

WCBU-FM

ANNUAL FINANCIAL REPORT

For the fiscal year ended May 31, 2022



WCBU-FM

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INDEPENDENT AUDITORS' REPORT

WCBU-FM
Peoria, Illinois

Opinion

We have audited the accompanying financial statements of WCBU-FM (Bradley University licensee), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WCBU-FM as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WCBU-FM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WCBU-FM's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- Concluded whether, in our judgment there are conditions or events considered in the aggregate, that raise substantial doubt about WCBU-FM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements of WCBU-FM are intended to present the financial position, the changes in financial position, and cash flows of only WCBU-FM's portion of Bradley University's and Illinois State University's financial positions, the changes in financial positions, and cash flows attributable to the transactions of WCBU-FM. They do not purport to, and do not, present fairly the financial positions of Bradley University or Illinois State University as of May 31, 2022 and 2021, the changes in their respective financial positions or their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

MCK CPAs & Advisors

Bloomington, Illinois
January 12, 2023

WCBU-FM**STATEMENTS OF FINANCIAL POSITION
May 31, 2022 and 2021**

	2022	2021
<u>ASSETS</u>		
Current assets:		
Interest in pooled cash	\$ 284,097	406,932
Accounts receivable	29,737	11,849
Prepaid expenses	10,145	9,176
Total current assets	323,979	427,957
Noncurrent assets:		
Interest in endowment fund investments	442,051	502,198
Property and equipment	686,755	685,417
Less: accumulated depreciation	(509,666)	(494,319)
Total noncurrent assets	619,140	693,296
TOTAL ASSETS	943,119	1,121,253
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Deferred revenue	3,371	28,195
Accounts payable and accrued expense	13,616	
Accrued vacation and sick pay	49,306	45,454
Total current liabilities	66,293	73,649
Long-term liabilities:		
Due to Bradley University	810,529	810,529
Total liabilities	876,822	884,178
Net Assets:		
Without donor restrictions	(376,966)	(183,662)
With donor restrictions	443,263	420,737
Total net assets	66,297	237,075
TOTAL LIABILITIES AND NET ASSETS	\$ 943,119	1,121,253

See Notes to Financial Statements.

WCBU-FM**STATEMENT OF ACTIVITIES**
Year ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
On-behalf of state - general	\$ 99,630		99,630
Business underwriting	227,375		227,375
Donated facilities and administrative support from Bradley University	130,821		130,821
Donated materials and other services	13,455		13,455
Corporate giving	35,933		35,933
Individual giving	325,931		325,931
Government grants	129,492		129,492
Other grants		14,000	14,000
Unrealized loss on endowment funds	(60,147)		(60,147)
Interest and dividends on endowment funds	10,569	8,526	19,095
Loss on disposal of property and equipment	(1,746)		(1,746)
Other income	680		680
Total support and revenue	911,993	22,526	934,519
Expenses:			
Program services:			
Programming and production:			
National	211,932		211,932
Local and other	515,775		515,775
Broadcasting	42,716		42,716
Supporting services:			
Underwriting and grant solicitation	133,164		133,164
Fundraising and membership development	82,764		82,764
Management and general	118,946		118,946
Total expenses	1,105,297	-	1,105,297
Increase (decrease) in net assets	(193,304)	22,526	(170,778)
Net assets, beginning of year	(183,662)	420,737	237,075
Net assets, end of year	\$ (376,966)	443,263	66,297

See Notes to Financial Statements.

WCBU-FM**STATEMENT OF ACTIVITIES****Year ended May 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
On-behalf of state - general	\$ 84,814		84,814
Business underwriting	139,372		139,372
Donated facilities and administrative support from Bradley University	92,854		92,854
Donated materials and other services	9,753		9,753
Corporate giving	29,700		29,700
Individual giving	297,037		297,037
Government grants	287,986		287,986
Unrealized gain on endowment funds	100,694		100,694
Interest and dividends on endowment funds	9,706	7,829	17,535
Other income	1,099		1,099
Net assets released from restrictions:			
Restrictions satisfied by payments	595	(595)	-
Total support and revenue	1,053,610	7,234	1,060,844
Expenses:			
Program services:			
Programming and production:			
National	157,136		157,136
Local and other	387,476		387,476
Broadcasting	44,447		44,447
Supporting services:			
Underwriting and grant solicitation	102,675		102,675
Fundraising and membership development	65,227		65,227
Management and general	133,086		133,086
Total expenses	890,047	-	890,047
Increase in net assets	163,563	7,234	170,797
Net assets, beginning of year	(347,225)	413,503	66,278
Net assets, end of year	\$ (183,662)	420,737	237,075

See Notes to Financial Statements.

WCBU-FM**STATEMENT OF FUNCTIONAL EXPENSES****Year ended May 31, 2022**

	Program Services				
	Programming & Production			Total Program Services	
	National	Local & Other	Broadcasting		
Salaries	\$		290,566	16,676	307,242
Employee benefits			109,346	1,483	110,829
Consulting					-
Professional fees					-
Occupancy		13,082	65,411	13,082	91,575
Programming costs		188,999	6,125		195,124
Promotional costs					-
Equipment expense				4,641	4,641
Memberships		1,245	26,233	6,834	34,312
Subscriptions			1,787		1,787
Postage					-
Printing					-
Telephone			728		728
Travel					-
Advertising					-
Other			6,972		6,972
Bank charges					-
Supplies					-
Totals before depreciation		203,326	507,168	42,716	753,210
Depreciation expense		8,606	8,607		17,213
Total expenses	\$	211,932	515,775	42,716	770,423

See Notes to Financial Statements.

Total Supporting Services				
Underwriting & Grant Solicitation	Fundraising & Membership Development	Management & General	Total Supporting Services	Total
65,960	35,031	40,572	141,563	448,805
33,437	11,554	8,348	53,339	164,168
		5,000	5,000	5,000
		28,163	28,163	28,163
13,082	13,082	13,082	39,246	130,821
			-	195,124
	2,234	250	2,484	2,484
			-	4,641
	485	331	816	35,128
	5,638		5,638	7,425
	52	2	54	54
	3,224		3,224	3,224
		327	327	1,055
		20	20	20
		13,455	13,455	13,455
20,661	6,979	8,849	36,489	43,461
24	4,485		4,509	4,509
		547	547	547
133,164	82,764	118,946	334,874	1,088,084
			-	17,213
133,164	82,764	118,946	334,874	1,105,297

See Notes to Financial Statements.

WCBU-FM**STATEMENT OF FUNCTIONAL EXPENSES****Year ended May 31, 2021**

	Program Services			Total Program Services
	Programming & Production		Broadcasting	
	National	Local & Other		
Salaries	\$	219,508	10,484	229,992
Employee benefits		96,589	9,766	106,355
Professional fees				-
Occupancy	9,285	46,427	9,286	64,998
Programming costs	139,616	8,020	666	148,302
Promotional costs				-
Equipment expense			9,097	9,097
Memberships		7,579	5,148	12,727
Subscriptions		259		259
Printing				-
Telephone		858		858
Advertising				-
Other				-
Bank charges				-
Supplies				-
Totals before depreciation	148,901	379,240	44,447	572,588
Depreciation expense	8,235	8,236		16,471
Total expenses	\$ 157,136	387,476	44,447	589,059

See Notes to Financial Statements.

Total Supporting Services				
Underwriting & Grant Solicitation	Fundraising & Membership Development	Management & General	Total Supporting Services	Total
64,292	33,004	41,754	139,050	369,042
28,924	12,162	19,330	60,416	166,771
		36,496	36,496	36,496
9,285	9,285	9,286	27,856	92,854
			-	148,302
	353		353	353
			-	9,097
		3,933	3,933	16,660
			-	259
	10,106		10,106	10,106
		307	307	1,165
	220	9,100	9,320	9,320
	25	12,808	12,833	12,833
174	72		246	246
		72	72	72
102,675	65,227	133,086	300,988	873,576
			-	16,471
102,675	65,227	133,086	300,988	890,047

See Notes to Financial Statements.

WCBU-FM**STATEMENTS OF CASH FLOWS****Years ended May 31, 2022 and 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (170,778)	170,797
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	17,213	16,471
Net unrealized (gain) loss on endowment funds	60,147	(100,695)
Loss on disposal of equipment	1,746	
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(17,888)	6,545
Decrease in prepaid expenses	(969)	(1,014)
Increase in accounts payable and accrued expense	13,616	
Increase in accrued vacation and sick pay	3,852	25,627
Decrease in deferred revenue	(24,824)	(26,092)
Net cash flows from operating activities	(117,885)	91,639
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds to WGLT-FM Radio		(2,235)
Net cash flows from non-capital financing activities	-	(2,235)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of property and equipment	(4,950)	(17,957)
Net increase (decrease) in cash and cash equivalents	(122,835)	71,447
Interest in pooled cash, beginning of year	406,932	335,485
Interest in pooled cash, end of year	\$ 284,097	406,932

See Notes to Financial Statements.

WCBU-FM

NOTES TO FINANCIAL STATEMENTS May 31, 2022 and 2021

Note 1 - Summary of Operations

WCBU-FM ("WCBU"), a Bradley University licensee, is a public broadcasting radio station operated by Bradley University in Peoria, Illinois. As part of Bradley University's Information Resources and Technology Division, WCBU-FM's activities are interrelated with Bradley University and operate under its centralized administrative and budgetary controls.

WCBU is part of Bradley University as a whole and Illinois State University as a whole, and as such, for financial reporting purposes the financial balances and activities included in these financial statements are also included in Bradley University's and Illinois State University's financial statements. These financial statements present only WCBU, and do not purport to, and do not, present fairly the financial positions of Bradley University or Illinois State University as of May 31, 2022 or 2021, and changes in their financial positions and their cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Additionally, as a result of an agreement between Bradley University and Illinois State University, WGLT-FM Radio ("WGLT") assumed responsibility for managing the day-to-day operations for WCBU (as well as its online and social media platforms) in Peoria on June 1, 2019. All funds raised by WCBU are segregated from those raised by WGLT and must be used for WCBU operations. Bradley University remains WCBU's license holder and is responsible for ensuring the station is FCC compliant.

Note 2 - Significant Accounting Policies

Basis of presentation: Assets and liabilities related to the operations of WCBU are commingled with other Illinois State University and Bradley University assets and liabilities but have been segregated in the accompanying statements to present the financial position of WCBU.

WCBU prepares its financial statements in accordance with generally accepted accounting principles, which require classification of net assets and revenues, expenses, gains, and losses based on the absence or existence of donor-imposed restrictions into two categories: net assets without donor restrictions which have no donor-imposed restrictions and net assets with donor restrictions which have certain perpetual donor-imposed restrictions. Amounts designated for specific purpose by the Board, included in the Board designated endowment fund, are included as net assets without donor restrictions.

The financial statements of WCBU have been prepared on the accrual basis of accounting.

Interest in pooled cash: Illinois State University has pooled its cash, including accounts held for WCBU operations. Bradley University also performs and records cash transactions and retains cash on behalf of WCBU. A summary of interest in pooled cash for the years ended May 31, 2022 and 2021 is as follows:

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NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2022 and 2021

Note 2 - Significant Accounting Policies, continued

	2022	2021
Held at Bradley University	\$ 148,839	264,848
Held at Illinois State University	39,473	26,004
Held at Illinois State University Foundation	95,785	116,080
Total	\$ 284,097	406,932

For purposes of the Statement of Cash Flows, all short-term investments that are highly liquid are considered cash equivalents. Cash equivalents are readily convertible to known amounts of pooled cash, and at the day of purchase, have a maturity date no longer than 90 days.

Revenue Recognition: Contributions and pledges are recognized as revenue in the statement of activities when received. Grant revenue is recognized when earned. Grant money received but not earned is reflected in the statement of financial position as deferred revenue.

WCBU recognizes revenue from business underwriting over the length of the contract, which varies in duration. The performance obligation consists of acknowledging the underwriter's support on air, for a frequency and duration as negotiated in the contract. Underwriting fees are used to cover the costs of operations and expenses related to securing and maintaining underwriting relationships. Underwriting fees are based on the frequency and duration of on-air acknowledgement, as negotiated in the contract.

Property and Equipment: Property and equipment are recorded at cost at the date of acquisition or at the fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the following estimated useful lives:

Studio and broadcast equipment	5 years
Furniture and fixtures	7 years
Transmitter, antenna and tower	15 years
Building improvements	20 years

When property or equipment are retired or otherwise disposed, the asset and accumulated depreciation accounts are adjusted accordingly. Expenditures for repairs and maintenance are charged to the related expenses as incurred.

Indirect/In-Kind Contributions of Services, Materials and Supplies: During the years ended May 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements totaled \$ 13,455 and \$ 9,753, respectively. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Station at its facilities.

Facilities allocated from Bradley University consist of studio space together with related occupancy costs and are recorded in revenue and expense on a prorated basis. Administrative support from Bradley University consists of adjusted allocated financial and physical plant charges incurred by Bradley University on behalf of WCBU. See Note 6 for additional information.

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NOTES TO FINANCIAL STATEMENTS (Continued) May 31, 2022 and 2021

Note 2 - Significant Accounting Policies, continued

Accounts Receivable: Accounts receivable represents uncollected underwriting revenue. WCBU considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to expense when that determination is made.

Pensions and Other Postemployment Benefits (OPEB): With the management agreement with WGLT, all WCBU employees are employees of Illinois State University, and thus are participants in Illinois State University pension and OPEB plans. Illinois State University contributes to the State Universities Retirement System of Illinois. In addition, the State of Illinois provides health, dental, vision, and life insurance benefits for retirees and their dependents. The State pays Illinois State University's portion of employer costs for the benefits provided.

Functional Allocation of Expenses: The costs incurred in support of WCBU programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall operation of WCBU.

Income Taxes: Bradley University is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for such taxes has been made in the financial statements of WCBU.

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 reporting period. Actual results could differ from those estimates.

Note 3 - Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received either as a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be included as NFFS: (1) the source may be an entity except the federal government or any other broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

WCBU-FM**NOTES TO FINANCIAL STATEMENTS (Continued)**
May 31, 2022 and 2021

Note 3 - Nonfederal Financial Support (NFFS), continued

Reported NFFS for WCBU was \$ 883,361 and \$ 699,182 for the years ended May 31, 2022 and 2021, respectively.

Note 4 - Compensated Absences

The liability for compensated absences at May 31, 2022 and 2021 was \$ 49,306 and \$ 45,454, respectively. Illinois State University policy allows employees to accumulate 360 hours of vacation time, 420 hours for faculty employees. All accrued vacation is payable upon termination.

Note 5 - Property and Equipment

A summary of property and equipment activity for the year ended May 31, 2022, was as follows:

	May 31, 2021 Ending Balance	Additions	Reductions	May 31, 2022 Ending Balance
Studio improvement	\$ 174,378			174,378
Transmitters, antenna and towers	341,107			341,107
Studios and other broad- casting equipment	156,472	4,950	3,612	157,810
Furniture and fixtures	13,460			13,460
Total	685,417	4,950	3,612	686,755
Less accumulated depreciation:				
Studio improvements	13,804	8,719		22,523
Transmitters, antenna and towers	341,107			341,107
Studio and other broad- casting equipment	128,515	8,072	1,866	134,721
Furniture and fixtures	10,893	422		11,315
Total	494,319	17,213	1,866	509,666
Property and equipment, net	\$ 191,098	(12,263)	1,746	177,089

WCBU-FM**NOTES TO FINANCIAL STATEMENTS (Continued)**
May 31, 2022 and 2021**Note 5 - Property and Equipment, continued**

A summary of property and equipment activity for the year ended May 31, 2021, was as follows:

	May 31, 2020 Ending Balance	Additions	Reductions	May 31, 2021 Ending Balance
Studio improvement	\$ 174,378			174,378
Transmitters, antenna and towers	341,107			341,107
Studios and other broad-casting equipment	141,469	15,003		156,472
Furniture and fixtures	10,506	2,954		13,460
Total	667,460	17,957		685,417
Less accumulated depreciation:				
Studio improvements	5,085	8,719		13,804
Transmitters, antenna and towers	341,107			341,107
Studio and other broad-casting equipment	121,150	7,365		128,515
Furniture and fixtures	10,506	387		10,893
Total	477,848	16,471		494,319
Property and equipment, net	\$ 189,612	1,486		191,098

Depreciation expense for the years ended May 31, 2022 and 2021 was \$ 17,213 and \$ 16,471, respectively.

Note 6 - Indirect Administrative Support

Indirect support from Bradley University consists of allocated institutional support and physical plant costs incurred by Bradley University for which WCBU receives benefits. The fair value of this support is recognized in the Statement of Activities as indirect administrative support and also as expense in functional expense categories. Indirect administrative support is calculated based on institutional support and physical plant support of Bradley University (the Licensee) and the operating expenses of WCBU. The value of this support included in the Statement of Activities was \$ 130,821 and \$ 92,854 for the years ended May 31, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS (Continued) May 31, 2022 and 2021

Note 7 - Investments

WCBU's interest in investments in equity securities with readily determinable fair values and all investments in debt securities are presented at fair value. The net realized and unrealized gain or loss in the fair value of WCBU's interest in investments is reflected in the statements of activities.

A summary of the fair values of WCBU's interest in endowment investments at May 31, 2022 and 2021 follows:

	2022	2021
Equities and Equity Mutual Funds	\$ 254,913	\$ 346,172
Fixed Income Securities	105,522	73,164
Alternative Investments	81,616	82,862
Total	<u>\$ 442,051</u>	<u>\$ 502,198</u>

Investment income of \$ 19,095 and \$ 17,535 is reported in interest and dividends on endowment funds in the statement of activities for the year ended May 31, 2022 and 2021, respectively. Unrealized net gain (loss) on investments of \$ (60,147) and \$ 100,694 for the years ended May 31, 2022 and 2021, respectively, is reported in the statements of activities.

Endowments: There are three endowments at Bradley University for the benefit of WCBU. The endowments consist of three funds established to support a variety of purposes at WCBU. Its endowments consist of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. An individual endowment fund is considered to be underwater if the fund has perpetual restrictions and the fair market value has decreased below its historical dollar value. WCBU had no individual endowment funds that were considered to be "underwater" at May 31, 2022 or 2021.

Interpretation of Relevant Law: WCBU has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WCBU classifies as net assets with donor restrictions (a) the original value of initial and subsequent gift amounts and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by WCBU in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, WCBU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2022 and 2021

Note 7 - Investments, continued

Interpretation of Relevant Law, continued:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters: WCBU has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce long-term investment gain with a tolerance for managed risk.

Spending Policy: WCBU has a policy of appropriating for distribution each year up to 5% of the endowment fund's average appreciated value over a moving three-year average.

In establishing this policy, WCBU considered the long-term expected returns on its interest in endowment investments. Accordingly, over the long term, WCBU expects the current spending policy will allow its endowment to retain or enhance the original fair value of the gift.

Strategies Employed for Achieving Objectives: WCBU relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends).

Endowment assets as of May 31, 2022 consisted of \$ 442,051 in Endowment fund investments and \$ 99,188 in interest in pooled cash, the balance of the Endowment investment spending amount balance held by Bradley University on behalf of WCBU, for a total of \$ 541,239. Endowment assets as of May 31, 2021 consisted of \$ 502,198 in Endowment fund investments and \$ 90,682 in interest in pooled cash, for a total of \$ 592,880.

WCBU-FM**NOTES TO FINANCIAL STATEMENTS (Continued)**
May 31, 2022 and 2021

Note 7 - Investments, continued

The endowment net asset composition by type of fund as of May 31, 2022 and 2021 was as follows:

May 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
Accumulated investment gains	\$ 17,172		17,172
Unrealized investment gains	96,632		96,632
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		345,419	345,419
Accumulated investment gains		82,016	82,016
Total	<u>\$ 113,804</u>	<u>427,435</u>	<u>541,239</u>
May 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
Accumulated investment gains	\$ 17,191		17,191
Unrealized investment gains	156,780		156,780
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		345,419	345,419
Accumulated investment gains		73,490	73,490
Total	<u>\$ 173,971</u>	<u>418,909</u>	<u>592,880</u>

WCBU-FM**NOTES TO FINANCIAL STATEMENTS (Continued)**
May 31, 2022 and 2021**Note 7 - Investments, continued**

The changes in endowment net assets for the years ended May 31, 2022 and 2021 were as follows:

May 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 173,971	418,909	592,880
Investment return, net			
Investment income	10,569	8,526	19,095
Amount appropriated for expenditure	(10,589)		(10,589)
Net appreciation (depreciation)	(60,147)		(60,147)
Endowment net assets - end of year	<u>\$ 113,804</u>	<u>427,435</u>	<u>541,239</u>
May 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 81,586	411,080	492,666
Investment return, net			
Investment income	9,706	7,829	17,535
Amount appropriated for expenditure	(18,015)		(18,015)
Net appreciation (depreciation)	100,694		100,694
Endowment net assets - end of year	<u>\$ 173,971</u>	<u>418,909</u>	<u>592,880</u>

Note 8 - Fair Value Measurements

WCBU has adopted the fair value accounting guidance related to financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. It also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

- Level 1:* Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2:* Inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly.
- Level 3:* Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2022 and 2021

Note 8 - Fair Value Measurements, continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, WCBU's assets at fair value as of May 31, 2022 and 2021:

	Fair Value at 5/31/2022	Level 1	Level 2	Level 3
Equities and Equity Mutual Funds	\$ 254,913	254,913		
Fixed Income Securities	105,522	105,522		
Alternative Investments	81,616	81,616		
Total assets at fair value	\$ 442,051	\$442,051		
	Fair Value at 5/31/2021	Level 1	Level 2	Level 3
Equities and Equity Mutual Funds	\$ 346,172	346,172		
Fixed Income Securities	73,164	73,164		
Alternative Investments	82,862	82,862		
Total assets at fair value	\$ 502,198	502,198		

NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2022 and 2021

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2022</u>	<u>2021</u>
Endowments:		
Subject to expenditure for specified purpose:		
Equipment acquisition, maintenance, and programming	\$ 82,016	73,490
Subject to endowment spending policy and appropriation:		
Programming and operations	<u>345,419</u>	<u>345,419</u>
Total endowments	427,435	418,909
Grants:		
Subject to expenditure for specified purpose:		
Reporter salary	14,000	
Other:		
Subject to expenditure for specified purpose:		
Equipment acquisition, maintenance, and programming	<u>1,828</u>	<u>1,828</u>
Total net assets with donor restrictions	<u>\$ 443,263</u>	<u>420,737</u>

Note 10 - Liquidity and Availability

WCBU has \$ 323,979 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of interest in pooled cash, accounts receivable, and prepaid expenses. Bradley University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The board-designated endowment of \$ 113,804 is subject to an annual spending rate up to 5% as described in Note 7. Although there is no intention to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of Bradley University's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 11 - Related Parties

WCBU is the licensee of Bradley University, as mentioned in Note 1. The payable to Bradley University represents the cost incurred by Bradley University in support of WCBU programs and activities. As of May 31, 2022 and 2021, the balance was in the amount of \$ 810,529 and \$ 810,529, respectively.

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NOTES TO FINANCIAL STATEMENTS (Continued) **May 31, 2022 and 2021**

Note 12 - Contributed In-Kind Support

Contributed materials, supplies, and facilities are recorded at their estimated fair value at the date of donation. WCBU reports gifts of professional services, materials, and other nonmonetary contributions as revenue in the accompanying Statement of Activities. As expenses of an equivalent amount are also recognized, there is no impact on net assets.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

The amount of donated materials and services recognized in the years ended May 31, 2022 and 2021 was \$ 13,455 and \$ 9,753, respectively.

Contributed support from the State of Illinois consists of benefit contributions on behalf of WCBU. The value of the on-behalf contributions recognized in the years ended May 31, 2022 and 2021 was \$ 99,630 and \$ 84,814, respectively.

Note 13 - Subsequent Events

WCBU has evaluated events occurring subsequent to May 31, 2022 as to their potential impact to the financial statements through January 12, 2023, which is the date the financial statements were available to be issued.