



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

**Special-Purpose Financial Statements
June 30, 2019 and 2018**



WBUR
Index
June 30, 2019 and 2018

	Page(s)
Independent Auditors' Report	1-2
Special-Purpose Financial Statements	
Statements of Assets, Liabilities, and Net Assets	3
Statements of Revenues, Expenses, and Changes in Net Assets	4-5
Statements of Cash Flows	6
Notes to Special-Purpose Financial Statements.....	7-20



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, WBUR adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended; ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU No. 2016-02, *Leases (Topic 842)*, as amended. 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 Heffman McCann P.C.

January 10, 2020
Boston, Massachusetts

WBUR**Special-Purpose Statements of Assets, Liabilities, and Net Assets**
June 30, 2019 and 2018

	2019	2018
Assets		
Accounts receivable, net	\$ 3,934,439	\$ 3,505,281
Prepaid expenses and other assets	422,652	404,711
Pledges receivable	3,457,094	4,232,957
Grants receivable	29,710	4,693
Long-term investments (note 3)	163,131	161,805
Beneficial interest in perpetual trust (note 3)	1,731,835	1,641,384
Due from Boston University, net (notes 1 and 6)	19,963,877	24,351,855
Property and equipment, net (note 5)	14,323,806	7,836,862
Intangible assets	781,987	781,987
Right-of-use assets - operating leases (note 8)	7,079,634	5,083,863
Total assets	<u>\$ 51,888,165</u>	<u>\$ 48,005,398</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,537,942	\$ 5,706,183
Operating lease obligations (note 8)	7,374,489	5,275,065
Deferred revenue	2,018,868	1,098,885
Total liabilities	<u>13,931,299</u>	<u>12,080,133</u>
Net assets		
Without donor restrictions	25,304,029	23,837,725
With donor restrictions	12,652,837	12,087,540
Total net assets	<u>37,956,866</u>	<u>35,925,265</u>
Total liabilities and net assets	<u>\$ 51,888,165</u>	<u>\$ 48,005,398</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, 2019**

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Operating			
Revenues			
Gifts	\$ 15,978,179	\$ 25,297	\$ 16,003,476
Grants	1,825,949	-	1,825,949
Sponsored programs and grants	1,399,159	-	1,399,159
Donated facilities and administrative support from Boston University	2,632,968	-	2,632,968
Underwriting	17,824,061	-	17,824,061
Trade	1,840,087	-	1,840,087
Program syndication and other fees	2,963,023	-	2,963,023
Other income	802,715	-	802,715
Contributions used for operations	667,430	(69,000)	598,430
Total revenues	<u>45,933,571</u>	<u>(43,703)</u>	<u>45,889,868</u>
Expenses			
Program Services			
Programming and production	22,110,211	-	22,110,211
Engineering and technical	1,830,608	-	1,830,608
Digital Media	2,144,295	-	2,144,295
Supporting Services			
Fundraising	5,734,620	-	5,734,620
Underwriting	5,176,060	-	5,176,060
Marketing and promotion	4,409,299	-	4,409,299
General and administrative	4,424,808	-	4,424,808
Total expenses	<u>45,829,901</u>	<u>-</u>	<u>45,829,901</u>
Increase in net assets from operating activities	<u>103,670</u>	<u>(43,703)</u>	<u>59,967</u>
Nonoperating			
Capital campaign contributions	-	2,318,542	2,318,542
Contributions used for operations	-	(598,430)	(598,430)
Net assets released from restrictions - building funds	1,202,889	(1,202,889)	-
Investment return	159,745	1,326	161,071
Interest income	-	-	-
Change in value of beneficial interest in perpetual trust	-	90,451	90,451
Increase in net assets from nonoperating activities	<u>1,362,634</u>	<u>609,000</u>	<u>1,971,634</u>
Total increase in net assets	<u>1,466,304</u>	<u>565,297</u>	<u>2,031,601</u>
Net assets			
Beginning of year	<u>23,837,725</u>	<u>12,087,540</u>	<u>35,925,265</u>
End of year	<u>\$ 25,304,029</u>	<u>\$ 12,652,837</u>	<u>\$ 37,956,866</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, 2018**

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Operating			
Revenues			
Gifts	\$ 15,977,918	\$ 62,500	\$ 16,040,418
Grants	1,704,687	-	1,704,687
Sponsored programs and grants	435,716	-	435,716
Donated facilities and administrative support from Boston University	2,261,954	-	2,261,954
Underwriting	17,293,407	-	17,293,407
Trade	2,022,029	-	2,022,029
Program syndication and other fees	3,011,365	-	3,011,365
Other income	644,926	-	644,926
Contributions used for operations	383,907	(37,500)	346,407
Total revenues	<u>43,735,909</u>	<u>25,000</u>	<u>43,760,909</u>
Expenses			
Program Services			
Programming and production	20,317,482	-	20,317,482
Engineering and technical	1,532,995	-	1,532,995
Digital Media	2,364,679	-	2,364,679
Supporting Services			
Fundraising	5,527,910	-	5,527,910
Underwriting	5,163,562	-	5,163,562
Marketing and promotion	2,927,786	-	2,927,786
General and administrative	3,556,227	-	3,556,227
Total expenses	<u>41,390,641</u>	<u>-</u>	<u>41,390,641</u>
Increase in net assets from operating activities	<u>2,345,268</u>	<u>25,000</u>	<u>2,370,268</u>
Nonoperating			
Capital campaign contributions	-	9,101,644	9,101,644
Contributions used for operations	-	(346,407)	(346,407)
Net assets released from restrictions - building funds	3,000,508	(3,000,508)	-
Investment return	496,063	7,640	503,703
Interest income	5,573	-	5,573
Change in value of beneficial interest in perpetual trust	-	165,987	165,987
Increase in net assets from nonoperating activities	<u>3,502,144</u>	<u>5,928,356</u>	<u>9,430,500</u>
Total increase in net assets	<u>5,847,412</u>	<u>5,953,356</u>	<u>11,800,768</u>
Net assets			
Beginning of year	<u>17,990,313</u>	<u>6,134,184</u>	<u>24,124,497</u>
End of year	<u>\$ 23,837,725</u>	<u>\$ 12,087,540</u>	<u>\$ 35,925,265</u>

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

WBUR
Special-Purpose Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 2,031,601	\$ 11,800,768
Adjustments to reconcile change in net assets to net cash provided by/used in operating activities		
Depreciation	1,071,347	513,513
Amortization of right-of-use assets - operating leases	1,006,382	857,775
Realized and unrealized gain on investments, net	(1,326)	(7,640)
Receipt of noncash contributions	(40,682)	(184,723)
Proceeds from sales of marketable securities	40,682	184,723
Change in value of beneficial interest in perpetual trust	(90,451)	(165,987)
Increase/(decrease) in allowance for bad debt, net of recoveries	600	(42,022)
Increase/(decrease) in allowance for unfulfilled pledges	(32,327)	176,373
Changes in operating assets and liabilities		
(Increase)/decrease in accounts receivable	(429,758)	136,235
Increase in prepaid expenses and other assets	(17,941)	(26,635)
(Increase)/decrease in pledges receivable	808,190	(2,553,332)
(Increase)/decrease in grants receivable	(25,017)	3,321
(Increase)/decrease in due from Boston University	3,137,978	(8,463,847)
(Increase)/decrease in accounts payable and accrued expenses	605,097	(271,032)
Decrease in operating lease obligations	(902,729)	(666,573)
Increase in deferred revenue	919,983	218,033
Net cash provided by operating activities	<u>8,081,629</u>	<u>1,508,950</u>
Cash flows from investing activities		
Payments on note receivable	-	325,006
Purchase of property and equipment	(9,331,629)	(1,833,956)
Net cash used in investing activities	<u>(9,331,629)</u>	<u>(1,508,950)</u>
Net cash provided by financing activities		
Decrease in due from Boston University for borrowings	1,250,000	-
Net cash used in investing activities	<u>1,250,000</u>	<u>-</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	\$ 633,788	\$ 2,407,126
Cash paid for interest	89,375	-

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

WBUR

Notes to Special-Purpose Financial Statements

June 30, 2019 and 2018

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. The Executive Committee of the Trustees of Boston University is the licensee for WBUR-FM, WBUA-FM, and WBUH-FM.

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 WBUR receives an allocated portion of the endowments earnings or losses.

Net Asset Classification

Net assets, revenues, and investment returns are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

- Net assets without donor restrictions are not subject to donor stipulations restricting their use, but may be designated for a specific purpose by WBUR or may be limited by contractual agreements with outside parties.
- Net assets with donor restrictions are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Cash

The financial policies of the University, under which WBUR operates, require that all cash be held centrally by the University. Liquidity and cash flow support is made available as needed by the University, as such, cash is not reported on these special-purpose financial statements.

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. Fair value is defined 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. 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.

See Independent Auditors' Report.

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

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.

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 special-purpose 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.

Leasing

WBUR determines if an arrangement is a lease at inception. WBUR has leases under which it is obligated as a lessee. Operating leases as a lessee are included in right-of-use assets-operating leases and operating lease obligations in the special-purpose statements of assets, liabilities, and net assets.

Right-of-use assets represent WBUR's right to use an underlying asset for the lease term. Lease obligations represent WBUR's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at

WBUR

Notes to Special-Purpose Financial Statements

June 30, 2019 and 2018

commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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, 2019 and 2018.

Revenue from Contracts with Customers

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from underwriting, trade and program syndication is recognized when the underwriting or programs are broadcast. Payments or trade received in advance of the underwriting or program broadcast are reported as deferred revenue.

Gifts Revenue

Gifts, including unconditional promises to give and non-cash contributions, are recorded at fair value at the date when verifiably committed by the donor 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. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

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 special-purpose statements 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.

Revenue from Sponsored Programs and Grants

Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. WBUR has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Grant revenue used for the construction or acquisition of plant is reported within nonoperating activities. All funds expended in connection with government grants and contracts are subject to audit by granting agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on WBUR's financial position. Total revenue from grants and contracts recognized in net assets without donor restrictions was \$1,399,159 and \$435,716 for the years ended June 30, 2019 and 2018, respectively. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled \$1,391,636 and \$453,960 as of June 30, 2019 and 2018,

WBUR

Notes to Special-Purpose Financial Statements

June 30, 2019 and 2018

respectively. Conditional awards from federal and other sponsors outstanding as of June 30, 2019 were \$29,710.

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 6).

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. Net trades receivable of \$105,872 and \$155,568, at June 30, 2019 and 2018, respectively, are included in accounts receivable on the special-purpose statements of assets, liabilities, and net assets. If merchandise or services are received prior to program underwriting, deferred revenue is recorded. Deferred revenue related to trades was \$452,072 and \$450,595, at June 30, 2019 and 2018, respectively.

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. Net underwriting receivables of \$3,035,010 and \$2,728,653 at June 30, 2019 and 2018, respectively, are included in accounts receivable on the special-purpose statements of assets, liabilities, and net assets. Amounts received in advance of broadcasting are recorded as deferred revenue. Deferred revenue related to underwriting was \$175,160 and \$194,330 at June 30, 2019 and 2018, 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. The allowance for doubtful accounts was \$215,722 and \$215,122 at June 30, 2019 and 2018, respectively.

Program Syndication and Other Fees

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. Net syndication receivables from NPR of \$793,557 and \$621,060 at June 30, 2019 and 2018, respectively, are included on the special-purpose statements of assets, liabilities, and net assets.

WBUR

Notes to Special-Purpose Financial Statements

June 30, 2019 and 2018

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. WBUR reviews the outstanding balances on individual pledges regularly and based on historic collection results and current economic conditions will record an allowance for doubtful pledges. Allowance for doubtful pledges of \$144,046 and \$176,373 at June 30, 2019 and 2018, respectively, is included on the special-purpose statements of assets, liabilities, and net assets.

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 net assets with donor restrictions and distributions received are included in investment income without donor restrictions.

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 2018 balances have been reclassified to conform to the 2019 presentation. See below for the impact on prior periods.

WBUR

Notes to Special-Purpose Financial Statements

June 30, 2019 and 2018

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of \$4,550,122 and permanently restricted net assets of \$1,584,062 as of June 30, 2018. Additionally, required quantitative and qualitative disclosures regarding liquidity and availability of resources were expanded, and expenses must be reported by both their natural and functional classifications in one location. WBUR adopted ASU 2016-14 in fiscal year 2019 and applied the changes retrospectively.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for WBUR for the year ended June 30, 2019. WBUR's adoption of the ASU using the full retrospective method did not materially change the timing or amount of revenue recognized by WBUR.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-exchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance, and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for WBUR for the year ended June 30, 2019. WBUR's adoption of the ASU on a modified prospective basis did not have a material effect on its special-purpose financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the special-purpose statements of assets, liabilities, and net assets, regardless of classification of a lease as an operating or finance lease. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, WBUR has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. WBUR early-adopted ASU 2016-02 in fiscal year 2019 using the comparative method. Right-of-use assets, net of amortization, of \$7,079,634 and \$5,083,863 were recognized as of June 30, 2019 and 2018, respectively, and related lease obligations of \$7,374,489 and \$5,275,065 were recognized as of June 30, 2019 and 2018, respectively, and are included in the special-purpose statements of assets, liabilities, and net assets. The guidance did not materially impact WBUR's results of operations.

Subsequent Events

WBUR has evaluated subsequent events through January 10, 2020, the date the financial statements were issued.

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

2. Financial Assets and Liquidity Resources

As of June 30, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditures, including operating expenses and scheduled principal payments on debt are as follows:

	2019	2018
Financial assets available to meet general expenditures over the next 12 months:		
Accounts receivable, net	\$ 3,934,439	\$ 3,505,281
Pledges receivable (due within a year)	1,715,709	1,733,559
Grants receivable (due within a year)	29,710	4,693
Due from Boston University		
Cash received on campaign pledges	1,158,192	1,467,191
Designated	6,816,773	6,022,832
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 13,654,823</u>	<u>\$ 12,733,556</u>

WBUR's cash flows have seasonal variations attributable primarily to the timing of underwriting billing and contributions received. WBUR has various sources of liquidity including cash and cash equivalents. Although WBUR does not intend to spend from board designated endowment funds other than amounts appropriated for operations, quasi-endowment funds, as well as accumulated gains and losses with donor restrictions, could be made available, if necessary, with approval from Boston University's Board of Trustees, subject to liquidity of the underlying investments and to the extent allowed by law.

3. 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 \$163,131 and \$161,805 at June 30, 2019 and 2018, respectively. The fair value is determined based on the University's unit value at June 30, 2019 and 2018 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, 2019 and 2018, by the valuation hierarchy defined above:

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

	Investments Measured at NAV	Investments classified in the Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
<u>As of June 30, 2019:</u>					
Assets					
Long-term investments					
Endowment	\$ 75,061	\$ 70,883	\$ 3,510	\$ 13,677	\$ 163,131
Beneficial interest in perpetual trust	-	-	-	1,731,835	1,731,835
Total assets at fair value	<u>\$ 75,061</u>	<u>\$ 70,883</u>	<u>\$ 3,510</u>	<u>\$ 1,745,512</u>	<u>\$ 1,894,966</u>

As of June 30, 2018:

Assets					
Long-term investments					
Endowment	\$ 75,266	\$ 64,969	\$ 3,654	\$ 17,916	\$ 161,805
Beneficial interest in perpetual trust	-	-	-	1,641,384	1,641,384
Total assets at fair value	<u>\$ 75,266</u>	<u>\$ 64,969</u>	<u>\$ 3,654</u>	<u>\$ 1,659,300</u>	<u>\$ 1,803,189</u>

The following table is a roll forward of the special-purpose statements 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, 2017	\$ 1,492,921
Unrealized gains	392
Change in value of beneficial interest in perpetual trust	165,987
Fair value at June 30, 2018	<u>\$ 1,659,300</u>
	Total Assets at Fair Value
Fair value at July 1, 2018	\$ 1,659,300
Unrealized losses	(4,239)
Change in value of beneficial interest in perpetual trust	90,451
Fair value at June 30, 2019	<u>\$ 1,745,512</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. 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

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

capital and principal preservation. 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, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2017	\$ -	\$ 154,165	\$ 154,165
Investment return			
Investment income	5,651	-	5,651
Realized and unrealized gain on investments, net	-	7,640	7,640
Total investment return	<u>5,651</u>	<u>7,640</u>	<u>13,291</u>
Appropriation of endowment assets for expenditures	(5,651)	-	(5,651)
Endowment net assets at June 30, 2018	-	161,805	161,805
Investment return			
Investment income	5,879	-	5,879
Realized and unrealized gain on investments, net	-	1,326	1,326
Total investment return	<u>5,879</u>	<u>1,326</u>	<u>7,205</u>
Appropriation of endowment assets for expenditures	(5,879)	-	(5,879)
Endowment net assets at June 30, 2019	\$ -	\$ 163,131	\$ 163,131

Investment return consists of the following for the years ended June 30:

	2019	2018
Investment return from the Boston University endowment	\$ 77,258	\$ 421,523
Investment return from the WBUR endowment	1,326	7,640
Investment return on Beneficial Interest in Perpetual Trust	<u>82,487</u>	<u>74,540</u>
Total investment return	<u>\$ 161,071</u>	<u>\$ 503,703</u>

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

4. Pledges Receivable

Pledges receivable consists of the following at June 30:

	2019	2018
Due within one year	\$ 1,715,709	\$ 1,733,559
Due in one to five years	2,050,658	2,960,000
	<u>3,766,367</u>	<u>4,693,559</u>
Discount to present value	(165,227)	(284,229)
Less: allowance for unfulfilled pledges	<u>(144,046)</u>	<u>(176,373)</u>
Total pledges receivable, net	<u>\$ 3,457,094</u>	<u>\$ 4,232,957</u>

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2019	2018
Leasehold improvements	\$ 17,028,574	\$ 6,212,708
Construction in progress	62,748	3,358,477
Transmission equipment	1,293,747	1,268,612
Studio and other broadcast equipment	1,121,650	1,108,631
Internal use software	245,978	245,978
Furniture and fixtures	1,045,036	1,045,036
Vehicles	<u>26,534</u>	<u>26,534</u>
Property and equipment	20,824,267	13,265,976
Less: Accumulated depreciation	<u>(6,500,461)</u>	<u>(5,429,114)</u>
Property and equipment, net	<u>\$ 14,323,806</u>	<u>\$ 7,836,862</u>

Depreciation expense related to property and equipment was \$1,071,347 and \$513,513 for the years ended June 30, 2019 and 2018, respectively.

In February 2019, WBUR completed construction on its new state of the art convening space, CitySpace, at 890 Commonwealth Ave and the amounts related to the project were reclassified to leasehold improvements from construction in progress.

In June 2019, WBUR began construction on a broadcast transmitter for WBUH-FM at a new site in Brewster, MA. At June 30, 2019, capital expenditures of \$62,748 had been incurred for this project and are recorded in construction in progress. The project is expected to be completed before June 30, 2020.

WBUR

Notes to Special-Purpose Financial Statements

June 30, 2019 and 2018

6. Due to/from Boston University

WBUR reflects an asset due from Boston University of \$19,963,877 and \$24,351,855 at June 30, 2019 and 2018, 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 \$9,504,739 and \$9,427,481 at June 30, 2019 and 2018, respectively. Earnings credits of \$348,416 and \$317,440 for the years ended June 30, 2019 and 2018, respectively, were appropriated to WBUR and are included in other income on the special-purpose statements of revenues, expenses, and changes in net assets. Unrealized gains of \$77,258 and \$421,523 are included in total investment return or losses on investments on the special-purpose statements of revenues, expenses, and changes in net assets for the years ended June 30, 2019 and 2018, respectively.

Due from Boston University also includes a scheduled note payable due to Boston University. During 2019, WBUR entered into an agreement with Boston University to borrow funds to complete the construction of the CitySpace convening space. The initial loan amount of \$3,500,000 will be repaid as pledge payments received from donors who made gifts for the construction of CitySpace. The note is due on December 31, 2020 and carries interest of 5.5%. At June 30, 2019, WBUR had repaid \$2,250,000 in principal and paid \$89,375 in interest expense.

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 was \$2,632,968 and \$2,261,954 for the years ended June 30, 2019 and 2018, respectively.

7. 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 \$1,446,087 and \$1,332,340 for the years ended June 30, 2019 and 2018, respectively.

Postretirement Benefits

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.

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

The University allocates costs to 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.

8. Commitments and Contingencies

Leases

The University, on behalf of WBUR, is committed to minimum annual rent payments under several long-term non-cancellable operating leases for broadcast tower and office space through fiscal year 2034. Operating lease expense of \$1,215,912 and \$936,302 are included in the special-purpose statements of revenue, expenses, and changes in net assets for the years ended June 30, 2019 and 2018, respectively. Other information regarding operating leases is as follows at June 30:

	2019	2018
Weighted average remaining lease term	8.95 years	9.13 years
Weighted average discount rate	3.26%	3.26%

Payments due on these operating leases include options to extend broadcast tower leases through fiscal year 2034 and are summarized below as of June 30, 2019:

	Operating Leases	Leases with Boston University	Total Operating Leases
FY2020	\$ 244,595	\$ 953,256	\$ 1,197,851
FY2021	261,908	961,932	1,223,840
FY2022	268,813	915,530	1,184,343
FY2023	275,925	316,015	591,940
FY2024	287,218	325,495	612,713
Thereafter	<u>2,570,227</u>	<u>1,216,721</u>	<u>3,786,948</u>
Total minimum lease payments	<u>\$ 3,908,686</u>	<u>\$ 4,688,949</u>	<u>\$ 8,597,635</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.

From time to time, WBUR has been subject to legal proceedings and claims arising in connection with its activities. At June 30, 2019 and 2018, there were no claims against WBUR that in the opinion of management would have a material effect on WBUR's financial position and results of operations.

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

9. Net Assets

Net assets without donor restrictions are comprised of the following at June 30:

	2019	2018
General operations	\$ 12,230,223	\$ 16,000,863
Net investment in plant	<u>13,073,806</u>	<u>7,836,862</u>
Total net assets without donor restrictions	<u>\$ 25,304,029</u>	<u>\$ 23,837,725</u>

Net assets with donor restrictions are comprised of the following at June 30:

	2019	2018
Accumulated unspent gains:		
General support	\$ 54,466	\$ 53,140
Purpose restricted gifts:		
General support and journalism	10,757,871	10,284,351
Beneficial interest in perpetual trust	1,731,835	1,641,384
Endowment funds - general support	<u>108,665</u>	<u>108,665</u>
Total net assets with donor restrictions	<u>\$ 12,652,837</u>	<u>\$ 12,087,540</u>

10. Functional Classification of Expenses

The special-purpose statements of revenues, expenses, and changes in net assets present expenses by natural classification. WBUR also summarizes expenses by functional classification. WBUR's primary program services are journalism and information-based multi-media broadcasting. Expenses for broadcast support and auxiliary enterprises are incurred in support of this primary program activity. Other natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort.

WBUR
Notes to Special-Purpose Financial Statements
June 30, 2019 and 2018

Expenses presented by functional classification for the year ended June 30, 2019 are as follows:

	Programming and Production	Engineering and Technical	Digital Media	Fundraising	Underwriting	Marketing and Promotion	General and Administrative	Total
Salaries and wages	\$ 11,859,662	\$ 920,287	\$ 1,325,304	\$ 1,526,034	\$ 3,166,260	\$ 682,273	\$ 1,787,266	\$ 21,267,086
Employee benefits	2,981,778	231,476	338,771	389,502	820,189	142,331	463,934	5,367,981
Supplies and services	6,375,839	609,555	380,436	3,704,187	951,219	2,801,877	2,039,042	16,862,155
Utilities, rent, and repairs	496,964	38,563	55,535	63,946	132,678	309,378	74,893	1,171,957
Depreciation	346,128	26,859	38,679	44,538	92,408	470,573	52,162	1,071,347
Interest	49,840	3,868	5,570	6,413	13,306	2,867	7,511	89,375
Total operating expenses	<u>\$ 22,110,211</u>	<u>\$ 1,830,608</u>	<u>\$ 2,144,295</u>	<u>\$ 5,734,620</u>	<u>\$ 5,176,060</u>	<u>\$ 4,409,299</u>	<u>\$ 4,424,808</u>	<u>\$ 45,829,901</u>

Expenses presented by functional classification for the year ended June 30, 2018 are as follows:

	Programming and Production	Engineering and Technical	Digital Media	Fundraising	Underwriting	Marketing and Promotion	General and Administrative	Total
Salaries and wages	\$ 11,150,620	\$ 769,063	\$ 1,440,992	\$ 1,418,205	\$ 3,053,686	\$ 550,629	\$ 1,337,171	\$ 19,720,366
Employee benefits	2,868,318	187,917	372,523	356,411	786,055	140,233	341,824	5,053,281
Supplies and services	5,376,005	512,387	431,945	3,635,960	1,071,177	2,191,368	1,766,602	14,985,444
Utilities, rent, and repairs	632,180	43,602	81,696	80,404	173,127	31,218	75,810	1,118,037
Depreciation	290,359	20,026	37,523	36,930	79,517	14,338	34,820	513,513
Interest	-	-	-	-	-	-	-	-
Total operating expenses	<u>\$ 20,317,482</u>	<u>\$ 1,532,995</u>	<u>\$ 2,364,679</u>	<u>\$ 5,527,910</u>	<u>\$ 5,163,562</u>	<u>\$ 2,927,786</u>	<u>\$ 3,556,227</u>	<u>\$ 41,390,641</u>

See Independent Auditors' Report.