



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

**Financial Statements and Supplementary
Information**

Years Ended June 30, 2022 and 2021

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

Financial Statements and Supplementary Information
Years Ended June 30, 2022 and 2021

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

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, 2022 and 2021, 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, 2022 and 2021, 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

October 11, 2022

Financial Statements

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 453,390	\$ 965,299
Accounts receivable, net	494,490	415,252
Underwriting receivables	197,261	348,947
Promises to give, net	27,500	1,556,433
Inventory	25,959	17,099
Prepaid expenses	594,113	118,416
Total Current Assets	1,792,713	3,421,446
Property and equipment, net	8,740,742	8,143,728
Promises to give, net	49,190	51,454
Split-interest agreements	4,980,666	4,509,411
Deferred rent asset	237,316	-
Tower rights, net	612,058	659,134
Restricted cash	3,729,628	2,749,731
Investments	11,897,916	14,554,527
Total Assets	\$ 32,040,229	\$ 34,089,431
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ 2,072,239	\$ 2,312,239
Capital leases payable	-	4,279
Note payable	73,824	-
Accounts payable	438,446	206,070
Accrued liabilities	706,589	691,759
Deferred revenue	214,759	183,490
Total Current Liabilities	3,505,857	3,397,837
Note payable	293,099	-
Total Liabilities	3,798,956	3,397,837
Net Assets		
Net assets without donor restrictions		
Undesignated	1,479,641	1,939,305
Net investment in property and equipment	6,301,580	5,827,210
Board-designated	11,609,448	13,758,724
Net assets without donor restrictions	19,390,669	21,525,239
Net assets with donor restrictions	8,850,604	9,166,355
Total Net Assets	28,241,273	30,691,594
Total Liabilities and Net Assets	\$ 32,040,229	\$ 34,089,431

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Activities

<i>Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Membership	\$ 5,155,870	\$ -	\$ 5,155,870
Grants	95,028	350,000	445,028
Federal funding	1,754,680	-	1,754,680
Program underwriting	1,485,134	-	1,485,134
Virtual Virginia	-	-	-
eMediaVA	1,075,000	-	1,075,000
School assessments	744,378	-	744,378
Community engagement funding	19,000	-	19,000
Education sales and fees	104,258	-	104,258
Broadcast contracts	207,473	-	207,473
Tower rental fees, net	824,558	-	824,558
Spectrum lease income	1,940,910	-	1,940,910
Production fees	16,726	-	16,726
Internet service provider and web design	134,080	-	134,080
Contributions- nonfinancial assets	211,016	-	211,016
Broadcast channel fees	127,832	-	127,832
Royalties and advertising	67,282	-	67,282
Transfer of board designated reserves	567,164	-	567,164
Net assets released from restrictions for operations	1,337,389	(1,337,389)	-
Total Operating Revenue	15,867,778	(987,389)	14,880,389
Operating Expenses			
Program services	11,329,118	-	11,329,118
Management and general	1,313,867	-	1,313,867
Fundraising and development	2,155,093	-	2,155,093
Total Operating Expenses excluding Depreciation	14,798,078	-	14,798,078
Change in Net Assets from Operations before Depreciation	1,069,700	(987,389)	82,311
Depreciation	936,298	-	936,298
Change in Net Assets from Operations	133,402	(987,389)	(853,987)
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	(3,076)	-	(3,076)
Bequests - board endowment contributions	109,952	-	109,952
Change in value of split interest agreements	-	416,004	416,004
FCC repack income (write-off)	(123,180)	-	(123,180)
Miscellaneous income	-	-	-
Gain on extinguishment of debt	-	-	-
Planning giving contributions	-	194,816	194,816
Investment income (loss), net	(1,684,504)	60,818	(1,623,686)
Transfer of board designated reserves	(567,164)	-	(567,164)
Net assets released from restrictions for capital	-	-	-
Total Nonoperating Revenue (Expense)	(2,267,972)	671,638	(1,596,334)
Change in Net Assets	(2,134,570)	(315,751)	(2,450,321)
Net Assets, beginning of year	21,525,239	9,166,355	30,691,594
Net Assets, end of year	\$ 19,390,669	\$ 8,850,604	\$ 28,241,273

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
Contributions- nonfinancial assets	-	-	-
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 (write-off)	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 (loss), 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 (Expense)	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 Functional Expenses

Year Ended June 30, 2022	Program Services			Management Fundraising and and General Development		Total
	Content	Education	Engineering	and General	Development	
Salaries and wages	\$ 2,980,164	\$ 1,032,471	\$ 1,170,155	\$ 761,741	\$ 943,781	\$ 6,888,312
Payroll taxes	218,887	78,180	83,302	50,269	69,577	500,215
Retirement	103,957	39,422	37,037	27,915	34,437	242,768
Employee benefits	356,609	113,631	156,422	23,113	95,100	744,875
Total Personnel	3,659,617	1,263,704	1,446,916	863,038	1,142,895	8,376,170
Amortization	-	-	47,076	-	-	47,076
Computer maintenance contracts	121,424	5,405	347,414	-	-	474,243
Conferences, seminars and training	20,809	26,665	3,500	49,250	2,925	103,149
Contributions	-	15,777	-	-	-	15,777
Consultant fees	74,431	20,234	85,217	13,818	156,404	350,104
Credit card and bank fees	165	74	-	9,921	183,940	194,100
Dues and licenses	25,992	4,125	600	27,360	16,582	74,659
Education software and licenses	-	60,202	-	-	-	60,202
Fundraising premiums	285	-	-	-	56,225	56,510
Hospitality and travel	18,307	10,864	4,147	20,736	24,392	78,446
Independent contractors	124,638	134,924	-	-	-	259,562
Insurance	86,025	29,705	34,012	20,287	26,865	196,894
Interest and taxes	-	-	8,909	43,561	-	52,470
Listing services and audience research	-	-	3,183	-	-	3,183
Loss on disposal of property and equipment	-	-	1,462	-	-	1,462
Marketing and advertising	85,540	1,540	1,008	-	811	88,899
Miscellaneous	-	-	-	-	-	-
NPR fees	594,229	-	-	-	-	594,229
Office lease	31,738	10,960	12,548	7,485	9,912	72,643
Paper, printing and stationery	168,609	3,191	4,791	1,203	40,960	218,754
Postage and shipping	88,146	841	9,213	74	282,054	380,328
Production costs	41,334	8,329	4,388	-	3,495	57,546
Professional fees	82,312	19,576	29,001	144,325	15,022	290,236
Program fees	313,072	17,259	-	-	-	330,331
Public Broadcasting Service fees	1,265,357	-	-	-	-	1,265,357
Repairs and maintenance	130,065	44,688	50,316	30,012	40,216	295,297
Streaming fees	-	-	1,436	-	516	1,952
Supplies and subscriptions	35,337	25,634	9,866	8,376	4,537	83,750
Telephone and bandwidth	139,172	49,350	52,858	32,564	93,036	366,980
Temporary services and graphic design	8,742	175	-	850	-	9,767
Utilities	173,891	60,046	68,752	41,007	54,306	398,002
Total expenses before depreciation	7,289,237	1,813,268	2,226,613	1,313,867	2,155,093	14,798,078
Depreciation	409,077	141,258	161,738	96,471	127,754	936,298
Total	\$ 7,698,314	\$ 1,954,526	\$ 2,388,351	\$ 1,410,338	\$ 2,282,847	\$ 15,734,376

See accompanying notes to financial statements.

Hampton Roads Educational Telecommunications Association, Inc.

Statements of Functional Expenses

Year Ended June 30, 2021	Program Services			Management Fundraising and and General Development		Total
	Content	Education	Engineering	and General	Development	
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
Amortization	20,245	7,533	8,004	4,708	6,591	47,081
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
Contributions	8,589	3,196	3,395	1,997	2,796	19,973
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	64	424	799	131,204
Miscellaneous	8,768	24,477	25,272	15,680	20,689	94,886
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	351	1,091	71,692	174,290
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	106,269	59,925	41,189	26,189	33,753	267,325
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 Cash Flows

Years Ended June 30,	2022	2021
Operating Activities		
Change in net assets	\$ (2,450,321)	\$ 7,268,585
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	936,298	929,616
Amortization of tower rights	47,076	47,081
Gain on extinguishment of debt	-	(1,608,268)
Non-cash interest expense	-	13,468
Promises to give write-off	184,873	-
Realized and unrealized loss (gain) on investments	1,897,590	(2,231,761)
Change in value of split-interest agreements	(416,004)	(236,456)
Donated property and equipment	(211,016)	-
Planned giving contributions	(194,816)	(1,712,938)
Cash received on contributions restricted for long-term purposes	(290,559)	(3,083,740)
Loss on disposal of property and equipment	1,462	16,777
Changes in value of operating assets and liabilities		
Accounts and underwriting receivables	72,448	61,490
Promises to give	1,346,324	3,538,376
Inventory	(8,860)	(3,825)
Prepaid expenses	(475,697)	67,246
Deferred rent asset	(237,316)	-
Accounts payable and accrued liabilities	240,441	(1,296,863)
Deferred revenue	31,269	(442,057)
Net Cash Provided by Operating Activities	473,192	1,326,731
Investing Activities		
Purchases of investments	(4,768,559)	(6,634,761)
Proceeds from sale of investments	5,527,580	6,319,831
Purchase of property and equipment	(914,663)	(1,705,687)
Proceeds from disposal of property and equipment	-	24,680
Net Cash Used in Investing Activities	(155,642)	(1,995,937)
Financing Activities		
Cash received from split-interest agreements	139,565	96,859
Repayments on line of credit	(240,000)	(2,243,730)
Cash received on contributions restricted for long-term purposes	290,559	3,083,740
Repayments on notes payable	(35,407)	-
Repayments on capital leases payable	(4,279)	(128,106)
Net Cash Provided by Financing Activities	150,438	808,763
Net Increase in Cash, Cash Equivalents, and Restricted Cash	467,988	139,557
Cash, Cash Equivalents, and Restricted Cash, beginning of year	3,715,030	3,575,473
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 4,183,018	\$ 3,715,030
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	453,390	965,299
Restricted cash	3,729,628	2,749,731
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 4,183,018	\$ 3,715,030
Supplemental Cash Flow Information		
Cash paid for interest	\$ 43,497	\$ 48,127
Supplemental Noncash Investing and Financing Activities		
Donation of property and equipment	\$ 211,016	\$ -
Property and equipment acquired through notes payable	\$ 402,330	\$ -
Property and equipment acquired through accounts payable	\$ 6,765	\$ 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 non-profit media organization serving more than 2.2 million citizens in eastern Virginia. 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); three non-commercial public radio stations - WHRO 90.3 FM and its associated digital channel (WHRO Digital), WHRV 89.5 FM and its associated digital channels (WHRV Digital and AltRadio); WFOS 88.7 & 99.3 FM, 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, WFOS, The Voice, and AltRadio. 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

Recently Adopted Authoritative Guidance

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure for Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires an entity to separately present and increase disclosures surrounding contributed nonfinancial assets. This ASU is effective for fiscal years beginning after June 15, 2021, and was adopted by WHRO in the year ended June 30, 2022 using the full retrospective approach. There was no change to beginning net assets on the financial statements associated with the implementation of ASU 2020-07.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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.

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 recorded an allowance for uncollectible accounts receivable of \$36,454 at June 30, 2021. There was no allowance for uncollectible accounts receivable at June 30, 2022 as management considers all underwriting receivables to be collectible at that date.

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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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	5-40 Years
Transmitters	5-20 Years
Radio equipment	5-30 Years
Engineering equipment	5-25 Years
Other equipment	3-20 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.

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

Hampton Roads Educational Telecommunications Association, Inc.

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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 \$88,899 and \$131,204 for the years ended June 30, 2022 and 2021, 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, management and general, or fundraising and development 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 \$1,912,000 and \$1,447,000 related to its unrelated business income at June 30, 2022 and 2021, respectively. Approximately \$1,202,000 of these loss carryforwards will begin to expire in tax year 2028 and \$710,000 are unlimited. Deferred tax assets were \$492,124 and \$372,518 at June 30, 2022 and 2021, 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 \$492,124 and \$372,518 at June 30, 2022 and 2021, respectively. The increase in the valuation allowance was \$119,606 and \$41,230 for the year ended June 30, 2022 and 2021, respectively. Returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for tax years prior to 2018. Management continually evaluates tax positions reflected in WHRO's tax filings and does not believe that any material uncertain tax positions exist.

Subsequent Events

Management has evaluated subsequent events through October 11, 2022, the date which the financial statements were available to be issued.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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 had 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 provided distinct performance obligations as stated in the contract. The transaction price was stated for each performance obligation within the contract and allocated accordingly at a standalone selling price. Revenue was recognized over time using the input method, under which revenue was recognized as time lapses over the course of the annual contract. Billing occurred monthly, with payment terms of 30 days. The Virtual Virginia contract ended during the year ended June 30, 2021.

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.

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, contributions, 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 (loss), 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.

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

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

<i>June 30,</i>	2022	2021
Revenue recognized over time		
Virtual Virginia	\$ -	\$ 3,256,334
eMediaVA	1,075,000	1,000,000
School assessments	744,378	707,648
Education sales and fees	104,258	142,040
Broadcast contracts	207,473	414,885
Internet service provider and web design	134,080	141,930
Broadcast channel fees	127,832	127,765
Revenue recognized at a point in time		
Program underwriting	1,485,134	1,217,919
Community engagement funding	19,000	433,120
Production fees	16,726	70,453
Royalties and advertising	67,282	43,122
Total	\$ 3,981,163	\$ 7,555,216

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>	2022	2021
Cash and cash equivalents	\$ 453,390	\$ 965,299
Accounts receivable, net	494,490	415,252
Underwriting receivables	197,261	348,947
Promises to give, net	76,690	1,607,887
Split-interest agreements	4,980,666	4,509,411
Restricted cash	3,729,628	2,749,731
Investments	11,897,916	14,554,527
Total Financial Assets	21,830,041	25,151,054
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions	(8,850,604)	(9,166,355)
Board-designated net assets	(11,609,448)	(13,758,724)
Endowment spending distributions	514,465	523,255
Total Financial Assets Available for General Expenditures within one year	\$ 1,884,454	\$ 2,749,230

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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 \$3,427,761 was available at June 30, 2022.

5. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	2022	2021
Amounts due within one year	\$ 27,500	\$ 1,556,433
Amounts due in more than one year but less than five years	50,000	52,500
Total promises to give	77,500	1,608,933
Less allowance for uncollectible promises to give	(55)	(244)
Less discounts to present value (1.02% - 1.91%)	(755)	(802)
Total Promises to Give, net	\$ 76,690	\$ 1,607,887

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

<i>June 30,</i>	2022	2021
Promises to give, net, current	\$ 27,500	\$ 1,556,433
Promises to give, net, other	49,190	51,454
Total Promises to Give, net	\$ 76,690	\$ 1,607,887

Promises to give are principally from donors in the Hampton Roads area. Two donors represented 92% of promises to give at June 30, 2021. One donor represented 97% of promises to give at June 30, 2022.

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, 2022 and 2021 was \$1,097,206 and \$917,343, respectively. WHRO received \$109,565 and \$96,859 from the trust in 2022 and 2021, 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 a decrease of \$289,428 and (\$21,673), for the change in value of the split-interest agreement for the years ended June 30, 2022 and 2021, respectively.

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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, 2022 and 2021. 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, 2022 and 2021 is \$1,921,875 and \$1,633,023, respectively. WHRO recorded an increase of \$318,852 and \$12,021 for the change in value of the split-interest agreement for the years ended June 30, 2022 and 2021, respectively. WHRO received \$30,000 from the second trust in 2022, 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.

WHRO is 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, 2022 and June 30, 2021 is \$1,766,769 and \$1,959,045, respectively. WHRO recorded a decrease and an increase in fair value of \$(192,276) and \$246,108 for the years ended June 30, 2022 and June 30, 2021, respectively. WHRO received \$41,443 from the trust in 2022, which was recorded as investment income in the statements of activities.

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 7.5% interest in the trust. The principal of this perpetual trust will remain intact. Annually, the trustee will distribute net income pro rata amongst the trust's beneficiaries. The fair value of the trust at June 30, 2022 was \$194,816. WHRO received \$7,500 from the trust in 2022, which was recorded as investment income in the statements of activities.

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.

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Tower rights are as follows:

<i>June 30,</i>	2022		2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tower rights	\$2,252,587	\$1,640,529	\$ 2,252,587	\$ 1,593,453

Future estimated amortization expense is as follows:

<i>Year ending June 30,</i>	
2023	\$ 47,081
2024	47,081
2025	47,081
2026	47,081
2027	47,081
Thereafter	376,653
Total	\$ 612,058

8. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2022	2021
Land	\$ 377,677	\$ 377,677
Buildings and improvements	5,555,668	5,492,299
Antennas and towers	3,989,687	4,068,347
Transmitters	3,317,164	3,314,787
Radio equipment	2,406,976	2,586,761
Engineering equipment	4,162,284	6,085,283
Other equipment	6,351,793	5,937,995
Construction in progress	242,541	25,499
	26,403,790	27,888,648
Less accumulated depreciation	(17,663,048)	(19,744,920)
Property and Equipment, net	\$ 8,740,742	\$ 8,143,728

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

9. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	2022	2021
Interest and dividends, net	\$ 273,904	\$ 204,867
Realized gain on investments	79,581	283,592
Unrealized gain (loss) on investments	(1,977,171)	1,948,169
Total Net Investment Income (Loss)	\$ (1,623,686)	\$ 2,436,628

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.

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, 2022</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 315,249	\$ -	\$ -	\$ 315,249
Fixed income bonds				
US	-	3,538,335	-	3,538,335
Global	-	190,593	-	190,593
Equity funds				
US	5,924,594	-	-	5,924,594
Global	256,811	-	-	256,811
International	764,139	-	-	764,139
Hedge funds	908,195	-	-	908,195
Total investments	\$8,168,988	\$ 3,728,928	\$ -	\$11,897,916
Split-interest agreements	\$ -	\$ -	\$ 4,980,666	\$ 4,980,666

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<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

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>	2022	2021
Fair value, beginning of year	\$ 4,509,411	\$ 2,656,876
Planned giving contributions	194,816	1,712,938
Cash received from split-interest agreements	(139,565)	(96,859)
Change in value of split-interest agreements	416,004	236,456
Fair value, end of year	\$ 4,980,666	\$ 4,509,411

11. Notes Payable

Line of Credit

WHRO has a \$5,500,000 line of credit with Bank of America and had a balance of \$2,072,239 and \$2,312,239 outstanding on the line at June 30, 2022 and 2021, respectively. Advances on the credit line are payable on demand, and the line of credit was renewed in the current year, with interest at a variable interest rate equal to the Daily Bloomberg Short Term Bank Yield Rate (BSBY) plus 1.25%, which was 2.83% at June 30, 2022. In the prior year, interest was at a variable rate equal to the 30-day London Inter-Bank Offered Rate (LIBOR), plus 1.25%, which was 1.34% June 30, 2021. The credit line is collateralized by all WHRO investment accounts held by Bank of America, is available through October 2022 and can be terminated at any time.

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Notes Payable

During the year ended June 30, 2021, WHRO's \$1,594,800 Paycheck Protection Program loan was forgiven in full including \$13,468 of interest and is reflected in gain on extinguishment of debt in the statements of activities.

<i>June 30,</i>	2022	2021
Equipment loan payable in monthly installments of \$7,965, including interest of 5.55%. The note matures on December 1, 2026 and is secured by equipment.	\$ 366,923	\$ -
Less current portion	(73,824)	-
Total Long-Term Note Payable	\$ 293,099	\$ -

Future maturities of the long-term note payable are as follows:

<i>Years ending June 30,</i>		
2023	\$	73,824
2024		78,028
2025		82,472
2026		87,170
2027		45,429
	\$	366,923

12. Capital Lease Payable

WHRO acquired \$735,169 of computer and copier equipment using capital leases with terms of three years and an imputed interest rate of 8.03%. At June 30, 2021, this capital lease payable totaled \$4,279, including interest of \$28. This capital lease was paid off during the year ended June 30, 2022.

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.

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

<i>June 30,</i>	2022	2021
Operating	\$ 9,511,055	\$ 11,225,385
Arts	1,160,652	1,371,501
Education	937,741	1,161,838
Total Board-Designated Net Assets	\$ 11,609,448	\$ 13,758,724

14. Net Assets with Donor Restrictions

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

<i>June 30,</i>	2022	2021
Restricted for specific purpose or time		
Education	\$ 3,314,700	\$ 3,539,561
Time	3,019,081	2,550,366
Journalism	258,354	139,550
Programming	-	680,949
Total restricted for specific purpose or time	6,592,135	6,910,426
Restricted in perpetuity		
Education	100,000	100,000
Programming	1,986,585	1,984,045
Operations	171,884	171,884
Total restricted in perpetuity	2,258,469	2,255,929
Total Net Assets with Donor Restrictions	\$ 8,850,604	\$ 9,166,355

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>	2022	2021
Education	\$ 228,862	\$ 656,959
Time	139,564	146,858
Journalism	231,196	10,450
Programming	730,892	1,000
Operations	6,875	6,875
Property and equipment	-	5,327
Total Net Assets Released from Restrictions	\$ 1,337,389	\$ 827,469

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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>	2022	2021
Net assets released for operations	\$ 1,337,389	\$ 776,893
Net assets released for capital	-	50,576
Total Net Assets Released from Restrictions	\$ 1,337,389	\$ 827,469

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, 2022 and 2021, 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

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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. 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, 2022 and 2021.

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

<i>June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,609,448	\$ -	\$ 11,609,448
Amounts required to be maintained in perpetuity by donor	-	2,258,469	2,258,469
Total Endowment Funds	\$ 11,609,448	\$ 2,258,469	\$ 13,867,917

<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

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Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Contributions	106,876	2,540	109,416
Investment return (loss), net	(1,688,988)	60,818	(1,628,170)
Expenditures	(567,164)	(60,818)	(627,982)
Balance, June 30, 2022	\$ 11,609,448	\$ 2,258,469	\$ 13,867,917

17. Contributions of Nonfinancial Assets

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. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by WHRO.

The estimated fair market value of contributed nonfinancial assets included in the statements of activities are as follows:

<i>Years ending June 30,</i>	2022	2021
Property and equipment	\$ 211,016	\$ -
Total Contributions - Nonfinancial Assets	\$ 211,016	\$ -

All donated assets were utilized in WHRO's program services, management and general, and fundraising and development. There were no donor-imposed restrictions associated with the donated assets. Donated property and equipment was recorded at the estimated fair value based on comparable purchases made by WHRO and the estimated replacement value of the assets.

18. 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 FCC repack write-off of \$123,180 in the statements of activities for the year ended June 30,

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

2022. WHRO recorded FCC repack income of \$1,008,692 in the statements of activities for the year ended June 30, 2021. For expenditures incurred but not yet reimbursed WHRO recorded a promise to give of \$472,933 in the statements of financial position at June 30, 2021. There was no outstanding balance on the promise to give at June 30, 2022.

19. 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, 2022 and 2021, WHRO recognized \$824,558 and \$768,748, respectively, of tower rental fees related to these agreements. This amount is shown net of shared rent of \$97,262 and \$91,636 for the years ended June 30, 2022 and 2021, respectively.

In July 2018, WHRO amended their channels lease agreements with terms through September 2036. 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, 2022 and 2021, WHRO recognized \$1,940,910 and \$1,940,856, respectively, of Spectrum lease income related to this agreement.

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,

2023	\$ 2,515,021
2024	2,550,659
2025	2,587,020
2026	2,615,030
2027	2,538,059
Thereafter	27,373,021
Total	\$ 40,178,810

20. 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. Included in the statements of functional expense is expense of \$64,362 and \$57,162 for years ended June 30, 2022 and 2021, respectively, attributable to these operating leases. Minimum future annual rent commitments under these agreements are summarized as follows:

Year ending June 30,

2023	\$ 57,162
2024	55,195
2025	49,308
Total	\$ 161,665

Hampton Roads Educational Telecommunications Association, Inc.

Notes to Financial Statements

21. 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, 2022 and 2021 totaled \$242,768 and \$227,433, respectively.

22. 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.

23. Reclassifications

Certain amounts in the 2021 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 11, 2022

Hampton Roads Educational Telecommunications Association, Inc.

Supplementary Statement of Activities for Annual Financial Report (AFR)

Year Ended June 30, 2022	FM	TV	Total
Operating Revenue			
Membership	\$ 2,575,435	\$ 2,580,435	\$ 5,155,870
Grants	222,514	222,514	445,028
Federal funding	404,496	1,350,184	1,754,680
Program underwriting	1,157,603	327,531	1,485,134
eMediaVA	537,500	537,500	1,075,000
School assessments	372,189	372,189	744,378
Community engagement funding	9,500	9,500	19,000
Education sales and fees	52,129	52,129	104,258
Broadcast contracts	113,740	93,733	207,473
Tower rental fees, net	412,279	412,279	824,558
Spectrum lease income	970,455	970,455	1,940,910
Production fees	5,863	10,863	16,726
Internet service provider and web design	66,790	67,290	134,080
Contributions- nonfinancial assets	211,016	-	211,016
Broadcast channel fees	63,446	64,386	127,832
Royalties and advertising	33,641	33,641	67,282
Transfer of board designated reserves	283,582	283,582	567,164
Total Operating Revenue	7,492,178	7,388,211	14,880,389
Operating Expenses			
Program services	5,746,939	5,582,179	11,329,118
Management and general	657,021	656,846	1,313,867
Fundraising and development	1,077,688	1,077,405	2,155,093
Total Operating Expenses excluding Depreciation	7,481,648	7,316,430	14,798,078
Change in Net Assets from Operations before Depreciation	10,530	71,781	82,311
Depreciation	468,149	468,149	936,298
Change in Net Assets from Operations	(457,619)	(396,368)	(853,987)
Nonoperating Revenue (Expense)			
Capital campaign contributions, net	(1,538)	(1,538)	(3,076)
Bequests - board endowment contributions	54,976	54,976	109,952
Change in value of split interest agreements	208,002	208,002	416,004
FCC repack income (write off)	(61,590)	(61,590)	(123,180)
Planned giving contributions	97,408	97,408	194,816
Investment income, net	(811,843)	(811,843)	(1,623,686)
Transfer of board designated reserves	(283,582)	(283,582)	(567,164)
Total Nonoperating Revenue	(798,167)	(798,167)	(1,596,334)
Change in Net Assets	\$ (1,255,786)	\$ (1,194,535)	(2,450,321)
Net Assets, beginning of year			30,691,594
Net Assets, end of year			\$ 28,241,273

See independent auditor's report on supplementary information.

Hampton Roads Educational Telecommunications Association, Inc.

Supplementary Annual Financial Report (AFR) Schedule

Year Ended June 30, 2022	FM	TV	Total
AFR Revenue			
Federal Government Agencies	\$ 58	\$ 58	\$ 116
Public Broadcasting Entities	417,696	1,363,384	1,781,080
Local Boards and Department of Education			
NFFS Eligible	492,799	424,372	917,171
NFFS Ineligible	95,051	95,051	190,102
Total Local Boards and Department of Education	587,850	519,423	1,107,273
State Boards and Department of Education			
NFFS Eligible	646,023	611,699	1,257,722
NFFS Ineligible	-	-	-
Total State Boards and Department of Education	646,023	611,699	1,257,722
State Colleges and Universities			
NFFS Eligible	41,944	5,171	47,115
NFFS Ineligible	250	250	500
Total State Colleges and Universities	42,194	5,421	47,615
Private Colleges and Universities			
NFFS Eligible	38,073	5,200	43,273
NFFS Ineligible	33,841	33,841	67,682
Total Private Colleges and Universities	71,914	39,041	110,955
Foundations and Nonprofit Associations			
NFFS Eligible	728,791	262,401	991,192
NFFS Ineligible	66,487	71,486	137,973
Total Foundations and Nonprofit Associations	795,278	333,887	1,129,165
Business and Industry			
NFFS Eligible	460,096	248,802	708,898
NFFS Ineligible	429,757	430,696	860,453
Total Business and Industry	889,853	679,498	1,569,351
Membership and Subscriptions, net	2,575,435	2,580,435	5,155,870
Passive Income	2,243	2,243	4,486
Gain on Investments	208,002	208,002	416,004
In-kind contribution	211,016	-	211,016
Endowment Revenue	(814,086)	(814,086)	(1,628,172)
Capital Fund Contributions from Individuals	(1,538)	(1,538)	(3,076)
Gifts and Bequests	152,384	152,384	304,768
FCC Spectrum Repack	(61,590)	(61,590)	(123,180)
Other Direct Revenue	971,279	971,783	1,943,062
Total AFR Revenue	\$ 6,694,011	\$ 6,590,044	\$ 13,284,055
Statement of Activities Reconciliation			
Total Operating Revenue	\$ 7,492,178	\$ 7,388,211	\$ 14,880,389
Total Nonoperating Revenue	(798,167)	(798,167)	(1,596,334)
Total AFR Revenue	\$ 6,694,011	\$ 6,590,044	\$ 13,284,055

See independent auditor's report on supplementary information.