



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

**Special-Purpose Financial Statements
June 30, 2021 and 2020**



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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, 2021 and 2020, 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, 2021 and 2020, 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.

December 17, 2021
Boston, Massachusetts

WBUR
Special Purpose Statements of Assets, Liabilities, and Net Assets
June 30, 2021 and 2020

	2021	2020
Assets		
Accounts receivable, net	\$ 3,084,110	\$ 2,522,477
Prepaid expenses and other assets	478,849	447,101
Pledges receivable (note 4)	1,635,746	2,202,784
Long-term investments (note 3)	231,693	166,107
Beneficial interest in perpetual trust (note 3)	2,292,462	1,832,226
Due from Boston University, net (notes 1 and 6)	32,903,330	21,470,150
Property and equipment, net (note 5)	11,311,199	12,969,918
Intangible assets	781,987	781,987
Right-of-use assets - operating leases (note 8)	5,158,222	6,029,912
Total assets	<u>\$ 57,877,598</u>	<u>\$ 48,422,662</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,149,688	\$ 3,365,099
Operating lease obligations (note 8)	5,583,105	6,402,775
Deferred revenue	2,429,785	1,361,685
Total liabilities	<u>11,162,578</u>	<u>11,129,559</u>
Net assets		
Without donor restrictions	30,317,501	23,795,741
With donor restrictions	16,397,519	13,497,362
Total net assets	<u>46,715,020</u>	<u>37,293,103</u>
Total liabilities and net assets	<u>\$ 57,877,598</u>	<u>\$ 48,422,662</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, 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Operating			
Revenues			
Gifts	18,169,772	\$ -	\$ 18,169,772
Grants	1,782,880	-	1,782,880
Sponsored programs and grants	3,935,007	-	3,935,007
Donated facilities and administrative support from Boston University	3,227,554	-	3,227,554
Underwriting	10,167,651	-	10,167,651
Trade	765,375	-	765,375
Program syndication and other fees	2,719,748	-	2,719,748
Other income	1,965,430	-	1,965,430
Contributions used for operations	1,110,248	(55,000)	1,055,248
Total revenues	43,843,665	(55,000)	43,788,665
Expenses			
Program Services			
Programming and production	19,240,553	-	19,240,553
Engineering and technical	1,517,247	-	1,517,247
Digital Media	2,687,260	-	2,687,260
Supporting Services			
Fundraising	4,103,727	-	4,103,727
Underwriting	3,596,792	-	3,596,792
Marketing and promotion	3,328,797	-	3,328,797
General and administrative	6,761,613	-	6,761,613
Total expenses	41,235,989	-	41,235,989
Increase in net assets from operating activities	2,607,676	(55,000)	2,552,676
Nonoperating			
Capital campaign contributions	-	3,484,583	3,484,583
Contributions used for operations	-	(1,055,248)	(1,055,248)
Investment return	3,914,084	65,586	3,979,670
Change in value of beneficial interest in perpetual trust	-	460,236	460,236
Increase in net assets from nonoperating activities	3,914,084	2,955,157	6,869,241
Total increase in net assets	6,521,760	2,900,157	9,421,917
Net assets			
Beginning of year	23,795,741	13,497,362	37,293,103
End of year	30,317,501	\$ 16,397,519	\$ 46,715,020

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, 2020**

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Operating			
Revenues			
Gifts	17,581,160	\$ 5,827	\$ 17,586,987
Grants	2,162,981	-	2,162,981
Sponsored programs and grants	1,911,960	-	1,911,960
Donated facilities and administrative support from Boston University	2,523,792	-	2,523,792
Underwriting	13,572,099	-	13,572,099
Trade	1,540,722	-	1,540,722
Program syndication and other fees	3,055,810	-	3,055,810
Other income	1,122,339	-	1,122,339
Contributions used for operations	1,112,215	(64,678)	1,047,537
Total revenues	<u>44,583,078</u>	<u>(58,851)</u>	<u>44,524,227</u>
Expenses			
Program Services			
Programming and production	22,990,933	-	22,990,933
Engineering and technical	2,015,357	-	2,015,357
Digital Media	2,485,760	-	2,485,760
Supporting Services			
Fundraising	4,656,278	-	4,656,278
Underwriting	4,747,720	-	4,747,720
Marketing and promotion	4,771,003	-	4,771,003
General and administrative	5,137,758	-	5,137,758
Total expenses	<u>46,804,809</u>	<u>-</u>	<u>46,804,809</u>
Increase in net assets from operating activities	<u>(2,221,731)</u>	<u>(58,851)</u>	<u>(2,280,582)</u>
Nonoperating			
Capital campaign contributions	-	2,302,686	2,302,686
Contributions used for operations	-	(1,047,537)	(1,047,537)
Net assets released from restrictions - building funds	455,140	(455,140)	-
Investment return	258,303	2,976	261,279
Change in value of beneficial interest in perpetual trust	-	100,391	100,391
Increase in net assets from nonoperating activities	<u>713,443</u>	<u>903,376</u>	<u>1,616,819</u>
Total increase in net assets	<u>(1,508,288)</u>	<u>844,525</u>	<u>(663,763)</u>
Net assets			
Beginning of year	<u>25,304,029</u>	<u>12,652,837</u>	<u>37,956,866</u>
End of year	<u>23,795,741</u>	<u>\$ 13,497,362</u>	<u>\$ 37,293,103</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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase/(Decrease) in net assets	\$ 9,421,917	\$ (663,763)
Adjustments to reconcile change in net assets to net cash provided by/used in operating activities		
Depreciation	1,696,770	1,728,449
Amortization of right-of-use assets - operating leases	1,099,657	1,049,722
Realized and unrealized gain on investments, net	(65,586)	(2,976)
Receipt of noncash contributions	(182,970)	(94,240)
Proceeds from sales of marketable securities	182,970	94,240
Change in value of beneficial interest in perpetual trust	(460,236)	(100,391)
Increase in allowance for bad debt, net of recoveries	(15,730)	1,100
Decrease in allowance for unfulfilled pledges	31,338	(52,264)
Changes in operating assets and liabilities		
(Increase)/decrease in accounts receivable	(545,903)	1,410,862
(Increase)/decrease in prepaid expenses and other assets	(31,748)	5,261
Decrease in pledges receivable	535,700	1,306,574
Decrease in accounts payable and accrued expenses	(215,411)	(539,055)
Decrease in operating lease obligations	(1,047,637)	(971,714)
Increase/(decrease) in deferred revenue	1,068,100	(657,183)
Net cash provided by operating activities	<u>11,471,231</u>	<u>2,008,349</u>
Cash flows from investing activities		
Increase in due from Boston University	(11,183,180)	(506,273)
Purchase of property and equipment	(38,051)	(1,008,349)
Net cash used in investing activities	<u>(11,221,231)</u>	<u>(1,008,349)</u>
Net cash provided by financing activities		
(Increase)/Decrease in due from Boston University for borrowings	(250,000)	(1,000,000)
Net cash used in investing activities	<u>(250,000)</u>	<u>(1,000,000)</u>
Net change in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of noncash information		
Cash paid for interest	\$ 1,146	\$ 55,000
Addition of right-of-use asset and operating lease obligation	227,967	-

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, 2021 and 2020

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.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. As a result of the pandemic, beginning in March 2020, WBUR suspended most in-person work at the station and scheduled CitySpace events as a health and safety precaution. WBUR has seen significant decreases in revenue and has taken proactive budget actions to reduce expenditures. These actions have included salary freezes, a reorganization of staffing with targeted personnel budget reductions, reduction in operating expenses including the elimination of staff travel expenses and promotional events, and the suspension of retirement contributions for fiscal 2021.

In February 2021, WBUR applied for and received a \$4,023,730 forgivable loan from the US Small Business Association under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the loan was funded in February of 2021. This program provides loans to qualifying businesses in order to fund eligible expenses including payroll, benefits, rent and utilities during the COVID-19 pandemic. WBUR recognized grant revenue of \$3,257,699 because eligible costs associated with this funding were incurred through June 30, 2021. Based on total costs expected to be incurred over the full 24-week eligibility period and other PPP loan criteria, WBUR expects that \$586,314 of revenue will be recognized in fiscal 2022 and that the balance of \$179,717 will not be forgiven. These amounts are included in deferred revenue and accounts payable and accrued expenses, respectively.

In April 2021, WBUR received an \$818,192 grant from the Corporation for Public Broadcasting as part of the American Rescue Plan Act of 2021. There was no specified period for expenditure of these funds assigned by the CPB. The funds are included in deferred revenue for grants on the special-purpose statements of assets, liabilities, and net assets at June 30, 2021. WBUR will expend the grant during the fiscal year ending June 30, 2022. In April 2020, WBUR received a similar grant

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in the amount of \$75,000 under the CARES Act which was recognized as grant revenue for the year ended June 30, 2020.

The full extent of the impact of COVID-19 on WBUR's finances is uncertain and will depend on the duration and depth of the pandemic.

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 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.

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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 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, 2021 and 2020.

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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 or barriers 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 non-operating 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 \$3,935,007 and \$1,451,711 for the years ended June 30, 2021 and 2020, respectively. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled \$1,597,913 and \$478,084 as of June 30, 2021 and 2020, respectively.

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).

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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 \$297,745 and \$129,332, at June 30, 2021 and 2020, 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 \$765,851 and \$583,479, at June 30, 2021 and 2020, 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 \$1,810,014 and \$1,776,244 at June 30, 2021 and 2020, 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 \$66,021 and \$300,122 at June 30, 2021 and 2020, 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 \$201,092 and \$216,822 at June 30, 2021 and 2020, 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 \$976,351 and \$616,901 at June 30, 2021 and 2020, respectively, are included in accounts receivable on the special-purpose statements of assets, liabilities, and net assets.

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 \$123,120 and \$91,782 at June 30, 2021 and 2020, respectively, is included on the special-purpose statements of assets, liabilities, and net assets.

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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.

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 2020 balances have been reclassified to conform to the 2021 presentation. None of these reclassifications caused a change in net assets.

Subsequent Events

WBUR has evaluated subsequent events through December 17, 2021, the date the financial statements were issued.

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Notes to Special-Purpose Financial Statements
June 30, 2021 and 2020

2. Financial Assets and Liquidity Resources

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures, including operating expenses and scheduled principal payments on debt are as follows:

	2021	2020
Financial assets available to meet general expenditures over the next 12 months:		
Accounts receivable, net	\$ 3,084,110	\$ 2,522,477
Pledges receivable (due within a year)	1,368,636	1,529,443
Grants receivable (due within a year)	-	4,081
Due from Boston University		
Cash received on campaign pledges	991,755	1,117,746
Designated	<u>8,380,862</u>	<u>5,545,093</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 13,825,363</u>	<u>\$ 10,718,840</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 \$231,693 and \$166,107 at June 30, 2021 and 2020, respectively. The fair value is determined based on the University's unit value at June 30, 2021 and 2020 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, 2021 and 2020, by the valuation hierarchy defined above:

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	Investments Measured at NAV	Investments classified in the Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
As of June 30, 2021:					
Assets					
Long-term investments					
Endowment	\$ 129,943	\$ 80,443	\$ 4,116	\$ 17,191	\$ 231,693
Beneficial interest in perpetual trust	-	-	-	2,292,462	2,292,462
Total assets at fair value	\$ 129,943	\$ 80,443	\$ 4,116	\$ 2,309,653	\$ 2,524,155
As of June 30, 2020:					
Assets					
Long-term investments					
Endowment	\$ 83,635	\$ 63,645	\$ 3,059	\$ 15,768	\$ 166,107
Beneficial interest in perpetual trust	-	-	-	1,832,226	1,832,226
Total assets at fair value	\$ 83,635	\$ 63,645	\$ 3,059	\$ 1,847,994	\$ 1,998,333

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, 2019	\$ 1,745,512
Unrealized gains	2,091
Change in value of beneficial interest in perpetual trust	100,391
Fair value at June 30, 2020	<u>\$ 1,847,994</u>
	Total Assets at Fair Value
Fair value at July 1, 2020	\$ 1,847,994
Unrealized gains	1,423
Change in value of beneficial interest in perpetual trust	460,236
Fair value at June 30, 2021	<u>\$ 2,309,653</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

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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. 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 change in value and distributions from the endowment were immaterial for the years ended June 30, 2021 and 2020.

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

	2021	2020
Investment return from the Boston University endowment	\$ 3,821,337	\$ 173,396
Investment return from the WBUR endowment	65,586	2,976
Investment return on Beneficial Interest in Perpetual Trust	<u>92,747</u>	<u>84,907</u>
Total investment return	<u>\$ 3,979,670</u>	<u>\$ 261,279</u>

4. Pledges Receivable

Pledges receivable consists of the following at June 30:

	2021	2020
Due within one year	\$ 1,368,636	\$ 1,529,443
Due in one to five years	<u>412,885</u>	<u>829,500</u>
	1,781,521	2,358,943
Discount to present value	(22,655)	(64,377)
Less: allowance for unfulfilled pledges	<u>(123,120)</u>	<u>(91,782)</u>
Total pledges receivable, net	<u>\$ 1,635,746</u>	<u>\$ 2,202,784</u>

At June 30, 2021 and 2020, WBUR was tracking conditional pledges totaling \$2,556,500 and \$2,739,915, respectively.

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5. Property and Equipment

Property and equipment consists of the following at June 30:

	2021	2020
Leasehold improvements	\$ 17,411,194	\$ 17,411,194
Transmission equipment	1,336,854	1,298,803
Studio and other broadcast equipment	1,171,283	1,171,283
Internal use software	245,978	245,978
Furniture and fixtures	1,045,036	1,045,036
Vehicles	26,534	26,534
	<u>21,236,879</u>	<u>21,198,828</u>
Property and equipment		
Less: Accumulated depreciation	<u>(9,925,680)</u>	<u>(8,228,910)</u>
Property and equipment, net	<u>\$ 11,311,199</u>	<u>\$ 12,969,918</u>

Depreciation expense related to property and equipment was \$1,696,770 and \$1,728,449 for the years ended June 30, 2021 and 2020, respectively.

6. Due to/from Boston University

WBUR reflects an asset due from Boston University of \$32,903,330 and \$21,470,150 at June 30, 2021 and 2020, 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 \$13,499,472 and \$9,678,135 at June 30, 2021 and 2020, respectively. Earnings credits of \$376,031 and \$361,342 for the years ended June 30, 2021 and 2020, 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 \$3,821,337 and \$173,396 are included in total investment return or losses on investments on the special-purpose statements of revenue, expenses, and changes in net assets for the years ended June 30, 2021 and 2020, 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. On July 31, 2020, WBUR made the final payment of \$250,000 principal and \$1,146 in interest. The initial loan amount of \$3,500,000 was repaid as pledge payments are received from donors who made gifts for the construction of CitySpace. The note was due on December 31, 2020 and carried interest of 5.5%. Total interest paid over the life of the loan was \$145,521.

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 \$3,227,554 and \$2,523,792 for the years ended June 30, 2021 and 2020, respectively.

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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") 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 assignment duration of at least nine months. The expenses for this program amounted to \$18,193 and \$1,484,760 for the years ended June 30, 2021 and 2020, respectively. In response to COVID-19 pandemic, the University has suspended these contributions for the fiscal year 2021. These contributions have been reinstated for the fiscal year 2022.

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 \$1,300,359 and \$1,240,689 are included in the special-purpose statements of revenue, expenses, and changes in net assets for the years ended June 30, 2021 and 2020 respectively. Other information regarding operating leases is as follows at June 30:

	2021	2020
Weighted average remaining lease term	8.30 years	8.45 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, 2021:

	Operating Leases	Leases with Boston University	Total Operating Leases
FY2022	\$ 289,813	\$ 915,530	\$ 1,205,343
FY2023	296,925	316,015	612,940
FY2024	308,218	325,495	633,713
FY2025	316,557	335,260	651,817
FY2026	324,329	345,318	669,646
Thereafter	<u>2,121,842</u>	<u>536,144</u>	<u>2,657,986</u>
Total minimum lease payments	<u>\$ 3,657,683</u>	<u>\$ 2,773,761</u>	<u>\$ 6,431,444</u>

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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, 2021 and 2020, 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.

9. Net Assets

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

	2021	2020
General operations	\$ 19,006,302	\$ 11,075,823
Net investment in plant	<u>11,311,199</u>	<u>12,719,918</u>
Total net assets without donor restrictions	<u>\$ 30,317,501</u>	<u>\$ 23,795,741</u>

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

	2021	2020
Accumulated unspent gains:		
General support	\$ 123,028	\$ 57,442
Purpose restricted gifts:		
General support and journalism	13,873,364	11,499,029
Beneficial interest in perpetual trust	2,292,462	1,832,226
Endowment funds - general support	<u>108,665</u>	<u>108,665</u>
Total net assets with donor restrictions	<u>\$ 16,397,519</u>	<u>\$ 13,497,362</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.

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Expenses presented by functional classification for the year ended June 30, 2021 are as follows:

	Programming and Production	Engineering and Technical	Digital Media	Fundraising	Underwriting	Marketing and Promotion	General and Administrative	Total
Salaries and wages	\$ 12,669,486	\$ 873,530	\$ 1,902,864	\$ 1,590,407	\$ 2,567,609	\$ 858,420	\$ 2,100,060	\$22,562,376
Employee benefits	2,396,539	160,804	357,807	290,856	499,730	160,947	382,401	4,249,084
Supplies and services	3,137,138	411,387	270,780	2,092,239	319,214	852,818	4,107,196	11,190,772
Utilities, rent, and repairs	694,769	47,903	104,349	87,215	140,803	345,638	115,163	1,535,840
Depreciation	341,978	23,579	51,363	42,929	69,306	1,110,930	56,686	1,696,771
Interest	643	44	97	81	130	44	107	1,146
Total operating expenses	<u>\$ 19,240,553</u>	<u>\$ 1,517,247</u>	<u>\$ 2,687,260</u>	<u>\$ 4,103,727</u>	<u>\$ 3,596,792</u>	<u>\$ 3,328,797</u>	<u>\$ 6,761,613</u>	<u>\$41,235,989</u>

Expenses presented by functional classification for the year ended June 30, 2020 are as follows:

	Programming and Production	Engineering and Technical	Digital Media	Fundraising	Underwriting	Marketing and Promotion	General and Administrative	Total
Salaries and wages	\$ 13,792,906	\$ 840,349	\$ 1,565,762	\$ 1,558,982	\$ 3,074,209	\$ 1,033,886	\$ 1,728,484	\$23,594,578
Employee benefits	3,399,695	210,757	382,691	396,968	792,802	265,653	434,211	5,882,777
Supplies and services	5,002,091	915,739	446,919	2,610,331	703,240	1,583,514	2,875,282	14,137,116
Utilities, rent, and repairs	653,373	39,807	74,170	73,849	145,626	338,187	81,877	1,406,889
Depreciation	110,716	6,746	12,568	12,514	24,677	1,547,353	13,875	1,728,449
Interest	32,152	1,959	3,650	3,634	7,166	2,410	4,029	55,000
Total operating expenses	<u>\$ 22,990,933</u>	<u>\$ 2,015,357</u>	<u>\$ 2,485,760</u>	<u>\$ 4,656,278</u>	<u>\$ 4,747,720</u>	<u>\$ 4,771,003</u>	<u>\$ 5,137,758</u>	<u>\$46,804,809</u>

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