



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

### **Financial Statements and Supplementary Information**

Years Ended June 30, 2024 and 2023

The report accompanying these financial statements was issued by  
BDO USA, P.C., a Virginia professional service corporation and the U.S. member of  
BDO International Limited, a UK company limited by guarantee.



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

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Financial Statements and Supplementary Information  
Years Ended June 30, 2024 and 2023

# 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, 2024 and 2023, 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, 2024 and 2023, 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.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



### ***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.*

December 12, 2024

## Financial Statements

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# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Financial Position

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 327,882	\$ 3,149,519
Accounts receivable	373,370	498,846
Underwriting receivables	288,834	214,292
Promises to give, net	2,811,054	610,056
Inventory	22,308	22,807
Prepaid expenses	448,112	436,356
<b>Total Current Assets</b>	<b>4,271,560</b>	<b>4,931,876</b>
Property and equipment, net	8,413,345	8,732,646
Right-of-use assets	402,280	105,125
Promises to give, net	464,927	686,396
Split-interest agreements	4,606,295	4,496,972
Contract asset	651,932	461,766
Tower rights, net	517,906	564,982
Investments	13,519,472	11,568,956
<b>Total Assets</b>	<b>\$ 32,847,717</b>	<b>\$ 31,548,719</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Note payable	\$ 82,472	\$ 78,028
Operating lease liabilities	82,694	55,000
Accounts payable	850,322	466,678
Accrued liabilities	885,541	843,561
Deferred revenue	191,045	299,024
<b>Total Current Liabilities</b>	<b>2,092,074</b>	<b>1,742,291</b>
<b>Long-Term Liabilities</b>		
Note payable	132,599	215,071
Operating lease liabilities	327,719	50,125
<b>Total Liabilities</b>	<b>2,552,392</b>	<b>2,007,487</b>
<b>Net Assets</b>		
Net assets without donor restrictions		
Undesignated	200,237	710,573
Net investment in property and equipment	8,198,274	8,439,547
Board-designated	13,705,008	12,293,760
Net assets without donor restrictions	22,103,519	21,443,880
Net assets with donor restrictions	8,191,806	8,097,352
<b>Total Net Assets</b>	<b>30,295,325</b>	<b>29,541,232</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,847,717</b>	<b>\$ 31,548,719</b>

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Activities

<i>Year Ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue</b>			
Membership	\$ 5,113,073	\$ -	\$ 5,113,073
Contributions, net	122,850	219,362	342,212
CPB funding	1,573,175	-	1,573,175
Program underwriting	1,284,799	-	1,284,799
eMediaVA	1,000,000	-	1,000,000
School assessments	916,650	-	916,650
Education sales and fees	110,268	-	110,268
Broadcast contracts	663,920	-	663,920
Tower rental fees	852,797	-	852,797
Spectrum license income	1,941,025	-	1,941,025
Production fees	85,552	-	85,552
Royalties and advertising	69,765	-	69,765
Transfer of board designated reserves for operations	957,837	-	957,837
Net assets released from restrictions for operations	2,651,871	(2,651,871)	-
<b>Total Operating Revenue</b>	<b>17,343,582</b>	<b>(2,432,509)</b>	<b>14,911,073</b>
<b>Operating Expenses</b>			
Program services	14,059,639	-	14,059,639
Management and general	1,043,879	-	1,043,879
Fundraising and development	1,923,357	-	1,923,357
<b>Total Operating Expenses</b> excluding Depreciation and Amortization	<b>17,026,875</b>	<b>-</b>	<b>17,026,875</b>
<b>Change in Net Assets from Operations</b> <b>before Depreciation and Amortization</b>	<b>316,707</b>	<b>(2,432,509)</b>	<b>(2,115,802)</b>
Depreciation and amortization	1,095,073	-	1,095,073
<b>Change in Net Assets from Operations</b>	<b>(778,366)</b>	<b>(2,432,509)</b>	<b>(3,210,875)</b>
<b>Nonoperating Revenue</b>			
Contributions to board endowments, net	509,469	2,558,369	3,067,838
Net assets released from time restrictions for board endowment	369,341	(369,341)	-
Change in value of split interest agreements	-	226,590	226,590
Investment income, net	1,517,032	111,345	1,628,377
Transfer of board designated reserves for operations	(957,837)	-	(957,837)
Net assets released from restrictions for capital	-	-	-
<b>Total Nonoperating Revenue</b>	<b>1,438,005</b>	<b>2,526,963</b>	<b>3,964,968</b>
<b>Change in Net Assets</b>	<b>659,639</b>	<b>94,454</b>	<b>754,093</b>
<b>Net Assets, beginning of year</b>	<b>21,443,880</b>	<b>8,097,352</b>	<b>29,541,232</b>
<b>Net Assets, end of year</b>	<b>\$ 22,103,519</b>	<b>\$ 8,191,806</b>	<b>\$ 30,295,325</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
Contributions, net	198,451	768,000	966,451
CPB 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
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
Royalties and advertising	77,167	-	77,167
Transfer of board designated reserves	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	14,142,127	-	14,142,127
Management and general	1,374,232	-	1,374,232
Fundraising and development	1,851,047	-	1,851,047
<b>Total Operating Expenses</b> excluding Depreciation and Amortization	<b>17,367,406</b>	<b>-</b>	<b>17,367,406</b>
<b>Change in Net Assets from Operations</b> <b>before Depreciation and Amortization</b>	<b>486,186</b>	<b>(1,333,054)</b>	<b>(846,868)</b>
Depreciation and amortization	1,029,087	-	1,029,087
<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</b>			
Contributions to board endowments, net	2,072,855	856,697	2,929,552
Net assets released from time restrictions for board endowment	-	-	-
Change in value of split interest agreements	-	(358,548)	(358,548)
Investment income, net	1,407,122	101,354	1,508,476
Transfer of board designated reserves	(903,566)	-	(903,566)
Net assets released from restrictions for capital	19,701	(19,701)	-
<b>Total Nonoperating Revenue</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 Functional Expenses

Year Ended June 30, 2024	Program Services			Management Fundraising and		Total
	Content	Education	Engineering	and General	Development	
Salaries and wages	\$ 3,806,791	\$ 1,528,430	\$ 1,261,400	\$ 454,047	\$ 1,144,753	\$ 8,195,421
Payroll taxes	266,929	114,566	93,798	32,374	86,014	593,681
Retirement	125,132	57,896	42,198	17,158	43,696	286,080
Employee benefits	367,749	144,043	150,642	31,540	92,420	786,394
Total Personnel	4,566,601	1,844,935	1,548,038	535,119	1,366,883	9,861,576
Computer maintenance contracts	204,215	101,719	138,586	144,182	62,824	651,526
Conferences, seminars and training	8,554	19,522	14,092	4,757	7,358	54,283
Contributions	-	24,489	-	-	-	24,489
Consultant fees	67,993	27,383	22,901	48,423	78,727	245,427
Credit card and bank fees	105,567	51,911	52,280	6,566	2,816	219,140
Dues and licenses	48,819	17,681	7,951	15,002	20,600	110,053
Education software and licenses	-	68,844	-	-	-	68,844
Fundraising premiums	89	-	-	-	53,583	53,672
Hospitality and travel	80,994	69,949	18,849	11,800	63,694	245,286
Independent contractors	175,795	449,302	373	107	236	625,813
Insurance	81,148	29,974	25,068	53,004	22,605	211,799
Interest and taxes	5,233	2,108	2,797	3,726	1,590	15,454
Listing services and audience research	2,067	833	697	1,473	628	5,698
Loss on disposal of property and equipment	-	-	2,346	-	-	2,346
Marketing and advertising	67,801	23,364	20,299	806	13,794	126,064
NPR fees	672,703	-	-	-	-	672,703
Paper, printing and stationery	22,802	11,355	8,622	586	30,059	73,424
Postage and shipping	210,817	105,291	103,732	1,288	3,654	424,782
Production costs	42,543	28,766	235	477	4,541	76,562
Professional fees	104,966	44,836	38,611	67,737	29,019	285,169
Program fees	416,750	40,811	4,834	1,494	637	464,526
Public Broadcasting Service fees	997,881	-	-	-	-	997,881
Rent	27,899	12,055	161,260	19,523	8,326	229,063
Repairs and maintenance	85,868	34,053	220,595	56,019	23,902	420,437
Streaming fees	557	224	479	396	169	1,825
Supplies and subscriptions	37,291	43,770	7,813	3,623	12,532	105,029
Telephone and bandwidth	101,521	38,272	32,266	20,262	94,585	286,906
Temporary services and graphic design	1,333	1,026	331	89	372	3,151
Utilities	66,586	26,816	302,902	47,420	20,223	463,947
Total expenses before depreciation and amortization	8,204,393	3,119,289	2,735,957	1,043,879	1,923,357	17,026,875
Depreciation and amortization	380,336	153,175	175,180	270,865	115,517	1,095,073
Total	\$ 8,584,729	\$ 3,272,464	\$ 2,911,137	\$ 1,314,744	\$ 2,038,874	\$18,121,948

*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		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
Total Personnel	4,516,540	1,491,132	1,703,822	855,975	1,158,772	9,726,241
Computer maintenance contracts	336,753	17,640	403,913	116	-	758,422
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	37,055	12,068	154,168	6,928	9,378	219,597
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
Total expenses before depreciation and amortization	9,023,722	2,399,176	2,719,229	1,374,232	1,851,047	17,367,406
Depreciation and amortization	456,013	150,552	219,103	86,424	116,995	1,029,087
Total	\$ 9,479,735	\$ 2,549,728	\$ 2,938,332	\$ 1,460,656	\$ 1,968,042	\$ 18,396,493

*See accompanying notes to financial statements.*

# Hampton Roads Educational Telecommunications Association, Inc.

## Statements of Cash Flows

Years Ended June 30,	2024	2023
<b>Operating Activities</b>		
Change in net assets	\$ 754,093	\$ 1,299,959
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,047,997	982,011
Amortization of tower rights	47,076	47,076
Amortization of right-of-use assets	115,747	53,441
Realized and unrealized gain on investments	(1,275,471)	(1,186,643)
Change in value of split-interest agreements	(226,590)	358,548
Loss on disposal of property and equipment	2,346	-
Changes in value of operating assets and liabilities		
Accounts and underwriting receivables	50,934	(21,387)
Promises to give	(1,979,529)	(1,219,762)
Inventory	499	3,152
Prepaid expenses	(11,756)	157,757
Contract asset	(190,166)	(224,450)
Accounts payable and accrued liabilities	425,624	165,204
Operating lease liabilities	(107,614)	(53,441)
Deferred revenue	(107,979)	84,265
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(1,454,789)</b>	<b>445,730</b>
<b>Investing Activities</b>		
Purchases of investments	(3,570,382)	(6,007,563)
Proceeds from sale of investments	2,895,337	7,523,166
Purchase of property and equipment	(731,042)	(973,915)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(1,406,087)</b>	<b>541,688</b>
<b>Financing Activities</b>		
Cash received from split-interest agreements	117,267	125,146
Repayments on line of credit	-	(2,072,239)
Repayments on notes payable	(78,028)	(73,824)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>39,239</b>	<b>(2,020,917)</b>
<b>Net Decrease in Cash, Cash Equivalents</b>	<b>(2,821,637)</b>	<b>(1,033,499)</b>
<b>Cash, Cash Equivalents, beginning of year</b>	<b>3,149,519</b>	<b>4,183,018</b>
<b>Cash, Cash Equivalents, end of year</b>	<b>\$ 327,882</b>	<b>\$ 3,149,519</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 14,307	\$ 118,154
<b>Supplemental Noncash Investing and Financing Activities</b>		
Right-of-use assets from operating leases established during the year	\$ 412,902	\$ 158,566
Lease liabilities from operating leases established during the year	\$ 412,902	\$ 158,566

*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 over 2.2 million residents in eastern Virginia. Established in 1961 by the Norfolk and Hampton school boards to enhance classroom education, WHRO is uniquely owned by 21 school divisions in the region. It promotes education, culture, and citizenship through various media services, including inspiring television programs, music, local news, and public affairs programming available through its TV stations, radio stations, live streams on WHRO.org, and the WHRO Media app.

WHRO leverages creativity and technology to enrich audiences with content that educates, entertains, and engages. It also provides digital learning resources to students and educators across Virginia via its online platform, eMediaVA, and offers 27 core curriculum online courses that are media-rich, SOL-aligned, and adaptable. Additionally, WHRO supports teacher professional development through online courses and workshops.

Licensed by the Federal Communications Commission (FCC), WHRO operates a non-commercial public television station—WHRO 15 Digital (including WHRO HD, WHRO Kids, WHRO World, WHRO Create, and FNX)—and three non-commercial public radio stations: WHRO 90.3 FM (and WHRO Digital), WHRV 89.5 FM (with WHRV Digital and AltRadio), and WFOS 88.7 & 99.3 FM. It also operates the WHRO Radio Reading Service, “The Voice,” for the visually impaired. In 2011, WHRO expanded its radio broadcast footprint by adding transmitters to serve underserved areas.

Key transmitter call signs and frequencies include: 88.1 WHRL (WHRV) in Emporia; 88.5 WHRG (WHRV) in Gloucester Point; 89.9 WHRJ (WHRO) in Gloucester Courthouse; 91.9 WHRE (WHRV) in Eastville; 90.1 WHRX (WHRV) in Nassawadox; and 98.3 WHRF (WHRO) in Belle Haven. WHRO.org offers live audio streams for WHRO, WHRV, WFOS, The Voice, and AltRadio.

WHRO’s studios, technical control, and offices are located in Norfolk, Virginia, with a satellite office and studio in Williamsburg. Major transmission facilities are based in Suffolk, complemented by additional FM radio transmission sites and multi-point microwave relay towers throughout Virginia.

### 2. Summary of Significant Accounting Policies

#### ***Recently Adopted Authoritative Guidance***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the current incurred loss model to a forward-looking expected credit loss model for most financial assets, such as trade and other receivables, loans, and other instruments. For nonprofit entities, the ASU was effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. Entities are required to apply the provisions of the standard through a cumulative-effect adjustment to net assets as of the effective date. On July 1, 2023, WHRO adopted the provisions of ASU 2016-13. The adoption did not result in a material impact to WHRO's financial results or disclosures.

# 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 credit losses 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. Management considers all accounts to be collectible and, accordingly, has not provided an allowance for credit losses.

### ***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

### ***Leases***

WHRO determines if an arrangement is a lease and classification as operating or financing 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 17 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 \$126,064 and \$168,769 for the years ended June 30, 2024 and 2023, 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 \$2,102,000 and \$2,067,000 related to its unrelated business income at June 30, 2024 and 2023, respectively. Approximately \$1,165,000 of these loss carryforwards will begin to expire in tax year 2038 and \$937,000 are unlimited. Deferred tax assets were \$541,056 and \$531,953 at June 30, 2024 and 2023, 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 \$541,056 and \$531,953 at June 30, 2024 and 2023, respectively. The increase in the valuation allowance was \$9,103 and \$39,829 for the years ended June 30, 2024 and 2023, 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 2020. 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 December 12, 2024, 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

School assessments, education sales and fees, and broadcast contracts are recognized over the term of the contract or as the services are provided. 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, contributions, CPB funding, contributions to board endowment, and change in value of split-interest agreements which are all within the scope of Topic 958, *Not-for-Profit Entities*. Investment income, 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>2024</b>	<b>2023</b>
Revenue recognized over time		
eMediaVA	\$ 1,000,000	\$ 1,500,000
School assessments	916,650	746,036
Education sales and fees	110,268	96,936
Broadcast contracts	663,920	588,459
Spectrum license income	1,941,025	1,940,968
Revenue recognized at a point in time		
Program underwriting	1,284,799	1,576,525
Production fees	85,552	119,612
Royalties and advertising	69,765	77,167
<b>Total</b>	<b>\$ 6,071,979</b>	<b>\$ 6,645,703</b>

# 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>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 327,882	\$ 3,149,519
Accounts receivable	373,370	498,846
Underwriting receivables	288,834	214,292
Promises to give, net	3,275,981	1,296,452
Split-interest agreements	4,606,295	4,496,972
Investments	13,519,472	11,568,956
<b>Total Financial Assets</b>	<b>22,391,834</b>	<b>21,225,037</b>
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions	(8,191,806)	(8,097,352)
Board-designated net assets	(13,705,008)	(12,293,760)
Endowment spending distributions	543,142	533,544
<b>Total Financial Assets Available for General Expenditures within one year</b>	<b>\$ 1,038,162</b>	<b>\$ 1,367,469</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 had a \$5,500,000 line of credit of which was unused at June 30, 2024. See Note 11.

### 5. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
Amounts due within one year	\$ 2,811,054	\$ 610,056
Amounts due in more than one year but less than five years	522,442	764,500
<b>Total promises to give</b>	<b>3,333,496</b>	<b>1,374,556</b>
Less allowance for uncollectible promises to give	(33,335)	(30,515)
Less discounts to present value (3.56% - 5.12%)	(24,180)	(47,589)
<b>Total Promises to Give, net</b>	<b>\$ 3,275,981</b>	<b>\$ 1,296,452</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
Promises to give, net, current	<b>\$ 2,811,054</b>	<b>\$ 610,056</b>
Promises to give, net, other	<b>464,927</b>	<b>686,396</b>
<b>Total Promises to Give, net</b>	<b>\$ 3,275,981</b>	<b>\$ 1,296,452</b>

Promises to give are principally from donors in the Hampton Roads area. Four donors represented 78% of promises to give at June 30, 2023. One donor represented 75% of promises to give at June 30, 2024.

### 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, 2024 and 2023 was \$373,617 and \$851,729, respectively. WHRO received \$102,266 and \$125,146 from the trust in 2024 and 2023, 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 \$375,845 and \$120,331, for the change in value of the split-interest agreement for the years ended June 30, 2024 and 2023, 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, 2024 and 2023. 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, 2024 and 2023 is \$2,116,258 and \$1,950,112, respectively. WHRO recorded an increase of \$181,146 and \$28,237 for the change in value of the split-interest agreement for the years ended June 30, 2024 and 2023, respectively. WHRO received \$15,000 from the second trust in 2024, 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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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, 2024 and 2023 is \$1,921,604 and \$1,500,315, respectively. WHRO recorded an increase in fair value of \$421,289 and a decrease in fair value of \$266,454 for the years ended June 30, 2024 and 2023, respectively. WHRO received \$91,219 and \$78,400 from the trust in 2024 and 2023, respectively, which was recorded as investment income in the statements of activities.

WHRO is 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, 2024 and June 30, 2023 is \$194,816. WHRO received \$8,250 and \$11,078 from the trust in 2024 and 2023, 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>	<b>2024</b>		<b>2023</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
Tower rights	<b>\$2,252,587</b>	<b>\$1,734,681</b>	<b>\$ 2,252,587</b>	<b>\$ 1,687,605</b>

Future estimated amortization expense is as follows:

<i>Year ending June 30,</i>	
2025	\$ 47,081
2026	47,081
2027	47,081
2028	47,081
2029	47,081
Thereafter	282,501
Total	\$ 517,906

# 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>2024</b>	<b>2023</b>
Land	\$ 377,677	\$ 377,677
Buildings and improvements	5,852,130	5,813,219
Antennas and towers	3,989,687	3,989,687
Transmitters	3,334,669	3,317,164
Radio equipment	2,358,389	2,288,106
Engineering equipment	2,945,856	3,053,109
Other equipment	6,771,179	6,274,972
Construction in progress	29,064	26,822
	<b>25,658,651</b>	<b>25,140,756</b>
Less accumulated depreciation	<b>(17,245,306)</b>	<b>(16,408,110)</b>
<b>Property and Equipment, net</b>	<b>\$ 8,413,345</b>	<b>\$ 8,732,646</b>

Depreciation expense was \$1,047,997 and \$982,011 for the years ended June 30, 2024 and 2023, respectively.

### 9. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	<b>2024</b>	<b>2023</b>
Interest and dividends, net	\$ 352,906	\$ 321,833
Realized gain (loss) on investments	166,534	(50,077)
Unrealized gain on investments	1,108,937	1,236,720
<b>Total Net Investment Income</b>	<b>\$ 1,628,377</b>	<b>\$ 1,508,476</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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

- **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, 2024</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 210,189	\$ -	\$ -	\$ 210,189
Fixed income bonds				
US	-	3,595,962	-	3,595,962
Global	-	130,376	-	130,376
Equity funds				
US	7,442,713	-	-	7,442,713
Global	291,586	-	-	291,586
International	1,072,795	-	-	1,072,795
Hedge funds	775,851	-	-	775,851
<b>Total investments</b>	<b>\$9,793,134</b>	<b>\$ 3,726,338</b>	<b>\$ -</b>	<b>\$13,519,472</b>
Split-interest agreements	\$ -	\$ -	\$ 4,606,295	\$ 4,606,295
<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

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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>	<b>2024</b>	<b>2023</b>
Fair value, beginning of year	\$ 4,496,972	\$ 4,980,666
Cash received from split-interest agreements	(117,267)	(125,146)
Change in value of split-interest agreements	226,590	(358,548)
Fair value, end of year	\$ 4,606,295	\$ 4,496,972

## 11. Notes Payable

### *Line of Credit*

WHRO had a \$5,500,000 line of credit with Bank of America. There was no balance outstanding as of June 30, 2024 and 2023. Advances on the credit line were 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 6.64% and 6.47% at June 30, 2024 and 2023, respectively. The credit line was collateralized by all WHRO investment accounts held by Bank of America and was available through October 2024. WHRO is currently in process of opening a new line of credit.

### *Notes Payable*

<i>June 30,</i>	<b>2024</b>	<b>2023</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.	\$ 215,071	\$ 293,099
Less current portion	(82,472)	(78,028)
<b>Total Long-Term Note Payable</b>	<b>\$ 132,599</b>	<b>\$ 215,071</b>

Future maturities of the note payable are as follows:

<i>Years ending June 30,</i>	
2025	\$ 82,472
2026	87,170
2027	45,429
	<b>\$ 215,071</b>



# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

### 12. Board-Designated Net Assets

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

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

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
Operating	\$ 8,834,583	\$ 8,171,054
Arts	1,351,937	1,252,340
Education	1,075,121	1,001,463
Journalism	2,443,367	1,868,903
<b>Total Board-Designated Net Assets</b>	<b>\$ 13,705,008</b>	<b>\$ 12,293,760</b>

### 13. Net Assets with Donor Restrictions

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

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
Restricted for specific purpose or time		
Education	\$ -	\$ 1,870,419
Time	5,765,857	3,658,537
Journalism	12,644	576,381
<b>Total restricted for specific purpose or time</b>	<b>5,778,501</b>	<b>6,105,337</b>
Restricted in perpetuity		
Education	100,000	100,000
Programming	2,141,421	1,720,131
Operations	171,884	171,884
<b>Total restricted in perpetuity</b>	<b>2,413,305</b>	<b>1,992,015</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 8,191,806</b>	<b>\$ 8,097,352</b>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

### 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>2024</b>	<b>2023</b>
Education	\$ 1,922,949	\$ 1,498,280
Time	486,607	125,148
Journalism	504,312	399,974
Programming	100,469	90,478
Operations	6,875	6,875
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 3,021,212</b>	<b>\$ 2,120,755</b>

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

<i>Years ended June 30,</i>	<b>2024</b>	<b>2023</b>
Net assets released for operations	\$ 2,651,871	\$ 2,101,054
Net assets released for time	369,341	-
Net assets released for capital	-	19,701
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 3,021,212</b>	<b>\$ 2,120,755</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, 2024 and 2023, 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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

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

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

WHRO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WHRO must hold in perpetuity or for a donor-specified period as well as board-designated funds. To satisfy its long-term rate-of-return objectives, WHRO relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WHRO targets a diversified asset allocation that places a greater emphasis on fixed income and equity investments to achieve its long-term objective within prudent risk constraints. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. WHRO expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

### ***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, 2024 and 2023.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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

<i>June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 13,705,008	\$ -	\$ 13,705,008
Amounts required to be maintained in perpetuity by donor	-	2,413,304	2,413,304
<b>Total Endowment Funds</b>	<b>\$ 13,705,008</b>	<b>\$ 2,413,304</b>	<b>\$ 16,118,312</b>

<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>

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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	12,293,760	1,992,015	14,285,775
Contributions	509,469	421,289	930,758
Release from time restriction	369,341	-	369,341
Investment return, net	1,490,275	111,344	1,601,619
Expenditures	(957,837)	(111,344)	(1,069,181)
<b>Balance, June 30, 2024</b>	<b>\$ 13,705,008</b>	<b>\$ 2,413,304</b>	<b>\$ 16,118,312</b>

## 16. Rental Income

WHRO has entered into multiple agreements with various third-party vendors of telecommunications services in Eastern Virginia with lease terms expiring at various dates through 2056, some of which provide for an escalation clause at various times throughout the agreement. 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, 2024 and 2023, WHRO recognized \$852,797 and \$892,602, respectively, of tower rental fees related to these agreements.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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,*

2025	\$ 815,222
2026	742,096
2027	648,205
2028	618,524
2029	616,296
Thereafter	7,034,525
<b>Total</b>	<b>\$ 10,474,868</b>

### 17. Leases

WHRO leases facilities and equipment under fixed payment terms ranging from month-to-month to 28 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, 2024</i>	<i>Classification</i>	
Operating lease cost		
Fixed rent expense	Rent expense	\$ 95,525
Fixed rent expense	Repairs and maintenance	5,168
Short-term lease cost	Rent expense	30,832
Variable lease payments	Rent expense	102,706
<b>Total Lease Cost</b>		<b>\$ 234,231</b>

<i>June 30, 2023</i>	<i>Classification</i>	
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>

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

Weighted average lease terms and discounts used are as follows:

<i>Years ended June 30,</i>	<b>2024</b>	<b>2023</b>
Weighted average remaining lease term	<b>10.1 years</b>	1.9 years
Weighted-average discount rate	<b>3.2%</b>	2.9%

Future payments due under operating leases at June 30, 2024 are as follows:

<i>June 30,</i>	
2025	\$ 94,476
2026	44,448
2027	45,605
2028	32,492
2029	31,951
Thereafter	235,851
Total lease payments	484,823
Less imputed interest	(74,410)
Total lease liabilities	410,413
Less current portion of lease liabilities	(82,694)
<b>Total Long-Term Lease Liabilities</b>	<b>\$ 327,719</b>

### 18. Employee Benefit Plans

WHRO maintains a §403(b) retirement plan (the Plan) covering non-leased employees, not covered by a collective bargaining agreement, and temporary part time employees who have accumulated 1,000 hours in a Plan year. Employees may contribute to the Plan subject to the limitations imposed by the Internal Revenue Service. WHRO makes a discretionary contribution for each eligible employee's compensation to the Plan. Employer contributions for the years ended June 30, 2024 and 2023 totaled \$286,080 and \$283,380, respectively.

### 19. Concentrations of Credit Risk

At various times during the years presented, WHRO may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

WHRO receives a substantial amount of its support from the Corporation for Public Broadcasting which serves as the steward of the federal government's investment in public broadcasting and is included in CPB 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.

# Hampton Roads Educational Telecommunications Association, Inc.

## Notes to Financial Statements

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### **20. Reclassifications**

Certain amounts in the 2023 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.*

December 12, 2024

# Hampton Roads Educational Telecommunications Association, Inc.

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

<i>Year Ended June 30, 2024</i>	TV	FM	Total
<b>Operating Revenue</b>			
Membership	\$ 2,556,537	\$ 2,556,536	\$ 5,113,073
Contributions, net	53,560	288,652	342,212
CPB funding	1,229,839	343,336	1,573,175
Program underwriting	275,989	1,008,810	1,284,799
eMediaVA	650,000	350,000	1,000,000
School assessments	595,822	320,828	916,650
Education sales and fees	71,848	38,420	110,268
Broadcast contracts	531,628	132,292	663,920
Tower rental fees	426,398	426,399	852,797
Spectrum license income	970,512	970,513	1,941,025
Production fees	85,552		85,552
Royalties and advertising	34,634	35,131	69,765
Transfer of board designated reserves for operations	328,919	628,918	957,837
<b>Total Operating Revenue</b>	<b>7,811,238</b>	<b>7,099,835</b>	<b>14,911,073</b>
<b>Operating Expenses</b>			
Program services	7,010,595	7,049,044	14,059,639
Management and general	367,621	676,258	1,043,879
Fundraising and development	868,922	1,054,435	1,923,357
<b>Total Operating Expenses excluding Depreciation</b>	<b>8,247,138</b>	<b>8,779,737</b>	<b>17,026,875</b>
<b>Change in Net Assets from Operations before Depreciation and Amortization</b>	<b>(435,900)</b>	<b>(1,679,902)</b>	<b>(2,115,802)</b>
Depreciation and amortization	547,537	547,536	1,095,073
<b>Change in Net Assets from Operations</b>	<b>(983,437)</b>	<b>(2,227,438)</b>	<b>(3,210,875)</b>
<b>Nonoperating Revenue (Expense)</b>			
Contributions to board endowments, net	254,735	2,813,103	3,067,838
Change in value of split interest agreements	113,295	113,295	226,590
Investment income, net	814,189	814,188	1,628,377
Transfer of board designated reserves for operations	(328,919)	(628,918)	(957,837)
<b>Total Nonoperating Revenue</b>	<b>853,300</b>	<b>3,111,668</b>	<b>3,964,968</b>
<b>Change in Net Assets</b>	<b>\$ (130,137)</b>	<b>\$ 884,230</b>	<b>754,093</b>
Net Assets, beginning of year			29,541,232
<b>Net Assets, end of year</b>			<b>\$ 30,295,325</b>

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

# Hampton Roads Educational Telecommunications Association, Inc.

## Supplementary Annual Financial Report (AFR) Schedule

<i>Year Ended June 30, 2024</i>	TV	FM	Total
<b>AFR Revenue</b>			
Public Broadcasting Entities	\$ 1,534,142	\$ 414,625	\$ 1,948,767
Local Boards and Department of Education			
NFFS Eligible	824,670	472,625	1,297,295
NFFS Ineligible	7,780	7,780	15,560
Total Local Boards and Department of Education	832,450	480,405	1,312,855
State Boards and Department of Education			
NFFS Eligible	736,281	451,303	1,187,584
NFFS Ineligible	-	-	-
Total State Boards and Department of Education	736,281	451,303	1,187,584
State Colleges and Universities			
NFFS Eligible	2,420	21,220	23,640
NFFS Ineligible	28,685	-	28,685
Total State Colleges and Universities	31,105	21,220	52,325
Private Colleges and Universities			
NFFS Eligible	-	18,699	18,699
NFFS Ineligible	298	-	298
Total Private Colleges and Universities	298	18,699	18,997
Foundations and Nonprofit Associations			
NFFS Eligible	35,259	2,948,442	2,983,701
NFFS Ineligible	52,614	66,615	119,229
Total Foundations and Nonprofit Associations	87,873	3,015,057	3,102,930
Business and Industry			
NFFS Eligible	273,791	478,583	752,374
NFFS Ineligible	458,758	438,937	897,695
Total Business and Industry	732,549	917,520	1,650,069
Membership and Subscriptions, net	2,449,692	2,449,691	4,899,383
Special Fundraising Activities	106,845	106,845	213,690
Passive Income	7,837	7,837	15,674
Gain on Investments	113,295	113,295	226,590
Endowment Revenue	806,445	806,445	1,612,890
Gifts and Bequests	254,735	437,570	692,305
Other Direct Revenue	478	478	956
Spectrum	970,513	970,513	1,941,026
<b>Total AFR Revenue</b>	<b>\$ 8,664,538</b>	<b>\$ 10,211,503</b>	<b>\$ 18,876,041</b>
<b>Statement of Activities Reconciliation</b>			
Total Operating Revenue	\$ 7,811,238	\$ 7,099,835	\$ 14,911,073
Total Nonoperating Revenue	853,300	3,111,668	3,964,968
<b>Total AFR Revenue</b>	<b>\$ 8,664,538</b>	<b>\$ 10,211,503</b>	<b>\$ 18,876,041</b>

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