



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

**Financial Statements and Supplementary  
Information**  
Years Ended June 30, 2020 and 2019

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

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Financial Statements and Supplementary Information  
Years Ended June 30, 2020 and 2019

# 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, 2020 and 2019, 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, 2020 and 2019, 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.

*BDO USA, LLP*

October 30, 2020

## Financial Statements

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# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Financial Position

<i>June 30,</i>	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,089,917	\$ 861,747
Accounts receivable, net	3,709,100	549,328
Underwriting receivables	200,329	319,461
Promises to give, net	1,035,500	76,250
Inventory	13,274	9,560
Prepaid expenses	185,662	147,455
<b>Total Current Assets</b>	<b>6,233,782</b>	<b>1,963,801</b>
Property and equipment, net	7,360,142	4,698,778
Promises to give, net	1,027,023	34,807
Split-interest agreements	2,656,876	2,471,890
Tower rights	706,215	753,296
Restricted cash	2,485,556	1,539,396
Investments	12,007,836	11,748,991
<b>Total Assets</b>	<b>\$ 32,477,430</b>	<b>\$ 23,210,959</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 4,555,969	\$ 2,854,895
Capital leases payable	128,134	165,755
Accounts payable	1,189,155	762,851
Accrued liabilities	956,565	769,137
Deferred revenue	625,547	1,177,432
<b>Total Current Liabilities</b>	<b>7,455,370</b>	<b>5,730,070</b>
Capital leases payable	4,251	132,384
Note payable	1,594,800	-
<b>Total Liabilities</b>	<b>9,054,421</b>	<b>5,862,454</b>
<b>Net Assets</b>		
Net assets without donor restrictions		
Undesignated	175,506	(33,764)
Net investment in property and equipment	4,671,788	1,545,744
Board-designated	11,519,109	10,947,149
Net assets without donor restrictions	16,366,403	12,459,129
Net assets with donor restrictions	7,056,606	4,889,376
<b>Total Net Assets</b>	<b>23,423,009</b>	<b>17,348,505</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,477,430</b>	<b>\$ 23,210,959</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Activities

<i>Year Ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue</b>			
Membership	\$ 4,658,994	\$ -	\$ 4,658,994
Grants	67,787	3,140,400	3,208,187
Federal funding	1,657,371	-	1,657,371
Program underwriting	1,483,290	-	1,483,290
Virtual Virginia	817,138	-	817,138
eMediaVA	1,000,000	-	1,000,000
School assessments	642,718	-	642,718
Community engagement funding	196,666	-	196,666
Education sales and fees	253,558	-	253,558
Broadcast contracts	162,178	-	162,178
Tower rental fees, net	768,346	-	768,346
Spectrum lease income	2,078,218	-	2,078,218
Production fees	32,465	-	32,465
Internet service provider and web design	112,146	-	112,146
Broadcast channel fees	127,763	-	127,763
Royalties and advertising	62,350	-	62,350
Transfer of board designated reserves	375,372	-	375,372
Net assets released from restrictions for operations	1,200,194	(1,200,194)	-
<b>Total Operating Revenue</b>	<b>15,696,554</b>	<b>1,940,206</b>	<b>17,636,760</b>
<b>Operating Expenses</b>			
Program services	10,989,367	-	10,989,367
Management and general	1,921,565	-	1,921,565
Fundraising and development	1,749,912	-	1,749,912
<b>Total Operating Expenses excluding Depreciation</b>	<b>14,660,844</b>	<b>-</b>	<b>14,660,844</b>
<b>Change in Net Assets from Operations before Depreciation</b>	<b>1,035,710</b>	<b>1,940,206</b>	<b>2,975,916</b>
Depreciation	860,692	-	860,692
<b>Change in Net Assets from Operations</b>	<b>175,018</b>	<b>1,940,206</b>	<b>2,115,224</b>
<b>Nonoperating Revenue (Expense)</b>			
Capital campaign contributions, net	(9,284)	-	(9,284)
Bequests - board endowment contributions	532,306	-	532,306
Change in value of split interest agreements	-	263,108	263,108
FCC repack income	3,083,740	-	3,083,740
Miscellaneous income	28,366	-	28,366
Investment income, net	427,509	8,907	436,416
Transfer of board designated reserves	(375,372)	-	(375,372)
Net assets released from restrictions for capital	44,991	(44,991)	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>3,732,256</b>	<b>227,024</b>	<b>3,959,280</b>
<b>Change in Net Assets</b>	<b>3,907,274</b>	<b>2,167,230</b>	<b>6,074,504</b>
<b>Net Assets, beginning of year</b>	<b>12,459,129</b>	<b>4,889,376</b>	<b>17,348,505</b>
<b>Net Assets, end of year</b>	<b>\$ 16,366,403</b>	<b>\$ 7,056,606</b>	<b>\$ 23,423,009</b>

*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
<b>Operating Revenue</b>			
Membership	\$ 4,410,372	\$ -	\$ 4,410,372
Grants	29,142	74,500	103,642
Federal funding	1,424,611	-	1,424,611
Program underwriting	1,543,516	-	1,543,516
Virtual Virginia	683,760	-	683,760
eMediaVA	1,000,000	-	1,000,000
School assessments	643,292	-	643,292
Community engagement funding	132,656	-	132,656
Education sales and fees	216,995	-	216,995
Broadcast contracts	290,109	-	290,109
Tower rental fees, net	702,784	-	702,784
Spectrum lease income	1,814,276	-	1,814,276
Production fees	34,570	-	34,570
Internet service provider and web design	137,595	-	137,595
Broadcast channel fees	117,191	-	117,191
Royalties and advertising	82,715	-	82,715
Transfer of board designated reserves	315,656	-	315,656
Net assets released from restrictions for operations	780,667	(780,667)	-
<b>Total Operating Revenue</b>	<b>14,359,907</b>	<b>(706,167)</b>	<b>13,653,740</b>
<b>Operating Expenses</b>			
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
<b>Total Operating Expenses excluding Depreciation</b>	<b>14,143,574</b>	<b>-</b>	<b>14,143,574</b>
<b>Change in Net Assets from Operations before Depreciation</b>	<b>216,333</b>	<b>(706,167)</b>	<b>(489,834)</b>
Depreciation	907,360	-	907,360
<b>Change in Net Assets from Operations</b>	<b>(691,027)</b>	<b>(706,167)</b>	<b>(1,397,194)</b>
<b>Nonoperating Revenue (Expense)</b>			
Capital campaign contributions, net	(6,504)	-	(6,504)
Bequests - board endowment contributions	283,094	-	283,094
Change in value of split interest agreements	-	(37,208)	(37,208)
FCC repack income	-	-	-
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 capital	-	-	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>719,438</b>	<b>(28,302)</b>	<b>691,136</b>
<b>Change in Net Assets</b>	<b>28,411</b>	<b>(734,469)</b>	<b>(706,058)</b>
<b>Net Assets, beginning of year</b>	<b>12,430,718</b>	<b>5,623,845</b>	<b>18,054,563</b>
<b>Net Assets, end of year</b>	<b>\$ 12,459,129</b>	<b>\$ 4,889,376</b>	<b>\$ 17,348,505</b>

*See accompanying notes to financial statements.*

## Hampton Roads Educational Telecommunications Association, Inc.

### Statements of Functional Expenses

Year Ended June 30, 2020	Program Services			Management Fundraising and		Total
	Content	Education	Engineering	and General	Development	
Salaries and wages	\$ 2,769,662	\$ 1,096,147	\$ 1,118,665	\$ 704,865	\$ 842,021	\$ 6,531,360
Payroll taxes	201,145	80,032	81,967	47,469	60,334	470,947
Retirement	89,231	32,839	35,545	26,063	27,226	210,904
Employee benefits	289,497	102,296	140,756	36,344	85,067	653,960
<b>Total Personnel</b>	<b>3,349,535</b>	<b>1,311,314</b>	<b>1,376,933</b>	<b>814,741</b>	<b>1,014,648</b>	<b>7,867,171</b>
Computer maintenance contracts	2,237	2,804	321,762	134,315	-	461,118
Conferences, seminars and training	19,944	11,743	2,940	48,964	3,375	86,966
Consultant fees	29,725	16	22,093	208,036	23,287	283,157
Credit card and bank fees	55	3,035	-	9,448	167,169	179,707
Dues and licenses	120,196	4,990	976	49,536	13,246	188,944
Education software and licenses	-	405,007	-	-	-	405,007
Fundraising premiums	52	-	-	-	102,659	102,711
Loss on disposal of property and equipment	-	-	67,091	-	-	67,091
Hospitality and travel	17,752	28,991	3,837	17,286	30,830	98,696
Independent contractors	260,385	163,567	-	-	4,000	427,952
Insurance	79,617	14,623	21,123	29,532	17,873	162,768
Interest and taxes	-	-	11,857	131,844	910	144,611
Listing services and audience research	2,917	-	330	-	-	3,247
Marketing and advertising	128,875	948	-	5,182	1,490	136,495
Miscellaneous	18,449	-	65,351	59,025	6,483	149,308
NPR fees	528,840	-	-	-	-	528,840
Office lease	-	-	-	77,035	-	77,035
Paper, printing and stationery	129,362	1,745	69	719	37,036	168,931
Postage and shipping	62,637	680	1,558	7,891	253,952	326,718
Production costs	44,400	9,272	-	-	550	54,222
Professional fees	3,468	-	4,342	221,952	884	230,646
Program fees	331,470	-	330	-	-	331,800
Public Broadcasting Service fees	1,143,393	-	-	-	-	1,143,393
Repairs and maintenance	59,342	11,509	141,353	24,421	12,908	249,533
Streaming fees	4,625	-	6,000	-	550	11,175
Supplies and subscriptions	25,880	21,596	18,344	8,019	1,312	75,151
Telephone and bandwidth	108,199	25,399	94,508	38,238	37,466	303,810
Temporary services and graphic design	3,360	1,072	-	4,526	-	8,958
Utilities	88,707	15,427	231,410	30,855	19,284	385,683
<b>Total expenses before depreciation</b>	<b>6,563,422</b>	<b>2,033,738</b>	<b>2,392,207</b>	<b>1,921,565</b>	<b>1,749,912</b>	<b>14,660,844</b>
Depreciation	421,739	77,462	111,890	154,925	94,676	860,692
<b>Total</b>	<b>\$ 6,985,161</b>	<b>\$ 2,111,200</b>	<b>\$ 2,504,097</b>	<b>\$ 2,076,490</b>	<b>\$ 1,844,588</b>	<b>\$ 15,521,536</b>

*See accompanying notes to financial statements.*

## Hampton Roads Educational Telecommunications Association, Inc.

### Statements of Functional Expenses

Year Ended June 30, 2019	Program Services			Management and General	Fundraising and Development	Total
	Content	Education	Engineering			
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
<b>Total Personnel</b>	<b>3,058,499</b>	<b>1,283,147</b>	<b>1,217,323</b>	<b>933,258</b>	<b>959,097</b>	<b>7,451,324</b>
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
<b>Total expenses before depreciation</b>	<b>6,192,977</b>	<b>2,332,476</b>	<b>2,080,386</b>	<b>1,851,679</b>	<b>1,686,056</b>	<b>14,143,574</b>
Depreciation	443,699	81,662	120,679	163,325	97,995	907,360
<b>Total</b>	<b>\$6,636,676</b>	<b>\$2,414,138</b>	<b>\$2,201,065</b>	<b>\$ 2,015,004</b>	<b>\$ 1,784,051</b>	<b>\$ 15,050,934</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Cash Flows

Years Ended June 30,	2020	2019
<b>Operating Activities</b>		
Change in net assets	\$ 6,074,504	\$ (706,058)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	860,692	907,360
Amortization of tower rights	47,081	47,081
Promises to give write-off	11,250	15,014
Realized and unrealized gain on investments	(165,535)	(467,428)
Change in value of split-interest agreements	(263,108)	37,208
Loss on disposal of property and equipment	67,091	5,305
Changes in value of operating assets and liabilities		
Accounts and underwriting receivables	(3,040,640)	161,383
Promises to give	(3,001,966)	(6,010)
Inventory	(3,714)	(4,208)
Prepaid expenses	(38,207)	61,759
Accounts payable and accrued liabilities	613,732	148,054
Deferred revenue	(551,885)	902,688
<b>Net Cash Provided by Operating Activities</b>	<b>609,295</b>	<b>1,102,148</b>
<b>Investing Activities</b>		
Purchases of investments	(3,884,251)	(6,273,921)
Proceeds from sale of investments	3,790,941	6,160,188
Purchase of property and equipment	(3,589,147)	(472,391)
Proceeds from disposal of property and equipment	-	15,000
<b>Net Cash Used in Investing Activities</b>	<b>(3,682,457)</b>	<b>(571,124)</b>
<b>Financing Activities</b>		
Cash received from split-interest agreements	78,122	99,631
Borrowing (repayments) on line of credit	1,701,074	(288,146)
Payroll Protection Program loan proceeds	1,594,800	-
Payments received on capital campaign pledges	1,039,250	1,257,819
Repayments on capital leases payable	(165,754)	(219,003)
<b>Net Cash Provided by Financing Activities</b>	<b>4,247,492</b>	<b>850,301</b>
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	<b>1,174,330</b>	<b>1,381,325</b>
<b>Cash, Cash Equivalents, and Restricted Cash, beginning of year</b>	<b>2,401,143</b>	<b>1,019,818</b>
<b>Cash, Cash Equivalents, and Restricted Cash, end of year</b>	<b>\$ 3,575,473</b>	<b>\$ 2,401,143</b>
<b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	1,089,917	861,747
Restricted cash	2,485,556	1,539,396
<b>Cash, Cash Equivalents, and Restricted Cash, end of year</b>	<b>\$ 3,575,473</b>	<b>\$ 2,401,143</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 129,826	\$ 110,174
<b>Supplemental Noncash Investing and Financing Activities</b>		
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

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### 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, local news with a dedicated newsroom 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 WHRO 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.

#### *Recently Adopted Authoritative Guidance*

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires entities to show the changes in the total of cash, cash equivalents and restricted cash in the statements of cash flows. As a result, entities will no longer present transfers between cash, cash equivalents and restricted cash in the statements of cash flows. WHRO adopted this standard on June 30, 2019, on a retrospective basis.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether WHRO follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. WHRO adopted this standard on July 1, 2019, on a modified prospective basis. Adoption of this update did not have a material impact on WHRO's financial statements.

### ***New Accounting Standards Not Yet Adopted***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASC 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. In August 2015, the FASB issued ASU 2015-14, which deferred the initial effective date for nonpublic entities until annual periods beginning after December 15, 2018. Earlier adoption was permitted subject to certain limitations. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which, among other things, provides a one-year deferral of the effective date of ASC 606 for all privately held entities that have not yet issued financial statements or made financial statements available. Accordingly, privately held entities that chose to defer the adoption of ASC 606, in accordance with ASU 2020-05, would apply the new revenue standard to annual reporting periods beginning after December 15, 2019. WHRO has elected to defer the adoption of ASC 606.

### ***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.

### ***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

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### *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 \$39,379 and \$42,450 at June 30, 2020 and 2019, respectively. Management considers all underwriting receivables to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

### *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 net realizable value 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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### ***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

### ***Advertising***

Advertising costs are charged to operations when incurred and totaled \$136,495 and \$53,829 for the years ended June 30, 2020 and 2019, respectively.



# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### *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 WHRO's exempt purpose. WHRO has net operating loss carryforwards of approximately \$1,287,000 and \$2,920,000 related to its unrelated business income at June 30, 2020 and 2019, respectively. Approximately \$916,000 of these loss carryforwards will begin to expire in 2029 and \$371,000 are unlimited. Deferred tax assets were \$331,288 and \$751,862 at June 30, 2020 and 2019, 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 \$331,288 and \$751,862 at June 30, 2020 and 2019, respectively. The decrease in the valuation allowance was \$420,574 for the year ended June 30, 2020. The increase in the valuation allowance was \$136,806 for the year ended June 30, 2019. 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 2016 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 30, 2020, 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:

<i>June 30,</i>	2020	2019
Cash and cash equivalents	\$ 1,089,917	\$ 861,747
Accounts receivable, net	3,709,100	549,328
Underwriting receivables	200,329	319,461
Promises to give, net	2,062,523	111,057
Split-interest agreements	2,656,876	2,471,890
Restricted cash	2,485,556	1,539,396
Investments	12,007,836	11,748,991
<b>Total Financial Assets</b>	<b>24,212,137</b>	<b>17,601,870</b>
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions	(7,056,606)	(4,889,376)
Board-designated net assets	(11,519,109)	(10,947,149)
Accounts receivable related to FCC Repack amounts due	(2,775,154)	-
Endowment spending distributions	371,721	342,121
<b>Total Financial Assets Available for General Expenditures within one year</b>	<b>\$ 3,232,989</b>	<b>\$ 2,107,466</b>

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 of which \$944,031 was available at June 30, 2020.

### 4. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	2020	2019
Amounts due within one year	\$ 1,035,500	\$ 76,250
Amounts due in more than one year but less than five years	1,031,000	40,750
Total promises to give	2,066,500	117,000
Less allowance for uncollectible promises to give	(1,476)	(2,598)
Less discounts to present value (0.18% - 2.27%)	(2,501)	(3,345)
<b>Total Promises to Give, net</b>	<b>\$ 2,062,523</b>	<b>\$ 111,057</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>June 30,</i>	2020	2019
Promises to give, net, current	\$ 1,035,500	\$ 76,250
Promises to give, net, other	1,027,023	34,807
<b>Total Promises to Give, net</b>	<b>\$ 2,062,523</b>	<b>\$ 111,057</b>

Promises to give are principally from donors in the Hampton Roads area. One donor represented 97% and 64% of promises to give at June 30, 2020 and 2019, respectively.

### 5. Split-Interest Agreements

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 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, 2020 and 2019 was \$1,035,874 and \$882,476, respectively. WHRO received \$78,122 and \$89,631 from the trust in 2020 and 2019, 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 an increase and decrease of \$231,520 and (\$68,373), for the change in value of the split-interest agreement for the years ended June 30, 2020 and 2019, respectively.

WHRO is also an income beneficiary of two 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 first trust, annual distributions are made to various nonprofit beneficiaries at the discretion of the trustee. Upon termination, WHRO will receive 10% of the remaining trust principal and accrued income. No distribution was received for the year ended June 30, 2020. WHRO received a \$10,000 discretionary distribution from the first 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. Under the second 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, 2020 and 2019 is \$1,621,002 and \$1,589,414, respectively. WHRO recorded an increase of \$31,588 and \$31,165 for the change in value of the split-interest agreement for the years ended June 30, 2020 and 2019, respectively.

# 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>	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tower rights	\$2,252,587	\$1,546,372	\$2,252,587	\$1,499,291

Amortization expense for each of the years ended June 30, 2020 and 2019 was \$47,081 and is included in miscellaneous in the statements of functional expenses. Future estimated amortization expense is as follows:

<i>Year ending June 30,</i>	Amount
2021	\$ 47,081
2022	47,081
2023	47,081
2024	47,081
2025	47,081
Thereafter	470,810
<b>Total</b>	<b>\$ 706,215</b>

### 7. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	2020	2019
Interest and dividends, net	\$ 270,881	\$ 299,288
Realized gain on investments	56,539	84,523
Unrealized gain on investments	108,996	382,905
<b>Total Net Investment Income</b>	<b>\$ 436,416</b>	<b>\$ 766,716</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### 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, 2020</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 232,492	\$ -	\$ -	\$ 232,492
Fixed income bonds				
US	-	5,242,424	-	5,242,424
Global	-	199,988	-	199,988
Equity funds				
US	4,614,863	-	-	4,614,863
Global	333,217	-	-	333,217
International	714,991	-	-	714,991
Hedge funds	669,861	-	-	669,861
<b>Total investments</b>	<b>\$ 6,565,424</b>	<b>\$ 5,442,412</b>	<b>\$ -</b>	<b>\$ 12,007,836</b>
Split-interest agreements	\$ -	\$ -	\$ 2,656,876	\$ 2,656,876

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

<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
<b>Total investments</b>	<b>\$ 6,340,356</b>	<b>\$ 5,408,635</b>	<b>\$ -</b>	<b>\$ 11,748,991</b>
Split-interest agreements	\$ -	\$ -	\$ 2,471,890	\$ 2,471,890

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>	2020	2019
Fair value, beginning of year	\$ 2,471,890	\$ 2,608,729
Cash received from split-interest agreements	(78,122)	(99,631)
Change in value of split-interest agreements	263,108	(37,208)
Fair value, end of year	<b>\$ 2,656,876</b>	<b>\$ 2,471,890</b>

## 9. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2020	2019
Land	\$ 397,677	\$ 397,677
Buildings and improvements	5,469,808	5,419,461
Antennas and towers	2,626,853	3,171,480
Transmitters	1,144,772	2,080,347
Radio equipment	2,543,254	2,550,837
Engineering equipment	5,779,223	8,217,626
Other equipment	6,095,999	5,911,481
Construction in progress	3,090,211	-
	<b>27,147,797</b>	<b>27,748,909</b>
Less accumulated depreciation	<b>(19,787,655)</b>	<b>(23,050,131)</b>
<b>Property and Equipment, net</b>	<b>\$ 7,360,142</b>	<b>\$ 4,698,778</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### 10. Notes Payable

#### *Line of Credit*

WHRO has a \$5,500,000 line of credit with Bank of America and had a balance of \$4,555,969 and \$2,854,895 outstanding on the line at June 30, 2020 and 2019, respectively. 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 1.43% and 3.65% at June 30, 2020 and 2019, respectively. The credit line is collateralized by all WHRO investment accounts held by Bank of America and is available through October 2021 and can be terminated at any time.

#### *Note Payable*

WHRO applied for and received funds under the Paycheck Protection Program established by the CARES Act (See Note 21). The \$1,594,800 note, issued by TowneBank, accrues interest at 1%. Beginning August 2021, monthly installments of \$27,261 including interest at 1% are due through August 2026. The loan is to be used for business-related purposes, and eligibility for forgiveness will be based on documentation of qualifying expenses to include payroll costs, mortgage interest payments, rent payments, and utilities.

### 11. Capital Leases Payable

WHRO has acquired \$735,169 at June 30, 2020 and 2019, 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>
2021	\$	133,503
2022		4,279
		137,782
Less amount representing interest		(5,397)
Total capital leases payable		132,385
Less current portion		(128,134)
<b>Total Long-Term Capital Leases Payable</b>	<b>\$</b>	<b>4,251</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 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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>June 30,</i>	2020	2019
Board Endowment	\$ 9,341,670	\$ 8,853,494
Arts	1,164,925	1,154,528
Education	1,012,514	939,127
<b>Total Board-Designated Net Assets</b>	<b>\$ 11,519,109</b>	<b>\$ 10,947,149</b>

### 13. Net Assets with Donor Restrictions

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

<i>June 30,</i>	2020	2019
Restricted for specific purpose or time		
Education	\$ 4,047,520	\$ 1,993,614
Time	2,706,876	2,546,889
Journalism	-	25,915
Programming	-	15,750
Property and equipment	5,326	10,324
<b>Total restricted for specific purpose or time</b>	<b>6,759,722</b>	<b>4,592,492</b>
Restricted in perpetuity		
Education	100,000	100,000
Programming	25,000	25,000
Operations	171,884	171,884
<b>Total restricted in perpetuity</b>	<b>296,884</b>	<b>296,884</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 7,056,606</b>	<b>\$ 4,889,376</b>

### 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>	2020	2019
Education	\$ 949,095	\$ 652,963
Time	103,122	99,631
Journalism	166,315	19,085
Programming	16,500	3,832
Operations	5,156	5,156
Property and equipment	4,997	-
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 1,245,185</b>	<b>\$ 780,667</b>



# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>Years ended June 30,</i>	<b>2020</b>	<b>2019</b>
Net assets released for operations	\$ 1,200,194	\$ 780,667
Net assets released for capital	44,991	-
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 1,245,185</b>	<b>\$ 780,667</b>

### 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, 2020 and 2019, 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

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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(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.

### *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, 2020 and 2019.

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

<i>June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,519,109	\$ -	\$ 11,519,109
Amounts required to be maintained in perpetuity by donor	-	296,884	296,884
<b>Total Endowment Funds</b>	<b>\$ 11,519,109</b>	<b>\$ 296,884</b>	<b>\$ 11,815,993</b>

<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
<b>Total Endowment Funds</b>	<b>\$ 10,947,149</b>	<b>\$ 296,884</b>	<b>\$ 11,244,033</b>

# 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, 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
Contributions	523,021	-	523,021
Investment return, net	424,311	8,907	433,218
Expenditures	(375,372)	(8,907)	(384,279)
Balance, June 30, 2020	\$ 11,519,109	\$ 296,884	\$ 11,815,993

### 16. FCC Repack Income

As part of a Federal mandate to free up ultrahigh frequency bandwidth for wireless usage, the Federal Communications Commission (FCC) created an initiative to reassign the broadcast spectrum amongst television stations. The initiative, formally known as the FCC Repack, required upgrades to existing equipment, funded by each station with subsequent reimbursement from the FCC. WHRO recorded accounts receivable and FCC repack income of \$3,083,740 related to this program which is included in the statements of financial position and statements of activities, respectively.

### 17. 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, 2020 and 2019, WHRO recognized \$768,346 and \$702,784, respectively, of tower rental fees related to these agreements. These amounts are shown net of the shared rents of \$85,039 and \$85,126 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, WHRO recognized \$2,078,218 and \$1,814,276, respectively, of Spectrum lease income related to this agreement.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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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>	
2021	\$ 2,465,424
2022	2,484,291
2023	2,419,875
2024	2,454,159
2025	2,470,109
Thereafter	32,014,817
<b>Total</b>	<b>\$ 44,308,675</b>

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### 18. 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 2025. Expense includes \$53,722 and \$53,576 for years ended June 30, 2020 and 2019, attributable to these operating leases. Minimum future annual rent commitments under these agreements, for the next five years and thereafter are summarized as follows:

<i>Year ending June 30,</i>	
2021	\$ 57,162
2022	57,162
2023	57,162
2024	55,195
2025	22,413
<b>Total</b>	<b>\$ 249,094</b>

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### 19. 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, 2020 and 2019 totaled \$210,904 and \$194,731, respectively.

### 20. 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.

### 21. Risks and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on WHRO’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, donors, industry, and workforce. Management is actively involved in monitoring the impact related to the collectability of promises to give as it represents a significant asset to WHRO. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, WHRO is not able to estimate further effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity in 2021. Although WHRO cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on WHRO’s results of future operations, financial position, and liquidity in 2021.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. WHRO applied for and received funds under the Paycheck Protection Program in the amount of \$1,594,800 (See Note 10). The application for these funds required WHRO to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of WHRO. This certification further required WHRO to take into account WHRO’s current business activity and ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on WHRO having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria. In addition, WHRO received \$275,000 from the Corporation for Public Broadcasting (CPB) under the emergency stabilization funds for public media included in the CARES Act.

### 22. Reclassifications

Certain amounts in the 2019 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.

## 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 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 30, 2020

# Hampton Roads Educational Telecommunications Association, Inc.

## Supplementary Statement of Activities for Annual Financial Report (AFR)

Year Ended June 30, 2020	FM	TV	Total
<b>Operating Revenue</b>			
Membership	\$ 2,329,497	\$ 2,329,497	\$ 4,658,994
Grants	1,674,293	1,533,894	3,208,187
Federal funding	766,032	891,339	1,657,371
Program underwriting	1,155,872	327,418	1,483,290
Virtual Virginia	408,569	408,569	817,138
eMediaVA	500,000	500,000	1,000,000
School assessments	321,359	321,359	642,718
Community engagement funding	98,333	98,333	196,666
Education sales and fees	126,779	126,779	253,558
Broadcast contracts	134,508	27,670	162,178
Tower rental fees, net	384,173	384,173	768,346
Spectrum lease income	1,039,109	1,039,109	2,078,218
Production fees	6,632	25,833	32,465
Internet service provider and web design	56,073	56,073	112,146
Broadcast channel fees	873	126,890	127,763
Royalties and advertising	31,098	31,252	62,350
Transfer of board designated reserves	187,686	187,686	375,372
<b>Total Operating Revenue</b>	<b>9,220,886</b>	<b>8,415,874</b>	<b>17,636,760</b>
<b>Operating Expenses</b>			
Program services	5,331,132	5,658,235	10,989,367
Management and general	960,454	961,111	1,921,565
Fundraising and development	871,479	878,433	1,749,912
<b>Total Operating Expenses excluding Depreciation</b>	<b>7,163,065</b>	<b>7,497,779</b>	<b>14,660,844</b>
<b>Change in Net Assets from Operations before Depreciation</b>	<b>2,057,821</b>	<b>918,095</b>	<b>2,975,916</b>
Depreciation	422,601	438,091	860,692
<b>Change in Net Assets from Operations</b>	<b>1,635,220</b>	<b>480,004</b>	<b>2,115,224</b>
<b>Nonoperating Revenue (Expense)</b>			
Capital campaign contributions, net	(4,642)	(4,642)	(9,284)
Bequests - board endowment contributions	266,153	266,153	532,306
Change in value of split interest agreements	131,554	131,554	263,108
FCC repack income	1,541,870	1,541,870	3,083,740
Miscellaneous income	14,183	14,183	28,366
Investment income, net	218,208	218,208	436,416
Transfer of board designated reserves	(187,686)	(187,686)	(375,372)
<b>Total Nonoperating Revenue</b>	<b>1,979,640</b>	<b>1,979,640</b>	<b>3,959,280</b>
<b>Change in Net Assets</b>	<b>\$ 3,614,860</b>	<b>\$ 2,459,644</b>	<b>6,074,504</b>
Net Assets, beginning of year			17,348,505
<b>Net Assets, end of year</b>			<b>\$ 23,423,009</b>

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



# Hampton Roads Educational Telecommunications Association, Inc.

## Supplementary Annual Financial Report (AFR) Schedule

Year Ended June 30, 2020	FM	TV	Total
<b>AFR Revenue</b>			
Federal Government Agencies	\$ 41,590	\$ 3,910	\$ 45,500
Public Broadcasting Entities	865,165	989,672	1,854,837
Local Boards and Department of Education			
NFFS Eligible	481,673	476,608	958,281
NFFS Ineligible	39,699	159,698	199,397
<b>Total Local Boards and Department of Education</b>	<b>521,372</b>	<b>636,306</b>	<b>1,157,678</b>
State Boards and Department of Education			
NFFS Eligible	936,772	908,569	1,845,341
NFFS Ineligible	-	-	-
<b>Total State Boards and Department of Education</b>	<b>936,772</b>	<b>908,569</b>	<b>1,845,341</b>
State Colleges and Universities			
NFFS Eligible	51,564	9,201	60,765
NFFS Ineligible	5,905	5,905	11,810
<b>Total State Colleges and Universities</b>	<b>57,469</b>	<b>15,106</b>	<b>72,575</b>
Private Colleges and Universities			
NFFS Eligible	90,320	-	90,320
NFFS Ineligible	17,322	17,322	34,644
<b>Total Private Colleges and Universities</b>	<b>107,642</b>	<b>17,322</b>	<b>124,964</b>
Foundations and Nonprofit Associations			
NFFS Eligible	509,323	62,664	571,987
NFFS Ineligible	111,698	59,752	171,450
<b>Total Foundations and Nonprofit Associations</b>	<b>621,021</b>	<b>122,416</b>	<b>743,437</b>
Business and Industry			
NFFS Eligible	621,383	274,620	896,003
NFFS Ineligible	405,942	405,418	811,360
<b>Total Business and Industry</b>	<b>1,027,325</b>	<b>680,038</b>	<b>1,707,363</b>
Membership and Subscriptions, net	2,329,497	2,329,497	4,658,994
Passive Income	1,616	1,616	3,232
Gain on Investments	131,554	131,554	263,108
Endowment Revenue	216,592	216,592	433,184
Capital Fund Contributions from Individuals	(4,642)	(4,642)	(9,284)
Gifts and Bequests	1,766,153	1,766,153	3,532,306
FCC Spectrum Repack	1,541,870	1,541,870	3,083,740
Other Direct Revenue	1,039,531	1,039,534	2,079,065
<b>Total AFR Revenue</b>	<b>\$ 11,200,527</b>	<b>\$ 10,395,513</b>	<b>\$ 21,596,040</b>
<b>Statement of Activities Reconciliation</b>			
Total Operating Revenue	\$ 9,220,886	\$ 8,415,874	\$ 17,636,760
Total Nonoperating Revenue	1,979,640	1,979,640	3,959,280
<b>Total AFR Revenue</b>	<b>\$ 11,200,526</b>	<b>\$ 10,395,514</b>	<b>\$ 21,596,040</b>

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