



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

**Financial Statements and Supplementary
Information**

Years Ended June 30, 2019 and 2018

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

Financial Statements and Supplementary Information
Years Ended June 30, 2019 and 2018

**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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the 2018 financial statements' beginning balances have been restated to correct a misstatement related to two split-interest agreements that were not previously recorded. Our opinion is not modified with respect to this matter.

BDO USA, LLP

October 31, 2019

Financial Statements

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 861,747	\$ 374,544
Accounts receivable, net	549,328	720,374
Underwriting receivables	319,461	309,798
Promises to give, net	76,250	1,299,932
Inventory	9,560	5,352
Prepaid expenses	147,455	209,214
Total Current Assets	1,963,801	2,919,214
Property and equipment, net	4,698,778	4,808,819
Promises to give, net	34,807	77,948
Split-interest agreements	2,471,890	2,608,729
Tower rights	753,296	800,377
Restricted cash	1,539,396	645,274
Investments	11,748,991	11,167,830
Total Assets	\$ 23,210,959	\$ 23,028,191
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ 2,854,895	\$ 3,143,041
Capital leases payable	165,755	116,271
Accounts payable	762,851	659,851
Accrued liabilities	769,137	724,083
Deferred revenue	1,177,432	274,744
Total Current Liabilities	5,730,070	4,917,990
Capital leases payable	132,384	55,638
Total Liabilities	5,862,454	4,973,628
Net Assets		
Net assets without donor restrictions		
Undesignated	(33,764)	636,074
Net investment in property and equipment	1,545,744	1,582,444
Board-designated	10,947,149	10,212,200
Net assets without donor restrictions	12,459,129	12,430,718
Net assets with donor restrictions	4,889,376	5,623,845
Total Net Assets	17,348,505	18,054,563
Total Liabilities and Net Assets	\$ 23,210,959	\$ 23,028,191

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Activities

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Membership	\$ 4,410,372	\$ -	\$ 4,410,372
Grants and contributions	312,236	74,500	386,736
CPB support	1,424,611	-	1,424,611
Program underwriting	1,543,516	-	1,543,516
School assessments	517,042	-	517,042
Fees for service	132,656	-	132,656
Contract revenue, other	294,279	-	294,279
Education service fees	1,992,280	-	1,992,280
Production fees	30,400	-	30,400
Internet service provider and web design	172,320	-	172,320
Broadcast channel fees	117,191	-	117,191
Royalties and advertising	82,715	-	82,715
Tower rental fees, net	702,784	-	702,784
Spectrum lease income	1,814,276	-	1,814,276
Transfer of board designated reserves	315,656	-	315,656
Net assets released from restrictions for operations	681,036	(681,036)	-
Total Operating Revenue	14,543,370	(606,536)	13,936,834
Operating Expenses			
Program services	10,605,839	-	10,605,839
Management and general	1,851,679	-	1,851,679
Fundraising and development	1,686,056	-	1,686,056
Total Operating Expenses excluding Depreciation	14,143,574	-	14,143,574
Change in Net Assets from Operations before Depreciation	399,796	(606,536)	(206,740)
Depreciation	907,360	-	907,360
Change in Net Assets from Operations	(507,564)	(606,536)	(1,114,100)
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	(6,504)	-	(6,504)
Change in value of split interest agreements	-	(37,208)	(37,208)
Miscellaneous income	694	-	694
Investment income, net	757,810	8,906	766,716
Transfer of board designated reserves	(315,656)	-	(315,656)
Net assets released from restrictions for nonoperating activities	99,631	(99,631)	-
Total Nonoperating Revenue (Expense)	535,975	(127,933)	408,042
Change in Net Assets	28,411	(734,469)	(706,058)
Net Assets, beginning of year	12,430,718	5,623,845	18,054,563
Restatement of net assets (see Note 21)	-	-	-
Net Assets, beginning of year	12,430,718	5,623,845	18,054,563
Net Assets, end of year	\$ 12,459,129	\$ 4,889,376	\$ 17,348,505

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Activities

<i>Year Ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Membership	\$ 4,280,588	\$ -	\$ 4,280,588
Grants and contributions	405,831	136,800	542,631
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
Transfer of board designated reserves	155,000	-	155,000
Net assets released from restrictions for operations	1,653,992	(1,653,992)	-
Total Operating Revenue	14,772,217	(1,517,192)	13,255,025
Operating Expenses			
Program services	10,367,887	-	10,367,887
Management and general	1,773,947	-	1,773,947
Fundraising and development	1,498,244	-	1,498,244
Total Operating Expenses excluding Depreciation	13,640,078	-	13,640,078
Change in Net Assets from Operations before Depreciation	1,132,139	(1,517,192)	(385,053)
Depreciation	1,050,893	-	1,050,893
Change in Net Assets from Operations	81,246	(1,517,192)	(1,435,946)
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	41,086	-	41,086
Change in value of split interest agreements	-	89,831	89,831
Miscellaneous income	6,475	-	6,475
Investment income, net	774,518	8,906	783,424
Transfer of board designated reserves	(155,000)	-	(155,000)
Net assets released from restrictions for nonoperating activities	83,680	(83,680)	-
Total Nonoperating Revenue (Expense)	750,759	15,057	765,816
Change in Net Assets	832,005	(1,502,135)	(670,130)
Net Assets, beginning of year, as previously reported	11,598,713	5,557,731	17,156,444
Restatement of net assets (see Note 21)	-	1,568,249	1,568,249
Net Assets, beginning of year, as restated	11,598,713	7,125,980	18,724,693
Net Assets, end of year	\$ 12,430,718	\$ 5,623,845	\$ 18,054,563

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Functional Expenses

Year Ended June 30, 2019	Program Services			Management Fundraising and and General Development		Total
	Content	Education	Engineering	and General	Development	
Salaries and wages	\$ 2,567,859	\$ 1,049,168	\$ 1,004,634	\$ 803,181	\$ 806,276	\$ 6,231,118
Payroll taxes	189,429	80,395	73,323	54,892	57,913	455,952
Retirement	71,015	36,757	30,116	29,964	26,879	194,731
Employee benefits	230,196	116,827	109,250	45,221	68,029	569,523
Total Personnel	3,058,499	1,283,147	1,217,323	933,258	959,097	7,451,324
Computer maintenance contracts	10,601	2,823	267,991	162,182	-	443,597
Conferences, seminars and training	25,811	41,440	8,400	33,731	10,912	120,294
Consultant fees	20,752	-	116,608	123,984	6,219	267,563
Credit card and bank fees	56	3,365	-	9,381	153,940	166,742
Dues and licenses	139,506	31,261	995	53,240	21,600	246,602
Education software and licenses	-	428,384	-	-	-	428,384
Fundraising premiums	273	-	-	-	80,208	80,481
Loss on disposal of property and equipment	-	-	-	-	5,305	5,305
Hospitality and travel	20,683	26,558	6,499	23,146	30,078	106,964
Independent contractors	289,833	159,369	-	-	8,500	457,702
Insurance	76,191	14,023	20,723	28,046	16,827	155,810
Interest and taxes	-	-	4,468	115,709	4,385	124,562
Listing services and audience research	3,757	-	-	-	-	3,757
Marketing and advertising	45,757	6,590	46	762	674	53,829
Miscellaneous	12,806	986	48,879	3,121	2,116	67,908
NPR fees	509,448	-	-	-	-	509,448
Office lease	175	-	-	67,372	-	67,547
Paper, printing and stationery	97,065	964	3,452	17,963	29,034	148,478
Postage and shipping	67,044	2,312	578	8,966	235,156	314,056
Production costs	25,927	34,740	519	-	6,543	67,729
Professional fees	6,986	140	2,439	109,432	186	119,183
Program fees	283,263	167,741	-	-	-	451,004
Public Broadcasting Service fees	1,069,054	-	-	-	-	1,069,054
Repairs and maintenance	123,679	22,763	46,109	45,526	27,316	265,393
Streaming fees	4,553	-	70	-	550	5,173
Supplies and subscriptions	10,886	50,420	19,252	8,003	23,132	111,693
Telephone and bandwidth	191,826	35,305	52,173	70,610	42,366	392,280
Temporary services and graphic design	238	2,052	260	2,060	200	4,810
Utilities	98,308	18,093	263,602	35,187	21,712	436,902
Total expenses before depreciation	6,192,977	2,332,476	2,080,386	1,851,679	1,686,056	14,143,574
Depreciation	443,699	81,662	120,679	163,325	97,995	907,360
Total	\$ 6,636,676	\$ 2,414,138	\$ 2,201,065	\$ 2,015,004	\$ 1,784,051	\$15,050,934

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Functional Expenses

Year Ended June 30, 2018	Program Services			Management Fundraising and and General Development		Total
	Content	Education	Engineering	and General	Development	
Salaries and wages	\$ 2,616,419	\$ 1,062,069	\$ 917,330	\$ 791,123	\$ 691,292	\$ 6,078,233
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	225,547	156,808	118,208	49,419	66,473	616,455
Total Personnel	3,090,975	1,331,186	1,126,823	918,832	827,584	7,295,400
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
Loss on disposal of property and equipment	-	-	-	-	-	-
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
Utilities	197,701	36,387	53,771	72,772	43,664	404,295
Total expenses before depreciation	6,250,290	2,399,490	1,718,107	1,773,947	1,498,244	13,640,078
Depreciation	513,887	94,580	139,769	189,161	113,496	1,050,893
Total	\$ 6,764,177	\$ 2,494,070	\$ 1,857,876	\$ 1,963,108	\$ 1,611,740	\$ 14,690,971

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Operating Activities		
Change in net assets	\$ (706,058)	\$ (670,130)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	907,360	1,050,893
Amortization of tower rights	47,081	47,081
Donated investments	(241,046)	(85,232)
Donated land	-	(40,000)
Contributions restricted for property and equipment	-	(21,263)
Promises to give write-off	15,014	900
Realized and unrealized gain on investments	(467,428)	(455,614)
Change in value of split interest agreements	37,208	(89,831)
Loss on disposal of property and equipment	5,305	-
Changes in value of operating assets and liabilities		
Accounts and underwriting receivables	161,383	(332,616)
Promises to give	(6,010)	(32,729)
Inventory	(4,208)	11,078
Prepaid expenses	61,759	(68,231)
Accounts payable and accrued liabilities	148,054	100,966
Deferred revenue	902,688	9,992
Net Cash Provided by (Used in) Operating Activities	861,102	(574,736)
Investing Activities		
Restricted cash	(894,122)	(645,274)
Purchases of investments	(6,522,796)	(7,640,452)
Proceeds from sale of investments	6,650,109	7,110,714
Purchase of property and equipment	(472,391)	(215,795)
Proceeds from disposal of property and equipment	15,000	-
Net Cash Used in Investing Activities	(1,224,200)	(1,390,807)
Financing Activities		
Cash received from split interest agreement	99,631	83,680
Repayments on line of credit	(288,146)	(275,848)
Repayments of note payable	-	(15,000)
Payments received on capital campaign pledges	1,257,819	1,356,646
Contributions restricted for property and equipment	-	21,263
Repayments on capital leases payable	(219,003)	(110,739)
Net Cash Provided by Financing Activities	850,301	1,060,002
Net Increase (Decrease) in Cash and Cash Equivalents	487,203	(905,541)
Cash and Cash Equivalents, beginning of year	374,544	1,280,085
Cash and Cash Equivalents, end of year	\$ 861,747	\$ 374,544
Supplemental Cash Flow Information		
Cash paid for interest	\$ 110,174	\$ 112,593
Supplemental Noncash Investing and Financing Activities		
Donated investments	\$ 241,046	\$ 85,232
Property and equipment acquired through capital lease	\$ 345,233	\$ -

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

1. Nature of Organization

The Hampton Roads Educational Telecommunications Association, Inc. (WHRO) is a regional public media non-profit organization serving more than 2.2 million citizens in eastern Virginia and northeastern North Carolina. Created in 1961 by the Norfolk and Hampton school boards to support classroom education, WHRO enjoys a unique ownership model by being owned by 21 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 television stations, and it provides music, news and public affairs programming through its radio stations, live streams on Whro.org, and WHRO media app. WHRO employs creativity and technology to serve its mission of enriching audiences with content that educates, entertains and engages. WHRO also delivers 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 on-line courses that are media rich, SOL-aligned, and adaptable. WHRO also offers professional development resources for teachers through online courses and workshops.

WHRO is licensed by the Federal Communications Commission (FCC) 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), WHRV 89.5 FM and its associated digital channels (WHRV Digital and AltRadio); Educational Broadband Services (EBS) and satellite transmission facilities, and 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; and 98.3 WHRF (WHRO) Belle Haven. Whro.org 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 located 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 eastern Virginia and multi-point microwave relay towers are located throughout Virginia.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the organization are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities and change in net assets, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. WHRO has adopted the ASU and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented except WHRO has opted to present the liquidity and availability information for June 30, 2019 only as permitted under the ASU in the year of adoption. There was no effect on the change in net assets reported at June 30, 2018.

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 demand deposits, certificate of deposits and 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, 2019 and 2018. Management considers all underwriting receivables to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

Promises to Give

Promises to give 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 promises to give is provided based upon management's judgment. WHRO writes off promises to give 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.

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.

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:

	Years
Buildings and improvements	5-35 Years
Antennas and towers	3-40 Years
Transmitters	3-10 Years
Radio equipment	3-20 Years
Engineering equipment	2-25 Years
Other equipment	2-10 Years

Split-interest Agreements

WHRO's split-interest agreements are carried at their fair values in the statements of financial position. Changes in fair value are included in changes in net assets in the accompanying statements of activities.

Restricted Cash

Restricted cash consists of cash received by donors and board-designated transfers and is restricted for future program or capital purposes.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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 earned.

Net Asset Classification

WHRO classifies its net assets into two categories as defined below:

Net Assets without Donor Restrictions - Net assets without donor restrictions consist of amounts available for the general operations of WHRO as well as net assets that have been designated by the Board of Directors for specific purposes.

Net Assets with Donor Restrictions - Net assets with donor restrictions consist of gifts of cash or other assets whose use is subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit WHRO to use the income earned on the related investments for general or specific purposes. Donor restricted contributions whose purpose restrictions are met in the same reporting period are reported as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions for operations or nonoperating activities.

Operating Measure

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of items attributable to WHRO's ongoing program services. Nonoperating activities are limited to resources that generate return from investments as well as other activities considered to be of a more unusual or nonrecurring nature.

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 over the term of the agreement.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

Advertising

Advertising costs are charged to operations when incurred and totaled \$53,829 and \$43,049 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing WHRO's programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management. Other expenses are allocated based on estimates of time and effort.

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 \$2,920,000 and \$2,390,000 related to its unrelated business income at June 30, 2019 and 2018, respectively, that will begin to expire in 2029. Deferred tax assets were \$751,862 and \$615,056 at June 30, 2019 and 2018, 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 \$751,862 and \$615,056 at June 30, 2019 and 2018, respectively. The increase in the valuation allowance was \$136,806 for the year ended June 30, 2019. The decrease in valuation allowance was \$161,351 for the year ended June 30, 2018. 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 2015 and earlier. Management continually evaluates tax positions reflected in WHRO's tax filings and does not believe that any material uncertain tax positions exist.

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 31, 2019, the date which the financial statements were available to be issued.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

3. Liquidity and Availability of Resources

WHRO's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

June 30, 2019

Cash	\$	861,747
Accounts receivable, net		549,328
Underwriting receivables		319,461
Promises to give, net		111,057
Split-interest agreements		2,471,890
Restricted cash		1,539,396
Investments		11,748,991
Total Financial Assets		17,601,870
<hr/>		
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions		(4,889,376)
Board-designated net assets		(10,947,149)
Endowment spending distributions		342,121
Total Financial Assets Available for General Expenditures within One Year		\$ 2,107,466

As part of WHRO's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, WHRO has a \$5,500,000 line of credit which it can draw upon.

4. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	2019	2018
Amounts due within one year	\$ 76,250	\$ 1,299,932
Amounts due in more than one year but less than five years	40,750	86,100
Amounts due in more than five years	-	3,800
Total promises to give		1,389,832
Less allowance for uncollectible promises to give	(2,598)	(8,654)
Less discounts to present value (0.95% - 2.27%)	(3,345)	(3,298)
Total Promises to Give, net		\$ 1,377,880

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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

<i>June 30,</i>	2019	2018
Promises to give, net, current	\$ 76,250	\$ 1,299,932
Promises to give, net, other	34,807	77,948
Total Promises to Give, net	\$ 111,057	\$ 1,377,880

Promises to give are principally from donors in the Hampton Roads area. One donor represented 64% and 73% of promises to give at June 30, 2019 and 2018, respectively. WHRO does not request collateral in relation to promises to give.

5. Split-Interest Agreements

WHRO is the income beneficiary of the McKinney 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 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, 2019 and 2018 was \$882,476 and \$1,040,480, respectively. WHRO received \$89,631 and \$83,680 from the trust in 2019 and 2018, respectively, which was recorded as a reduction in the receivable and a corresponding reclassification from net assets with donor restriction to net assets without donor restriction. On an annual basis, WHRO revalues the split-interest agreement receivable based on applicable mortality tables and current market conditions. WHRO recorded a decrease and increase of (\$68,373) and \$89,931, respectively, for the change in value of the split-interest agreement during the years ended June 30, 2019 and 2018.

WHRO is also an income beneficiary of the Article VIII and Article IX Otis Pike charitable remainder trusts which are held with an unrelated third party. The terms of the split-interest agreements specify that both trusts will terminate 15 years after the date of the donor's death, January 20, 2014. Under the Article VIII trust, annual distributions are made to various nonprofit beneficiaries at the discretion of the trustee, of which WHRO receives 10%. Upon termination, WHRO will receive 10% of the remaining trust principal and accrued income. WHRO received a \$10,000 discretionary distribution from the Article VIII trust for the year ended June 30, 2019, which was recorded as a reduction in the receivable and a corresponding reclassification from net assets with donor restriction to net assets without donor restriction. No amount was received for the year ended June 30, 2018. Under the Article IX trust, 6% of the fair value of the trust is distributed annually to the donor's beneficiaries. WHRO will receive 10% of the remaining balance of principal and income upon termination. The balance of the trusts is carried at fair value, which WHRO has estimated based on the present value of expected future cash inflows. The fair value of the trusts at June 30, 2019 and 2018 is \$1,589,414 and \$1,568,249, respectively. WHRO recorded an increase of \$31,165 in the fair value for the year ended June 30, 2019. No change in fair value was recorded for the year ended June 30, 2018.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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>	2019		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tower rights	\$2,252,587	\$1,499,291	\$ 2,252,587	\$ 1,452,210

Amortization expense for each of the years ended June 30, 2019 and 2018 was \$47,081. Future estimated amortization expense is as follows:

<i>Year ending June 30,</i>	Amount
2020	\$ 47,081
2021	47,081
2022	47,081
2023	47,081
2024	47,081
Thereafter	517,891
Total	\$ 753,296

7. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	2019	2018
Interest and dividends, net	\$ 299,288	\$ 327,776
Realized gain on investments	84,523	610,586
Unrealized gain (loss) on investments	382,905	(154,938)
Total Net Investment Income	\$ 766,716	\$ 783,424

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

8. Fair Value Measurements

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, 2019</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 135,786	\$ -	\$ -	\$ 135,786
Fixed income bonds				
US	-	4,928,691	-	4,928,691
Global	-	479,944	-	479,944
Equity funds				
US	4,352,035	-	-	4,352,035
Global	752,078	-	-	752,078
International	334,975	-	-	334,975
Hedge funds	765,482	-	-	765,482
Total investments	\$ 6,340,356	\$ 5,408,635	\$ -	\$ 11,748,991
Split-interest agreements	\$ -	\$ -	\$ 2,471,890	\$ 2,471,890

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

<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
Total investments	\$ 4,288,409	\$ 6,879,421	\$ -	\$ 11,167,830
Split-interest agreements	\$ -	\$ -	\$ 2,608,729	\$ 2,608,729

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>	2019	2018
Fair value, beginning of year	\$ 2,608,729	\$ 2,602,578
Cash received from split-interest agreements	(99,631)	(83,680)
Change in value of split-interest agreements	(37,208)	89,831
Fair value, end of year	\$ 2,471,890	\$ 2,608,729

9. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2019	2018
Land	\$ 397,677	\$ 417,677
Buildings and improvements	5,419,461	5,364,380
Antennas and towers	3,171,480	3,163,861
Transmitters	2,080,347	2,063,682
Radio equipment	2,550,837	2,507,028
Engineering equipment	8,217,626	8,193,078
Other equipment	5,911,481	5,558,528
	27,748,909	27,268,234
Less accumulated depreciation	(23,050,131)	(22,459,415)
Property and Equipment, net	\$ 4,698,778	\$ 4,808,819

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

10. Line of Credit

WHRO has a \$5,500,000 line of credit with Bank of America and had a balance of \$2,854,895 and \$3,143,041 outstanding on the line at June 30, 2019 and 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 3.65% and 3.34% at June 30, 2019 and 2018. The credit line is collateralized by all WHRO investment accounts held by U.S. Trust, is available through October 2020, and can be terminated at any time.

11. Capital Leases Payable

WHRO has acquired \$735,169 and \$389,936 at June 30, 2019 and 2018, 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 8.03%.

Future minimum lease payments are as follows:

<i>Year ending June 30,</i>		<i>Amount</i>
2020	\$	180,691
2021		133,503
2022		4,279
		<u>318,473</u>
Less amount representing interest		(20,334)
Total capital leases payable		<u>298,139</u>
Less current portion		<u>(165,755)</u>
Total Long-Term Capital Leases Payable	\$	132,384

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 15. Since all board-designated net assets result from an internal designation, they are not considered net assets with donor restrictions, but are classified and reported as net assets without donor restrictions.

Board-designated net assets are available for the following purposes:

<i>June 30,</i>	<i>2019</i>	<i>2018</i>
Board Endowment	\$ 8,853,494	\$ 8,290,498
Arts	1,154,528	1,107,144
Education	939,127	814,558
Total Board-Designated Net Assets	\$ 10,947,149	\$ 10,212,200

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

<i>June 30,</i>	2019	2018
Restricted for specific purpose or time		
Education	\$ 1,993,614	\$ 2,625,576
Time	2,546,889	2,683,729
Journalism	25,915	-
Programming	15,750	7,332
Property and equipment	10,324	10,324
Total restricted for specific purpose or time	4,592,492	5,326,961
Restricted in perpetuity		
Education	100,000	100,000
Programming	25,000	25,000
Operations	171,884	171,884
Total restricted in perpetuity	296,884	296,884
Total Net Assets with Donor Restrictions	\$ 4,889,376	\$ 5,623,845

14. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the purposes or time restrictions specified by donors as follows:

<i>Years ended June 30,</i>	2019	2018
Education	\$ 652,963	\$ 1,600,108
Time	99,631	83,680
Journalism	19,085	-
Programming	3,832	12,280
Operations	5,156	10,313
Property and equipment	-	31,291
Total Net Assets Released from Restrictions	\$ 780,667	\$ 1,737,672

The related net assets released are presented in the accompanying statements of activities as follows:

<i>Years ended June 30,</i>	2019	2018
Net assets released for operations	\$ 681,036	\$ 1,653,992
Net assets released for nonoperating activities	99,631	83,680
Total Net Assets Released from Restrictions	\$ 780,667	\$ 1,737,672

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

15. 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. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, WHRO retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by WHRO 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 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 endowment funds is to appropriate for distribution 4% of a trailing twelve-quarter moving average of the fair value of the pool for the period ending on the previous December 31. Spending under the policy must not invade the historical dollar value of the endowment unless specifically authorized by agreement with the donor. The Board of Directors, or the Executive Committee, must specifically authorize exceptions to the policy with respect to board endowment funds. 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.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor and UPMIFA requires WHRO to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 and 2018.

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

<i>June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 10,947,149	\$ -	\$ 10,947,149
Amounts required to be maintained in perpetuity by donor	-	296,884	296,884
Total Endowment Funds	\$ 10,947,149	\$ 296,884	\$ 11,244,033

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 10,212,200	\$ -	\$ 10,212,200
Amounts required to be maintained in perpetuity by donor	-	296,884	296,884
Accumulated investment gains	-	1,731	1,731
Total Endowment Funds	\$ 10,212,200	\$ 298,615	\$ 10,510,815

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2017	\$ 9,552,777	\$ 306,021	\$ 9,858,798
Contributions	41,086	-	41,086
Investment return, net	773,337	8,906	782,243
Expenditures	(155,000)	(16,312)	(171,312)
Balance, June 30, 2018	10,212,200	298,615	10,510,815
Contributions	276,590	-	276,590
Investment return, net	774,014	8,906	782,920
Expenditures	(315,655)	(10,637)	(326,292)
Balance, June 30, 2019	\$ 10,947,149	\$ 296,884	\$ 11,244,033

16. 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, 2019 and 2018, WHRO recognized \$702,784 and \$745,828, respectively, of tower rental fees related to these agreements. These amounts are shown net of the shared rents of \$85,126 and \$75,558 for the years ended June 30, 2019 and 2018, 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. On July 17, 2018, WHRO amended their channels lease agreement to include additional channels as granted by the Federal Communications Commission. A decommissioning payment of \$175,000 related to the amended lease will be recognized as revenue when the contractual obligations are fulfilled. An upfront payment of \$958,444 will be recognized as Spectrum lease income over the term of the lease. During the years ended June 30, 2019 and 2018, WHRO recognized \$1,814,276 and \$1,041,012, respectively, of Spectrum lease income related to this agreement.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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

<i>Year ending June 30,</i>	
2020	\$ 2,345,964
2021	2,379,701
2022	2,414,123
2023	2,449,265
2024	2,388,123
Thereafter	33,754,677
<hr/>	
Total	\$ 45,731,853

17. 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, 2019 and 2018, attributable to these operating leases. Minimum future annual rent commitments under these agreements amount to \$48,813 for 2020.

18. 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, 2019 and 2018 totaled \$194,731 and \$155,890, respectively.

19. 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.

20. Reclassifications

Certain amounts in the 2018 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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

21. Restatement

As of July 1, 2017, the beginning balance for split-interest agreements in the statements of financial position and net assets with donor restrictions, have been restated to correct an understatement related to two split-interest agreements not previously recorded. The impact of these errors in the restatement are as follows:

	As Previously Presented July 1, 2017	Restatement	Restated Balances July 1, 2017
Split interest agreements, net	\$ 1,034,329	\$ 1,568,249	\$ 2,602,578
Net assets with donor restrictions	\$ 5,557,731	\$ 1,568,249	\$ 7,125,980

Supplementary Information



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Norfolk, VA 23510

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 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 31, 2019

Hampton Roads Educational Telecommunications Association, Inc.

Supplementary Statement of Activities for Annual Financial Report (AFR)

<i>Year Ended June 30, 2019</i>	FM	TV	Total
Operating Revenue			
Membership	\$ 2,205,186	\$ 2,205,186	\$ 4,410,372
Grants and contributions	193,368	193,368	386,736
CPB support	343,171	1,081,440	1,424,611
Program underwriting	1,275,524	267,992	1,543,516
School assessments	258,521	258,521	517,042
Fees for service	66,328	66,328	132,656
Contract revenue, other	60,523	233,756	294,279
Education service fees	996,140	996,140	1,992,280
Production fees	1,500	28,900	30,400
Internet service provider and web design	86,160	86,160	172,320
Broadcast channel fees	873	116,318	117,191
Royalties and advertising	41,364	41,351	82,715
Tower rental fees, net	351,392	351,392	702,784
Spectrum lease income	907,138	907,138	1,814,276
Transfer of board designated reserves	157,828	157,828	315,656
Total Operating Revenue	6,945,016	6,991,818	13,936,834
Operating Expenses			
Program services	5,172,300	5,433,539	10,605,839
Management and general	925,571	926,108	1,851,679
Fundraising and development	839,712	846,344	1,686,056
Total Operating Expenses excluding Depreciation	6,937,583	7,205,991	14,143,574
Change in Net Assets from Operations before Depreciation	7,433	(214,173)	(206,740)
Depreciation	445,515	461,845	907,360
Change in Net Assets from Operations	(438,082)	(676,018)	(1,114,100)
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	(3,252)	(3,252)	(6,504)
Change in value of split interest agreements	(18,604)	(18,604)	(37,208)
Miscellaneous income	385	309	694
Investment income, net	383,358	383,358	766,716
Transfer of board designated reserves	(157,828)	(157,828)	(315,656)
Total Nonoperating Revenue (Expense)	204,059	203,983	408,042
Change in Net Assets	\$ (234,023)	\$ (472,035)	(706,058)
Net Assets, beginning of year			18,054,563
Net Assets, end of year			\$ 17,348,505

See independent auditor's report on supplementary information.

Hampton Roads Educational Telecommunications Association, Inc.

Supplementary Annual Financial Report (AFR) Schedule

<i>Year Ended June 30, 2019</i>	FM	TV	Total
AFR Revenue			
Federal Government Agencies	\$ 41,163	\$ 4,368	\$ 45,531
Public Broadcasting Entities	404,323	1,141,893	1,546,216
Local Boards and Department of Education			
NFFS Eligible	464,813	451,316	916,129
NFFS Ineligible	48,485	158,482	206,967
Total Local Boards and Department of Education	513,298	609,798	1,123,096
State Boards and Department of Education			
NFFS Eligible	888,904	860,703	1,749,607
NFFS Ineligible	-	-	-
Total State Boards and Department of Education	888,904	860,703	1,749,607
State Colleges and Universities			
NFFS Eligible	36,601	850	37,451
NFFS Ineligible	3,797	3,797	7,594
Total State Colleges and Universities	40,398	4,647	45,045
Private Colleges and Universities			
NFFS Eligible	70,707	-	70,707
NFFS Ineligible	17,644	17,644	35,288
Total Private Colleges and Universities	88,351	17,644	105,995
Foundations and Nonprofit Associations			
NFFS Eligible	487,618	83,263	570,881
NFFS Ineligible	25,093	252,446	277,539
Total Foundations and Nonprofit Associations	512,711	335,709	848,420
Business and Industry			
NFFS Eligible	670,559	232,633	903,192
NFFS Ineligible	372,078	371,206	743,284
Total Business and Industry	1,042,637	603,839	1,646,476
Membership and Subscriptions, net	2,205,256	2,205,257	4,410,513
Special Fundraising Events	80	-	80
Passive Income	1,104	1,104	2,208
Loss on Investments	(18,604)	(18,604)	(37,208)
Endowment Revenue	382,254	382,254	764,508
Capital Fund Contributions from Individuals	(3,252)	(3,252)	(6,504)
Gifts and Bequests	141,547	141,547	283,094
Other Direct Revenue	908,905	908,894	1,817,799
Total AFR Revenue	\$ 7,149,075	\$ 7,195,801	\$ 14,344,876
Statement of Activities Reconciliation			
Total Operating Revenue	\$ 6,945,016	\$ 6,991,818	\$ 13,936,834
Total Nonoperating Revenue	204,059	203,983	408,042
Total AFR Revenue	\$ 7,149,075	\$ 7,195,801	\$ 14,344,876

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