



**Hampton Roads Educational  
Telecommunications Association, Inc.**

**Financial Statements and Supplementary  
Information**

Years Ended June 30, 2018 and 2017

**Hampton Roads Educational  
Telecommunications Association, Inc.**

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Financial Statements and Supplementary Information  
Years Ended June 30, 2018 and 2017

**Hampton Roads Educational  
Telecommunications Association, Inc.**

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## Independent Auditor's Report

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

October 26, 2018

## Financial Statements

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# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Financial Position

<i>June 30,</i>	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,019,818	\$ 1,280,085
Accounts receivable, net	720,374	405,065
Underwriting receivables	309,798	292,491
Pledges receivable, net	1,299,932	1,446,318
Inventory	5,352	16,430
Prepaid expenses	209,214	140,983
<b>Total Current Assets</b>	<b>3,564,488</b>	<b>3,581,372</b>
Property and equipment, net	4,808,819	5,603,917
Pledges receivable, net	77,948	1,256,379
Split interest agreement	1,040,480	1,034,329
Tower rights	800,377	847,458
Investments	11,167,830	10,097,246
<b>Total Assets</b>	<b>\$ 21,459,942</b>	<b>\$ 22,420,701</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 3,143,041	\$ 3,418,889
Note payable	-	15,000
Capital leases payable	116,271	110,738
Accounts payable	659,851	626,674
Accrued liabilities	724,083	656,294
Deferred revenue	274,744	264,752
<b>Total Current Liabilities</b>	<b>4,917,990</b>	<b>5,092,347</b>
Capital leases payable	55,638	171,910
<b>Total Liabilities</b>	<b>4,973,628</b>	<b>5,264,257</b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	464,165	(427,567)
Net investment in property and equipment	1,754,353	2,473,503
Board designated	10,212,200	9,552,777
<b>Total unrestricted</b>	<b>12,430,718</b>	<b>11,598,713</b>
Temporarily restricted	3,758,712	5,260,847
Permanently restricted	296,884	296,884
<b>Total Net Assets</b>	<b>16,486,314</b>	<b>17,156,444</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,459,942</b>	<b>\$ 22,420,701</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statement of Activities

<i>Year Ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenue</b>				
Public Support				
Membership	\$ 4,280,588	\$ -	\$ -	\$ 4,280,588
Grants and contributions	405,831	136,800	-	542,631
Special events	5,887	-	-	5,887
CPB support	1,345,519	-	-	1,345,519
Program underwriting	1,447,376	-	-	1,447,376
School assessments	518,762	-	-	518,762
Fees for service	84,648	-	-	84,648
Contract revenue, other	602,832	-	-	602,832
Education service fees	2,064,703	-	-	2,064,703
Production fees	42,447	-	-	42,447
Internet service provider and web design	191,179	-	-	191,179
Broadcast channel fees	127,211	-	-	127,211
Royalties and advertising	65,289	-	-	65,289
Tower rental fees, net	745,828	-	-	745,828
Spectrum lease income	1,041,012	-	-	1,041,012
Miscellaneous income	588	-	-	588
Transfer of board designated reserves	155,000	-	-	155,000
Net assets released from restrictions for operations	1,737,672	(1,737,672)	-	-
<b>Total Operating Revenue</b>	<b>14,862,372</b>	<b>(1,600,872)</b>	<b>-</b>	<b>13,261,500</b>
<b>Operating Expenses</b>				
Program services				
Content	6,764,177	-	-	6,764,177
Education	2,494,070	-	-	2,494,070
Engineering	1,857,876	-	-	1,857,876
Support services				
Management and general	1,963,108	-	-	1,963,108
Fundraising and development	1,611,740	-	-	1,611,740
<b>Total Operating Expenses</b>	<b>14,690,971</b>	<b>-</b>	<b>-</b>	<b>14,690,971</b>
<b>Change in Net Assets from Operations</b>	<b>171,401</b>	<b>(1,600,872)</b>	<b>-</b>	<b>(1,429,471)</b>
<b>Other Income (Expense)</b>				
Capital campaign contributions	41,086	-	-	41,086
Change in value of split interest agreement	-	89,831	-	89,831
Investment income, net	774,518	8,906	-	783,424
Reclassification pursuant to donor	-	-	-	-
Transfer of board designated reserves	(155,000)	-	-	(155,000)
<b>Total Other Income</b>	<b>660,604</b>	<b>98,737</b>	<b>-</b>	<b>759,341</b>
<b>Change in Net Assets</b>	<b>832,005</b>	<b>(1,502,135)</b>	<b>-</b>	<b>(670,130)</b>
Net Assets, beginning of year	11,598,713	5,260,847	296,884	17,156,444
<b>Net Assets, end of year</b>	<b>\$ 12,430,718</b>	<b>\$ 3,758,712</b>	<b>\$ 296,884</b>	<b>\$ 16,486,314</b>

*See accompanying notes to financial statements.*



# Hampton Roads Educational Telecommunications Association, Inc.

## Statement of Activities

<i>Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenue</b>				
Public Support				
Membership	\$ 4,055,648	\$ -	\$ -	\$ 4,055,648
Grants and contributions	229,051	3,145,579	-	3,374,630
Special events	171	-	-	171
CPB support	1,567,703	-	-	1,567,703
Program underwriting	1,326,649	-	-	1,326,649
School assessments	522,894	-	-	522,894
Fees for service	71,505	-	-	71,505
Contract revenue, other	359,845	-	-	359,845
Education service fees	2,146,279	-	-	2,146,279
Production fees	40,975	-	-	40,975
Internet service provider and web design	188,411	-	-	188,411
Broadcast channel fees	127,680	-	-	127,680
Royalties and advertising	50,779	-	-	50,779
Tower rental fees, net	659,162	-	-	659,162
Spectrum lease income	1,020,626	-	-	1,020,626
Miscellaneous income	36,552	-	-	36,552
Transfer of board designated reserves	170,000	-	-	170,000
Net assets released from restrictions for operations	762,904	(762,904)	-	-
<b>Total Operating Revenue</b>	<b>13,336,834</b>	<b>2,382,675</b>	<b>-</b>	<b>15,719,509</b>
<b>Operating Expenses</b>				
Program services				
Content	6,730,121	-	-	6,730,121
Education	2,275,644	-	-	2,275,644
Engineering	2,140,131	-	-	2,140,131
Support services				
Management and general	2,301,515	-	-	2,301,515
Fundraising and development	1,707,112	-	-	1,707,112
<b>Total Operating Expenses</b>	<b>15,154,523</b>	<b>-</b>	<b>-</b>	<b>15,154,523</b>
<b>Change in Net Assets from Operations</b>	<b>(1,817,689)</b>	<b>2,382,675</b>	<b>-</b>	<b>564,986</b>
<b>Other Income (Expense)</b>				
Capital campaign contributions	36,013	-	-	36,013
Change in value of split interest agreement	-	80,217	-	80,217
Investment income, net	786,879	8,906	-	795,785
Reclassification pursuant to donor	(171,884)	-	171,884	-
Transfer of board designated reserves	(170,000)	-	-	(170,000)
<b>Total Other Income</b>	<b>481,008</b>	<b>89,123</b>	<b>171,884</b>	<b>742,015</b>
<b>Change in Net Assets</b>	<b>(1,336,681)</b>	<b>2,471,798</b>	<b>171,884</b>	<b>1,307,001</b>
Net Assets, beginning of year	12,935,394	2,789,049	125,000	15,849,443
<b>Net Assets, end of year</b>	<b>\$ 11,598,713</b>	<b>\$ 5,260,847</b>	<b>\$ 296,884</b>	<b>\$ 17,156,444</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Activities</b>		
Change in net assets	\$ (670,130)	\$ 1,307,001
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,050,893	1,212,530
Amortization of tower rights	47,081	47,081
Donated investments	(85,232)	(469,288)
Donated land	(40,000)	-
Contributions restricted for property and equipment	(21,263)	(40,909)
Pledge receivable write-off	900	1,304
Uncollectible accounts	-	42,450
Realized and unrealized gain on investments	(455,614)	(508,210)
Change in value of split interest agreement	(89,831)	(80,217)
Gain on disposal of property and equipment	-	(340)
Changes in value of operating assets and liabilities		
Accounts, pledges and underwriting receivables	(365,345)	(1,868,937)
Inventory	11,078	3,675
Prepaid expenses	(68,231)	16,529
Accounts payable and accrued liabilities	100,966	150,033
Deferred revenue	9,992	(96,318)
<b>Net Cash Used in Operating Activities</b>	<b>(574,736)</b>	<b>(283,616)</b>
<b>Investing Activities</b>		
Purchases of investments	(7,640,452)	(3,632,500)
Proceeds from sale of investments	7,110,714	3,676,392
Purchase of property and equipment	(215,795)	(265,765)
Proceeds from disposal of property and equipment	-	400
<b>Net Cash Used in Investing Activities</b>	<b>(745,533)</b>	<b>(221,473)</b>
<b>Financing Activities</b>		
Cash received from split interest agreement	83,680	77,280
Borrowings on line of credit	-	398,121
Repayments on line of credit	(275,848)	(200,000)
Repayments of note payable	(15,000)	(15,000)
Payments received on capital campaign pledges	1,356,646	685,020
Contributions restricted for property and equipment	21,263	40,909
Repayments on capital leases payable	(110,739)	(101,039)
<b>Net Cash Provided by Financing Activities</b>	<b>1,060,002</b>	<b>885,291</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(260,267)</b>	<b>380,202</b>
Cash and Cash Equivalents, beginning of year	1,280,085	899,883
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,019,818</b>	<b>\$ 1,280,085</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 112,593	\$ 98,365
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated investments	\$ 85,232	\$ 469,288
Property and equipment acquired through capital lease	\$ -	\$ 256,137

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### 1. Nature Of Organization

The Hampton Roads Educational Telecommunications Association, Inc. (WHRO) is a diverse regional public media non-profit organization serving more than 2.2 million citizens in southeastern Virginia and northeastern North Carolina. Unique to public media stations, it was created more than 57 years ago by the Norfolk and Hampton school boards to support classroom education and is now owned by 19 school divisions in the region. WHRO promotes education, culture and citizenship through a variety of media services. WHRO provides inspiring and educational television programs through its public television stations, and it provides music, news and public affairs programming through its radio stations, live streams on the WHRO website, and through the WHRO media app. WHRO employs creativity and technology to serve its mission of enriching audiences with content that educates, entertains and engages. WHRO delivers educational content in the form of digital learning objects to students and educators throughout Virginia through its online learning distribution platform eMediaVA, as well as developing and providing 25 core curriculum high school on-line courses that are media rich, SOL-aligned, and adaptable WHRO also offers professional development resources for teachers through online courses and hands-on workshops.

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, "The Voice," for the visually impaired. 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. The WHRO website features live audio streams for WHRO, WHRV, The Voice, AltRadio, and the 1920's Radio Network. Studios, satellite, technical control, teleconference facilities, and offices are housed in Norfolk, 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.

### 2. Summary Of Significant Accounting Policies

#### *Basis of Presentation*

WHRO is required to report information regarding its financial position and related activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Support that is restricted by the donor is, however, reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as either "Net assets released from restrictions for operations" or "Net assets released from restrictions for capital."

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

For purposes of the statements of financial position and cash flows, cash and cash equivalents are defined as all highly liquid debt instruments purchased with an original maturity of three months or less, other than those maintained as a part of investment portfolios.

### *Accounts and Underwriting Receivables*

Management considers the need for an allowance for uncollectible accounts based on its review of receivables and historical collection experience. WHRO writes off receivables as a charge to the allowance, when in their estimation, it is probable the receivable is worthless. Accounts and underwriting receivables are considered past due if payments are not received by the due date stated on the billing statement. Past due accounts are not charged a monthly finance charge. WHRO has recorded an allowance for uncollectible accounts receivable of \$42,450 at June 30, 2018 and 2017. Management considers all underwriting receivables to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

### *Pledges Receivable*

Pledges receivable represent unconditional promises to give and are recorded at net realizable value. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible pledges receivable is provided based upon management's judgment. WHRO writes off receivables as a charge to the allowance when in their estimation it is probable the receivable is worthless. Conditional promises to give are not included as support until the conditions are substantially met.

### *Property and Equipment*

Property and equipment, including those acquired using capital leases, are recorded at cost. Asset purchases of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is calculated using the straight-line method based on the following useful lives:

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	Years
Buildings and improvements	5-35 years
Furnishings and equipment	3-40 years

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Depreciation expense, which includes amortization of capital leases, for the years ended June 30, 2018 and 2017 is \$1,050,893 and \$1,212,530, respectively.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### *Inventory*

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

### *Investments*

WHRO's investments are carried at their fair values in the statements of financial position. Changes in fair value are included in the change in net assets in the accompanying statements of activities.

### *Deferred Revenue*

Deferred revenue results from amounts received in advance for fees or production of programs that will not occur until the following fiscal year. Accordingly, this revenue is deferred and then recognized in the subsequent year when it is actually earned.

### *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.

### *Advertising*

Advertising costs are charged to operations when incurred and totaled \$43,049 and \$92,614 for the years ended June 30, 2018 and 2017, respectively.

### *Functional Allocation of Expenses*

The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, management and general, and fundraising and development.

### *Income Taxes*

WHRO is an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Exempt organizations are subject to tax on income from regularly conducted trade or business activities that are not substantially related to the organization's exempt purpose. WHRO has net operating loss carryforwards of approximately \$2,390,000 and \$2,045,000 related to its unrelated business income at June 30, 2018 and 2017, respectively, that will begin to expire in 2029. Deferred tax assets were \$615,056 and \$776,407 at June 30, 2018 and 2017, respectively. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Management has recorded a valuation allowance of \$615,056 and \$776,407 at June 30, 2018 and 2017, respectively. The decrease in valuation allowance was \$161,351 for the year ended June 30, 2018. The increase in the valuation allowance was \$179,473 for the year ended June 30, 2017. Returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for returns filed for tax years 2014 and earlier. Management continually evaluates tax positions reflected in WHRO's tax filings and does not believe that any material uncertain tax positions exist.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### *Volunteers*

A substantial number of unpaid volunteers have made significant contributions of their time and talent to further the mission of WHRO. The value of these contributed services is not reported in these financial statements since it is not susceptible to objective measurement or valuation, and because the criteria for recognition of such volunteer efforts have not been satisfied.

### *Subsequent Events*

Management has evaluated subsequent events through October 26, 2018, the date which the financial statements were available to be issued.

### **3. Related Party Transactions**

WHRO owns 50% of The 1920s Radio Network, LLC (1920s), a Virginia limited liability company, whose purpose is to operate the 1920s Radio Network. There was no carrying value of WHRO's investment, accounted for using the equity method, at June 30, 2018 and 2017, respectively. In addition, WHRO had a non-interest bearing unsecured term note due to 1920s totaling \$15,000 at June 30, 2017. The note was paid in full during 2018.

### **4. Pledges Receivable**

Pledges receivable consist of the following:

<i>June 30,</i>	<b>2018</b>	<b>2017</b>
Amounts due within one year	\$ 1,299,932	\$ 1,448,323
Amounts due in more than one year but less than five years	86,100	1,289,154
Amounts due in more than five years	3,800	6,900
<b>Total pledges receivable</b>	<b>1,389,832</b>	<b>2,744,377</b>
Less allowance for uncollectible pledges receivable	(8,654)	(16,525)
Less discounts to present value (0.95% - 2.82%)	(3,298)	(25,155)
<b>Total Pledges Receivable, net</b>	<b>\$ 1,377,880</b>	<b>\$ 2,702,697</b>

These amounts are reflected in the statements of financial position as follows:

<i>June 30,</i>	<b>2018</b>	<b>2017</b>
Pledges receivable, net, current	\$ 1,299,932	\$ 1,446,318
Pledges receivable, net, other	77,948	1,256,379
<b>Total Pledges Receivable, net</b>	<b>\$ 1,377,880</b>	<b>\$ 2,702,697</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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Pledges receivable are principally from donors in the Hampton Roads area. One donor represented 73% and 74% of pledges receivable at June 30, 2018 and 2017, respectively. WHRO does not request collateral in relation to pledges receivable.

### 5. Charitable Lead Trust Split-Interest Agreement

WHRO is the income beneficiary of a charitable lead annuity trust which is held with an unrelated third party. Under the terms of the split-interest agreement, WHRO is to receive 4% of the fair market value of the trust annually for its general scientific and educational use until the donor's death. At the time of the donor's death, the trust is to terminate, and the remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which WHRO has estimated based on the present value of its expected future cash inflows. The fair value at June 30, 2018 and 2017 is \$1,040,480 and \$1,034,329, respectively. WHRO received \$83,680 and \$77,280 from the trust in 2018 and 2017, respectively, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets. On an annual basis, WHRO revalues the split-interest agreement receivable based on applicable mortality tables and current market conditions. WHRO recorded an increase in the value of the split-interest agreement of \$89,831 and \$80,217 for the years ended June 30, 2018 and 2017, respectively.

### 6. Tower Rights

Intangible assets with finite lives are amortized over their estimated useful lives. During the year ended June 30, 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.

Tower rights are as follows:

<i>June 30,</i>	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tower rights	\$ 2,252,587	\$ 1,452,210	\$ 2,252,587	\$ 1,405,129

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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Amortization expense for each of the years ended June 30, 2018 and 2017 was \$47,081. Future estimated amortization expense is as follows:

<i>Year ending June 30,</i>	Amount
2019	\$ 47,081
2020	47,081
2021	47,081
2022	47,081
2023	47,081
Thereafter	564,972
<b>Total</b>	<b>\$ 800,377</b>

### 7. Investments

Net investment income consists of the following:

<i>Years ended June 30,</i>	2018	2017
Dividends and interest	\$ 365,645	\$ 347,178
Broker fees	(37,869)	(59,603)
Realized gain (loss) on investments	610,586	(292,999)
Unrealized gain (loss) on investments	(154,938)	801,209
<b>Total Net Investment Income</b>	<b>\$ 783,424</b>	<b>\$ 795,785</b>

Net investment income (loss) is recorded in the following net asset categories in the statements of activities:

<i>Years ended June 30,</i>	2018	2017
Unrestricted net assets	\$ 774,518	\$ 786,879
Temporarily restricted net assets	8,906	8,906
<b>Total Net Investment Income</b>	<b>\$ 783,424</b>	<b>\$ 795,785</b>



# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### 8. Fair Value Of Financial Instruments

WHRO has certain assets that are valued using a fair value hierarchy. The three levels of fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1 - quoted prices in active markets for identical assets.
- Level 2 - observable inputs that include quoted market prices for similar assets; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following tables present WHRO's assets that are measured at fair value on a recurring basis for each hierarchy level at:

<i>June 30, 2018</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,450,618	\$ -	\$ -	\$ 1,450,618
Fixed income bonds				
US	-	6,189,098	-	6,189,098
Global	-	690,323	-	690,323
Equity funds				
US	1,825,868	-	-	1,825,868
Global	331,837	-	-	331,837
International	140,143	-	-	140,143
Hedge funds	539,943	-	-	539,943
<b>Total investments</b>	<b>\$ 4,288,409</b>	<b>\$ 6,879,421</b>	<b>\$ -</b>	<b>\$ 11,167,830</b>
<b>Split interest agreement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,040,480</b>	<b>\$ 1,040,480</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

<i>June 30, 2017</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 75,950	\$ -	\$ -	\$ 75,950
Fixed income bonds				
US	-	4,693,189	-	4,693,189
Global	-	413	-	413
Equity funds				
US	3,118,887	-	-	3,118,887
Global	151,481	-	-	151,481
International	2,057,326	-	-	2,057,326
<b>Total investments</b>	<b>\$ 5,403,644</b>	<b>\$ 4,693,602</b>	<b>\$ -</b>	<b>\$ 10,097,246</b>
<b>Split interest agreement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,034,329</b>	<b>\$ 1,034,329</b>

The following tables present a reconciliation of assets in which significant unobservable inputs (Level 3) were used to determine fair value:

<i>Years ended June 30,</i>	2018	2017
Fair value, beginning of year	\$ 1,034,329	\$ 1,031,392
Cash received from split interest agreement	(83,680)	(77,280)
Change in value of split interest agreement	89,831	80,217
<b>Fair value, end of year</b>	<b>\$ 1,040,480</b>	<b>\$ 1,034,329</b>

### 9. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2018	2017
Land	\$ 417,677	\$ 377,677
Buildings and improvements	5,364,380	5,347,951
Furnishings and equipment	21,486,177	21,297,047
	<b>27,268,234</b>	<b>27,022,675</b>
Less accumulated depreciation	(22,459,415)	(21,418,758)
<b>Property and Equipment, net</b>	<b>\$ 4,808,819</b>	<b>\$ 5,603,917</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### 10. Line of Credit

WHRO has a \$5,500,000 line of credit with Bank of America and had a balance of \$3,143,041 outstanding on the line at June 30, 2018. Advances on the credit line are payable on demand, with interest at a variable rate equal to the 30 day London Inter-Bank Offered Rate (LIBOR), plus 1.25%, which was 3.34% at June 30, 2018. The credit line is collateralized by all WHRO investment accounts held by U.S. Trust, is available through October 2019, and can be terminated at any time.

WHRO had a \$5,500,000 line of credit with UBS Bank, USA and had a balance of \$3,418,889 outstanding on the line at June 30, 2017. Advances on the credit line were payable on demand, with interest at a variable rate equal to the 30 day London Inter-Bank Offered Rate (LIBOR), plus 1.75%, which was 2.97% at June 30, 2017. This line expired during the year ended June 30, 2018.

### 11. Capital Leases Payable

WHRO has acquired \$389,936 and \$553,548 at June 30, 2018 and 2017, respectively, of computer and copier equipment using capital leases with terms from three to five years and an imputed interest rate from 2.90% to 5.51%.

Future minimum lease payments are as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
2019	\$ 121,599
2020	51,984
2021	4,466
	<hr/> 178,049
Less amount representing interest	(6,140)
Total capital leases payable	<hr/> 171,909
Less current portion	(116,271)
	<hr/>
<b>Total Long-Term Capital Leases payable, net</b>	<b>\$ 55,638</b>

### 12. Board Designated Net Assets

Board designated net assets include quasi-endowment funds which consists of unrestricted income which the board has designated for program and supporting services use. These quasi-endowment funds follow the spending policy of WHRO endowments as discussed in Note 14. Since all board designated net assets result from an internal designation, they are not considered temporarily restricted, but are classified and reported as unrestricted net assets.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

Board designated net assets are available for the following purposes:

<i>June 30,</i>	2018	2017
Undesignated	\$ 8,290,498	\$ 7,847,936
Arts	1,107,144	1,041,808
Education	814,558	663,033
<b>Total board designated net assets</b>	<b>\$ 10,212,200</b>	<b>\$ 9,552,777</b>

### 13. Restricted Net Assets

Restricted net assets are available for the following purposes:

<i>June 30,</i>	2018	2017
Temporarily restricted		
Education	\$ 2,625,576	\$ 4,175,134
Programming	1,122,812	1,038,941
Supporting services	-	5,156
Vehicles and related expenses	10,324	41,616
<b>Total temporarily restricted net assets</b>	<b>\$ 3,758,712</b>	<b>\$ 5,260,847</b>
Permanently restricted		
Education	\$ 100,000	\$ 100,000
Programming	25,000	25,000
Supporting services	171,884	171,884
<b>Total permanently restricted net assets</b>	<b>\$ 296,884</b>	<b>\$ 296,884</b>

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 by incurring expenses satisfying the purposes or time restrictions specified by donors as follows:

<i>Years ended June 30,</i>	2018	2017
Education	\$ 1,600,108	\$ 543,573
Programming	95,960	215,622
Supporting services	10,313	-
Vehicles and related expenses	31,291	3,709
<b>Total net assets released from restrictions</b>	<b>\$ 1,737,672</b>	<b>\$ 762,904</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### 14. Endowments

WHRO's endowment consists 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's policy is to designate all unrestricted bequests to their board endowment.

#### *Governing Board's Interpretation of Law*

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 WHRO. In accordance with UPMIFA, WHRO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

#### *Investment Return Objectives and Risk Parameters*

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 the 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-specified period as well as board-designated funds. 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. 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. WHRO expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

### Spending Policy

WHRO's policy on their donor-restricted endowment funds and two board endowment funds is to appropriate for distribution 3% of a trailing twelve-quarter moving average of the fair value of the endowment pool for the period ending on the previous December 31. WHRO's policy on their board endowment funds is to appropriate for expenditure \$155,000 annually. In establishing these policies, 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 specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund is as follows:

<i>June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 1,731	\$ 296,884	\$ 298,615
Board designated funds	10,212,200	-	-	10,212,200
<b>Balance, June 30, 2017</b>	<b>\$ 10,212,200</b>	<b>\$ 1,731</b>	<b>\$ 296,884</b>	<b>\$ 10,510,815</b>

<i>June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 9,137	\$ 296,884	\$ 306,021
Board designated funds	9,552,777	-	-	9,552,777
<b>Balance, June 30, 2016</b>	<b>\$ 9,552,777</b>	<b>\$ 9,137</b>	<b>\$ 296,884</b>	<b>\$ 9,858,798</b>

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	\$ 9,072,760	\$ 1,154	\$ 125,000	\$ 9,198,914
Board designations	36,013	-	-	36,013
Reclassifications pursuant to donor	(171,884)	-	171,884	-
Investment income	785,888	8,906	-	794,794
Expenditures	(170,000)	(923)	-	(170,923)
<b>Balance, June 30, 2017</b>	<b>9,552,777</b>	<b>9,137</b>	<b>296,884</b>	<b>9,858,798</b>
Board designations	41,086	-	-	41,086
Investment income	773,337	8,906	-	782,243
Expenditures	(155,000)	(16,312)	-	(171,312)
<b>Balance, June 30, 2018</b>	<b>\$ 10,212,200</b>	<b>\$ 1,731</b>	<b>\$ 296,884</b>	<b>\$ 10,510,815</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### 15. Rental Income

WHRO has entered into multiple agreements with various third party vendors of telecommunications services in Eastern Virginia with lease terms expiring at various dates through 2056, some of which provide for an escalation clause at various times throughout the agreement. WHRO allows the use of existing towers that are part of the Instructional Television Fixed Services (ITFS) system. When towers are on property owned and controlled by school divisions, WHRO shares in the rents received. During the years ended June 30, 2018 and 2017, WHRO recognized \$745,828 and \$659,162, respectively, of rental income related to these agreements. These amounts are shown net of the shared rents of \$75,558 and \$67,976 for the years ended June 30, 2018 and 2017, respectively.

WHRO has a channels lease agreement with an initial term of ten years which expired in August 2016. The lease agreement provides for four automatic renewals of five years each for a total thirty year term as defined in the agreement. The current renewal term expires August 2021. Minimum future rentals as presented below are presented over the full thirty year term. During the years ended June 30, 2018 and 2017, WHRO recognized \$1,041,012 and \$1,020,626 of lease income related to this agreement, respectively. Subsequent to year end, on July 17, 2018, WHRO amended their channels lease agreement to include additional channels as granted by the Federal Communications Commission. In accordance with the amendments, WHRO will receive decommissioning payments and upfront payments of \$175,000 and \$958,444, respectively during the year ended June 30, 2019.

Minimum future annual rentals to be received under current arrangements, including the above amendment and automatic renewals, not including the decommissioning payment, and for the next five years and thereafter are summarized as follows:

*Year ending June 30,*

2019	\$ 3,214,936
2020	2,332,811
2021	2,366,548
2022	2,400,970
2023	2,341,935
Thereafter	35,533,467
	<hr/>
	\$ 48,190,667

### 16. Operating Leases

WHRO leases office space and office equipment using noncancellable operating leases with terms greater than one year, and expiring at various dates through May 2020. Expense includes \$53,576 for both years ended June 30, 2018 and 2017, attributable to these operating leases. Minimum future annual rent commitments under these agreements are as follows:

*Year ending June 30,*

2019	\$ 53,576
2020	48,813
	<hr/>
	\$ 102,389

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes To Financial Statements

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### 17. 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, 2018 and 2017 totaled \$155,890 and \$163,395, respectively.

### 18. Concentrations of Credit Risk

At various times during the years presented, WHRO may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

WHRO receives a substantial amount of its support 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.

### 19. Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform with the current year financial statement presentation. These reclassifications had no effect on financial position or operating results as previously reported.

### 20. Restatement

The accompanying financial statements at June 30, 2017 have been restated to correct an overstatement of net assets related to membership receivables. The impact of this restatement is shown in the following table.

<i>June 30, 2017</i>	As Previously Reported	As Restated	Reclassification Increase	Restatement Decrease
<b>Statements of Financial Position</b>				
Pledges receivable, net	\$ 2,205,803	\$ 1,446,318	-	\$ 759,485
Total Assets	\$ 23,081,388	\$ 22,420,701	\$ 98,798	\$ 759,485
Total Unrestricted Net Assets	\$ 12,358,198	\$ 11,598,713	-	\$ 759,485
Total Net Assets	\$ 17,915,929	\$ 17,156,444	-	\$ 759,485
Total Liabilities and Net Assets	\$ 23,081,388	\$ 22,420,701	\$ 98,798	\$ 759,485
<b>Statements of Activities</b>				
Public Support, Membership	\$ 4,074,030	\$ 4,055,648	-	\$ 18,382
Total Operating Revenue	\$ 15,737,891	\$ 15,719,509	-	\$ 18,382
Change in Net Assets from Operations	\$ 583,368	\$ 564,986	-	\$ 18,382
Change in Net Assets	\$ 1,325,383	\$ 1,307,001	-	\$ 18,382
Net Assets, beginning of year	\$ 16,590,546	\$ 15,849,443	-	\$ 741,103
Net Assets, end of year	\$ 17,915,929	\$ 17,156,444	-	\$ 759,485



## Supplementary Information

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## Independent Auditor's Report On Supplementary Information

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

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information included in pages 26-27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

October 26, 2018

# Hampton Roads Educational Telecommunications Association, Inc.

## Supplementary Schedule of Functional Expenses

Year Ended June 30, 2018	Program Services			Management and General	Fundraising and Development	Total
	Content	Education	Engineering			
Salaries and wages	\$ 2,564,276	\$ 1,062,069	\$ 917,330	\$ 791,123	\$ 691,292	\$ 6,026,090
Payroll taxes	191,062	81,346	67,861	54,565	49,988	444,822
Retirement	57,947	30,963	23,424	23,725	19,831	155,890
Employee benefits	277,690	156,808	118,208	49,419	66,473	668,598
<b>Total Personnel</b>	<b>3,090,975</b>	<b>1,331,186</b>	<b>1,126,823</b>	<b>918,832</b>	<b>827,584</b>	<b>7,295,400</b>
Computer maintenance contracts	147,541	2,599	315,080	74,904	-	540,124
Conferences, seminars and training	9,706	47,469	4,100	33,086	7,229	101,590
Consultant fees	259	-	23,313	101,041	6,553	131,166
Credit card and bank fees	13	3,050	-	9,547	135,059	147,669
Dues and licenses	135,297	64,992	965	45,840	15,125	262,219
Education software and licenses	-	421,980	-	-	-	421,980
Fundraising premiums	685	-	-	-	102,672	103,357
Hospitality and travel	16,537	22,863	5,261	31,499	20,808	96,968
Independent contractors	177,970	172,246	-	-	5,000	355,216
Insurance	77,174	14,204	20,990	28,418	17,045	157,831
Interest and taxes	-	-	2,628	117,746	-	120,374
Listing services and audience research	3,606	-	-	-	-	3,606
Marketing and advertising	18,023	22,476	-	1,200	1,350	43,049
Miscellaneous	3,920	199	48,884	7,647	480	61,130
NPR fees	507,329	-	-	-	-	507,329
Office lease	2,800	-	-	70,112	477	73,389
Paper, printing and stationery	103,308	618	-	3,277	33,909	141,112
Postage and shipping	61,342	1,389	1,179	9,806	190,885	264,601
Production costs	31,415	29,291	5,457	-	7,849	74,012
Professional fees	2,302	3,877	324	111,746	3,915	122,164
Program fees	295,447	137,865	-	-	-	433,312
Public Broadcasting Service fees	1,023,563	-	-	-	-	1,023,563
Repairs and maintenance	137,247	25,260	37,329	50,885	30,312	281,033
Streaming fees	6,766	-	1,634	-	-	8,400
Supplies and subscriptions	14,794	27,098	20,169	14,997	6,964	84,022
Telephone and bandwidth	184,570	33,970	50,200	67,941	40,764	377,445
Temporary services and graphic design	-	471	-	2,651	600	3,722
Uncollectible accounts	-	-	-	-	-	-
Utilities	197,701	36,387	53,771	72,772	43,664	404,295
<b>Total expenses before depreciation</b>	<b>6,250,290</b>	<b>2,399,490</b>	<b>1,718,107</b>	<b>1,773,947</b>	<b>1,498,244</b>	<b>13,640,078</b>
Gain on disposal of assets	-	-	-	-	-	-
Depreciation	513,887	94,580	139,769	189,161	113,496	1,050,893
<b>Total</b>	<b>\$ 6,764,177</b>	<b>\$ 2,494,070</b>	<b>\$ 1,857,876</b>	<b>\$ 1,963,108</b>	<b>\$ 1,611,740</b>	<b>\$ 14,690,971</b>

*See independent auditor's report on supplementary information.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Supplementary Schedule of Functional Expenses

Year Ended June 30, 2017	Program Services			Management and General	Fundraising and Development	Total
	Content	Education	Engineering			
Salaries and wages	\$ 2,767,548	\$ 1,088,265	\$ 943,119	\$ 822,810	\$ 818,584	\$ 6,440,326
Payroll taxes	202,263	97,257	75,739	52,011	51,024	478,294
Retirement	71,616	33,225	25,874	14,745	17,935	163,395
Employee benefits	274,859	135,031	105,155	79,364	69,649	664,058
<b>Total Personnel</b>	<b>3,316,286</b>	<b>1,353,778</b>	<b>1,149,887</b>	<b>968,930</b>	<b>957,192</b>	<b>7,746,073</b>
Computer maintenance contracts	10,614	5,749	233,132	252,896	-	502,391
Conferences, seminars and training	4,150	28,535	1,372	38,738	1,514	74,309
Consultant fees	17,938	12,000	15,538	119,896	5,905	171,277
Credit card and bank fees	1,525	4,699	-	8,599	103,057	117,880
Dues and licenses	139,325	-	11,584	63,570	13,600	228,079
Education software and licenses	6,146	371,549	-	-	-	377,695
Fundraising premiums	69	-	-	4,446	134,567	139,082
Hospitality and travel	22,628	32,719	4,913	24,091	31,721	116,072
Independent contractors	127,651	120,280	-	27,027	4,950	279,908
Insurance	78,429	14,380	21,250	28,460	17,256	159,775
Interest and taxes	-	-	2,264	105,228	-	107,492
Listing services and audience research	3,468	-	-	-	-	3,468
Marketing and advertising	64,837	20,223	-	1,979	5,575	92,614
Miscellaneous	834	-	39,359	-	35	40,228
NPR fees	478,417	-	-	-	-	478,417
Office lease	-	-	180	66,604	7,507	74,291
Paper, printing and stationery	85,621	1,458	-	10,294	9,614	106,987
Postage and shipping	50,556	1,002	1,399	21,495	198,633	273,085
Production costs	40,283	1,892	467	1,878	8,380	52,900
Professional fees	-	-	4,039	92,735	-	96,774
Program fees	341,881	113,385	-	-	-	455,266
Public Broadcasting Service fees	1,024,413	-	-	-	-	1,024,413
Repairs and maintenance	897	2,830	175,986	117,000	-	296,713
Streaming fees	4,200	-	201	-	-	4,401
Supplies and subscriptions	37,120	24,764	24,169	9,742	5,073	100,868
Telephone and bandwidth	79,563	15,444	239,256	2,951	27,655	364,869
Temporary services and graphic design	2,283	5,376	-	1,685	182	9,526
Uncollectible accounts	-	-	-	42,450	-	42,450
Utilities	198,060	36,453	53,869	72,905	43,743	405,030
<b>Total expenses before depreciation</b>	<b>6,137,194</b>	<b>2,166,516</b>	<b>1,978,865</b>	<b>2,083,599</b>	<b>1,576,159</b>	<b>13,942,333</b>
Gain on disposal of assets	-	-	-	(340)	-	(340)
Depreciation	592,927	109,128	161,266	218,256	130,953	1,212,530
<b>Total</b>	<b>\$ 6,730,121</b>	<b>\$ 2,275,644</b>	<b>\$ 2,140,131</b>	<b>\$ 2,301,515</b>	<b>\$ 1,707,112</b>	<b>\$ 15,154,523</b>

*See independent auditor's report on supplementary information.*