



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

**Financial Statements and Supplementary  
Information**

**Years Ended June 30, 2023 and 2022**

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

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Financial Statements and Supplementary Information  
Years Ended June 30, 2023 and 2022

# 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, 2023 and 2022, 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, 2023 and 2022, 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, P.C.

November 14, 2023

## Financial Statements

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# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Financial Position

<i>June 30,</i>	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,149,519	\$ 4,183,018
Accounts receivable	498,846	494,490
Underwriting receivables	214,292	197,261
Promises to give, net	610,056	27,500
Inventory	22,807	25,959
Prepaid expenses	436,356	594,113
<b>Total Current Assets</b>	<b>4,931,876</b>	<b>5,522,341</b>
Property and equipment, net	8,732,646	8,740,742
Right-of-use assets	105,125	-
Promises to give, net	686,396	49,190
Split-interest agreements	4,496,972	4,980,666
Contract asset	461,766	237,316
Tower rights, net	564,982	612,058
Investments	11,568,956	11,897,916
<b>Total Assets</b>	<b>\$ 31,548,719</b>	<b>\$ 32,040,229</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ -	\$ 2,072,239
Note payable	78,028	73,824
Operating lease liabilities	55,000	-
Accounts payable	466,678	438,446
Accrued liabilities	843,561	706,589
Deferred revenue	299,024	214,759
<b>Total Current Liabilities</b>	<b>1,742,291</b>	<b>3,505,857</b>
<b>Long-Term Liabilities</b>		
Note payable	215,071	293,099
Operating lease liabilities	50,125	-
<b>Total Liabilities</b>	<b>2,007,487</b>	<b>3,798,956</b>
<b>Net Assets</b>		
Net assets without donor restrictions		
Undesignated	710,573	1,479,641
Net investment in property and equipment	8,439,547	6,301,580
Board-designated	12,293,760	11,609,448
Net assets without donor restrictions	21,443,880	19,390,669
Net assets with donor restrictions	8,097,352	8,850,604
<b>Total Net Assets</b>	<b>29,541,232</b>	<b>28,241,273</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 31,548,719</b>	<b>\$ 32,040,229</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Activities

<i>Year Ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue</b>			
Membership	\$ 5,196,413	\$ -	\$ 5,196,413
Grants and contributions	127,051	768,000	895,051
Federal funding	1,915,803	-	1,915,803
Program underwriting	1,576,525	-	1,576,525
eMediaVA	1,500,000	-	1,500,000
School assessments	746,036	-	746,036
Community engagement funding	71,400	-	71,400
Education sales and fees	96,936	-	96,936
Broadcast contracts	588,459	-	588,459
Tower rental fees	892,602	-	892,602
Spectrum license income	1,940,968	-	1,940,968
Production fees	119,612	-	119,612
Contributions- nonfinancial assets	-	-	-
Royalties and advertising	77,167	-	77,167
Transfer of board designated reserves for operations	903,566	-	903,566
Net assets released from restrictions for operations	2,101,054	(2,101,054)	-
<b>Total Operating Revenue</b>	<b>17,853,592</b>	<b>(1,333,054)</b>	<b>16,520,538</b>
<b>Operating Expenses</b>			
Program services	14,189,203	-	14,189,203
Management and general	1,374,232	-	1,374,232
Fundraising and development	1,851,047	-	1,851,047
<b>Total Operating Expenses excluding Depreciation</b>	<b>17,414,482</b>	<b>-</b>	<b>17,414,482</b>
<b>Change in Net Assets from Operations before Depreciation</b>	<b>439,110</b>	<b>(1,333,054)</b>	<b>(893,944)</b>
Depreciation	982,011	-	982,011
<b>Change in Net Assets from Operations</b>	<b>(542,901)</b>	<b>(1,333,054)</b>	<b>(1,875,955)</b>
<b>Nonoperating Revenue (Expense)</b>			
Capital campaign contributions, net	1,291,608	856,697	2,148,305
Bequests - board endowment contributions	781,247	-	781,247
Change in value of split interest agreements	-	(358,548)	(358,548)
FCC repack write-off	-	-	-
Planned giving contributions	-	-	-
Investment income (loss), net	1,407,122	101,354	1,508,476
Transfer of board designated reserves for operations	(903,566)	-	(903,566)
Net assets released from restrictions for capital	19,701	(19,701)	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>2,596,112</b>	<b>579,802</b>	<b>3,175,914</b>
<b>Change in Net Assets</b>	<b>2,053,211</b>	<b>(753,252)</b>	<b>1,299,959</b>
<b>Net Assets, beginning of year</b>	<b>19,390,669</b>	<b>8,850,604</b>	<b>28,241,273</b>
<b>Net Assets, end of year</b>	<b>\$ 21,443,880</b>	<b>\$ 8,097,352</b>	<b>\$ 29,541,232</b>

*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
<b>Operating Revenue</b>			
Membership	\$ 5,155,870	\$ -	\$ 5,155,870
Grants and contributions	95,028	350,000	445,028
Federal funding	1,754,680	-	1,754,680
Program underwriting	1,485,134	-	1,485,134
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	469,385	-	469,385
Tower rental fees	921,820	-	921,820
Spectrum license income	1,940,910	-	1,940,910
Production fees	16,726	-	16,726
Contributions- nonfinancial assets	211,016	-	211,016
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)	-
<b>Total Operating Revenue</b>	<b>15,965,040</b>	<b>(987,389)</b>	<b>14,977,651</b>
<b>Operating Expenses</b>			
Program services	11,426,380	-	11,426,380
Management and general	1,313,867	-	1,313,867
Fundraising and development	2,155,093	-	2,155,093
<b>Total Operating Expenses excluding Depreciation</b>	<b>14,895,340</b>	<b>-</b>	<b>14,895,340</b>
<b>Change in Net Assets from Operations before Depreciation</b>	<b>1,069,700</b>	<b>(987,389)</b>	<b>82,311</b>
Depreciation	936,298	-	936,298
<b>Change in Net Assets from Operations</b>	<b>133,402</b>	<b>(987,389)</b>	<b>(853,987)</b>
<b>Nonoperating Revenue (Expense)</b>			
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 write-off	(123,180)	-	(123,180)
Planned 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	-	-	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>(2,267,972)</b>	<b>671,638</b>	<b>(1,596,334)</b>
<b>Change in Net Assets</b>	<b>(2,134,570)</b>	<b>(315,751)</b>	<b>(2,450,321)</b>
<b>Net Assets, beginning of year</b>	<b>21,525,239</b>	<b>9,166,355</b>	<b>30,691,594</b>
<b>Net Assets, end of year</b>	<b>\$ 19,390,669</b>	<b>\$ 8,850,604</b>	<b>\$ 28,241,273</b>

*See accompanying notes to financial statements.*

## Hampton Roads Educational Telecommunications Association, Inc.

### Statements of Functional Expenses

Year Ended June 30, 2023	Program Services			Management Fundraising and and General Development		Total
	Content	Education	Engineering	and General	Development	
Salaries and wages	\$ 3,651,729	\$ 1,221,625	\$ 1,376,529	\$ 748,560	\$ 955,884	\$ 7,954,327
Payroll taxes	264,536	89,744	98,120	46,879	68,830	568,109
Retirement	128,246	45,655	44,055	29,560	35,864	283,380
Employee benefits	472,029	134,108	185,118	30,976	98,194	920,425
<b>Total Personnel</b>	<b>4,516,540</b>	<b>1,491,132</b>	<b>1,703,822</b>	<b>855,975</b>	<b>1,158,772</b>	<b>9,726,241</b>
Amortization	-	-	47,076	-	-	47,076
Computer maintenance contracts	336,752	17,640	446,448	116	-	800,956
Conferences, seminars and training	57,443	52,089	5,045	22,989	13,267	150,833
Contributions	-	63,680	-	-	-	63,680
Consultant fees	11,026	-	10,013	176,971	157,424	355,434
Credit card and bank fees	96,534	31,921	36,394	18,276	24,742	207,867
Dues and licenses	30,460	3,423	394	47,912	17,463	99,652
Education software and licenses	-	57,471	-	-	-	57,471
Fundraising premiums	1,890	-	197	-	70,911	72,998
Hospitality and travel	30,834	17,357	6,705	46,258	54,438	155,592
Independent contractors	118,397	252,978	-	-	-	371,375
Insurance	96,624	31,649	36,163	18,168	24,595	207,199
Interest and taxes	55,505	18,325	30,187	10,519	14,240	128,776
Listing services and audience research	-	-	4,766	-	-	4,766
Loss on disposal of property and equipment	-	-	-	-	-	-
Marketing and advertising	167,209	560	-	-	1,000	168,769
NPR fees	647,708	-	-	-	-	647,708
Paper, printing and stationery	205,731	1,084	1,254	3,124	40,691	251,884
Postage and shipping	238,948	58,998	70,827	33,518	44,630	446,921
Production costs	41,606	13,904	-	53	4,085	59,648
Professional fees	113,616	33,939	37,472	18,825	25,485	229,337
Program fees	363,551	24,129	-	-	-	387,680
Public Broadcasting Service fees	1,277,911	-	-	-	-	1,277,911
Rent	37,056	12,068	111,633	6,928	9,378	177,063
Repairs and maintenance	150,811	49,047	54,856	27,559	37,324	319,597
Streaming fees	-	-	1,555	-	172	1,727
Supplies and subscriptions	39,977	39,308	18,200	12,683	7,184	117,352
Telephone and bandwidth	141,672	47,249	50,920	27,349	82,972	350,162
Temporary services and graphic design	3,196	1,090	813	1,009	-	6,108
Utilities	242,725	80,135	91,565	46,000	62,274	522,699
<b>Total expenses before depreciation</b>	<b>9,023,722</b>	<b>2,399,176</b>	<b>2,766,305</b>	<b>1,374,232</b>	<b>1,851,047</b>	<b>17,414,482</b>
Depreciation	456,013	150,552	172,027	86,424	116,995	982,011
<b>Total</b>	<b>\$ 9,479,735</b>	<b>\$ 2,549,728</b>	<b>\$ 2,938,332</b>	<b>\$ 1,460,656</b>	<b>\$ 1,968,042</b>	<b>\$ 18,396,493</b>

*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
<b>Total Personnel</b>	<b>3,659,617</b>	<b>1,263,704</b>	<b>1,446,916</b>	<b>863,038</b>	<b>1,142,895</b>	<b>8,376,170</b>
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
NPR fees	594,229	-	-	-	-	594,229
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
Rent	31,738	10,960	109,810	7,485	9,912	169,905
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
<b>Total expenses before depreciation</b>	<b>7,289,237</b>	<b>1,813,268</b>	<b>2,323,875</b>	<b>1,313,867</b>	<b>2,155,093</b>	<b>14,895,340</b>
Depreciation	409,077	141,258	161,738	96,471	127,754	936,298
<b>Total</b>	<b>\$ 7,698,314</b>	<b>\$ 1,954,526</b>	<b>\$ 2,485,613</b>	<b>\$ 1,410,338</b>	<b>\$ 2,282,847</b>	<b>\$ 15,831,638</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Cash Flows

Years Ended June 30,	2023	2022
<b>Operating Activities</b>		
Change in net assets	\$ 1,299,959	\$ (2,450,321)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	982,011	936,298
Amortization of tower rights	47,076	47,076
Amortization of right-of-use assets	53,441	-
Promises to give write-off	-	184,873
Realized and unrealized loss (gain) on investments	(1,186,643)	1,897,590
Change in value of split-interest agreements	358,548	(416,004)
Donated property and equipment	-	(211,016)
Planned giving contributions	-	(194,816)
Cash received on contributions restricted for long-term purposes	-	(290,559)
Loss on disposal of property and equipment	-	1,462
Changes in value of operating assets and liabilities		
Accounts and underwriting receivables	(21,387)	72,448
Promises to give	(1,219,762)	1,346,324
Inventory	3,152	(8,860)
Prepaid expenses	157,757	(475,697)
Contract asset	(224,450)	(237,316)
Accounts payable and accrued liabilities	165,204	240,441
Operating lease liabilities	(53,441)	-
Deferred revenue	84,265	31,269
<b>Net Cash Provided by Operating Activities</b>	<b>445,730</b>	<b>473,192</b>
<b>Investing Activities</b>		
Purchases of investments	(6,007,563)	(4,768,559)
Proceeds from sale of investments	7,523,166	5,527,580
Purchase of property and equipment	(973,915)	(914,663)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>541,688</b>	<b>(155,642)</b>
<b>Financing Activities</b>		
Cash received from split-interest agreements	125,146	139,565
Repayments on line of credit	(2,072,239)	(240,000)
Cash received on contributions restricted for long-term purposes	-	290,559
Repayments on notes payable	(73,824)	(35,407)
Repayments on capital leases payable	-	(4,279)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(2,020,917)</b>	<b>150,438</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents</b>	<b>(1,033,499)</b>	<b>467,988</b>
<b>Cash, Cash Equivalents, beginning of year</b>	<b>4,183,018</b>	<b>3,715,030</b>
<b>Cash, Cash Equivalents, end of year</b>	<b>\$ 3,149,519</b>	<b>\$ 4,183,018</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 118,154	\$ 43,497
<b>Supplemental Noncash Investing and Financing Activities</b>		
Right-of-use assets from operating leases established during the year	\$ 158,566	\$ -
Lease liabilities from operating leases established during the year	\$ 158,566	\$ -
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

See accompanying notes to financial statements.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### 1. Nature of Organization

The Hampton Roads Educational Telecommunications Association, Inc. (WHRO) is a 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, WHRO Create and FNX); 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 Nassawaddox; 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 February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 replaced most existing accounting for lease guidance. ASU 2016-02 requires WHRO to record a right-of-use asset and a lease liability for WHRO's leases, including WHRO's leases currently treated as operating leases. WHRO adopted this standard beginning July 1, 2022, using the optional transition method. In addition, WHRO elected practical expedients permitted under the transition guidance within the new standard, which, among other things, allows it to carry forward historical lease classifications.

At the adoption date, WHRO recorded right-of-use assets and corresponding operating lease liabilities of \$158,566 in the statements of financial position. There was no adjustment to beginning net assets as a result of adoption.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### ***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.

### ***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. There was no allowance for uncollectible accounts receivable at June 30, 2023 and 2022, as management considers all 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

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### *Property and Equipment*

Property and equipment 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	3-30 Years
Engineering equipment	4-25 Years
Other equipment	3-20 Years

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### *Leases*

WHRO determines if an arrangement is a lease at contract inception. A lease exists when a contract conveys to a party the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The lease term at the commencement date includes any renewal options or termination options when it is reasonably certain that WHRO will exercise or will not exercise those options, respectively. WHRO recognizes a lease liability at the lease commencement date, discounted using the rate implicit in the lease or using the risk-free interest rate as a practical expedient when the implicit cannot be readily determined. A right-of-use lease asset is recognized based on the lease liability value adjusted for any prepaid lease payments, initial direct costs, or lease incentives.

Additionally, WHRO has elected to not separate lease and nonlease components for all asset classes. Further, any leases with an initial term of 12 months or less are not recorded on the statements of financial position but recognized as lease expense on a straight-line basis over the lease term. See Note 19 for more information on WHRO's leases.

### *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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### ***Deferred Revenue***

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

### ***Net Asset Classification***

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

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

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

### ***Operating Measure***

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

### ***Advertising***

Advertising costs are charged to operations when incurred and totaled \$168,769 and \$88,899 for the years ended June 30, 2023 and 2022, 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.



# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### *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 \$2,067,000 and \$1,912,000 related to its unrelated business income at June 30, 2023 and 2022, respectively. Approximately \$1,165,000 of these loss carryforwards will begin to expire in tax year 2028 and \$902,000 are unlimited. Deferred tax assets were \$531,953 and \$492,124 at June 30, 2023 and 2022, 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 \$531,953 and \$492,124 at June 30, 2023 and 2022, respectively. The increase in the valuation allowance was \$39,829 and \$119,606 for the year ended June 30, 2023 and 2022, 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 2019. 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 November 14, 2023, the date which the financial statements were available to be issued.

## **3. Revenue Recognition**

WHRO generates revenue primarily from program underwriting, eMediaVA, and spectrum license income. 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.

### *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

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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.

### *Spectrum license income*

The Federal Communications Commission (FCC) granted broadband spectrum licenses to WHRO. Under the arrangement, WHRO has approval from the FCC on multiple De Facto Transfer leases, whereby WHRO retains legal control of the license, but is able to grant usage to third-party customers for a fixed period of time. Each contract consists of one distinct performance obligation to provide the customer the benefit of leased spectrum. As the nature of the license access allows the customer to benefit from the license over the term of the contract, revenue is recognized ratably over the contractual term. The amount of monthly billing is determined based on each agreement's payment schedule and includes an upfront payment that is recognized ratably over the contractual term. This timing difference in billings and revenue recognition results in a contract asset on the statements of financial position.

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 and contributions, federal funding, and change in value of split-interest agreements which are all within the scope of Topic 958, *Not-for-Profit Entities*. Investment income (loss), and tower rental fees, would also be an exception to ASC Topic 606, as these streams fall within the scopes of ASC Topics 320, 321 and 842.

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>	<b>2023</b>	<b>2022</b>
Revenue recognized over time		
eMediaVA	<b>\$ 1,500,000</b>	\$ 1,075,000
School assessments	<b>746,036</b>	744,378
Education sales and fees	<b>96,936</b>	104,258
Broadcast contracts	<b>588,459</b>	469,385
Spectrum license income	<b>1,940,968</b>	1,940,910
Revenue recognized at a point in time		
Program underwriting	<b>1,576,525</b>	1,485,134
Community engagement funding	<b>71,400</b>	19,000
Production fees	<b>119,612</b>	16,726
Royalties and advertising	<b>77,167</b>	67,282
<b>Total</b>	<b>\$ 6,717,103</b>	\$ 5,922,073

# 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>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 3,149,519	\$ 4,183,018
Accounts receivable	498,846	494,490
Underwriting receivables	214,292	197,261
Promises to give, net	1,296,452	76,690
Split-interest agreements	4,496,972	4,980,666
Investments	11,568,956	11,897,916
<b>Total Financial Assets</b>	<b>21,225,037</b>	<b>21,830,041</b>
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions	(8,097,352)	(8,850,604)
Board-designated net assets	(12,293,760)	(11,609,448)
Endowment spending distributions	533,544	514,465
<b>Total Financial Assets Available for General Expenditures within one year</b>	<b>\$ 1,367,469</b>	<b>\$ 1,884,454</b>

As part of WHRO's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, WHRO has a \$5,500,000 line of credit of which was unused at June 30, 2023.

### 5. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Amounts due within one year	\$ 610,056	\$ 27,500
Amounts due in more than one year but less than five years	764,500	50,000
Total promises to give	1,374,556	77,500
Less allowance for uncollectible promises to give	(30,515)	(55)
Less discounts to present value (1.02% - 3.56%)	(47,589)	(755)
<b>Total Promises to Give, net</b>	<b>\$ 1,296,452</b>	<b>\$ 76,690</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Promises to give, net, current	\$ 610,056	\$ 27,500
Promises to give, net, other	686,396	49,190
<b>Total Promises to Give, net</b>	<b>\$ 1,296,452</b>	<b>\$ 76,690</b>

Promises to give are principally from donors in the Hampton Roads area. One donor represented 97% of promises to give at June 30, 2022. Four donors represented 78% of promises to give at June 30, 2023.

### 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, 2023 and 2022 was \$851,729 and \$1,097,206, respectively. WHRO received \$125,146 and \$109,565 from the trust in 2023 and 2022, 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 of \$120,331 and an increase of 289,428, for the change in value of the split-interest agreement for the years ended June 30, 2023 and 2022, 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, 2023 and 2022. 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, 2023 and 2022 is \$1,950,112 and \$1,921,875, respectively. WHRO recorded an increase of \$28,237 and \$318,852 for the change in value of the split-interest agreement for the years ended June 30, 2023 and 2022, 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. No distributions were received during the year ended June 30, 2023.

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, 2023 and

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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June 30, 2022 is \$1,500,315 and \$1,766,769, respectively. WHRO recorded a decrease in fair value of \$266,454 and \$192,276 for the years ended June 30, 2023 and June 30, 2022, respectively. WHRO received \$78,400 and \$41,443 from the trust in 2023 and 2022, respectively, which was recorded as investment income in the statements of activities.

During 2022, WHRO became the income beneficiary of a second 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, 2023 and June 30, 2022 is \$194,816. WHRO received \$11,078 and \$7,500 from the trust in 2023 and 2022, respectively, 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.

Tower rights are as follows:

<i>June 30,</i>	2023		2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tower rights	\$2,252,587	\$1,687,605	\$2,252,587	\$1,640,529

Future estimated amortization expense is as follows:

<i>Year ending June 30,</i>	
2024	\$ 47,081
2025	47,081
2026	47,081
2027	47,081
2028	47,081
Thereafter	329,577
<b>Total</b>	<b>\$ 564,982</b>

# 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>	<b>2023</b>	<b>2022</b>
Land	\$ 377,677	\$ 377,677
Buildings and improvements	5,813,219	5,555,668
Antennas and towers	3,989,687	3,989,687
Transmitters	3,317,164	3,317,164
Radio equipment	2,288,106	2,406,976
Engineering equipment	3,053,109	4,162,284
Other equipment	6,274,972	6,351,793
Construction in progress	26,822	242,541
	<b>25,140,756</b>	<b>26,403,790</b>
Less accumulated depreciation	<b>(16,408,110)</b>	<b>(17,663,048)</b>
<b>Property and Equipment, net</b>	<b>\$ 8,732,646</b>	<b>\$ 8,740,742</b>

### 9. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	<b>2023</b>	<b>2022</b>
Interest and dividends, net	\$ 321,833	\$ 273,904
Realized gain (loss) on investments	(50,077)	79,581
Unrealized gain (loss) on investments	1,236,720	(1,977,171)
<b>Total Net Investment Income (Loss)</b>	<b>\$ 1,508,476</b>	<b>\$ (1,623,686)</b>

### 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, 2023</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 192,862	\$ -	\$ -	\$ 192,862
Fixed income bonds				
US	-	3,213,486	-	3,213,486
Global	-	149,585	-	149,585
Equity funds				
US	6,102,362	-	-	6,102,362
Global	265,913	-	-	265,913
International	926,588	-	-	926,588
Hedge funds	718,160	-	-	718,160
<b>Total investments</b>	<b>\$8,205,885</b>	<b>\$ 3,363,071</b>	<b>\$ -</b>	<b>\$11,568,956</b>
Split-interest agreements	\$ -	\$ -	\$ 4,496,972	\$ 4,496,972

<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
<b>Total investments</b>	<b>\$ 8,168,988</b>	<b>\$ 3,728,928</b>	<b>\$ -</b>	<b>\$11,897,916</b>
Split-interest agreements	\$ -	\$ -	\$ 4,980,666	\$ 4,980,666

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>	2023	2022
Fair value, beginning of year	\$ 4,980,666	\$ 4,509,411
Planned giving contributions	-	194,816
Cash received from split-interest agreements	(125,146)	(139,565)
Change in value of split-interest agreements	(358,548)	416,004
<b>Fair value, end of year</b>	<b>\$ 4,496,972</b>	<b>\$ 4,980,666</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### 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 outstanding on the line at June 30, 2022. There was no balance outstanding as of June 30, 2023. Advances on the credit line are payable on demand with interest accruing at a variable interest rate equal to the Daily Bloomberg Short Term Bank Yield Rate (BSBY) plus 1.25%, which was 6.47% and 2.83% at June 30, 2023 and 2022, respectively. The credit line is collateralized by all WHRO investment accounts held by Bank of America, is available through October 2024, and can be terminated at any time.

#### *Notes Payable*

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
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.	\$ 293,099	\$ 366,923
Less current portion	(78,028)	(73,824)
<b>Total Long-Term Note Payable</b>	<b>\$ 215,071</b>	<b>\$ 293,099</b>

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

#### *Years ending June 30,*

2024	\$ 78,028
2025	82,472
2026	87,170
2027	45,429
	<b>\$ 293,099</b>

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### 12. Board-Designated Net Assets

Board-designated net assets include quasi-endowment funds which consists of unrestricted income which the board has designated for program and supporting services use. These quasi-endowment funds follow the spending policy of WHRO endowments as discussed in Note 15. Since all board-designated net assets result from an internal designation, they are not considered net assets with donor restrictions, but are classified and reported as net assets without donor restrictions.



# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Operating	\$ 8,171,054	\$ 9,511,055
Arts	1,252,340	1,160,652
Education	1,001,463	937,741
Journalism	1,868,903	-
<b>Total Board-Designated Net Assets</b>	<b>\$ 12,293,760</b>	<b>\$ 11,609,448</b>

### 13. Net Assets with Donor Restrictions

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Restricted for specific purpose or time		
Education	\$ 1,870,419	\$ 3,314,700
Time	3,658,537	3,019,081
Journalism	576,381	258,354
<b>Total restricted for specific purpose or time</b>	<b>6,105,337</b>	<b>6,592,135</b>
Restricted in perpetuity		
Education	100,000	100,000
Programming	1,720,131	1,986,585
Operations	171,884	171,884
<b>Total restricted in perpetuity</b>	<b>1,992,015</b>	<b>2,258,469</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 8,097,352</b>	<b>\$ 8,850,604</b>

### 14. Net Assets Released from Restrictions

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

<i>Years ended June 30,</i>	<b>2023</b>	<b>2022</b>
Education	\$ 1,498,280	\$ 228,862
Time	125,148	139,564
Journalism	399,974	231,196
Programming	90,478	730,892
Operations	6,875	6,875
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 2,120,755</b>	<b>\$ 1,337,389</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>Years ended June 30,</i>	<b>2023</b>	<b>2022</b>
Net assets released for operations	\$ 2,101,054	\$ 1,337,389
Net assets released for capital	19,701	-
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 2,120,755</b>	<b>\$ 1,337,389</b>

### 15. Endowments

WHRO's endowment consists primarily of funds designated by its Board of Directors as well as donor-restricted endowment funds and are classified and reported based on the existence or absence of donor-imposed restrictions. WHRO's policy is to designate all unrestricted bequests to their board endowment.

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, WHRO retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by WHRO in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WHRO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purpose of WHRO and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of WHRO;
- (7) The investment policies of WHRO.

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

WHRO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WHRO must hold in perpetuity or for a donor-specified period as well as board-designated funds. To satisfy its long-term rate-of-return objectives, WHRO relies on a total return strategy in which investment returns are achieved through both capital appreciation

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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(realized and unrealized) and current yield (interest and dividends). WHRO targets a diversified asset allocation that places a greater emphasis on fixed income and equity investments to achieve its long-term objective within prudent risk constraints. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. WHRO expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

### **Spending Policy**

WHRO's policy on their endowment funds is to appropriate for distribution 4% of a trailing twelve-quarter moving average of the fair value of the pool for the period ending on the previous December 31. Spending under the policy must not invade the historical dollar value of the endowment unless specifically authorized by agreement with the donor. The Board of Directors, or the Executive Committee, must specifically authorize exceptions to the policy with respect to board endowment funds. 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, 2023 and 2022.

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

<i>June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 12,293,760	\$ -	\$ 12,293,760
Amounts required to be maintained in perpetuity by donor	-	1,992,015	1,992,015
<b>Total Endowment Funds</b>	<b>\$ 12,293,760</b>	<b>\$ 1,992,015</b>	<b>\$ 14,285,775</b>

  

<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
<b>Total Endowment Funds</b>	<b>\$ 11,609,448</b>	<b>\$ 2,258,469</b>	<b>\$ 13,867,917</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2021	\$ 13,758,724	\$ 2,255,929	\$ 16,014,653
Contributions	106,876	2,540	109,416
Investment return, 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
Contributions	2,072,856	(266,454)	1,806,402
Investment return, net	1,398,881	101,354	1,500,235
Expenditures	(2,787,425)	(101,354)	(2,888,779)
Balance, June 30, 2023	<b>\$ 12,293,760</b>	<b>\$ 1,992,015</b>	<b>\$ 14,285,775</b>

### 16. 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>	<b>2023</b>	<b>2022</b>
Property and equipment	\$ -	\$ 211,016
<b>Total Contributions - Nonfinancial Assets</b>	<b>\$ -</b>	<b>\$ 211,016</b>

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.

### 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 recorded a FCC repack write-off of \$123,180 in the statements of activities for the year ended June 30, 2022.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### 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. Most of these arrangements include one or more options to renew, with renewal terms that can extend the lease term 5 years or more. These leases do not contain any buyback agreements. WHRO allows the use of existing towers that are part of the Instructional Television Fixed Services (ITFS) system. During the years ended June 30, 2023 and 2022, WHRO recognized \$892,602 and \$921,820, respectively, of tower rental fees related to these agreements.

Minimum future annual rentals to be received under current arrangements, for the next five years and thereafter are summarized as follows:

*Year ending June 30,*

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2024	\$ 660,200
2025	640,816
2026	565,204
2027	520,886
2028	498,342
Thereafter	5,179,746
<b>Total</b>	<b>\$ 8,065,194</b>

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### 19. Leases

WHRO leases facilities and equipment under fixed payment terms ranging from month-to-month to 5 years. WHRO also leases land from related party school divisions under leases that contains variable lease payments not dependent on a rate or index. Such variable payments that do not depend on an index or a rate, are generally not included in the consideration of the contract when determining the right-of-use asset and lease liability but are recognized as incurred. WHRO's lease agreements do not contain any material residual value guarantees or material restrictive covenants. There are no significant leases that have not yet commenced but create significant rights and obligations for WHRO.

WHRO recorded rent within the statements of functional expenses as follows:

<i>June 30, 2023</i>	Classification	
Operating lease cost		
Fixed rent expense	Rent expense	\$ 53,796
Fixed rent expense	Repairs and maintenance	3,372
Short-term lease cost	Rent expense	25,452
Variable lease payments	Rent expense	97,815
<b>Total Lease Cost</b>		<b>\$ 180,435</b>

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# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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Weighted average lease terms and discounts used are as follows:

*June 30, 2023*

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Weighted average remaining lease term	1.9 years
Weighted-average discount rate	2.9%

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Future payments due under operating leases at June 30, 2023 are as follows:

*June 30,*

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2024	\$ 57,168
2025	50,718
Total lease payments	107,886
Less imputed interest	(2,761)
Total lease liabilities	105,125
Less current portion of lease liabilities	(55,000)
<b>Total Long-Term Lease Liabilities</b>	<b>\$ 50,125</b>

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Under ASC Topic 840, rent expense was \$64,362 in 2022 for operating leases with initial terms greater than one year. The following table provides the minimum future annual rent commitments under these agreements in accordance with ASC Topic 840.

Minimum future annual rent commitments under these agreements at June 30, 2022 were as follows:

*Year ending June 30,*

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2023	\$ 57,162
2024	55,195
2025	49,308
<b>Total</b>	<b>\$ 161,665</b>

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## 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, 2023 and 2022 totaled \$283,380 and \$242,768 respectively.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### **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. Reclassifications**

Certain amounts in the 2022 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, P.C.*

November 14, 2023

# Hampton Roads Educational Telecommunications Association, Inc.

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

<i>Year Ended June 30, 2023</i>	FM	TV	Total
<b>Operating Revenue</b>			
Membership	\$ 2,595,706	\$ 2,600,707	\$ 5,196,413
Grants and contributions	833,176	61,875	895,051
Federal funding	453,774	1,462,029	1,915,803
Program underwriting	1,139,528	436,997	1,576,525
eMediaVA	750,000	750,000	1,500,000
School assessments	373,018	373,018	746,036
Community engagement funding	38,825	32,575	71,400
Education sales and fees	48,468	48,468	96,936
Broadcast contracts	243,714	344,745	588,459
Tower rental fees	446,301	446,301	892,602
Spectrum license income	970,484	970,484	1,940,968
Production fees	56,056	63,556	119,612
Royalties and advertising	38,134	39,033	77,167
Transfer of board designated reserves	451,783	451,783	903,566
<b>Total Operating Revenue</b>	<b>8,438,967</b>	<b>8,081,571</b>	<b>16,520,538</b>
<b>Operating Expenses</b>			
Program services	7,251,584	6,937,619	14,189,203
Management and general	672,013	702,219	1,374,232
Fundraising and development	935,156	915,891	1,851,047
<b>Total Operating Expenses excluding Depreciation</b>	<b>8,858,753</b>	<b>8,555,729</b>	<b>17,414,482</b>
<b>Change in Net Assets from Operations before Depreciation</b>	<b>(419,786)</b>	<b>(474,158)</b>	<b>(893,944)</b>
Depreciation	491,005	491,006	982,011
<b>Change in Net Assets from Operations</b>	<b>(910,791)</b>	<b>(965,164)</b>	<b>(1,875,955)</b>
<b>Nonoperating Revenue (Expense)</b>			
Capital campaign contributions, net	2,148,305	-	2,148,305
Bequests - board endowment contributions	640,623	140,624	781,247
Change in value of split interest agreements	(179,274)	(179,274)	(358,548)
Investment income, net	754,238	754,238	1,508,476
Transfer of board designated reserves	(451,783)	(451,783)	(903,566)
<b>Total Nonoperating Revenue</b>	<b>2,912,109</b>	<b>263,805</b>	<b>3,175,914</b>
<b>Change in Net Assets</b>	<b>\$ 2,001,318</b>	<b>\$ (701,359)</b>	<b>1,299,959</b>
Net Assets, beginning of year			28,241,273
<b>Net Assets, end of year</b>			<b>\$ 29,541,232</b>

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

# Hampton Roads Educational Telecommunications Association, Inc.

## Supplementary Annual Financial Report (AFR) Schedule

Year Ended June 30, 2023	FM	TV	Total
<b>AFR Revenue</b>			
Public Broadcasting Entities	\$ 511,299	\$ 1,613,395	\$ 2,124,694
Local Boards and Department of Education			
NFFS Eligible	459,339	430,239	889,578
NFFS Ineligible	20,697	28,197	48,894
<b>Total Local Boards and Department of Education</b>	<b>480,036</b>	<b>458,436</b>	<b>938,472</b>
State Boards and Department of Education			
NFFS Eligible	987,560	908,224	1,895,784
NFFS Ineligible	628	628	1,256
<b>Total State Boards and Department of Education</b>	<b>988,188</b>	<b>908,852</b>	<b>1,897,040</b>
State Colleges and Universities			
NFFS Eligible	35,154	4,158	39,312
NFFS Ineligible	32,095	32,095	64,190
<b>Total State Colleges and Universities</b>	<b>67,249</b>	<b>36,253</b>	<b>103,502</b>
Private Colleges and Universities			
NFFS Eligible	46,400	6,420	52,820
NFFS Ineligible	34,096	34,096	68,192
<b>Total Private Colleges and Universities</b>	<b>80,496</b>	<b>40,516</b>	<b>121,012</b>
Foundations and Nonprofit Associations			
NFFS Eligible	952,016	210,954	1,162,970
NFFS Ineligible	58,399	59,298	117,697
<b>Total Foundations and Nonprofit Associations</b>	<b>1,010,415</b>	<b>270,252</b>	<b>1,280,667</b>
Business and Industry			
NFFS Eligible	375,357	239,999	615,356
NFFS Ineligible	489,053	489,993	979,046
<b>Total Business and Industry</b>	<b>864,410</b>	<b>729,992</b>	<b>1,594,402</b>
Membership and Subscriptions, net	2,470,666	2,475,667	4,946,333
Special fundraising activities	125,040	125,040	250,080
Passive Income	4,122	4,122	8,244
Loss on Investments	(179,274)	(179,274)	(358,548)
Endowment Revenue	750,117	750,117	1,500,234
Capital Fund Contributions from Individuals	2,148,305	-	2,148,305
Gifts and Bequests	1,058,623	140,624	1,199,247
Other Direct Revenue	971,384	971,384	1,942,768
<b>Total AFR Revenue</b>	<b>\$ 11,351,076</b>	<b>\$ 8,345,376</b>	<b>\$ 19,696,452</b>
<b>Statement of Activities Reconciliation</b>			
Total Operating Revenue	\$ 8,438,967	\$ 8,081,571	\$ 16,520,538
Total Nonoperating Revenue	2,912,109	263,805	3,175,914
<b>Total AFR Revenue</b>	<b>\$ 11,351,076</b>	<b>\$ 8,345,376</b>	<b>\$ 19,696,452</b>

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