



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

**Financial Statements and Supplementary
Information**

Years Ended June 30, 2021 and 2020

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

Financial Statements and Supplementary Information
Years Ended June 30, 2021 and 2020

Hampton Roads Educational Telecommunications Association, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7-8
Statements of Functional Expenses	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-29
Supplementary Information	
Independent Auditor's Report on Supplementary Information	31
Supplementary Statement of Activities for Annual Financial Report (AFR)	32
Supplementary Annual Financial Report (AFR) Schedule	33



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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Hampton Roads Educational Telecommunications Association, Inc. (WHRO), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WHRO as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WHRO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WHRO's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WHRO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WHRO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

September 14, 2021

Financial Statements

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 965,299	\$ 1,089,917
Accounts receivable, net	415,252	625,360
Underwriting receivables	348,947	200,329
Promises to give, net	1,556,433	4,119,240
Inventory	17,099	13,274
Prepaid expenses	118,416	185,662
Total Current Assets	3,421,446	6,233,782
Property and equipment, net	8,143,728	7,360,142
Promises to give, net	51,454	1,027,023
Split-interest agreements	4,509,411	2,656,876
Tower rights	659,134	706,215
Restricted cash	2,749,731	2,485,556
Investments	14,554,527	12,007,836
Total Assets	\$ 34,089,431	\$ 32,477,430
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ 2,312,239	\$ 4,555,969
Capital leases payable	4,279	128,134
Accounts payable	206,070	1,189,155
Accrued liabilities	691,759	956,565
Deferred revenue	183,490	625,547
Total Current Liabilities	3,397,837	7,455,370
Capital leases payable	-	4,251
Note payable	-	1,594,800
Total Liabilities	3,397,837	9,054,421
Net Assets		
Net assets without donor restrictions		
Undesignated	1,939,305	175,506
Net investment in property and equipment	5,827,210	4,671,788
Board-designated	13,758,724	11,519,109
Net assets without donor restrictions	21,525,239	16,366,403
Net assets with donor restrictions	9,166,355	7,056,606
Total Net Assets	30,691,594	23,423,009
Total Liabilities and Net Assets	\$ 34,089,431	\$ 32,477,430

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Activities

<i>Year Ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Membership	\$ 5,013,616	\$ -	\$ 5,013,616
Grants	63,694	295,000	358,694
Federal funding	1,461,738	680,949	2,142,687
Program underwriting	1,217,919	-	1,217,919
Virtual Virginia	3,256,334	-	3,256,334
eMediaVA	1,000,000	-	1,000,000
School assessments	707,648	-	707,648
Community engagement funding	433,120	-	433,120
Education sales and fees	142,040	-	142,040
Broadcast contracts	414,885	-	414,885
Tower rental fees, net	768,748	-	768,748
Spectrum lease income	1,940,856	-	1,940,856
Production fees	70,453	-	70,453
Internet service provider and web design	141,930	-	141,930
Broadcast channel fees	127,765	-	127,765
Royalties and advertising	43,122	-	43,122
Transfer of board designated reserves	527,764	-	527,764
Net assets released from restrictions for operations	776,893	(776,893)	-
Total Operating Revenue	18,108,525	199,056	18,307,581
Operating Expenses			
Program services	13,465,106	-	13,465,106
Management and general	1,466,708	-	1,466,708
Fundraising and development	2,008,836	-	2,008,836
Total Operating Expenses excluding Depreciation	16,940,650	-	16,940,650
Change in Net Assets from Operations before Depreciation	1,167,875	199,056	1,366,931
Depreciation	929,616	-	929,616
Change in Net Assets from Operations	238,259	199,056	437,315
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	2,932	-	2,932
Bequests - board endowment contributions	343,346	-	343,346
Change in value of split interest agreements	-	236,456	236,456
FCC repack income	1,008,692	-	1,008,692
Miscellaneous income	9,774	-	9,774
Gain on extinguishment of debt	1,608,268	-	1,608,268
Planning giving contributions	-	1,712,938	1,712,938
Investment income, net	2,424,753	11,875	2,436,628
Transfer of board designated reserves	(527,764)	-	(527,764)
Net assets released from restrictions for capital	50,576	(50,576)	-
Total Nonoperating Revenue	4,920,577	1,910,693	6,831,270
Change in Net Assets	5,158,836	2,109,749	7,268,585
Net Assets, beginning of year	16,366,403	7,056,606	23,423,009
Net Assets, end of year	\$ 21,525,239	\$ 9,166,355	\$ 30,691,594

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
Operating Revenue			
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)	-
Total Operating Revenue	15,696,554	1,940,206	17,636,760
Operating Expenses			
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
Total Operating Expenses excluding Depreciation	14,660,844	-	14,660,844
Change in Net Assets from Operations before Depreciation	1,035,710	1,940,206	2,975,916
Depreciation	860,692	-	860,692
Change in Net Assets from Operations	175,018	1,940,206	2,115,224
Nonoperating Revenue (Expense)			
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
Gain on extinguishment of debt	-	-	-
Planning giving contributions	-	-	-
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)	-
Total Nonoperating Revenue	3,732,256	227,024	3,959,280
Change in Net Assets	3,907,274	2,167,230	6,074,504
Net Assets, beginning of year	12,459,129	4,889,376	17,348,505
Net Assets, end of year	\$ 16,366,403	\$ 7,056,606	\$ 23,423,009

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Functional Expenses

<i>Year Ended June 30, 2021</i>	Program Services			Management and General	Fundraising and Development	Total
	Content	Education	Engineering			
Salaries and wages	\$ 2,817,534	\$ 1,065,807	\$ 1,107,944	\$ 678,723	\$ 908,261	\$ 6,578,269
Payroll taxes	206,709	79,160	82,095	42,237	66,079	476,280
Retirement	95,678	39,397	35,822	25,763	30,773	227,433
Employee benefits	305,090	113,370	136,765	32,064	87,274	674,563
Total Personnel	3,425,011	1,297,734	1,362,626	778,787	1,092,387	7,956,545
Computer maintenance contracts	102,710	12,247	241,073	7,034	162	363,226
Conferences, seminars and training	6,774	2,155	-	23,979	6,346	39,254
Consultant fees	28,200	-	6,764	118,507	14,293	167,764
Credit card and bank fees	-	3,179	-	10,487	163,591	177,257
Dues and licenses	39,537	4,695	1,125	51,238	2,747	99,342
Education software and licenses	609	2,899,177	-	-	-	2,899,786
Fundraising premiums	-	-	-	-	111,055	111,055
Hospitality and travel	6,108	1,695	5,319	3,825	2,662	19,609
Independent contractors	185,392	256,476	-	-	7,500	449,368
Insurance	72,508	27,428	28,512	17,467	23,374	169,289
Interest and taxes	-	-	11,136	62,121	450	73,707
Listing services and audience research	343	-	3,377	-	-	3,720
Loss on disposal of property and equipment	7,186	2,718	2,826	1,731	2,316	16,777
Marketing and advertising	129,187	730	-	424	799	131,140
Miscellaneous	29,013	32,010	33,276	20,388	27,280	141,967
NPR fees	563,351	-	-	-	-	563,351
Office lease	29,099	11,008	11,443	7,010	9,380	67,940
Paper, printing and stationery	100,912	244	415	1,091	71,692	174,354
Postage and shipping	78,008	208	6,432	-	321,523	406,171
Production costs	27,185	15,296	821	-	450	43,752
Professional fees	20,229	6,223	18,983	245,504	-	290,939
Program fees	305,309	22,495	-	673	-	328,477
Public Broadcasting Service fees	1,107,749	-	-	-	-	1,107,749
Repairs and maintenance	114,858	63,121	44,584	28,186	36,549	287,298
Streaming fees	3,850	-	28,493	-	688	33,031
Supplies and subscriptions	35,690	18,135	16,635	10,430	4,748	85,638
Telephone and bandwidth	129,012	65,650	43,554	35,568	53,137	326,921
Temporary services and graphic design	1,124	-	-	630	-	1,754
Utilities	172,810	65,370	67,954	41,628	55,707	403,469
Total expenses before depreciation	6,721,764	4,807,994	1,935,348	1,466,708	2,008,836	16,940,650
Depreciation	398,163	150,616	156,570	95,915	128,352	929,616
Total	\$ 7,119,927	\$ 4,958,610	\$ 2,091,918	\$ 1,562,623	\$ 2,137,188	\$ 17,870,266

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Functional Expenses

Year Ended June 30, 2020	Program Services			Management and General	Fundraising and Development	Total
	Content	Education	Engineering			
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
Total Personnel	3,349,535	1,311,314	1,376,933	814,741	1,014,648	7,867,171
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
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
Loss on disposal of property and equipment	-	-	67,091	-	-	67,091
Marketing and advertising	134,380	948	-	5,182	1,490	142,000
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	123,857	1,745	69	719	37,036	163,426
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
Total expenses before depreciation	6,563,422	2,033,738	2,392,207	1,921,565	1,749,912	14,660,844
Depreciation	421,739	77,462	111,890	154,925	94,676	860,692
Total	\$ 6,985,161	\$ 2,111,200	\$ 2,504,097	\$ 2,076,490	\$ 1,844,588	\$ 15,521,536

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Cash Flows

Years Ended June 30,	2021	2020
Operating Activities		
Change in net assets	\$ 7,268,585	\$ 6,074,504
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	929,616	860,692
Amortization of tower rights	47,081	47,081
Gain on extinguishment of debt	(1,608,268)	-
Non-cash interest expense	13,468	-
Promises to give write-off	-	11,250
Realized and unrealized gain on investments	(2,231,761)	(165,535)
Change in value of split-interest agreements	(236,456)	(263,108)
Planned giving contributions	(1,712,938)	-
Cash received on contributions restricted for long-term purposes	(4,139,240)	(1,039,250)
Loss on disposal of property and equipment	16,777	67,091
Changes in value of operating assets and liabilities		
Accounts and underwriting receivables	61,490	43,100
Promises to give	3,538,376	(5,046,456)
Inventory	(3,825)	(3,714)
Prepaid expenses	67,246	(38,207)
Accounts payable and accrued liabilities	(1,296,863)	613,732
Deferred revenue	(442,057)	(551,885)
Net Cash Provided by Operating Activities	271,231	609,295
Investing Activities		
Purchases of investments	(6,634,761)	(3,884,251)
Proceeds from sale of investments	6,319,831	3,790,941
Purchase of property and equipment	(1,705,687)	(3,589,147)
Proceeds from disposal of property and equipment	24,680	-
Net Cash Used in Investing Activities	(1,995,937)	(3,682,457)
Financing Activities		
Cash received from split-interest agreements	96,859	78,122
Borrowing (repayments) on line of credit	(2,243,730)	1,701,074
Payroll Protection Program loan proceeds	-	1,594,800
Cash received on contributions restricted for long-term purposes	4,139,240	1,039,250
Repayments on capital leases payable	(128,106)	(165,754)
Net Cash Provided by Financing Activities	1,864,263	4,247,492
Net Increase in Cash, Cash Equivalents, and Restricted Cash	139,557	1,174,330
Cash, Cash Equivalents, and Restricted Cash, beginning of year	3,575,473	2,401,143
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 3,715,030	\$ 3,575,473
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	965,299	1,089,917
Restricted cash	2,749,731	2,485,556
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 3,715,030	\$ 3,575,473
Supplemental Cash Flow Information		
Cash paid for interest	\$ 48,127	\$ 129,826
Supplemental Noncash Investing and Financing Activities		
Property and equipment acquired through accounts payable	\$ 48,972	\$ -

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, 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 27 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 Nassawadox; 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.

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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

Recently Adopted Authoritative Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (“Topic 606”), which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Effective July 1, 2020, WHRO adopted ASC 606 using the modified retrospective method, where the cumulative effect of applying the standard was recognized in the opening balance of net assets. The cumulative effect of adopting ASC 606 was immaterial and no change was made to the 2021 opening balance of net assets.

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.

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 \$36,454 and \$39,379 at June 30, 2021 and 2020, 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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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.

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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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.

Advertising

Advertising costs are charged to operations when incurred and totaled \$131,140 and \$142,000 for the years ended June 30, 2021 and 2020, 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 WHRO's exempt purpose. WHRO has net operating loss carryforwards of approximately \$1,447,000 and \$1,287,000 related to its unrelated business income at June 30, 2021 and 2020, respectively. Approximately \$916,000 of these loss carryforwards will begin to expire in tax year 2028 and \$531,000 are unlimited. Deferred tax assets were \$372,518 and \$331,288 at June 30, 2021 and 2020, 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 \$372,518 and \$331,288 at June 30, 2021 and 2020, respectively. The increase in the valuation allowance was \$41,230 for the year ended June 30, 2021. The decrease in the valuation allowance was \$420,574 for the year ended June 30, 2020. Returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for tax years prior to 2017. Management continually evaluates tax positions reflected in WHRO's tax filings and does not believe that any material uncertain tax positions exist.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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 September 14, 2021, the date which the financial statements were available to be issued.

3. Revenue Recognition

WHRO generates revenue primarily from program underwriting, Virtual Virginia, and eMediaVA. WHRO recognizes revenue as transfer of promised goods and services to the customer occurs.

Program Underwriting

WHRO receives sponsorships from customers to underwrite the cost of some of its programs and productions. The performance obligation occurs each time a sponsor is mentioned on one of WHRO's media outlets (spots). The transaction price is allocated amongst the total number of spots in the contract based on a market approach, thus transaction price is allocated on a pro rata basis. Revenue for program underwriting is recognized at a point in time, which occurs when the individual spot is run on the media outlet specified in the contract. Payment terms are typically 30 days.

Virtual Virginia

WHRO has an annual contract to provide online Advanced Placement (AP), world language, core academic, and elective courses to students across Virginia and the nation. The contract provides distinct performance obligations as stated in the contract. The transaction price is stated for each performance obligation within the contract and allocated accordingly at a standalone selling price. Revenue is recognized over time using the input method, under which revenue is recognized as time lapses over the course of the annual contract. Billing occurs monthly, with payment terms of 30 days.

eMediaVA

WHRO has an annual contract with the Virginia Department of Education to provide Virginia teachers and students access to free SOL-aligned learning content for the classroom. The contract consists of one distinct performance obligation to include the delivery of the online platform, content, and support service. The transaction price is stated within the contract. Revenue is recognized over time using the input method, under which revenue is recognized as time lapses over the course of the annual contract. Billing occurs monthly, with payment terms of 30 days.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

School assessments, education sales and fee, broadcast contracts, and internet service provider and web design is recognized over the term of the contract or as the services are provided. Community engagement funding, production fees and royalties and advertising are recognized at a point in time when the services are provided.

Revenue recognized in the statements of activities is considered to be revenue from contracts with customers in accordance with ASC Topic 606 with the exception of membership, grants, federal funding, FCC repack, and change in value of split-interest agreements which are all within the scope of Topic 958, Not-for-Profit Entities. Investment income, tower rental fees, and spectrum lease income, would also be an exception to ASC Topic 606, as these streams fall within the scopes of ASC Topic 320 and ASC Topic 840.

The following table disaggregates WHRO's revenue recognized under ASC 606 based on the satisfaction of performance obligations and timing of transfer of services.

June 30, 2021

Revenue recognized over time	
Virtual Virginia	\$ 3,256,334
eMediaVA	1,000,000
School assessments	707,648
Education sales and fees	142,040
Broadcast contracts	414,885
Internet service provider and web design	141,930
Broadcast channel fees	127,765
Revenue recognized at a point in time	
Program underwriting	1,217,919
Community engagement funding	433,120
Production fees	70,453
Royalties and advertising	43,122
Total	\$ 7,555,216

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

4. 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>	2021	2020
Cash and cash equivalents	\$ 965,299	\$ 1,089,917
Accounts receivable, net	415,252	625,360
Underwriting receivables	348,947	200,329
Promises to give, net	1,607,887	5,146,263
Split-interest agreements	4,509,411	2,656,876
Restricted cash	2,749,731	2,485,556
Investments	14,554,527	12,007,836
Total Financial Assets	25,151,054	24,212,137
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions	(9,166,355)	(7,056,606)
Board-designated net assets	(13,758,724)	(11,519,109)
Accounts receivable related to FCC Repack amounts due	-	(2,775,154)
Endowment spending distributions	523,255	371,721
Total Financial Assets Available for General Expenditures within one year	\$ 2,749,230	\$ 3,232,989

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 \$3,187,761 was available at June 30, 2021.

5. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	2021	2020
Amounts due within one year	\$ 1,556,433	\$ 4,119,240
Amounts due in more than one year but less than five years	52,500	1,031,000
Total promises to give	1,608,933	5,150,240
Less allowance for uncollectible promises to give	(244)	(1,476)
Less discounts to present value (0.18% - 2.27%)	(802)	(2,501)
Total Promises to Give, net	\$ 1,607,887	\$ 5,146,263

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>	2021	2020
Promises to give, net, current	\$ 1,556,433	\$ 4,119,240
Promises to give, net, other	51,454	1,027,023
Total Promises to Give, net	\$ 1,607,887	\$ 5,146,263

Promises to give are principally from donors in the Hampton Roads area. Two donors represented 92% and 99% of promises to give at June 30, 2021 and 2020, respectively.

6. 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, 2021 and 2020 was \$917,343 and \$1,035,874, respectively. WHRO received \$96,859 and \$78,122 from the trust in 2021 and 2020, 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 (\$21,673) and \$231,520, for the change in value of the split-interest agreement for the years ended June 30, 2021 and 2020, 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 years ended June 30, 2021 and 2020. 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, 2021 and 2020 is \$1,633,023 and \$1,621,002, respectively. WHRO recorded an increase of \$12,021 and \$31,588 for the change in value of the split-interest agreement for the years ended June 30, 2021 and 2020, respectively.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

In the current year, WHRO became the income beneficiary of a perpetual trust which is held with an unrelated third party. The terms of the split-interest agreement specify that WHRO holds 30% interest in the trust. The principal of this perpetual trust will remain intact. Annually, the trustee will distribute net income pro rata amongst the beneficiaries designated in the trust. The fair value of the trust at June 30, 2021 is \$1,959,045. WHRO recorded an increase in fair value of \$246,108 for the year ended June 30, 2021.

7. 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>	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tower rights	\$2,252,587	\$1,593,453	\$ 2,252,587	\$ 1,546,372

Amortization expense for each of the years ended June 30, 2021 and 2020 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
2022	\$ 47,081
2023	47,081
2024	47,081
2025	47,081
2026	47,081
Thereafter	423,729
Total	\$ 659,134

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

8. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2021	2020
Land	\$ 377,677	\$ 397,677
Buildings and improvements	5,492,299	5,469,808
Antennas and towers	4,068,347	2,626,853
Transmitters	3,314,787	1,144,772
Radio equipment	2,586,761	2,543,254
Engineering equipment	6,085,283	5,779,223
Other equipment	5,937,995	6,095,999
Construction in progress	25,499	3,090,211
	<u>27,888,648</u>	<u>27,147,797</u>
Less accumulated depreciation	<u>(19,744,920)</u>	<u>(19,787,655)</u>
Property and Equipment, net	\$ 8,143,728	\$ 7,360,142

9. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	2021	2020
Interest and dividends, net	\$ 204,867	\$ 270,881
Realized gain on investments	283,592	56,539
Unrealized gain on investments	1,948,169	108,996
Total Net Investment Income	\$ 2,436,628	\$ 436,416

10. 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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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, 2021</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 653,417	\$ -	\$ -	\$ 653,417
Fixed income bonds				
US	-	5,217,841	-	5,217,841
Global	-	392,934	-	392,934
Equity funds				
US	5,949,940	-	-	5,949,940
Global	370,019	-	-	370,019
International	898,843	-	-	898,843
Hedge funds	1,071,533	-	-	1,071,533
Total investments	\$ 8,943,752	\$ 5,610,775	\$ -	\$ 14,554,527
Split-interest agreements	\$ -	\$ -	\$ 4,509,411	\$ 4,509,411

<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
Total investments	\$ 6,565,424	\$ 5,442,412	\$ -	\$ 12,007,836
Split-interest agreements	\$ -	\$ -	\$ 2,656,876	\$ 2,656,876

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>	2021	2020
Fair value, beginning of year	\$ 2,656,876	\$ 2,471,890
Planned giving contributions	1,712,938	-
Cash received from split-interest agreements	(96,859)	(78,122)
Change in value of split-interest agreements	236,456	263,108
Fair value, end of year	\$ 4,509,411	\$ 2,656,876

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

11. Notes Payable

Line of Credit

WHRO has a \$5,500,000 line of credit with Bank of America and had a balance of \$2,312,239 and \$4,555,969 outstanding on the line at June 30, 2021 and 2020, 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 1.34% and 1.43% at June 30, 2021 and 2020, 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 22). The \$1,594,800 note, issued by TowneBank, accrued interest at 1% per annum. The loan was for business-related purposes, and eligibility for forgiveness was based on documentation of qualifying expenses to include payroll costs, mortgage interest payments, rent payments, and utilities. The note, including \$13,468 of interest, was forgiven in full by the Small Business Administration in April 2021 and is reflected in gain on extinguishment of debt in the statements of activities.

12. Capital Leases Payable

WHRO has acquired \$735,169 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>
2022	\$ 4,307
Less amount representing interest	(28)
Total capital leases payable	4,279
Less current portion	(4,279)
Total Long-Term Capital Leases Payable	\$ -

13. 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 16. 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>	2021	2020
Operating	\$ 11,225,385	\$ 9,341,670
Arts	1,371,501	1,164,925
Education	1,161,838	1,012,514
Total Board-Designated Net Assets	\$ 13,758,724	\$ 11,519,109

14. Net Assets with Donor Restrictions

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

<i>June 30,</i>	2021	2020
Restricted for specific purpose or time		
Education	\$ 3,539,561	\$ 4,047,520
Time	2,550,366	2,706,876
Journalism	139,550	-
Programming	680,949	-
Property and equipment	-	5,326
Total restricted for specific purpose or time	6,910,426	6,759,722
Restricted in perpetuity		
Education	100,000	100,000
Programming	1,984,045	25,000
Operations	171,884	171,884
Total restricted in perpetuity	2,255,929	296,884
Total Net Assets with Donor Restrictions	\$ 9,166,355	\$ 7,056,606

15. 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>	2021	2020
Education	\$ 656,959	\$ 949,095
Time	146,858	103,122
Journalism	10,450	166,315
Programming	1,000	16,500
Operations	6,875	5,156
Property and equipment	5,327	4,997
Total Net Assets Released from Restrictions	\$ 827,469	\$ 1,245,185

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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

<i>Years ended June 30,</i>	2021	2020
Net assets released for operations	\$ 776,893	\$ 1,200,194
Net assets released for capital	50,576	44,991
Total Net Assets Released from Restrictions	\$ 827,469	\$ 1,245,185

16. 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, 2021 and 2020, 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

(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. If in any one year, the full spending rate is not expended, the unspent portion carries forward and is added to subsequent year's spending rate. 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, 2021 and 2020.

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

<i>June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 13,758,724	\$ -	\$ 13,758,724
Amounts required to be maintained in perpetuity by donor	-	2,255,929	2,255,929
Total Endowment Funds	\$ 13,758,724	\$ 2,255,929	\$ 16,014,653

<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
Total Endowment Funds	\$ 11,519,109	\$ 296,884	\$ 11,815,993

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, 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
Contributions	346,278	1,959,045	2,305,323
Investment return, net	2,421,101	11,875	2,432,976
Expenditures	(527,764)	(11,875)	(539,639)
Balance, June 30, 2021	\$ 13,758,724	\$ 2,255,929	\$ 16,014,653

17. 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 FCC repack income of \$1,008,692 and \$3,083,740 in the statements of activities for the years ended June 30, 2021 and 2020, respectively. For expenditures incurred but not yet reimbursed WHRO recorded a promise to give of \$472,933 and \$3,083,740 in the statements of financial position at June 30, 2021 and 2020, respectively.

18. 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, 2021 and 2020, WHRO recognized \$768,748 and \$768,346, respectively, of tower rental fees related to these agreements. These amounts are shown net of the shared rents of \$91,636 and \$85,039 for the years ended June 30, 2021 and 2020, respectively.

In July 2018, WHRO amended their channels lease agreements with terms through September 2036.

As part of the amendment, a decommissioning payment of \$175,000 was recognized as revenue when the contractual obligations were fulfilled in the year ended June 30, 2020. 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, 2021 and 2020, WHRO recognized \$1,940,856 and \$2,078,218, 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, not including the decommissioning payment, for the next five years and thereafter are summarized as follows:

Year ending June 30,

2022	\$ 2,506,482
2023	2,440,707
2024	2,474,991
2025	2,490,363
2026	2,490,879
Thereafter	29,585,447
Total	\$ 41,988,869

19. 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 \$57,162 and \$53,722 for years ended June 30, 2021 and 2020, attributable to these operating leases. Minimum future annual rent commitments under these agreements, for the next five years and thereafter are summarized as follows:

Year ending June 30,

2022	\$ 57,162
2023	57,162
2024	55,195
2025	22,413
Total	\$ 191,932

20. 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, 2021 and 2020 totaled \$227,433 and \$210,904, respectively.

21. 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 and is included in federal funding in the statements of activities. 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.

22. 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 2022. 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 2022.

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. The loan was forgiven in full in April 2021 (See Note 11). In addition, WHRO received emergency stabilization funds for public media of \$680,949 and \$275,000 during the years ended June 30, 2021 and June 30, 2020 from the Corporation for Public Broadcasting (CPB) under the American Rescue Plan Act and CARES Act, respectively.

23. Reclassifications

Certain amounts in the 2020 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

September 14, 2021

Hampton Roads Educational Telecommunications Association, Inc.

Supplementary Statement of Activities for Annual Financial Report (AFR)

<i>Year Ended June 30, 2021</i>	FM	TV	Total
Operating Revenue			
Membership	\$ 2,506,808	\$ 2,506,808	\$ 5,013,616
Grants	179,347	179,347	358,694
Federal funding	544,762	1,597,925	2,142,687
Program underwriting	913,109	304,810	1,217,919
Virtual Virginia	1,628,167	1,628,167	3,256,334
eMediaVA	500,000	500,000	1,000,000
School assessments	353,824	353,824	707,648
Community engagement funding	216,560	216,560	433,120
Education sales and fees	71,020	71,020	142,040
Broadcast contracts	266,544	148,341	414,885
Tower rental fees, net	384,374	384,374	768,748
Spectrum lease income	970,428	970,428	1,940,856
Production fees	25,227	45,226	70,453
Internet service provider and web design	70,965	70,965	141,930
Broadcast channel fees	873	126,892	127,765
Royalties and advertising	21,561	21,561	43,122
Transfer of board designated reserves	263,882	263,882	527,764
Total Operating Revenue	8,917,451	9,390,130	18,307,581
Operating Expenses			
Program services	6,785,398	6,679,708	13,465,106
Management and general	733,526	733,182	1,466,708
Fundraising and development	1,003,879	1,004,957	2,008,836
Total Operating Expenses excluding Depreciation	8,522,803	8,417,847	16,940,650
Change in Net Assets from Operations before Depreciation	394,648	972,283	1,366,931
Depreciation	464,808	464,808	929,616
Change in Net Assets from Operations	(70,160)	507,475	437,315
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	1,466	1,466	2,932
Bequests - board endowment contributions	171,673	171,673	343,346
Change in value of split interest agreements	118,228	118,228	236,456
FCC repack income	504,346	504,346	1,008,692
Miscellaneous income	4,887	4,887	9,774
Gain on extinguishment of debt	804,134	804,134	1,608,268
Planned giving contributions	856,469	856,469	1,712,938
Investment income, net	1,218,314	1,218,314	2,436,628
Transfer of board designated reserves	(263,882)	(263,882)	(527,764)
Total Nonoperating Revenue	3,415,635	3,415,635	6,831,270
Change in Net Assets	\$ 3,345,475	\$ 3,923,110	7,268,585
Net Assets, beginning of year			23,423,009
Net Assets, end of year			\$ 30,691,594

See independent auditor's report on supplementary information.

Hampton Roads Educational Telecommunications Association, Inc.

Supplementary Annual Financial Report (AFR) Schedule

Year Ended June 30, 2021	FM	TV	Total
AFR Revenue			
Federal Government Agencies	\$ 854,015	\$ 810,449	\$ 1,664,464
Public Broadcasting Entities	652,577	1,705,743	2,358,320
Local Boards and Department of Education			
NFFS Eligible	727,449	682,310	1,409,759
NFFS Ineligible	46,324	166,324	212,648
Total Local Boards and Department of Education	773,773	848,634	1,622,407
State Boards and Department of Education			
NFFS Eligible	2,156,370	2,128,167	4,284,537
NFFS Ineligible	-	-	-
Total State Boards and Department of Education	2,156,370	2,128,167	4,284,537
State Colleges and Universities			
NFFS Eligible	10,028	17,114	27,142
NFFS Ineligible	2,228	2,229	4,457
Total State Colleges and Universities	12,256	19,343	31,599
Private Colleges and Universities			
NFFS Eligible	60,536	13,368	73,904
NFFS Ineligible	21,910	21,910	43,820
Total Private Colleges and Universities	82,446	35,278	117,724
Foundations and Nonprofit Associations			
NFFS Eligible	463,616	147,492	611,108
NFFS Ineligible	96,037	32,928	128,965
Total Foundations and Nonprofit Associations	559,653	180,420	740,073
Business and Industry			
NFFS Eligible	460,270	296,883	757,153
NFFS Ineligible	433,992	433,119	867,111
Total Business and Industry	894,262	730,002	1,624,264
Membership and Subscriptions, net	2,506,808	2,506,808	5,013,616
Passive Income	1,831	1,831	3,662
Gain on Investments	118,228	118,228	236,456
Endowment Revenue	1,216,483	1,216,483	2,432,966
Capital Fund Contributions from Individuals	1,466	1,466	2,932
Gifts and Bequests	1,028,142	1,028,141	2,056,283
FCC Spectrum Repack	504,346	504,346	1,008,692
Other Direct Revenue	970,430	970,426	1,940,856
Total AFR Revenue	\$ 12,333,086	\$ 12,805,765	\$ 25,138,851
Statement of Activities Reconciliation			
Total Operating Revenue	\$ 8,917,451	\$ 9,390,130	\$ 18,307,581
Total Nonoperating Revenue	3,415,635	3,415,635	6,831,270
Total AFR Revenue	\$ 12,333,086	\$ 12,805,765	\$ 25,138,851

See independent auditor's report on supplementary information.