



Public Telecommunications Entities Operated by Boston University (also known as WBUR)

**Special-Purpose Financial Statements
June 30, 2017 and 2016**



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Independent Auditors' Report

The Board of Trustees of Boston University
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the Public Telecommunications Entities Operated by Boston University (also known as "WBUR"), which comprise the special-purpose statements of assets, liabilities, and net assets as of June 30, 2017 and 2016, and the related special-purpose statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the Annual Financial Report requirements of the Corporation for Public Broadcasting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of WBUR as of June 30, 2017 and 2016, and the results of its changes in net assets and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 1.



Basis of Accounting

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 1 to the special-purpose financial statements, the special-purpose financial statements are prepared by WBUR for the purpose of complying with the Annual Financial Report requirements of the Corporation for Public Broadcasting. Furthermore, WBUR is a department of Boston University, and therefore, these special-purpose financial statements have been prepared on a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the Corporation for Public Broadcasting. Due to the nature and significance of the transactions between WBUR and Boston University, the financial position, changes in net assets and cash flows may not be indicative of the results which would have been attained if WBUR had operated independently of Boston University. Our opinion is not modified with respect to these matters.

Purpose of Report - Restriction on Use

Our report is intended solely for the information and use of the Board of Trustees of Boston University, management of WBUR and Boston University and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

November 29, 2017
Boston, Massachusetts

WBUR**Special-Purpose Statement of Assets, Liabilities, and Net Assets****June 30, 2017 and 2016**

	2017	2016
Assets		
Accounts receivable, net	\$ 3,599,494	\$ 2,679,405
Prepaid expenses and other assets	378,076	372,004
Pledges receivable	1,855,998	1,326,067
Note and interest receivable (note 8)	325,006	603,431
Grants receivable	8,014	25,928
Long-term investments (note 2)	154,165	164,417
Beneficial interest in perpetual trust (note 2)	1,475,397	1,447,162
Due from Boston University (notes 1 and 5)	15,888,008	13,442,032
Property and equipment, net (note 4)	4,109,293	1,651,910
Intangible assets	781,987	781,987
Total assets	<u>\$ 28,575,438</u>	<u>\$ 22,494,343</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,570,089	\$ 2,390,564
Deferred revenue	880,852	561,148
Total liabilities	<u>4,450,941</u>	<u>2,951,712</u>
Net assets		
Unrestricted	17,990,313	14,622,413
Temporarily restricted	4,550,122	3,364,391
Permanently restricted	1,584,062	1,555,827
Total net assets	<u>24,124,497</u>	<u>19,542,631</u>
Total liabilities and net assets	<u>\$ 28,575,438</u>	<u>\$ 22,494,343</u>

See Independent Auditors' Report and the accompanying notes, which are an integral part of these special-purpose financial statements.

WBUR**Special-Purpose Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Operating				
Revenues				
Gifts	\$ 15,005,029	\$ 142,650	\$ -	\$ 15,147,679
Grants	1,646,927	-	-	1,646,927
Sponsored programs and grants	171,840	-	-	171,840
Donated facilities and administrative support from Boston University	2,020,615	-	-	2,020,615
Underwriting	17,160,739	-	-	17,160,739
Trade	2,107,555	-	-	2,107,555
Program syndication	2,796,991	-	-	2,796,991
Other income	620,188	-	-	620,188
Contributions used for operations	778,854	(29,941)	-	748,913
Total revenues	<u>42,308,738</u>	<u>112,709</u>	<u>-</u>	<u>42,421,447</u>
Expenses				
Program Services				
Programming and production	18,322,054	-	-	18,322,054
Engineering and technical	2,044,063	-	-	2,044,063
Digital Media	2,801,423	-	-	2,801,423
Supporting Services				
Fundraising	5,282,338	-	-	5,282,338
Underwriting	5,125,310	-	-	5,125,310
Marketing and promotion	2,303,270	-	-	2,303,270
General and administrative	3,743,834	-	-	3,743,834
Total expenses	<u>39,622,292</u>	<u>-</u>	<u>-</u>	<u>39,622,292</u>
Increase in net assets from operating activities	<u>2,686,446</u>	<u>112,709</u>	<u>-</u>	<u>2,799,155</u>
Nonoperating				
Capital campaign contributions	-	1,816,508	-	1,816,508
Contributions used for operations	-	(748,913)	-	(748,913)
Realized and unrealized gains on investments, net	598,433	5,427	-	603,860
Investment income	70,923	-	-	70,923
Interest income	12,098	-	-	12,098
Change in value of beneficial interest in perpetual trust	-	-	28,235	28,235
Increase in net assets from nonoperating activities	<u>681,454</u>	<u>1,073,022</u>	<u>28,235</u>	<u>1,782,711</u>
Total increase in net assets	<u>3,367,900</u>	<u>1,185,731</u>	<u>28,235</u>	<u>4,581,866</u>
Net assets				
Beginning of year	<u>14,622,413</u>	<u>3,364,391</u>	<u>1,555,827</u>	<u>19,542,631</u>
End of year	<u>\$ 17,990,313</u>	<u>\$ 4,550,122</u>	<u>\$ 1,584,062</u>	<u>\$ 24,124,497</u>

See Independent Auditors' Report and the accompanying notes, which are an integral part of these special-purpose financial statements.

WBUR**Special-Purpose Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating				
Revenues				
Gifts	\$ 13,066,901	\$ 38,356	\$ -	\$ 13,105,257
Grants	1,648,041	-	-	1,648,041
Sponsored programs and grants	556,852	-	-	556,852
Donated facilities and administrative support from Boston University	1,800,040	-	-	1,800,040
Underwriting	14,491,694	-	-	14,491,694
Trade	2,505,423	-	-	2,505,423
Program syndication	2,517,602	-	-	2,517,602
Other income	533,046	-	-	533,046
Contributions used for operations	239,765	-	-	239,765
Total revenues	<u>37,359,364</u>	<u>38,356</u>	<u>-</u>	<u>37,397,720</u>
Expenses				
Program Services				
Programming and production	16,026,753	-	-	16,026,753
Engineering and technical	2,189,489	-	-	2,189,489
Digital Media	3,366,192	-	-	3,366,192
Supporting Services				
Fundraising	5,363,157	-	-	5,363,157
Underwriting	3,876,214	-	-	3,876,214
Marketing and promotion	2,556,721	-	-	2,556,721
General and administrative	3,800,814	-	-	3,800,814
Total expenses	<u>37,179,340</u>	<u>-</u>	<u>-</u>	<u>37,179,340</u>
Increase in net assets from operating activities	<u>180,024</u>	<u>38,356</u>	<u>-</u>	<u>218,380</u>
Nonoperating				
Capital campaign contributions	-	1,814,814	-	1,814,814
Contributions used for operations	-	(239,765)	-	(239,765)
Realized and unrealized gains (losses) on investments, net	595,429	(10,683)	-	584,746
Investment income	73,008	-	-	73,008
Interest income	22,785	-	-	22,785
Loss on sale of donated property	-	(40,438)	-	(40,438)
Change in value of beneficial interest in perpetual trust	-	-	(43,726)	(43,726)
Increase/(decrease) in net assets from nonoperating activities	<u>691,222</u>	<u>1,523,928</u>	<u>(43,726)</u>	<u>2,171,424</u>
Total increase/(decrease) in net assets	<u>871,246</u>	<u>1,562,284</u>	<u>(43,726)</u>	<u>2,389,804</u>
Net assets				
Beginning of year	<u>13,751,167</u>	<u>1,802,107</u>	<u>1,599,553</u>	<u>17,152,827</u>
End of year	<u>\$ 14,622,413</u>	<u>\$ 3,364,391</u>	<u>\$ 1,555,827</u>	<u>\$ 19,542,631</u>

See Independent Auditors' Report and the accompanying notes, which are an integral part of these special-purpose financial statements.

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Special-Purpose Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 4,581,866	\$ 2,389,804
Adjustments to reconcile change in net assets to net cash provided by/used in operating activities		
Depreciation	303,915	268,478
Proceeds from annuity	15,679	-
Realized and unrealized (gain)/loss on investments, net	(5,427)	10,683
Receipt of noncash contributions	(122,766)	(111,025)
Proceeds from sales of marketable securities	122,766	111,025
Change in value of beneficial interest in perpetual trust	(28,235)	43,726
Increase/(decrease) in allowance for bad debt, net of recoveries	132,144	(50,103)
Changes in operating assets and liabilities		
Increase in accounts receivable	(1,052,233)	(66,092)
(Increase)/decrease in prepaid expenses and other assets	(6,072)	10,848
Increase in pledges receivable	(529,931)	(342,920)
Decrease in grants receivable	17,914	99,072
Increase in due from Boston University	(2,445,976)	(2,681,630)
Increase in accounts payable and accrued expenses	1,142,849	519,205
Increase/(decrease) in deferred revenue	319,704	(127,602)
Net cash provided by operating activities	<u>2,446,197</u>	<u>73,469</u>
Cash flows from investing activities		
Payments on note receivable	278,425	18,569
Purchase of property and equipment	(2,724,622)	(92,038)
Net cash used in investing activities	<u>(2,446,197)</u>	<u>(73,469)</u>
Net change in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of noncash information		
Property and equipment included in accounts payable	<u>\$ 36,676</u>	<u>\$ 9,276</u>

See Independent Auditors' Report and the accompanying notes, which are an integral part of these special-purpose financial statements.

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Notes to Special-Purpose Financial Statements

June 30, 2017 and 2016

1. Accounting Policies

The following is a summary of the significant accounting policies of the Public Telecommunications Entities Operated by Boston University (also known as "WBUR").

Nature of Business and Relationship to Boston University

WBUR consists of WBUR-FM, Boston, Massachusetts, WBUA-FM, Tisbury, Massachusetts, and WBUH-FM, Brewster, Massachusetts.

WBUR-FM went on the air in 1950 and became eligible for funding from the Corporation for Public Broadcasting ("CPB") in 1970. The Executive Committee of the Trustees of Boston University is the licensee for WBUR-FM, WBUA-FM, and WBUH-FM. Historically, Boston University (the "University") has provided support to sustain the operations of WBUR.

On July 1, 1998, the Trustees of Boston University created the WRNI Foundation for the specific purpose of holding the broadcast license and other assets of the noncommercial public radio station WRNI-AM. On July 30, 1998, under the terms of an Agreement and Plan of Merger, Neto Communications was merged within and into the WRNI Foundation. WRNI-AM went on the air in May 1998.

On January 15, 2009, WBUR sold the broadcast license and other assets of WRNI-AM and WXNI-AM (see Note 8).

The Corporation for Public Broadcasting recognizes WBUR-FM, WBUA-FM, and WBUH-FM as affiliated stations.

Basis of Presentation

The accompanying special-purpose financial statements have been prepared on the accrual basis of accounting in accordance with the reporting principles of not-for-profit accounting, and were prepared for the purpose of complying with the Annual Financial Report requirements of the Corporation for Public Broadcasting. In addition, these special-purpose financial statements are presented in accordance with accounting principles generally accepted in the United States of America with the exception that WBUR is a department of the University and does not represent a separate legal entity for financial reporting purposes. As such, WBUR shares in certain costs incurred by the University, including fringe benefits and pension costs. Additionally, when amounts are due from the University, the related asset is maintained as a portion of the University's endowment and receives an allocated portion of the endowments earnings or losses.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets include resources that are available for support of WBUR's operations, resources invested in property and equipment, and FCC licenses. Contributions, gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions, as to time or purpose, have not been met, in addition to accumulated unexpended gains on permanently restricted net assets.

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Notes to Special-Purpose Financial Statements

June 30, 2017 and 2016

Permanently Restricted Net Assets

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for spending in accordance with donor restrictions. The permanently restricted net assets of WBUR represent WBUR's beneficial interest in a perpetual trust as well as an endowment fund established by a donor, the earnings on which are temporarily restricted until appropriated for spending in accordance with donor restriction or law.

Cash

The financial policies of the University, under which WBUR operates, require that all cash be held centrally by the University. Accordingly, cash available for use by WBUR is reported within "Due to/from Boston University" on the accompanying financial statements.

Gift Revenue

Gifts, including unconditional promises to give and non-cash contributions, are recorded at fair value at the date of contribution using Level 2 inputs to valuation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Corporation for Public Broadcasting ("CPB") Grants

Community service grants are received from the CPB. These grants are recognized within unrestricted revenues in "Grants" on the statement of revenues, expenses, and changes in net assets as the related expenses are incurred. Continued funding of these grants is dependent on WBUR's continued compliance with CPB's Annual Financial Reporting requirements.

Fair Value Measurements

WBUR reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item in accordance with fair value standards. Recurring fair value measurements include long-term investments and the beneficial interest in perpetual trust. Nonrecurring measurements include contributions receivable and trade transactions. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, WBUR reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require WBUR to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories, with Level 1 being the highest level of inputs:

Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3 – unobservable inputs that are used when little or no market data is available.

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In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The NAVs or their equivalents, as estimated and reported by the general partners or investment managers, are reviewed and evaluated by the University's Investment Office.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in value of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Property and Equipment

Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value at the date of contribution using Level 2 inputs to valuation. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and any gains and/or losses are reflected in the statements of revenues, expenses and changes in net assets.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, as follows: leasehold improvements, 1-20 years, or lease term, if shorter; transmission equipment, 7-20 years; studio and other broadcast equipment, 5-10 years; internal use software, 5 years; and furniture and fixtures, 7 years.

Intangible Assets

Intangible assets are recorded at cost, and consist of broadcast licenses for Tisbury, MA and Brewster, MA. Current intangibles have indefinite useful lives, and therefore are not amortized. WBUR's policy is to evaluate intangibles for indicators of impairment on an annual basis, at minimum. Management has determined that there is no impairment as of June 30, 2017 and 2016.

Donated Facilities and Administrative Support from Boston University

WBUR is dependent on the University for a variety of administrative and financial needs. Donated facilities and administrative support are recorded at fair value using Level 3 inputs and represent broadcast radio antenna and transmitter space utilized by WBUR, as well as financial department costs and certain other expenses incurred by the University on behalf of WBUR (see Note 5).

Accounts Receivable

Trades

WBUR enters into trade transactions for products or services in exchange for program underwriting. Trade transactions are recorded at the estimated fair value of the product or service received using Level 2 inputs to valuation. Trade revenue is recorded when the program underwriting is broadcast. Trade expense is recorded when merchandise or services are received.

If the program underwriting occurs prior to receipt or use of merchandise or services, a receivable is recorded. At June 30, 2017 and 2016, net trades receivable of \$135,480 and \$66,023, respectively, are included in accounts receivable on the statements of assets, liabilities, and net assets. If merchandise or services are received prior to program underwriting, deferred revenue is recorded. At June 30, 2017 and 2016, deferred revenue related to trades was \$445,715 and \$441,173, respectively.

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Notes to Special-Purpose Financial Statements

June 30, 2017 and 2016

Underwriting

WBUR enters into contracts with various third parties for underwriting of programs broadcast on WBUR's stations. All revenue is recorded at the time the underwriting is broadcast. At June 30, 2017 and 2016, net underwriting receivables of \$2,950,720 and \$2,120,174, respectively, are included in accounts receivable on the statements of assets, liabilities, and net assets. Amounts received in advance of broadcasting are recorded as deferred revenue. At June 30, 2017 and 2016, deferred revenue related to underwriting was \$40,646 and \$67,275, respectively.

Program Syndication

WBUR has entered into an agreement with National Public Radio (NPR) to distribute WBUR's three nationally syndicated programs, "Here & Now," "On Point," and "Only A Game" to broadcast stations throughout the public radio system. Stations that elect to broadcast the programs pay an annual fee to NPR. At the end of each calendar quarter, NPR distributes to WBUR a portion of the program fees collected. NPR notifies WBUR of the amount to be transferred in advance which allows WBUR to record accounts receivable. At June 30, 2017 and 2016, net syndication receivables from NPR of \$513,294 and \$493,208, respectively, are included on the statements of assets, liabilities, and net assets.

Sponsored Programs and Grants

Revenues associated with contracts and grants are recognized as the related costs are incurred. At June 30, 2017 and 2016, grants receivable of \$8,014 and \$25,928, respectively, are included on the statements of assets, liabilities, and net assets. Amounts received in advance of costs incurred are recorded as deferred revenue. At June 30, 2017 and 2016, deferred revenue associated with sponsored programs was \$394,491 and \$52,700, respectively.

Allowance for Doubtful Accounts

On a regular basis, WBUR reviews the adequacy of its allowance for doubtful accounts based on historical collection results and current economic conditions using factors based on the aging of its accounts. In addition, WBUR estimates specific additional allowances based on indications that a specific customer may be experiencing financial difficulties. At June 30, 2017 and 2016, the allowance for doubtful accounts was \$257,144 and \$125,000, respectively.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded at net realizable value. Pledges, net of discounts and allowances, are recorded as receivables with the revenue assigned to the appropriate net asset category. No reserve has been recorded as management believes the pledges are fully collectible.

Beneficial Interest in Perpetual Trust

WBUR records its beneficial interest in perpetual trusts at fair value when such beneficial interests become irrevocable and WBUR has been informed of such trusts. The increase or decrease in the fair value of WBUR's beneficial interest is recorded as an adjustment to permanently restricted net assets and distributions received are included in unrestricted investment income.

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Notes to Special-Purpose Financial Statements

June 30, 2017 and 2016

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates are made in the areas of accounts receivable, pledges receivable and accrued expenses.

Risks and Uncertainties

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values will occur in the near term and that such changes could materially affect the financial statements.

Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of WBUR, management has concluded that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

The University accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. WBUR has identified its tax status as department of a tax exempt entity as its only significant tax position; however, WBUR has determined that such tax position does not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdictions and the last three tax years are open for review.

Reclassifications

Certain 2016 balances have been reclassified to conform to the 2017 presentation. None of these reclassifications caused a change in net assets.

Subsequent Events

WBUR has evaluated subsequent events through November 29, 2017, the date the financial statements were issued.

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Notes to Special-Purpose Financial Statements
June 30, 2017 and 2016

2. Fair Value Measurements

WBUR's investment holdings are included in the University's pooled endowment fund, which is included as part of the University's investments. The pooled endowment fund consists of a variety of investments, including money market funds, fixed income funds, global equities, marketable alternative investments, nonmarketable alternative investments and real assets. WBUR has total investments held by the University with a fair value of \$154,165 and \$164,417 as of June 30, 2017 and 2016, respectively. The fair value is determined based on the University's unit value at June 30, 2017 and 2016 multiplied by the total units allocated to WBUR's funds. The fair value hierarchy noted below is based on the University's fair value hierarchy. In addition, WBUR's beneficial interest in perpetual trust is classified as Level 3, due to the trust's requirement that the principal balance remain in perpetuity. The following table presents the financial instruments carried at fair value as of June 30, 2017 and 2016, by the valuation hierarchy defined above:

	Investments Measured at NAV	Investments classified in the Fair Value Hierarchy			Total
		Level 1	Level 2	Level 3	
<u>As of June 30, 2017:</u>					
Assets					
Long-term investments					
Endowment	\$ 69,242	\$ 63,236	\$ 4,163	\$ 17,524	\$ 154,165
Annuity	-	-	-	-	-
Total long-term investments	69,242	63,236	4,163	17,524	154,165
Beneficial interest in perpetual trust	-	-	-	1,475,397	1,475,397
Total assets at fair value	\$ 69,242	\$ 63,236	\$ 4,163	\$ 1,492,921	\$ 1,629,562
	Investments Measured at NAV	Investments classified in the Fair Value Hierarchy			Total
		Level 1	Level 2	Level 3	
<u>As of June 30, 2016:</u>					
Assets					
Long-term investments					
Endowment	\$ 64,655	\$ 55,719	\$ 3,717	\$ 18,551	\$ 142,642
Annuity	9,870	8,506	567	2,832	21,775
Total long-term investments	74,525	64,225	4,284	21,383	164,417
Beneficial interest in perpetual trust	-	-	-	1,447,162	1,447,162
Total assets at fair value	\$ 74,525	\$ 64,225	\$ 4,284	\$ 1,468,545	\$ 1,611,579

See Independent Auditors' Report.

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Notes to Special-Purpose Financial Statements
June 30, 2017 and 2016

The following table is a roll forward of the statement of assets, liabilities, and net assets amounts for financial instruments classified by WBUR within Level 3 of the fair value hierarchy defined above:

	Total Assets at Fair Value
Fair value at July 1, 2016	\$ 1,468,545
Unrealized losses	(3,859)
Change in value of beneficial interest in perpetual trust	28,235
Fair value at June 30, 2017	<u>\$ 1,492,921</u>
	Total Assets at Fair Value
Fair value at July 1, 2015	\$ 1,507,995
Unrealized gains	4,276
Change in value of beneficial interest in perpetual trust	(43,726)
Fair value at June 30, 2016	<u>\$ 1,468,545</u>

Endowment Funds

Net asset classification of donor-restricted endowment funds for a not-for-profit organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA). The Commonwealth of Massachusetts adopted UPMIFA effective for institutional funds existing on or established after June 30, 2009.

WBUR's endowment funds are invested based on the University's investment policies and, therefore, WBUR has adopted the University's interpretation of UPMIFA. The University has interpreted 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. As a result of this interpretation, the University 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 University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers a variety of factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The University has investment and spending policies for its endowment and similar funds that emphasize long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

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The amounts distributed from the investment yield of pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution is based on fixed monthly amounts per share and is calculated by multiplying the "Effective Distribution" (a percentage between 3% and 5%, as determined by the Trustee Executive Committee) by the 20-quarter average market value per share as of December 31. The targeted distribution percentage is 4%. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year accumulated earnings.

The following table represents changes in the endowment net assets for the years ended June 30, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2015	<u>\$ -</u>	<u>\$ 43,282</u>	<u>\$ 108,665</u>	<u>\$ 151,947</u>
Investment return				
Investment income	5,254	-	-	5,254
Realized and unrealized loss on investments, net	-	(9,305)	-	(9,305)
Total investment loss	<u>5,254</u>	<u>(9,305)</u>	<u>-</u>	<u>(4,051)</u>
Appropriation of endowment assets for expenditures	<u>(5,254)</u>	<u>-</u>	<u>-</u>	<u>(5,254)</u>
Endowment net assets at June 30, 2016	<u>\$ -</u>	<u>\$ 33,977</u>	<u>\$ 108,665</u>	<u>\$ 142,642</u>
Investment return				
Investment income	5,453	-	-	5,453
Realized and unrealized gain on investments, net	-	11,523	-	11,523
Total investment loss	<u>5,453</u>	<u>11,523</u>	<u>-</u>	<u>16,976</u>
Appropriation of endowment assets for expenditures	<u>(5,453)</u>	<u>-</u>	<u>-</u>	<u>(5,453)</u>
Endowment net assets at June 30, 2017	<u>\$ -</u>	<u>\$ 45,500</u>	<u>\$ 108,665</u>	<u>154,165</u>

See Independent Auditors' Report.

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3. Pledges Receivable

At June 30, 2017 and 2016, pledges receivable were composed of the following:

	2017	2016
Pledges receivable		
Due within one year	\$ 720,722	\$ 788,000
Due in one to five years	1,273,800	569,000
	<u>1,994,522</u>	<u>1,357,000</u>
Less: present value discount	<u>(138,524)</u>	<u>(30,933)</u>
Total pledges receivable, net	<u>\$ 1,855,998</u>	<u>\$ 1,326,067</u>

4. Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Property and equipment		
Leasehold improvements	\$ 5,420,498	\$ 3,074,696
Transmission equipment	1,224,572	847,657
Studio and other broadcast equipment	1,062,276	1,023,695
Internal use software	245,978	245,978
Furniture and fixtures	1,045,036	1,045,036
Vehicles	26,534	26,534
Property and equipment	<u>9,024,894</u>	<u>6,263,596</u>
Less: Accumulated depreciation	<u>(4,915,601)</u>	<u>(4,611,686)</u>
Property and equipment, net	<u>\$ 4,109,293</u>	<u>\$ 1,651,910</u>

Depreciation expense related to property and equipment for the years ended June 30, 2017 and 2016 was \$303,915 and \$268,478, respectively.

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5. Due to/from Boston University

At June 30, 2017 and 2016, WBUR recorded a receivable from Boston University of \$15,888,008 and \$13,442,032, respectively. The balance is primarily comprised of the accumulated net margins net of leasehold improvements of WBUR which were funded by the University. Interest is not charged on amounts due from the University. A portion of the net due from balance is held by the University in its endowment and is reported to WBUR at estimated fair value of \$8,505,958 and \$7,407,525 at June 30, 2017 and 2016, respectively. Earnings credit of \$288,617 and \$254,449 for the years ended June 30, 2017 and 2016, respectively, were allocated to WBUR and are included in other income on the statement of revenues, expenses and changes in net assets. Unrealized gains of \$598,433 and \$595,429 are included in realized and unrealized gains or losses on investments on the statement of revenues, expenses and changes in net assets for the years ended June 30, 2017 and 2016, respectively.

WBUR is a department of the University. Due to the nature and significance of the transactions between WBUR and the University, the financial position, changes in net assets and cash flows may not be indicative of the results which would have been attained if WBUR was not a department of the University. Total donated access to facilities and administrative support provided to WBUR from the University for the years ended June 30, 2017 and 2016 was \$2,020,615 and \$1,800,040, respectively.

6. Pension and Other Employee Benefits

WBUR participates in the University's pension and other postretirement benefit plans as described below.

Defined Contribution Plan

The University makes retirement plan contributions to Teachers Insurance and Annuity Association (TIAA), College Retirement Equities Fund (CREF), and Fidelity Investments for faculty and staff. This 403(b) plan is a defined contribution plan available to all employees who work at least 50% of a full-time schedule, and have an appointment or an expected assignment duration of at least nine months. The expenses for this program amounted to \$1,220,193 and \$1,120,254 for the years ended June 30, 2017 and 2016, respectively.

During fiscal year 2009, the University initiated the process to discontinue a plan option that offers subsidized health care coverage to employees who retire from the University after age 55 until age 65, provided they have at least ten consecutive years of participation in the plan at the time they retire. During fiscal year 2010, the effective date of this change was adjusted; previously the change applied to employees terminating from the University on or after July 1, 2009. The 2010 change was applied to any employee who terminates from the University on or after September 1, 2009. The University provides modest life insurance benefits to retirees in the plan as of January 1, 2007.

The University charges WBUR for its portion of pension and postretirement benefit plan costs, as well as WBUR's portion of the actuarially determined net benefit obligation. The offsetting liability is reported within the Due from Boston University account.

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7. Commitments and Contingencies

Leases

The University, on behalf of WBUR, has entered into various operating lease agreements for assets, including radio transmitters and towers which WBUR utilizes. WBUR amortizes tower leases on a straight-line basis over the term of the lease. Deferred rent for the years ended June 30, 2017 and 2016 was \$173,314 and \$62,256, respectively. The lease for WBUR's Needham tower includes an abatement of \$2,000 per month for the first thirty-six months of the thirty-five year lease. If WBUR fails to complete the initial ten year term plus at least one five year renewal term, all abatement credits would immediately become due to the lessor.

In addition, WBUR has a related party lease for its facilities with the University. There is currently no long-term lease agreement in effect for these facilities, with WBUR paying the University on an annual basis as a tenant at will. Operating lease expenses were \$340,004 and \$310,544 for the years ended June 30, 2017 and 2016, respectively.

The University, on behalf of WBUR, is committed to future minimum annual lease payments through 2038, as follows:

	Operating Leases
2018	\$ 253,711
2019	263,945
2020	285,621
2021	302,818
2022	310,230
Thereafter	<u>11,709,381</u>
Total minimum lease payments	<u>\$ 13,125,706</u>

Employment Contracts

WBUR has several significant employment contracts with certain key employees at terms standard for the market that commit WBUR to specified payments over the coming years.

8. Note Receivable

On January 15, 2009, WBUR completed the sale of WRNI-AM and WXNI-AM for \$2,000,000. WBUR entered into a promissory note for \$1,555,000 with an unaffiliated entity (the "Purchaser") to be collected over ten years, with principal payments commencing on January 15, 2011. The promissory note accrues interest on the unpaid principal, at the average prime rate published quarterly in the Wall Street Journal, adjusted and compounded quarterly.

The Purchaser is current with its repayment terms and the total note receivable was \$325,006 and \$603,431 as of June 30, 2017 and 2016, respectively.

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9. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

	2017	2016
Accumulated unspent gains:		
General support	\$ 45,500	\$ 33,977
	<u>45,500</u>	<u>33,977</u>
Purpose restricted gifts:		
General support and journalism	4,504,622	3,330,414
	<u>4,504,622</u>	<u>3,330,414</u>
Temporarily restricted net assets	<u>\$ 4,550,122</u>	<u>\$ 3,364,391</u>

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at June 30:

	2017	2016
Beneficial interest in perpetual trust	\$ 1,475,397	\$ 1,447,162
General support	<u>108,665</u>	<u>108,665</u>
Permanently restricted net assets	<u>\$ 1,584,062</u>	<u>\$ 1,555,827</u>