,085)	(105,958)
	(72,571)	278,378
Net cash provided by (used in) financing activities	(942,464)	(215,155)
CASH AND CASH EQUIVALENTS		
Beginning	2,759,319	2,974,474
Ending	\$ 1,816,855	\$ 2,759,319

See accompanying notes.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

(Concluded)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,190,418	\$ (247,211)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,191,425	1,111,119
Amortization of tower rights	47,081	47,081
Contributions restricted for property, plant, equipment and other long-term purposes	(142,407)	(231,201)
Bad debt	5,346	-
Realized and unrealized (gain) loss on investments	410,380	(336,967)
Change in split interest agreement	(410,118)	(43,389)
Loss on disposal of property, plant and equipment	7,051	-
Changes in assets and liabilities:		
Accounts receivable	374,116	199,752
Pledges and underwriting receivables	(993,357)	(791,995)
Inventory	24,274	2,832
Prepaid expenses	(49,481)	314,132
Accounts payable	(330,276)	351,248
Accrued liabilities	(11,796)	(1,212)
Deferred revenue	(97,729)	(216,890)
Net cash provided by operating activities	\$ 2,214,927	\$ 157,299
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 81,590	\$ 79,051
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
Donated marketable securities, supplies, and equipment	\$ 53,832	\$ 45,332
Disposal of fully depreciated plant, property and equipment	\$ 429,882	\$ 1,307,010
Property, plant and equipment acquired through capital lease	\$ -	\$ 163,612
Transfer of construction in progress to property, plant and equipment	\$ -	\$ 34,929
Purchases of property, plant and equipment in accounts payable	\$ 25,142	\$ -

See accompanying notes.

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Hampton Roads Educational Telecommunications Association, Inc. (d/b/a WHRO) (“WHRO”) is a diverse regional public telecommunications center serving more than 2.2 million citizens in southeastern Virginia and northeastern North Carolina. WHRO promotes education, culture and citizenship through a variety of telecommunications services. Viewers and listeners tune in to broadcast programming on WHRO’s public television and radio stations and stream programming from its website. Since its founding over 50 years ago to support education, WHRO has employed creativity and technology to serve its mission to enrich audiences through content that educates, entertains and promotes understanding. WHRO delivers educational and new media services to students and educators as well.

WHRO is licensed by the Federal Communications Commission to operate a non-commercial public television station – WHRO 15 Digital (including WHRO HD, WHRO Kids, WHRO World and WHRO Create); two non-commercial public radio stations – WHRO 90.3 FM and its associated digital channels (WHRO Digital and the 1920’s Radio Network) and WHRV 89.5 FM and its associated digital channels (WHRV Digital and AltRadio); Educational Broadband Services (EBS) and satellite transmission facilities and the WHRO Radio Reading Service for the Print Handicapped. WHRO added additional transmitters in 2011 to extend and improve its radio broadcast footprint and provide public radio services in underserved areas. Transmitter call signs (repeated signal), frequency and station of license are as follows: 88.1 WHRL (WHRV) Emporia, WHRG (WHRV), 88.5, Gloucester Point; WHRJ (WHRO), 89.9, Gloucester Courthouse; WHRE (WHRV), 91.9, Eastville; WHRX (WHRV), 90.1, Nassawaddox, 98.3 WHRF (WHRO) Belle Haven. Its website features live audio streams for WHRO, WHRV, the Radio Reading Service, AltRadio and the 1920’s Radio Network. Studios, satellite, technical control, teleconference facilities and offices are housed in Norfolk, Virginia, and a radio broadcast facility is located in Newport News, Virginia. WHRO operates a satellite office and studio in Williamsburg, Virginia. Major transmission facilities are located in Suffolk, Virginia, with additional FM radio transmission facilities in Southeastern Virginia and multi-point microwave relay towers are dispersed throughout Virginia.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Format

WHRO follows the accounting standards applicable to not-for-profit organizations. Such standards primarily govern the accounting for contributions; require investments to be presented at fair value, and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into three classes of net assets: permanently restricted, temporarily restricted, or unrestricted.

Permanently restricted net assets generally result from contributions whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled by actions of WHRO. Income received from these assets is primarily treated as temporarily revenue.

Temporarily restricted net assets generally result from contributions whose use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of WHRO. As of June 30, 2015 and 2014, all of WHRO's temporarily restricted net assets are restricted for educational program content or will expire by the passage of time.

Unrestricted net assets generally result from revenues derived from receiving unrestricted contributions and fees from providing programs, less expenses incurred in providing these programs, raising contributions and performing administrative functions.

Cash and Cash Equivalents

WHRO considers all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. Included in cash and cash equivalents balances are amounts restricted primarily for future program activities. Cash equivalents at June 30, 2015 and 2014 are \$183,509 and \$443,610, respectively.

Receivables

Accounts receivable, pledges receivable, and underwriting receivables are reported net of allowances for doubtful accounts. At June 30, 2015 and 2014, the allowance for doubtful accounts was \$63,694 and \$52,630, respectively.

Inventory

Inventory consists of fundraising gifts of appreciation and is stated at the lower of cost or market using the first-in, first-out method.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost on acquisition date or fair value on gift date for donated items. Depreciation, which includes amortization of capital leases, is computed using the straight-line method over the estimated useful lives of the related assets that range from 3 to 35 years.

Leased office equipment and software held under capital leases at June 30, 2015 and 2014 had a cost of \$386,446 and the accumulated depreciation and amortization on these leased assets as of June 30, 2015 and 2014 totaled \$293,515 and \$164,700.

Maintenance and repairs, including replacement of minor items of physical properties, costing less than \$1,000, are charged to expense; major additions to physical properties are capitalized. Gains and losses arising from the disposal or retirement of property, plant and equipment are recognized currently in the accompanying statements of activities and the cost and related accumulated depreciation, if applicable, are removed from the accounts.

Contributions

Contributions are recognized as revenue in the period in which a donor makes an unconditional promise to give. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Unconditional contributions that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. An allowance for uncollectible pledges receivable is made based on management's judgment considering historical collection experience.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met within the same reporting period. All other contributions with donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a temporary restriction is met, the related net assets are shown as a release from restrictions on the accompanying statements of activities.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2015 and 2014, WHRO did not have any conditional pledges.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

WHRO recognizes in-kind contributions as revenue and in the period they are received. Donated marketable securities, supplies and equipment are reflected in the accompanying financial statements at estimated values at the date of receipt. During the fiscal years ended June 30, 2015 and 2014, the value of donated marketable securities, supplies and equipment recorded was \$53,832 and \$45,332, respectively.

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by WHRO. During 2015 and 2014, no donated services were received meeting the above requirements.

In addition, various individuals and groups volunteer their time. No amounts have been reflected in the financial statements for these donated services since the volunteer's time does not meet the criteria for recognition under FASB ASC Topic 958.

Underwriting revenue

WHRO receives sponsorships from entities to underwrite the cost of some of its programs and productions. In such instances, WHRO treats underwriting revenue as an exchange transaction and recognizes the revenue when earned.

Split interest agreements

Split-interest agreements are contributions to be shared by WHRO and other beneficiaries. Split interest assets are recorded at fair market value on the date of receipt and any marketable assets received are adjusted to fair market value annually. On an annual basis, WHRO updates the value of the contributed assets to fair market value. The present value of the estimated future payments is calculated using the applicable federal rate and applicable mortality tables. The change in the value of the agreements is recognized in the accompanying statements of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Functional Expenses

Certain costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Production of Programs

Program revenues received and costs incurred for the production of programs that are not complete are reported as deferred revenues and prepaid expenses in the statements of financial position.

Tax Status

WHRO is a not-for-profit corporation, which has been determined by the Internal Revenue Service to be exempt from federal taxes on income derived from activities related to exempt purposes under Section 501(c)(3) of the Internal Revenue Code. It is subject to income taxes on profits, if any, generated from activities which are unrelated to its exempt purposes.

FASB ASC Topic 740, *Income Taxes* prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. WHRO's management has evaluated the impact of the guidance to its financial statements. Management is not aware of any material uncertain tax positions, and has not accrued the effect of any uncertain tax positions as of June 30, 2015. WHRO recognizes interest and penalties incurred, if any, related to income tax positions as other interest expense and penalties expense, respectively. WHRO has net operating loss carryforwards of approximately \$1,200,000 and \$880,000 related to its unrelated business income at June 30, 2015 and 2014, respectively that will begin to expire in 2029.

WHRO's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. With few exceptions, WHRO is no longer subject to income tax examinations by federal, state, or local tax authorities for years before 2011.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on the change in net assets previously reported.

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2. PLEDGES RECEIVABLE

WHRO records pledges receivable as revenue in the year an unconditional promise is received. At June 30, 2015 and 2014, net pledges receivable and their estimated cash flows are as follows:

	2015	2014
Amounts due in one year or less	\$ 1,520,269	\$ 1,067,645
Amounts due in more than one year, but in five years or less	1,473,061	1,109,924
Amounts due in more than five years	23,500	-
Total pledges receivable	3,016,830	2,177,569
Less:		
Discounts to net realizable value	(55,442)	(36,228)
Allowance for doubtful accounts	(63,694)	(52,630)
Net pledges receivable	\$ 2,897,694	\$ 2,088,711

Long-term pledges receivable are initially recorded by the Organization at fair value using level 3 inputs. The present value technique is the primary input for this valuation and other inputs include an analysis of the donor's payment history, relationship with the donor, the donor's creditworthiness and other factors. There were no changes in valuation techniques used in valuing long-term pledges during the years ended June 30, 2015 and 2014. An average discount rate of 2.00% was used in calculating the present value of long-term pledges for the years ended June 30, 2015 and 2014, respectively.

The table below presents information about the changes in pledges to give for the years ended June 30, 2015 and 2014:

	2015	2014
Beginning balance	\$ 2,177,569	\$ 1,432,872
New promises received	4,543,093	2,008,325
Collections	(3,703,832)	(1,263,628)
Ending balance	\$ 3,016,830	\$ 2,177,569

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 377,677	\$ 377,677
Buildings and improvements	5,353,851	5,253,134
Furnishings and equipment	<u>21,147,658</u>	<u>21,129,042</u>
	26,879,186	26,759,853
Less accumulated depreciation	<u>(19,737,116)</u>	<u>(18,968,522)</u>
Property, plant and equipment, net	<u>\$ 7,142,070</u>	<u>\$ 7,791,331</u>

NOTE 4. INVESTMENTS

Investments consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Fixed income:		
Asset backed securities	\$ 4,657,906	\$ 2,103,461
Closed end funds & exchange traded products	<u>-</u>	<u>1,160,258</u>
Total fixed income investments	<u>4,657,906</u>	<u>3,263,719</u>
Equities:		
Closed end funds & exchange traded products	<u>3,978,579</u>	<u>3,111,371</u>
Total investments	<u>\$ 8,636,485</u>	<u>\$ 6,375,090</u>

For the years ended June 30, 2015 and 2014, investment income was \$540,297 and \$291,674 respectively, and realized and unrealized gains/(losses) were \$(410,380) and \$336,967, respectively.

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 5. SPLIT INTEREST AGREEMENT

On June 1, 2012, a donor established a charitable lead trust that provides future benefits to WHRO. WHRO is the beneficiary of the trust, the assets of which are not in possession of WHRO and the trustee is an unrelated third party. Such gifts are recorded at present value in the statements of financial position. The present value of charitable lead trust is recognized as support when the gift is made. On an annual basis, WHRO reviews the need to recalculate the present value of the remaining asset to be made available for WHRO's use. The charitable lead trust is valued using a discount rate of 2.0% and 3.5% as of June 30, 2015 and 2014, respectively, and has a remaining term of sixteen years.

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of investments has been adjusted to fair value.

The carrying value of the split interest agreement has been adjusted to fair value based on current discount rates and applicable mortality tables and other pertinent information.

WHRO reports investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with FASB ASC Topic 820, *Fair Value Measurements*. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). FASB ASC Topic 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

WHRO endeavors to utilize the best available information in measuring fair value. The carrying value of investments has been adjusted to market quoted prices in active markets for identical assets. All fixed income investments are obtained from independent quotation bureaus that use computerized valuation formulas to calculate current values.

The following table summarizes, by level within the fair value hierarchy, the assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014.

<u>Description</u>	<u>6/30/2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income bonds				
Intermediate	\$ 503,824	\$ -	\$ 503,824	\$ -
Government long-term	3,017,740	-	3,017,740	-
Corporate high yield	794,416	-	794,416	-
Global	<u>341,926</u>	<u>-</u>	<u>341,926</u>	<u>-</u>
Total fixed income bonds	<u>4,657,906</u>	<u>-</u>	<u>4,657,906</u>	<u>-</u>
Equity funds				
Large cap growth	534,122	534,122	-	-
Large cap value	535,975	535,975	-	-
Small cap core	532,870	532,870	-	-
Small cap growth	548,139	548,139	-	-
Public real estate	105,498	105,498	-	-
Developed markets	1,187,495	1,187,495	-	-
Emerging markets	<u>534,480</u>	<u>534,480</u>	<u>-</u>	<u>-</u>
Total equity funds	<u>3,978,579</u>	<u>3,978,579</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 8,636,485</u>	<u>\$ 3,978,579</u>	<u>\$ 4,657,906</u>	<u>\$ -</u>
Split interest agreement	<u>\$ 1,136,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,136,141</u>
<u>Description</u>	<u>6/30/2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income bonds				
US bonds	\$ 3,087,680	\$ -	\$ 3,087,680	\$ -
Global bonds	176,039	-	176,039	-
Total fixed income bonds	<u>3,263,719</u>	<u>-</u>	<u>3,263,719</u>	<u>-</u>
Equity funds				
US equities	2,060,078	2,060,078	-	-
Global equities	95,522	95,522	-	-
International equities	955,771	955,771	-	-
Total equity funds	<u>3,111,371</u>	<u>3,111,371</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 6,375,090</u>	<u>\$ 3,111,371</u>	<u>\$ 3,263,719</u>	<u>\$ -</u>
Split interest agreement	<u>\$ 808,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 808,422</u>

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Concluded)

The following table summarizes the changes during the year to Level 3 instruments:

	<u>2015</u>	<u>2014</u>
Fair value, beginning of the year	\$ 808,422	\$ 993,420
Net additions, subtractions, purchases, issuances, and settlements	(82,400)	(225,083)
Net realized and unrealized gains and losses and change in value of split interest agreement included on the Statements of Activities	<u>410,119</u>	<u>40,085</u>
Fair value, end of the year	<u>\$ 1,136,141</u>	<u>\$ 808,422</u>

NOTE 7. CAPITAL LEASE OBLIGATIONS

WHRO acquired computer server equipment under two long-term, noncancelable capital leases. The leases, which expire in 2017, require monthly payments of \$6,405 and \$4,956, respectively. For financial reporting purposes, total minimum future lease payments required under these leases are as follows:

2016	\$ 85,087
2017	<u>14,867</u>
	99,954
Amount representing interest	<u>2,872</u>
Present value of net minimum lease payments	97,082
Less current obligation	<u>82,356</u>
Long-term obligation	<u>\$ 14,726</u>

NOTE 8. LINE OF CREDIT

WHRO has a line of credit with UBS which provides for borrowings up to a maximum of \$5,500,000 and \$3,925,000 as of June 30, 2015 and 2014, respectively, which is collateralized by all WHRO investment accounts held by UBS. The line of credit can be terminated at any time. The line bears interest at a variable rate equal to the daily LIBOR, plus a percentage rate spread on the UBS Bank USA Fixed Funding Rate, which was 1.937% and 2.154% at June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, WHRO had a balance of \$3,438,281 and \$3,648,180, outstanding on the line respectively.

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
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Notes to Financial Statements

June 30, 2015 and 2014

NOTE 9. EMPLOYEE BENEFIT PLANS

WHRO maintains a §403(b) retirement plan (the Plan) covering non-leased employees, not covered by a collective bargaining agreement, and temporary part time employees who have accumulated 1,000 hours in a Plan year. Employees may contribute to the Plan subject to the limitations imposed by the Internal Revenue Service. WHRO makes a discretionary contribution for each eligible employee's compensation to the Plan. Employer contributions for the years ended June 30, 2015 and 2014 totaled \$111,561 and \$108,031, respectively.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Tower Rights and Commitments

During fiscal year 2000, WHRO entered into an agreement to sell one of its existing broadcasting towers and the related right to construct a new digital tower and to lease the land related to the towers under a thirty-five year ground lease. In consideration for the sale and the first ten years of the ground lease, WHRO received \$1,750,000 in cash, the right to use the existing tower for analog broadcasting (until the analog signal is phased out) and the right to broadcast its signal from the new tower for thirty-five years.

In fiscal year 2011, WHRO began to derive rents from the ground lease based on the gross tower receipts. The tower rights and ground lease can be extended at the end of the initial thirty-five year term for two additional terms of ten years each. The noncash components of the transaction were recorded initially at their estimated fair values and the remaining is included in the accompanying statements of financial position as tower rights (\$941,620 and \$988,701 at June 30, 2015 and 2014, respectively).

WHRO has entered into multiple agreements with various third party vendors of telecommunications services in Eastern Virginia. WHRO allows the use of existing towers that are part of the ITFS system. When towers are on property owned and controlled by school divisions, WHRO shares in the rents received.

WHRO has a channels lease agreement with an initial term of ten years expiring in August 2016. The lease agreement also provides for four automatic renewals of five years each for a total thirty year term as defined in the agreement. During the years ended June 30, 2015 and 2014, WHRO recognized \$989,136 and \$974,352 of lease income related to this agreement.

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 10. COMMITMENTS AND CONTINGENCIES (Continued)

Minimum future rents to be received are as follows:

2016	\$ 1,000,612
2017	1,020,626
2018	1,041,012
2019	1,061,830
2020	1,083,092
Thereafter	<u>20,840,152</u>
	<u>\$ 26,047,324</u>

Operating Leases

WHRO had an operating lease for warehouse space in Norfolk, VA with an original monthly payment of \$1,000 escalating 3.0% each year with no specified lease maturity date. As of June 30, 2014 occupancy ceded and the lease was terminated and no rental expense was incurred.

WHRO has a three-year operating lease for office space in Williamsburg, VA that expired on May 31, 2015 with monthly payments of \$4,167. The lease was renewed under the same terms for an additional five years, expiring on May 31, 2020. The lease also calls for WHRO to pay 46% of the cost of maintaining the common areas, electric, and water/sewer fees.

WHRO has a five-year parking lease agreement that expired on June 30, 2015 (the initial term) with quarterly payments of \$1,800. The lease can be renewed annually for up to five additional one-year terms. The agreement has not been formally extended.

WHRO also leases various equipment under agreements expiring by August 2016.

Rental expense was \$82,177 and \$93,030 for the years ended June 30, 2015 and 2014, respectively.

Minimum rental commitments subsequent to 2015 under non-cancellable operating leases are:

2016	\$ 58,534
2017	50,000
2018	50,000
2019	50,000
2020	<u>45,833</u>
	<u>\$ 254,367</u>

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
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Notes to Financial Statements

June 30, 2015 and 2014

NOTE 10. COMMITMENTS AND CONTINGENCIES (Concluded)

Equipment Grants

WHRO has received certain grants in various years from the U.S. government and from the Commonwealth of Virginia to be used specifically for the purchase of equipment. The grants provide that should such equipment be disposed of during a ten-year period following the year of acquisition, a portion of the proceeds would be refunded to the granting authorities.

NOTE 11. ENDOWMENT

WHRO has implemented FASB ASC Topic 958-205-55 which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The Commonwealth of Virginia has adopted UPMIFA.

WHRO's endowment consist primarily of funds designated by its Board of Directors as well as donor restricted endowment funds and are classified and reported based on the existence or absence of donor imposed restrictions.

WHRO has interpreted the UPMIFA as requiring the preservation of the historic value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WHRO classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WHRO considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of WHRO 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 the appreciation of investments
- (6) Other resources of WHRO
- (7) The investment policies of WHRO

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 11. ENDOWMENT (Continued)

WHRO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WHRO must hold in perpetuity or for a donor specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, WHRO relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WHRO targets a diversified asset allocation that places a greater emphasis on fixed income and equity investments to achieve its long-term objective within prudent risk constraints.

WHRO has a policy of appropriating investment income for distribution each year up to \$155,000. In establishing this policy, WHRO considered the long-term expected return on its endowment. Accordingly, over the long term, WHRO expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with WHRO's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires WHRO to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2015 and 2014.

At June 30, 2015, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 1,154	\$ 125,000	\$ 126,154
Board designated funds	<u>8,911,083</u>	<u>-</u>	<u>-</u>	<u>8,911,083</u>
Total funds	<u>\$ 8,911,083</u>	<u>\$ 1,154</u>	<u>\$ 125,000</u>	<u>\$ 9,037,237</u>

(Continued)

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 11. ENDOWMENT (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2015 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,883,875	\$ 9,772	\$ 175,377	\$ 7,069,024
Investment return:				
Investment income	539,371	926	-	540,297
Net gains (losses) (realized and unrealized)	<u>(401,762)</u>	<u>(8,618)</u>	-	<u>(410,380)</u>
Total investment return	137,609	(7,692)	-	129,917
Appropriation of endowment assets for expenditure	(154,074)	(926)	-	(155,000)
Other changes:				
Reclassification pursuant to donor direction	75,377	-	(75,377)	-
Contributions	-	-	25,000	25,000
Board designations	<u>1,968,296</u>	-	-	<u>1,968,296</u>
Endowment net assets, end of year	<u>\$ 8,911,083</u>	<u>\$ 1,154</u>	<u>\$ 125,000</u>	<u>\$ 9,037,237</u>

At June 30, 2014, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 9,772	\$ 175,377	\$ 185,149
Board designated funds	<u>6,883,875</u>	-	-	<u>6,883,875</u>
Total funds	<u>\$ 6,883,875</u>	<u>\$ 9,772</u>	<u>\$ 175,377</u>	<u>\$ 7,069,024</u>

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**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 11. ENDOWMENT (Concluded)

Changes in endowment net assets for the fiscal year ended June 30, 2014 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,017,388	\$ -	\$ 175,377	\$ 6,192,765
Investment return:				
Investment income	275,504	16,170	-	291,674
Net gains (losses) (realized and unrealized)	<u>327,195</u>	<u>9,772</u>	<u>-</u>	<u>336,967</u>
Total investment return	602,699	25,942	-	628,641
Appropriation of endowment assets for expenditure	(138,830)	(16,170)	-	(155,000)
Other changes:				
Board designations	<u>402,618</u>	<u>-</u>	<u>-</u>	<u>402,618</u>
Endowment net assets, end of year	<u>\$ 6,883,875</u>	<u>\$ 9,772</u>	<u>\$ 175,377</u>	<u>\$ 7,069,024</u>

NOTE 12. CONCENTRATIONS

WHRO maintains cash deposits with financial and investment institutions in excess of the limit of federal deposit insurance of \$250,000 at various times during the year. In addition, WHRO maintains investments in excess of the \$500,000 that is insured by Securities Investor Protection Corporation.

All pledge receivables are concentrated from donors in the Hampton Roads area of Virginia.

WHRO receives a substantial amount of its support from government grants, primarily from the Corporation for Public Broadcasting which serves as the steward of the federal government's investment in public broadcasting. A significant reduction in the level of this support, if this were to occur, may have a significant effect on WHRO's programs and activities.

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 13. SUBSEQUENT EVENTS

WHRO has evaluated all events subsequent to June 30, 2015 through October 23, 2015 which is the date these financial statements were available to be issued. WHRO has determined that there are no subsequent events that require disclosure pursuant to the FASB Accounting Standards Codification.

SUPPLEMENTARY INFORMATION

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Schedule of Functional Expenses - Schedule I
Year ended June 30, 2015

	Program	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 3,932,300	\$ 713,171	\$ 1,182,831	\$ 5,828,302
Depreciation	1,085,507	16,561	89,357	1,191,425
Fringe benefits	797,528	114,228	229,616	1,141,372
Public Broadcasting Service fees	1,055,199	-	-	1,055,199
Education software and licenses	528,601	-	-	528,601
Telephone and bandwidth	356,544	8,881	68,485	433,910
Utilities	394,970	6,026	32,513	433,509
NPR fees	506,081	-	-	506,081
Independent contractors and talent	228,604	3,000	39,750	271,354
Repairs and maintenance	214,365	121,246	17,209	352,820
Program fees - other	269,138	-	10,000	279,138
Consultant fees	18,409	84,033	38,688	141,130
Fundraising premiums	2,264	23,993	147,609	173,866
Computer maintenance contracts	194,902	37,938	-	232,840
Postage and shipping	43,186	26,966	133,462	203,614
Hospitality and travel	54,616	32,838	56,557	144,011
Insurance	140,475	2,143	11,564	154,182
Professional fees	3,341	86,427	1,007	90,775
Production costs - other	38,096	-	10,380	48,476
Interest and taxes	2,589	32,427	58,015	93,031
Conferences, seminars and training	81,585	28,601	8,291	118,477
Office lease	195	69,537	12,445	82,177
Credit card and bank fees	46,901	15,134	97,291	159,326
Supplies and subscriptions	56,721	12,465	18,119	87,305
Paper, printing and stationery	100,707	104	31,546	132,357
Dues and licenses	103,213	46,859	8,778	158,850
Marketing and advertising	13,902	4,726	5,788	24,416
Bad debts	435	-	4,911	5,346
Streaming fees	23,173	-	-	23,173
Miscellaneous	55,452	(10,229)	1,411	46,634
Temporary services and graphic design	5,168	10,334	-	15,502
Listing services and audience research	2,945	-	-	2,945
	<u>\$ 10,357,112</u>	<u>\$ 1,487,409</u>	<u>\$ 2,315,623</u>	<u>\$ 14,160,144</u>

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

Schedule of Functional Expenses - Schedule II
Year ended June 30, 2014

	Program	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 4,027,345	\$ 694,510	\$ 1,080,937	\$ 5,802,792
Depreciation	1,012,340	15,445	83,334	1,111,119
Fringe benefits	830,825	115,482	195,206	1,141,513
Public Broadcasting Service fees	1,635,028	-	-	1,635,028
Education software and licenses	662,635	-	-	662,635
Telephone and bandwidth	415,198	12,616	51,274	479,088
Utilities	382,237	5,832	31,465	419,534
NPR fees	517,508	-	-	517,508
Independent contractors and talent	397,717	-	6,626	404,343
Repairs and maintenance	190,597	123,964	1,243	315,804
Program fees - other	380,902	-	-	380,902
Consultant fees	23,073	86,103	139,347	248,523
Fundraising premiums	3,574	-	161,133	164,707
Computer maintenance contracts	149,278	56,058	36	205,372
Postage and shipping	31,370	8,924	120,220	160,514
Hospitality and travel	64,808	23,308	102,021	190,137
Insurance	137,479	2,097	11,317	150,893
Professional fees	7,206	59,161	-	66,367
Production costs - other	46,961	-	6,948	53,909
Interest and taxes	8,267	46,501	56,852	111,620
Conferences, seminars and training	169,157	18,589	15,998	203,744
Office lease	78,672	180	14,178	93,030
Credit card and bank fees	1,881	68,967	78,841	149,689
Supplies and subscriptions	89,532	12,645	6,746	108,923
Paper, printing and stationery	84,010	148	34,941	119,099
Dues and licenses	47,918	56,979	10,904	115,801
Marketing and advertising	14,545	3,451	11,717	29,713
Streaming fees	37,798	-	-	37,798
Miscellaneous	71,017	-	147	71,164
Temporary services and graphic design	2,415	5,604	240	8,259
Listing services and audience research	3,343	-	650	3,993
	<u>\$ 11,524,636</u>	<u>\$ 1,416,564</u>	<u>\$ 2,222,321</u>	<u>\$ 15,163,521</u>

**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS
ASSOCIATION, INC.**

**Changes in Property and Equipment - Schedule III
Year ended June 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>Balance June 30, 2015</u>
Land	\$ 377,677	\$ -	\$ -	\$ 377,677
Buildings and Improvements	5,253,134	110,077	(9,360)	5,353,851
Furnishings and equipment:				
Cameras and video tape recorders	640,753	13,000	(41,921)	611,832
Transmitters	2,041,341	43,045	-	2,084,386
Antennas and towers	3,085,387	69,471	-	3,154,858
Production	836,398	60,245	(14,394)	882,249
Microwave and ITFS	661,417	-	(810)	660,607
Capital lease	42,444	-	(42,444)	-
Radio	2,435,467	53,243	(5,280)	2,483,430
Other equipment	<u>11,385,835</u>	<u>200,134</u>	<u>(315,673)</u>	<u>11,270,296</u>
	<u>21,129,042</u>	<u>439,138</u>	<u>(420,522)</u>	<u>21,147,658</u>
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	26,759,853	549,215	(429,882)	26,879,186
Less:				
Allowances for depreciation	<u>18,968,522</u>	<u>1,191,425</u>	<u>(422,831)</u>	<u>19,737,116</u>
	<u>\$ 7,791,331</u>	<u>\$ (642,210)</u>	<u>\$ (7,051)</u>	<u>\$ 7,142,070</u>