



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

FINANCIAL REPORT

JUNE 30, 2011 AND 2010



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hampton Roads Educational Telecommunications Association, Inc.

We have audited the accompanying statements of financial position of Hampton Roads Educational Telecommunications Association, Inc. (WHRO), as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of WHRO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hampton Roads Educational Telecommunications Association, Inc., as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified as supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are 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 audit 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.

*Witt Mares, PLC*

Norfolk, Virginia  
August 26, 2011

## **FINANCIAL STATEMENTS**



# HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS ASSOCIATION, INC.

## Statements of Financial Position June 30, 2011 and 2010

|                                     | 2011                 | 2010                 |
|-------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                       |                      |                      |
| <b>CURRENT ASSETS</b>               |                      |                      |
| Cash and cash equivalents           | \$ 2,262,165         | \$ 3,285,736         |
| Accounts receivable                 | 569,539              | 429,914              |
| Pledges receivable, net             | 243,782              | 272,190              |
| Underwriting receivables            | 195,292              | 221,272              |
| Inventory                           | 61,713               | 95,235               |
| Tower rights                        | 47,081               | 47,081               |
| Prepaid expenses                    | <u>229,990</u>       | <u>271,566</u>       |
| Total current assets                | <u>3,609,562</u>     | <u>4,622,994</u>     |
| <b>NONCURRENT ASSETS</b>            |                      |                      |
| Pledges receivable, net             | 11,289               | 26,289               |
| Property, plant and equipment, net  | 8,841,024            | 8,289,313            |
| Tower rights                        | 1,082,863            | 1,129,944            |
| Investments                         | <u>3,911,783</u>     | <u>2,386,599</u>     |
| Total noncurrent assets             | <u>13,846,959</u>    | <u>11,832,145</u>    |
| Total assets                        | <u>\$ 17,456,521</u> | <u>\$ 16,455,139</u> |
| <b>LIABILITIES AND NET ASSETS</b>   |                      |                      |
| <b>CURRENT LIABILITIES</b>          |                      |                      |
| Line of credit                      | \$ 2,297,123         | \$ -                 |
| Notes payable, current portion      | -                    | 14,825               |
| Accounts payable                    | 551,122              | 701,301              |
| Accrued liabilities                 | 462,539              | 393,890              |
| Deferred revenue, current portion   | <u>370,331</u>       | <u>821,848</u>       |
| Total current liabilities           | 3,681,115            | 1,931,864            |
| <b>NONCURRENT LIABILITIES</b>       |                      |                      |
| Deferred revenue, long-term portion | <u>24,875</u>        | <u>92,623</u>        |
| Total liabilities                   | <u>3,705,990</u>     | <u>2,024,487</u>     |
| <b>NET ASSETS</b>                   |                      |                      |
| Unrestricted:                       |                      |                      |
| Undesignated                        | 8,148,311            | 9,537,483            |
| Board designated                    | <u>5,446,108</u>     | <u>4,737,057</u>     |
| Total unrestricted                  | 13,594,419           | 14,274,540           |
| Temporarily restricted              | -                    | -                    |
| Permanently restricted              | <u>156,112</u>       | <u>156,112</u>       |
| Total net assets                    | <u>13,750,531</u>    | <u>14,430,652</u>    |
| Total liabilities and net assets    | <u>\$ 17,456,521</u> | <u>\$ 16,455,139</u> |

See accompanying notes.



# HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS ASSOCIATION, INC.

## Statements of Activities Years Ended June 30, 2011 and 2010

|   | 2011                 |                           |                           |                      | 2010                 |                           |                           |                      |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|---------------------------|---------------------------|----------------------|
|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
| <b>REVENUES, SUPPORT, AND OTHER INCOME</b>        |                      |                           |                           |                      |                      |                           |                           |                      |
| Membership  | \$ 2,246,954         | \$ -                      | \$ -                      | \$ 2,246,954         | \$ 2,150,345         | \$ -                      | \$ -                      | \$ 2,150,345         |
| Grants and contributions                          | 1,592,352            | 134,612                   | -                         | 1,726,964            | 1,425,898            | 22,211                    | -                         | 1,448,109            |
| School assessments                                | 532,572              | -                         | -                         | 532,572              | 534,472              | -                         | -                         | 534,472              |
| Government grants                                 | 2,891,153            | -                         | -                         | 2,891,153            | 2,354,754            | -                         | -                         | 2,354,754            |
| Special events                                    | 226,442              | -                         | -                         | 226,442              | 142,436              | -                         | -                         | 142,436              |
| Program underwriting                              | 1,371,978            | -                         | -                         | 1,371,978            | 1,223,162            | -                         | -                         | 1,223,162            |
| Education service fees                            | 2,822,855            | -                         | -                         | 2,822,855            | 2,313,024            | -                         | -                         | 2,313,024            |
| Production fees                                   | 345,093              | -                         | -                         | 345,093              | 786,818              | -                         | -                         | 786,818              |
| Production funding                                | 16,300               | -                         | -                         | 16,300               | 26,417               | -                         | -                         | 26,417               |
| Internet service provider and website design fees | 293,715              | -                         | -                         | 293,715              | 234,291              | -                         | -                         | 234,291              |
| Tower rental fees                                 | 614,136              | -                         | -                         | 614,136              | 668,865              | -                         | -                         | 668,865              |
| Broadcast channel fees                            | 125,300              | -                         | -                         | 125,300              | 151,771              | -                         | -                         | 151,771              |
| Royalties and advertising                         | 527,625              | -                         | -                         | 527,625              | 544,702              | -                         | -                         | 544,702              |
| Spectrum lease income                             | 906,280              | -                         | -                         | 906,280              | 888,486              | -                         | -                         | 888,486              |
| Investment income                                 | 148,444              | -                         | -                         | 148,444              | 332,799              | -                         | -                         | 332,799              |
| Miscellaneous income                              | 23,158               | -                         | -                         | 23,158               | 92,982               | -                         | -                         | 92,982               |
| Donated assets                                    | -                    | -                         | -                         | -                    | 4,000                | -                         | -                         | 4,000                |
| Unrealized loss on investments                    | (11,341)             | -                         | -                         | (11,341)             | (12,886)             | -                         | -                         | (12,886)             |
| Net assets released from restrictions:            |                      |                           |                           |                      |                      |                           |                           |                      |
| Satisfaction of program restrictions              | 134,612              | (134,612)                 | -                         | -                    | 22,876               | (22,876)                  | -                         | -                    |
| Total revenues, support and other income          | <u>14,807,628</u>    | <u>-</u>                  | <u>-</u>                  | <u>14,807,628</u>    | <u>13,885,212</u>    | <u>(665)</u>              | <u>-</u>                  | <u>13,884,547</u>    |
| <b>EXPENSES</b>                                   |                      |                           |                           |                      |                      |                           |                           |                      |
| Program services                                  | <u>12,668,214</u>    | <u>-</u>                  | <u>-</u>                  | <u>12,668,214</u>    | <u>11,231,516</u>    | <u>-</u>                  | <u>-</u>                  | <u>11,231,516</u>    |
| Supporting:                                       |                      |                           |                           |                      |                      |                           |                           |                      |
| Management and general                            | 1,141,447            | -                         | -                         | 1,141,447            | 1,482,972            | -                         | -                         | 1,482,972            |
| Fundraising and development                       | 1,678,088            | -                         | -                         | 1,678,088            | 1,744,997            | -                         | -                         | 1,744,997            |
| Total supporting expenses                         | <u>2,819,535</u>     | <u>-</u>                  | <u>-</u>                  | <u>2,819,535</u>     | <u>3,227,969</u>     | <u>-</u>                  | <u>-</u>                  | <u>3,227,969</u>     |
| Total expenses                                    | <u>15,487,749</u>    | <u>-</u>                  | <u>-</u>                  | <u>15,487,749</u>    | <u>14,459,485</u>    | <u>-</u>                  | <u>-</u>                  | <u>14,459,485</u>    |
| <b>CHANGE IN NET ASSETS</b>                       | (680,121)            | -                         | -                         | (680,121)            | (574,273)            | (665)                     | -                         | (574,938)            |
| <b>NET ASSETS, beginning of year</b>              | <u>14,274,540</u>    | <u>-</u>                  | <u>156,112</u>            | <u>14,430,652</u>    | <u>14,848,813</u>    | <u>665</u>                | <u>156,112</u>            | <u>15,005,590</u>    |
| <b>NET ASSETS, end of year</b>                    | <u>\$ 13,594,419</u> | <u>\$ -</u>               | <u>\$ 156,112</u>         | <u>\$ 13,750,531</u> | <u>\$ 14,274,540</u> | <u>\$ -</u>               | <u>\$ 156,112</u>         | <u>\$ 14,430,652</u> |

See accompanying notes.



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

|  | <b>2011</b>         | <b>2010</b>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |                     |                     |
| Cash receipts from contributions                     | \$ 3,867,326        | \$ 3,655,783        |
| Cash receipts from grants                            | 2,973,855           | 2,299,123           |
| Cash receipts from education activities              | 3,269,508           | 2,773,252           |
| Cash receipts from enterprise activities             | 2,856,215           | 3,069,544           |
| Cash receipts from underwriting                      | 1,138,042           | 1,279,856           |
| Cash receipts from all other sources                 | 160,261             | 429,781             |
| Cash paid for operating expenses                     | (7,290,091)         | (5,844,117)         |
| Cash paid for wages and fringe benefits              | (6,946,270)         | (6,706,135)         |
| Cash paid for interest and taxes                     | <u>(10,994)</u>     | <u>(14,672)</u>     |
| Net cash provided by operating activities            | <u>17,852</u>       | <u>942,415</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |                     |                     |
| Purchases of investments                             | (4,907,588)         | (4,800,586)         |
| Proceeds from sale of investments                    | 3,371,063           | 5,478,809           |
| Proceeds from sale of property, plant, and equipment | 240                 | -                   |
| Purchases of property, plant and equipment           | <u>(1,787,436)</u>  | <u>(781,273)</u>    |
| Net cash used in investing activities                | <u>(3,323,721)</u>  | <u>(103,050)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |                     |                     |
| Net borrowings on line of credit                     | 2,297,123           | -                   |
| Principal payments on notes payable                  | <u>(14,825)</u>     | <u>(44,304)</u>     |
| Net cash provided by (used in) financing activities  | <u>2,282,298</u>    | <u>(44,304)</u>     |
| Net increase (decrease) in cash and cash equivalents | (1,023,571)         | 795,061             |
| <b>CASH AND CASH EQUIVALENTS</b>                     |                     |                     |
| Beginning  | <u>3,285,736</u>    | <u>2,490,675</u>    |
| Ending   | <u>\$ 2,262,165</u> | <u>\$ 3,285,736</u> |

See accompanying notes.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(Concluded)

|  | <b>2011</b>  | <b>2010</b>  |
|--|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Change in net assets   | \$ (680,121) | \$ (574,938) |
| Adjustments to reconcile change in net assets to<br>net cash provided by operating activities: |              |              |
| Depreciation   | 1,235,725    | 1,437,782    |
| Amortization of tower rights, net  | 47,081       | 47,081       |
| Unrealized loss on investments, net  | 11,341       | 12,886       |
| Gain on disposal of property, plant and equipment  | (240)        | -            |
| Changes in assets and liabilities:   |              |              |
| Accounts receivable  | (139,625)    | (113,464)    |
| Pledges and underwriting receivables   | 69,388       | 145,630      |
| Inventory  | 33,522       | (5,974)      |
| Prepaid expenses   | 41,576       | 59,807       |
| Accounts payable   | (150,179)    | 539,699      |
| Accrued liabilities  | 68,649       | (136,753)    |
| Deferred revenue   | (519,265)    | (469,341)    |
| Net cash provided by operating activities  | \$ 17,852    | \$ 942,415   |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>  |              |              |
| Cash paid for interest   | \$ 14,309    | \$ 9,203     |
| <b>SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES</b>  |              |              |
| Donated services   | \$ -         | \$ 74,000    |
| Donated marketable securities, supplies, and equipment   | \$ -         | \$ 54,550    |
| Disposal of fully depreciated property, plant<br>and equipment                                 | \$ 1,280,180 | \$ -         |

See accompanying notes.



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2011 and 2010

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**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Purpose*

Hampton Roads Educational Telecommunications Association, Inc. (d/b/a WHRO) (“WHRO”) is a diverse regional public telecommunications center serving more than 1.6 million citizens in southeastern Virginia and northeastern North Carolina. In addition, WHRO reaches beyond the region through its website. WHRO promotes education, culture and citizenship to the citizens of Hampton Roads, Virginia, through a variety of telecommunications services. Viewers and listeners tune in to broadcast programming on WHRO’s public television and radio stations and stream programming from its website. Since its founding 50 years ago to support education, WHRO has employed creativity and technology to serve its mission to enrich audiences through content that educates, entertains and promotes understanding. WHRO delivers educational and new media services to students and educators as well.

WHRO is licensed by the Federal Communications Commission to operate a non-commercial public television station – WHRO 15 Digital (including WHRO HD, WHRO Kids, WHRO World and WHRO Create); two non-commercial public radio stations – WHRO 90.3 FM and its associated digital channels (WHRO Digital, Connoisseur Classics and the 1920s Radio Network) and WHRV 89.5 FM and its associated digital channels (WHRV Digital, SpeakEasy and AltRadio); Educational Broadband Services (EBS) and satellite transmission facilities and the WHRO Radio Reading Service for the Print Handicapped. WHRO added additional transmitters in FY11 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: WHRG (WHRV), 88.5, Gloucester Point; WHRJ (WHRO), 89.9 Gloucester Courthouse; WHRE (WHRV), 91.9, Eastville; WHRX (WHRV), 90.1, Nassawaddox. Its website features live audio streams for WHRO, WHRV, the Radio Reading Service, Connoisseur Classics, SpeakEasy, AltRadio and the 1920’s Radio Network. Studios, satellite, technical control, teleconference facilities and offices are housed in Norfolk, Virginia, and a radio broadcast facility is located in Newport News, 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 Southeastern Virginia and multi-point microwave relay towers are dispersed throughout Virginia.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements  
June 30, 2011 and 2010

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**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Financial Reporting Format***

WHRO follows the accounting standards applicable to not-for-profit organizations. Such standards primarily govern the accounting for contributions; require investments to be presented at fair value, and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into three classes of net assets: permanently restricted, temporarily restricted or unrestricted.

Permanently restricted net assets generally result from contributions whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled by actions of WHRO. Income received from these assets is primarily treated as unrestricted revenue.

Temporarily restricted net assets generally result from contributions and grants from private and public sources whose use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of WHRO.

Unrestricted net assets generally result from revenues derived from receiving unrestricted contributions and fees from providing programs, less expenses incurred in providing these programs, raising contributions and performing administrative functions.

***Cash and Cash Equivalents***

WHRO considers all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. Included in cash and cash equivalents balances are amounts restricted primarily for future program activities. Cash equivalents at June 30, 2011 and 2010 are \$1,690,436 and \$2,506,570, respectively.

***Receivables***

Accounts receivable, pledges receivable, and underwriting receivables are reported net of allowances for doubtful accounts. At June 30, 2011 and 2010, the allowance for doubtful accounts was \$12,516 and \$6,838, respectively.

***Inventory***

Inventory consists of fundraising gifts of appreciation and is stated at the lower of cost or market using the first-in, first-out method. At June 30, 2011 and 2010, inventory is \$61,713 and \$95,235, respectively.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements  
June 30, 2011 and 2010

---

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost on acquisition date or fair value on gift date for donated items. Depreciation, which includes amortization of capital leases, is computed using the straight-line method over the estimated useful lives of the related assets.

Leased office equipment and software held under capital leases at June 30, 2011 and 2010 had a cost of \$42,780 and \$42,780 and the accumulated depreciation and amortization on these leased assets as of June 30, 2011 and 2010 totaled \$32,786 and \$18,527, respectively.

Maintenance and repairs, including replacement of minor items of physical properties, are charged to expense; major additions to physical properties are capitalized. Gains and losses arising from the disposal or retirement of property, plant and equipment are recognized currently in the accompanying statements of activities and the cost and related accumulated depreciation, if applicable, are removed from the accounts.

***Contributions***

Contributions are recognized as revenue in the period in which a donor makes an unconditional promise to give. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Unconditional contributions that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. An allowance for uncollectible pledges receivable is made based on management's judgment considering historical collection experience.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met within the same reporting period. All other contributions with donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a temporary restriction is met, the related net assets are shown as a release from restrictions on the accompanying statements of activities.

WHRO recognizes in-kind contributions as revenue and in the period they are received. Donated marketable securities, supplies and equipment are reflected in the accompanying financial statements at estimated values at the date of receipt. During the fiscal years ended June 30, 2011 and 2010, the value of donated marketable securities, supplies and equipment recorded was \$0 and \$54,550, respectively.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements

June 30, 2011 and 2010

---

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Accounting for Contributions Received and Contributions Made*, 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. During 2011 and 2010, the value of donated services recorded was \$0 and \$74,000, respectively.

In addition, various individuals and groups volunteer their time. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under FASB ASC Topic 958.

***Underwriting revenue***

WHRO receives sponsorships from entities to underwrite the cost of some of its programs and productions. In such instances, WHRO treats underwriting revenue as an exchange transaction and recognizes the revenue when earned.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Functional Expenses***

Certain costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

***Production of Programs***

Program revenues received and costs incurred for the production of programs that are not complete are reported as deferred revenues and prepaid expenses in the statements of financial position.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements  
June 30, 2011 and 2010

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**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

*Tax Status*

WHRO is a not-for-profit corporation, which has been determined by the Internal Revenue Service to be exempt from federal taxes on income derived from activities related to exempt purposes under Section 501(c)(3) of the Internal Revenue Code. It is subject to income taxes on profits, if any, generated from activities which are unrelated to its exempt purposes.

FASB ASC Topic 740, Accounting for Uncertainty in Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. WHRO's management has evaluated the impact of the guidance to its financial statements. Management is not aware of any material uncertain tax positions, and has not accrued the effect of any uncertain tax positions as of June 30, 2011. WHRO recognizes interest and penalties incurred, if any, related to income tax positions as other interest expense and penalties expense, respectively. WHRO has a net operating loss carryforward in the amount of \$506,307 and \$111,188 related to its unrelated business income at June 30, 2011 and 2010, respectively, that will begin to expire in 2029.

WHRO's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. With few exceptions, WHRO is no longer subject to income tax examinations by federal, state, or local tax authorities for years before 2007.

**NOTE 2. PLEDGES RECEIVABLE**

WHRO records pledges receivable as revenue in the year an unconditional promise is received. At June 30, 2011 and 2010, net pledges receivable are as follows:

|                        | <u>2011</u>       | <u>2010</u>       |
|------------------------|-------------------|-------------------|
| Temporarily restricted | \$ 11,289         | \$ 187,600        |
| Unrestricted           | <u>243,782</u>    | <u>110,879</u>    |
|                        | <u>\$ 255,071</u> | <u>\$ 298,479</u> |

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements  
June 30, 2011 and 2010

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**NOTE 2. PLEDGES RECEIVABLE (Concluded)**

The anticipated cash flows from pledges receivable are as follows:

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| Amounts due in one year or less                                 | \$ 256,298        | \$ 279,028        |
| Amounts due in more than one year,<br>but in five years or less | <u>15,000</u>     | <u>30,000</u>     |
| Total pledges receivable  | <u>271,298</u>    | 309,028           |
| Less:   |                   |                   |
| Discounts to net realizable value                               | (3,711)           | (3,711)           |
| Allowance for doubtful accounts                                 | <u>(12,516)</u>   | <u>(6,838)</u>    |
| Net pledges receivable  | <u>\$ 255,071</u> | <u>\$ 298,479</u> |

At June 30, 2011 and 2010, the discount rates used for long term pledges was 4.43%.

**NOTE 3. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following at June 30:

|                                    | <u>2011</u>         | <u>2010</u>         |
|------------------------------------|---------------------|---------------------|
| Land                               | \$ 377,677          | \$ 377,677          |
| Buildings and improvements         | 5,202,039           | 5,033,969           |
| Furnishings and equipment          | 21,116,157          | 20,961,808          |
| Construction in progress           | <u>716,792</u>      | <u>531,954</u>      |
|                                    | <u>27,412,665</u>   | 26,905,408          |
| Less accumulated depreciation      | <u>(18,571,641)</u> | <u>(18,616,095)</u> |
| Property, plant and equipment, net | <u>\$ 8,841,024</u> | <u>\$ 8,289,313</u> |



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Notes to Financial Statements  
June 30, 2011 and 2010

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**NOTE 4. INVESTMENTS**

Investments consist of the following at June 30:

|  | <u>2011</u>        |                    | <u>2010</u>        |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | <u>Cost</u>        | <u>Fair Value</u>  | <u>Cost</u>        | <u>Fair Value</u>  |
| Fixed income:                                  |                    |                    |                    |                    |
| Asset backed securities                        | \$2,533,884        | \$2,570,346        | \$1,752,611        | \$1,770,440        |
| Closed end funds & exchange<br>traded products | 161,690            | 163,170            | -                  | -                  |
| Treasury Bonds                                 | -                  | -                  | 85,214             | 105,956            |
| Total fixed income investments                 | <u>2,695,574</u>   | <u>2,733,516</u>   | <u>1,837,825</u>   | <u>1,876,396</u>   |
| Equities:                                      |                    |                    |                    |                    |
| Closed end funds & exchange<br>traded products | 614,275            | 604,572            | 48,525             | 56,985             |
| Other Investments:                             |                    |                    |                    |                    |
| Mutual Funds                                   | 203,642            | 201,635            | 450,730            | 453,218            |
| Other alternative strategies                   | <u>120,000</u>     | <u>372,060</u>     | -                  | -                  |
| Total other investments                        | <u>323,642</u>     | <u>573,695</u>     | <u>450,730</u>     | <u>453,218</u>     |
| Total investments                              | <u>\$3,633,491</u> | <u>\$3,911,783</u> | <u>\$2,337,080</u> | <u>\$2,386,599</u> |

For the years ended June 30, 2011 and 2010 investment income was \$148,444 and \$332,799 respectively, and unrealized losses were \$(11,341) and \$(12,886), respectively.

**NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these instruments.

The carrying value of investments has been adjusted to market value.

WHRO reports investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures". FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). FASB ASC Topic 820 classifies the inputs used to measure fair value into the following hierarchy:

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
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Notes to Financial Statements  
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**NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Level 1.** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2.** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

**Level 3.** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

WHRO endeavors to utilize the best available information in measuring fair value. The carrying value of investments has been adjusted to market quoted prices in active markets for identical assets. All fixed income investments are obtained from independent quotation bureaus that use computerized valuation formulas to calculate current values.

The following table summarizes, by level within the fair value hierarchy, the assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and 2010.

| <u>Description</u> | <u>6/30/2011</u>    | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u>    |
|--------------------|---------------------|---------------------|---------------------|-------------------|
| Investments        | <u>\$ 3,911,783</u> | <u>\$ 969,377</u>   | <u>\$ 2,570,346</u> | <u>\$ 372,061</u> |
| <u>Description</u> | <u>6/30/2010</u>    | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u>    |
| Investments        | <u>\$ 2,386,599</u> | <u>\$ 1,876,396</u> | <u>\$ 510,203</u>   | <u>\$ -</u>       |

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
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Notes to Financial Statements  
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**NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Concluded)**

The following table summarizes the changes during the year to Level 3 instruments:

|  |    |                |
|--|----|----------------|
| Fair value, beginning of the year  | \$ | -              |
| Net additions, subtractions, purchases,<br>issuances and settlements                       |    | 120,000        |
| Net realized and unrealized gains and<br>losses included on the<br>Statement of Activities |    | <u>252,061</u> |
| Fair value, end of the year  | \$ | <u>372,061</u> |

Long-term pledges receivable are initially recorded by the Organization at fair value using level 3 inputs. The present value technique is the primary input for this valuation and other inputs include an analysis of the donor's payment history, relationship with the donor, the donor's creditworthiness and other factors. There were no changes in valuation techniques used in valuing long-term pledges during the years ended June 30, 2011 and 2010. An average discount rate of 4.43% was used in calculating the present value of long-term pledges for the years ended June 30, 2011 and 2010.

The table below presents information about the changes in pledges to give for the years ended June 30, 2011 and 2010:

|                       | <u>2011</u>       | <u>2010</u>       |
|-----------------------|-------------------|-------------------|
| Beginning balance     | \$ 309,028        | \$ 454,239        |
| New promises received | 1,905,798         | 1,788,447         |
| Collections           | (1,927,626)       | (1,917,664)       |
| Pledges written-off   | <u>(15,902)</u>   | <u>(15,994)</u>   |
| Ending balance        | <u>\$ 271,298</u> | <u>\$ 309,028</u> |



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Notes to Financial Statements  
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**NOTE 6. LINE OF CREDIT**

WHRO has a line of credit with UBS which provides for borrowings up to a maximum of \$2,500,000 and is collateralized by all WHRO investment accounts held by UBS. During August 2011 the line of credit with UBS was amended to provide for borrowings up to a maximum of \$3,925,000. The line of credit can be terminated at any time. The interest rate is LIBOR, which was 1.939% at June 30, 2011. At June 30, 2011 and 2010, WHRO had a balance of \$2,297,123 and \$0, respectively.

Previously, WHRO had a line of credit with Wachovia Bank which expired February 28, 2010 and allowed for borrowings up to \$800,000. At June 30, 2010, WHRO had no outstanding balance on this line of credit.

**NOTE 7. NOTES PAYABLE AND LONG-TERM DEBT**

Notes payable and long-term debt obligations are summarized as follows:

|   | <b>2011</b> | 2010             |
|---|-------------|------------------|
| Capitalized office equipment leases payable through February 2011, including interest at rates ranging from 9.59% to 17.94%; includes a \$1 purchase option at end of lease term. | <u>\$ -</u> | <u>\$ 14,825</u> |
|   | -           | 14,825           |
| Less current maturities   | <u>-</u>    | <u>14,825</u>    |
|   | <u>\$ -</u> | <u>\$ -</u>      |

WHRO leased certain equipment under financing-type lease agreements, which were classified as capital leases for financial reporting purposes. The imputed interest rate on the existing leases ranged between 9.59% and 17.94%. Interest expense on the above indebtedness amounted to \$1,054 and \$2,688 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 8. EMPLOYEE BENEFIT PLANS**

WHRO maintains a §403(b) retirement plan (the Plan) covering all employees that work 1,040 hours or more. 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, 2011 and 2010 totaled \$77,216 and \$106,642, respectively.



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Notes to Financial Statements  
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**NOTE 9. COMMITMENTS AND CONTINGENCIES**

***Tower Rights and Commitments***

During fiscal year 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.

In fiscal year 2011, WHRO began to derive rents from the ground lease based on the gross tower receipts. The tower rights and ground lease can be extended at the end of the initial thirty-five year term for two additional terms of ten years each. The noncash components of the transaction were recorded initially at their estimated fair values and are included in the accompanying statements of financial position as tower rights (\$1,129,944 and \$1,177,025 at June 30, 2011 and 2010, respectively) and deferred revenue (\$21,461 and \$27,038 at June 30, 2011 and 2010, respectively).

***Operating Leases***

WHRO has an operating lease for warehouse space in Norfolk, VA with an original monthly payment of \$1,000 escalating 3.0% each year with no specified lease maturity date. The current monthly payment is \$1,093. WHRO has a three-year operating lease for office space in Williamsburg, VA which expires on May 31, 2012 with monthly payments of \$1,667 for the period June 1, 2009 until May 31, 2010 escalating to \$3,422 and \$4,919 in subsequent periods. WHRO leases various equipment under agreements expiring by August 2012. Rental expense was \$100,361 and \$69,103 for the years ended June 30, 2011 and 2010, respectively. Minimum rental commitments subsequent to 2011 under non-cancellable operating leases are:

|      |                   |
|------|-------------------|
| 2012 | \$ 121,209        |
| 2013 | 39,055            |
| 2014 | 36,505            |
| 2015 | 36,505            |
| 2016 | <u>8,834</u>      |
|      | <u>\$ 242,108</u> |

***Equipment Grants***

WHRO has received certain grants in various years from the U.S. government and from the Commonwealth of Virginia to be used specifically for the purchase of equipment. The grants provide that should such equipment be disposed of during a ten-year period following the year of acquisition, a portion of the proceeds would be refunded to the granting authorities.



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
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Notes to Financial Statements  
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**NOTE 10. ENDOWMENT**

WHRO has implemented ASC 958-205-55 which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The Commonwealth of Virginia has adopted UPMIFA.

WHRO's endowment consist 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. As of June 30, 2011 and 2010, donor restricted and board designated endowment funds are included in the accompanying statements of financial position as follows:

|                           | <u>2011</u>         | <u>2010</u>         |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,690,436        | \$ 2,506,570        |
| Investments               | <u>3,911,783</u>    | <u>2,386,599</u>    |
|                           | <u>\$ 5,602,219</u> | <u>\$ 4,893,169</u> |

WHRO has interpreted the UPMIFA as requiring the preservation of the historic value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WHRO classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
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Notes to Financial Statements

June 30, 2011 and 2010

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**NOTE 10. ENDOWMENT (Continued)**

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

- (1) The duration and preservation of the fund
- (2) The purposes 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 the appreciation of investments
- (6) Other resources of WHRO
- (7) The investment policies of WHRO

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 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 specific period(s) as well as board-designated funds. 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, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

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.

WHRO has a policy of appropriating investment income for distribution each year up to \$155,000. In establishing this policy, 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 specific term as well as to provide additional real growth through new gifts and investment return.

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
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Notes to Financial Statements  
June 30, 2011 and 2010

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**NOTE 10. ENDOWMENT (Continued)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires WHRO to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2011 or 2010.

At June 30, 2011, the endowment net asset composition by type of fund consisted of the following:

|                               | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|-------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Donor restricted funds</b> | \$ -                | \$ -                              | \$ 156,112                        | \$ 156,112          |
| <b>Board designated funds</b> | <u>5,446,108</u>    | <u>-</u>                          | <u>-</u>                          | <u>5,446,108</u>    |
| <b>Total funds</b>            | <u>\$ 5,446,108</u> | <u>\$ -</u>                       | <u>\$ 156,112</u>                 | <u>\$ 5,602,220</u> |

Changes in endowment net assets for the fiscal year ended June 30, 2011 consisted of the following:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Endowment net assets,<br/>beginning of year</b>                | <u>\$ 4,737,057</u> | <u>\$ -</u>                       | <u>\$ 156,112</u>                 | <u>\$ 4,893,169</u> |
| <b>Investment return:</b>   |                     |                                   |                                   |                     |
| <b>Investment income</b>  | 168,048             | -                                 | -                                 | 168,048             |
| <b>Net depreciation<br/>    (realized and<br/>    unrealized)</b> | <u>(30,945)</u>     | <u>-</u>                          | <u>-</u>                          | <u>(30,945)</u>     |
| <b>Total investment return</b>                                    | 137,103             | -                                 | -                                 | 137,103             |
| <b>Appropriation of<br/>endowment assets<br/>for expenditure</b>  | (178,700)           | -                                 | -                                 | (178,700)           |
| <b>Other changes:</b>   |                     |                                   |                                   |                     |
| <b>Board designations</b>   | <u>750,648</u>      | <u>-</u>                          | <u>-</u>                          | <u>750,648</u>      |
| <b>Endowment net assets,<br/>end of year</b>                      | <u>\$ 5,446,108</u> | <u>\$ -</u>                       | <u>\$ 156,112</u>                 | <u>\$ 5,602,220</u> |

(Continued)



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
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Notes to Financial Statements

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**NOTE 10. ENDOWMENT (Concluded)**

At June 30, 2010, the endowment net asset composition by type of fund consisted of the following:

|                        | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor restricted funds | \$ -                | \$ -                              | \$ 156,112                        | \$ 156,112          |
| Board designated funds | <u>4,737,057</u>    | <u>-</u>                          | <u>-</u>                          | <u>4,737,057</u>    |
| Total funds            | <u>\$ 4,737,057</u> | <u>\$ -</u>                       | <u>\$ 156,112</u>                 | <u>\$ 4,893,169</u> |

Changes in endowment net assets for the fiscal year ended June 30, 2010 consisted of the following:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets,<br>beginning of year              | <u>\$ 4,091,528</u> | <u>\$ -</u>                       | <u>\$ 156,112</u>                 | <u>\$ 4,247,640</u> |
| Investment return:                                      |                     |                                   |                                   |                     |
| Investment income                                       | 155,062             | -                                 | -                                 | 155,062             |
| Net appreciation<br>(realized and<br>unrealized)        | <u>164,116</u>      | <u>-</u>                          | <u>-</u>                          | <u>164,116</u>      |
| Total investment return                                 | 319,178             | -                                 | -                                 | 319,178             |
| Appropriation of<br>endowment assets<br>for expenditure | (401,000)           | -                                 | -                                 | (401,000)           |
| Other changes:  |                     |                                   |                                   |                     |
| Board designations                                      | <u>727,351</u>      | <u>-</u>                          | <u>-</u>                          | <u>727,351</u>      |
| Endowment net assets,<br>end of year                    | <u>\$ 4,737,057</u> | <u>\$ -</u>                       | <u>\$ 156,112</u>                 | <u>\$ 4,893,169</u> |



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Notes to Financial Statements

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**NOTE 11. CONCENTRATION OF CREDIT RISK**

WHRO maintains cash deposits with financial and investment institutions in excess of the limit of federal deposit insurance of \$250,000 at various times during the year. In addition, WHRO maintains investments in excess of the \$500,000 that is insured by Securities Investor Protection Corporation.

**NOTE 12. SUBSEQUENT EVENTS**

WHRO has evaluated all events subsequent to June 30, 2011 through August 26, 2011, which is the date these financial statements were available to be issued. WHRO has determined that, except as disclosed Note 6, there are no subsequent events that require disclosure pursuant to the FASB Accounting Standards Codification.



## **SUPPLEMENTARY INFORMATION**



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

Schedule of Functional Expenses - Schedule I  
Year Ended June 30, 2011

|  | Program              | Management<br>and General | Fundraising and<br>Development | Total                |
|--|----------------------|---------------------------|--------------------------------|----------------------|
| Salaries and wages                     | \$ 4,546,945         | \$ 576,932                | \$ 757,466                     | \$ 5,881,343         |
| Depreciation                           | 1,216,772            | 10,205                    | 8,748                          | 1,235,725            |
| Fringe benefits                        | 868,177              | 66,043                    | 130,707                        | 1,064,927            |
| Public Broadcasting Service fees       | 1,061,330            | -                         | -                              | 1,061,330            |
| Independent contractors and talent     | 955,490              | -                         | 12,519                         | 968,009              |
| Education software and licenses        | 816,478              | -                         | -                              | 816,478              |
| Telephone and bandwidth                | 528,734              | 3,706                     | 29,251                         | 561,691              |
| Repairs and maintenance                | 440,291              | 75,305                    | 13,429                         | 529,025              |
| National Public Radio fees             | 354,569              | -                         | -                              | 354,569              |
| Program fees - other                   | 343,639              | -                         | 172                            | 343,811              |
| Utilities                              | 248,308              | 78,663                    | 13,875                         | 340,846              |
| Postage and shipping                   | 59,657               | 4,100                     | 177,500                        | 241,257              |
| Consultant fees                        | 199,075              | 26,488                    | 1,245                          | 226,808              |
| Streaming fees                         | 222,252              | -                         | -                              | 222,252              |
| Fundraising premiums                   | 614                  | -                         | 211,051                        | 211,665              |
| Professional fees                      | 114,390              | 86,199                    | -                              | 200,589              |
| Hospitality and travel                 | 49,292               | 4,590                     | 92,524                         | 146,406              |
| Production costs - other               | 108,016              | 15,034                    | 15,354                         | 138,404              |
| Listing services and audience research | 117,333              | -                         | 20,000                         | 137,333              |
| Paper, printing and stationery         | 57,387               | 27,140                    | 44,126                         | 128,653              |
| Insurance                              | 62,040               | 52,442                    | 9,250                          | 123,732              |
| Credit card and bank fees              | 1,735                | 20,116                    | 84,255                         | 106,106              |
| Dues and licenses                      | 61,881               | 31,435                    | 12,723                         | 106,039              |
| Miscellaneous                          | 56,952               | 22,602                    | 2,730                          | 82,284               |
| Marketing and advertising              | 58,750               | 7,856                     | 2,810                          | 69,416               |
| Supplies and subscriptions             | 49,808               | 5,333                     | 4,118                          | 59,259               |
| Conferences, seminars and training     | 42,966               | 4,313                     | 1,187                          | 48,466               |
| Temporary services and graphic design  | 22,770               | 4,467                     | 15,852                         | 43,089               |
| Interest and taxes                     | 4,832                | 17,427                    | 76                             | 22,335               |
| Bad debts                              | (2,269)              | 1,051                     | 17,120                         | 15,902               |
|  | <u>\$ 12,668,214</u> | <u>\$ 1,141,447</u>       | <u>\$ 1,678,088</u>            | <u>\$ 15,487,749</u> |



**HAMPTON ROADS EDUCATIONAL TELECOMMUNICATIONS  
ASSOCIATION, INC.**

**Changes in Property and Equipment - Schedule II  
Year Ended June 30, 2011**

|                                  | Balance<br>July 1, 2010 | Additions         | Transfers and<br>Disposals | Balance<br>June 30, 2011 |
|----------------------------------|-------------------------|-------------------|----------------------------|--------------------------|
| Land                             | \$ 377,677              | \$ -              | \$ -                       | \$ 377,677               |
| Buildings and Improvements       | 5,033,969               | 168,070           | -                          | 5,202,039                |
| Furnishings and equipment:       |                         |                   |                            |                          |
| Cameras and video tape recorders | 802,139                 | -                 | 132,654                    | 669,485                  |
| Transmitters                     | 2,380,149               | 199,948           | 15,691                     | 2,564,406                |
| Antennas and towers              | 1,973,051               | 543,828           | -                          | 2,516,879                |
| Production                       | 1,084,039               | 23,552            | 168,191                    | 939,400                  |
| Microwave and ITFS               | 1,331,342               | -                 | 428,404                    | 902,938                  |
| Capital lease                    | 42,444                  | -                 | -                          | 42,444                   |
| Radio                            | 1,497,974               | 591,327           | 303,491                    | 1,785,810                |
| Other equipment                  | 11,850,670              | 85,498            | 241,373                    | 11,694,795               |
|                                  | <u>20,961,808</u>       | <u>1,444,153</u>  | <u>1,289,804</u>           | <u>21,116,157</u>        |
| Construction in progress         | <u>531,954</u>          | <u>385,365</u>    | <u>200,527</u>             | <u>716,792</u>           |
|                                  | 26,905,408              | 1,997,588         | 1,490,331                  | 27,412,665               |
| Less:                            |                         |                   |                            |                          |
| Allowances for depreciation      | <u>18,616,095</u>       | <u>1,235,725</u>  | <u>1,280,179</u>           | <u>18,571,641</u>        |
|                                  | <u>\$ 8,289,313</u>     | <u>\$ 761,863</u> | <u>\$ 2,770,510</u>        | <u>\$ 8,841,024</u>      |

