

NEW HAMPSHIRE PUBLIC RADIO, INC.

FINANCIAL REPORT

JUNE 30, 2017

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NATHAN WECHSLER & COMPANY
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Hampshire Public Radio, Inc.
Concord, New Hampshire 03301-5003

We have audited the accompanying financial statements of New Hampshire Public Radio, Inc., which comprise the statements of financial position as of June 30, 2017, and the related statement of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Public Radio, Inc., as of June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Hampshire Public Radio, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nathan Wechsler & Company

Concord, New Hampshire
October 18, 2017

NEW HAMPSHIRE PUBLIC RADIO, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS		2017	2016
CURRENT ASSETS			
Cash	\$	2,193,994	\$ 1,497,496
Contributions and grants receivable		356,787	792,379
Bequest receivable		33,029	25,000
Accounts receivable, less allowance for doubtful accounts of \$8,990 for 2017 and \$11,365 for 2016		304,527	397,308
Prepaid expenses		96,448	115,043
<i>Total current assets</i>		<u>2,984,785</u>	<u>2,827,226</u>
OTHER ASSETS			
Contributions and grants receivable, less current portion, net of discount		384,855	631,300
Endowment investments		325,940	282,969
Board designated investments		160,530	144,564
Innovation fund investments		731,304	672,726
Deferred compensation investment		137,423	119,832
Station and software licenses, net of accumulated amortization \$334,296 for 2017 and \$318,399 for 2016		233,576	249,474
		<u>1,973,628</u>	<u>2,100,865</u>
PROPERTY AND EQUIPMENT, net		<u>5,297,155</u>	<u>5,664,010</u>
<i>Total assets</i>	\$	<u>10,255,568</u>	\$ <u>10,592,101</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current portion of note payable	\$	34,712	\$ 32,387
Accounts payable and accrued expenses		99,455	131,229
Accrued salaries and benefits		198,812	121,934
Deferred revenue		64,829	50,273
<i>Total current liabilities</i>		<u>397,808</u>	<u>335,823</u>
LONG-TERM LIABILITIES			
Deferred compensation liability		155,923	119,832
Note payable, less current portion and net of unamortized debt issuance costs of \$23,618 for 2017 and \$24,930 for 2016		1,089,593	1,123,790
<i>Total long-term liabilities</i>		<u>1,245,516</u>	<u>1,243,622</u>
<i>Total liabilities</i>		<u>1,643,324</u>	<u>1,579,445</u>
COMMITMENTS (See Notes)			
NET ASSETS			
Undesignated		5,475,386	5,624,074
Board designated		338,101	306,455
Total unrestricted		<u>5,813,487</u>	<u>5,930,529</u>
Temporarily restricted		2,566,210	2,850,108
Permanently restricted		232,547	232,019
<i>Total net assets</i>		<u>8,612,244</u>	<u>9,012,656</u>
<i>Total liabilities and net assets</i>	\$	<u>10,255,568</u>	\$ <u>10,592,101</u>

NEW HAMPSHIRE PUBLIC RADIO, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017 (with comparative totals for 2016)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
	Undesignated	Board Designated	Total Unrestricted				
Revenue and support:							
Public support	\$ 3,417,636	\$ -	\$ 3,417,636	\$ 317,200	\$ -	\$ 3,734,836	\$ 3,091,367
Business support	2,145,710	-	2,145,710	-	-	2,145,710	2,369,690
Business support-trade	108,701	-	108,701	-	-	108,701	126,073
Corporation for Public Broadcasting funding	440,183	-	440,183	-	-	440,183	390,304
Grants and contract revenue	144,871	-	144,871	37,345	-	182,216	1,386,880
Vehicle donations	165,278	-	165,278	-	-	165,278	165,286
Investment income	826	13,617	14,443	105,421	-	119,864	19,963
Other income	42,153	-	42,153	-	-	42,153	47,201
In-kind donations	16,089	-	16,089	-	-	16,089	25,076
<i>Total revenue and support</i>	6,481,447	13,617	6,495,064	459,966	-	6,955,030	7,621,840
Net assets released for satisfaction of purpose restrictions, operating	744,413	-	744,413	(744,413)	-	-	-
Expenses:							
Program services	4,473,810	-	4,473,810	-	-	4,473,810	4,532,605
Management and general	758,560	-	758,560	-	-	758,560	754,140
Fundraising	1,620,557	-	1,620,557	-	-	1,620,557	1,424,569
	6,852,927	-	6,852,927	-	-	6,852,927	6,711,314
Depreciation and amortization	568,572	-	568,572	-	-	568,572	627,522
<i>Total expenses</i>	7,421,499	-	7,421,499	-	-	7,421,499	7,338,836
<i>Increase (decrease) in net assets before nonoperating activities</i>	(195,639)	13,617	(182,022)	(284,447)	-	(466,469)	283,004
Nonoperating activities:							
Capital projects revenue	-	-	-	47,500	-	47,500	395,675
Bequests	-	18,029	18,029	-	528	18,557	110,000
Bond issuance costs write-off	-	-	-	-	-	-	(171,374)
<i>Increase in net assets from nonoperating activities</i>	-	18,029	18,029	47,500	528	66,057	334,301
Net assets released from time restriction, nonoperating	46,951	-	46,951	(46,951)	-	-	-
<i>Increase (decrease) in total net assets</i>	(148,688)	31,646	(117,042)	(283,898)	528	(400,412)	617,305
Net assets, beginning of year	5,624,074	306,455	5,930,529	2,850,108	232,019	9,012,656	8,395,351
<i>Net assets, end of year</i>	\$ 5,475,386	\$ 338,101	\$ 5,813,487	\$ 2,566,210	\$ 232,547	\$ 8,612,244	\$ 9,012,656

NEW HAMPSHIRE PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (400,412)	\$ 617,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	568,572	627,522
Amortization of debt issuance costs	1,312	1,312
Realized and unrealized (gains) losses on investments	(69,321)	59,977
Bad debt expense, net of change in allowance for doubtful accounts	9,901	12,941
Contributions restricted for long-term purposes	(528)	(10,000)
(Increase) decrease in contributions, bequest and grants receivable	674,008	(356,991)
(Increase) decrease in accounts receivable	82,880	(129,629)
Decrease in prepaid expenses	18,595	19,974
Increase (decrease) in accounts payable and accrued expenses	(31,774)	37,783
Increase (decrease) in accrued salaries and benefits	76,878	(14,106)
Increase (decrease) in deferred revenue	14,556	(6,599)
<i>Net cash provided by operating activities</i>	944,667	859,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(29,694)	(107,213)
Acquisition of property and equipment	(185,819)	(617,403)
<i>Net cash used in investing activities</i>	(215,513)	(724,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	528	10,000
Closing costs paid on refinancing	-	(26,292)
Borrowings on long-term debt	-	1,200,000
Principal repayment on long-term debt	(33,184)	(947,519)
<i>Net cash provided by (used in) financing activities</i>	(32,656)	236,189
<i>Net increase in cash</i>	696,498	371,062
Cash, beginning of year	1,497,496	1,126,434
<i>Cash, end of year</i>	\$ 2,193,994	\$ 1,497,496
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH FINANCING ACTIVITIES		
Cash paid for interest	\$ 35,353	\$ 21,428
Bond issuance costs write-off	\$ -	\$ 171,374
Amortization of debt issuance costs	\$ 1,312	\$ 1,312

NEW HAMPSHIRE PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017 (with comparative totals for 2016)

	Program Services	Management and General	Fundraising	2017	2016
Salaries and wages	\$ 2,194,577	\$ 437,911	\$ 696,992	\$ 3,329,480	\$ 3,308,120
Employee benefits	360,004	54,706	116,005	530,715	485,734
Payroll taxes	168,234	25,639	53,198	247,071	243,383
<i>Total compensation related costs</i>	2,722,815	518,256	866,195	4,107,266	4,037,237
Affiliate program acquisition fees	644,547	-	-	644,547	618,335
Independent contractors	239,526	38,369	253,575	531,470	532,463
Transmitter and satellite expenses	236,874	-	-	236,874	221,192
Condo fees, utilities, taxes and maintenance	105,904	17,272	32,973	156,149	154,314
Dues and subscriptions	105,983	23,346	5,513	134,842	125,054
Travel, catering and entertainment	51,168	37,275	38,574	127,017	124,976
Telephone	101,018	3,447	5,260	109,725	114,892
Thank you gifts	-	-	82,897	82,897	107,659
Advertising and promotion expenses	86,715	-	-	86,715	103,965
Bank and credit card fees	403	859	99,799	101,061	98,905
Printing	3,343	479	111,377	115,199	81,996
Insurance	67,709	8,308	15,861	91,878	77,688
Professional services	8,099	52,656	-	60,755	74,143
Technology equipment, parts and supplies	32,354	1,920	3,666	37,940	58,708
Postage	745	966	79,231	80,942	56,922
Office supplies and expenses	26,463	5,859	3,418	35,740	39,464
Staff development and recruitment	5,626	45,659	4,893	56,178	36,462
Interest expense	25,352	3,889	7,424	36,665	22,740
Bad debt expense, net of change in allowance for doubtful accounts	-	-	9,901	9,901	12,941
Engineering equipment repairs and maintenance	9,166	-	-	9,166	11,258
<i>Total functional expenses excluding depreciation and amortization</i>	4,473,810	758,560	1,620,557	6,852,927	6,711,314
Depreciation and amortization	474,993	26,305	67,274	568,572	627,522
<i>Total functional expenses including depreciation and amortization</i>	\$ 4,948,803	\$ 784,865	\$ 1,687,831	\$ 7,421,499	\$ 7,338,836

See Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities

New Hampshire Public Radio, Inc. (the "Corporation") is organized as a not-for-profit corporation under the laws of the State of New Hampshire. It is licensed by the Federal Communications Commission to operate FM radio stations throughout New Hampshire, which broadcasts at 89.1 FM (WEVO) from Concord and Manchester, at 88.3 FM (WEVS) from Nashua, at 90.7 FM (WEVN) from Keene, at 91.3 FM (WEVH) from Hanover, at 99.5 FM (WEVJ) from Jackson, at 104.3 FM (W282AB) from Dover, at 107.1 FM (WEVC) from Berlin, at 103.9 FM (W280DG) from Portsmouth, at 97.3 FM (W247AO) from Plymouth, at 91.9 FM (WEVQ) from Littleton, at 105.7 FM (W290BK) and 90.3 FM (WEVF) from Colebrook, at 96.5 FM (W243DE) from Holderness, and at 91.5 (WCNH) from Bow.

The Corporation also produces and distributes content through podcasts, NPR One and online at www.nhpr.org.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the Corporation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned. Expenses and losses are recognized when incurred.

The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Comparative financial information: The financial statements of the Corporation include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Basis of presentation: The Corporation accounts for contributions received in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic for Revenue Recognition (FASB ASC 958-605) and contributions made in accordance with FASB ASC 958-720-25. In accordance with FASB ASC 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. FASB ASC 958-310 requires that unconditional promises to give (contributions receivable) be recorded as receivables and revenues.

The Corporation adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB ASC 958-205. Under FASB ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

Unrestricted net assets include revenues and expenses and contributions pledged which are not subject to any time or donor-imposed restrictions as well as unrestricted, board designated amounts.

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NOTES TO FINANCIAL STATEMENTS

Temporarily restricted net assets include gifts, grants, and promises to give for which time restrictions or donor-imposed restrictions have not yet been met and also include the accumulated appreciation related to permanently restricted endowment gifts, which is a requirement of FASB ASC 958-205-45.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions.

Estimates and assumptions: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

Fair value option: Generally Accepted Accounting Principles (GAAP) provides a fair value option election that allows organizations to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. GAAP permits the fair value option election on an instrument-by-instrument basis at specified election dates, primarily at the initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Corporation elected the fair value option for contributions receivable in a prior year.

Cash and cash equivalents: For purposes of reporting cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of June 30, 2017, the Corporation had no cash equivalents.

Contributions, grants and accounts receivable: Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Corporation does not recognize conditional promises to give as revenue until the condition is met. Throughout the year the Corporation receives conditional pledges in connection with its on-air membership drives, however, there were no unfulfilled conditional promises to give as of June 30, 2017.

FASB ASC 958-605-45-5 provides that receipts of unconditional promises to give with payments due in future periods shall be reported as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period.

Sustainer membership income is recognized as the recurring payments are processed in accordance with FASB ASC 958-605 since the fair value of the unconditional promises to give cannot be determined without a predetermined stop date.

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. Unconditional contributions receivable are reported at net realizable value if at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value both initially and in subsequent periods because the Corporation elected the fair value option in accordance with

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NOTES TO FINANCIAL STATEMENTS

GAAP. Management believes that the use of the fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. The Corporation estimates the allowance for uncollectible contributions receivable based upon specific review, current economic conditions and historical loss factors, if applicable.

Contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2017. For the year ended June 30, 2017, there were no actual bad debts written off related to contributions receivable.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Corporation records an allowance to estimate the amount of accounts receivable that may be uncollectible. The allowance is based on prior years' experience and management's analysis of specific accounts. Uncollectible accounts are written-off against the allowance. Actual accounts receivable bad debt expense totaled \$9,901 for the year ended June 30, 2017.

Gifts, contributions and grants revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Grants awarded for operations or to purchase equipment or other capital assets that are considered contributions are recognized as unrestricted revenue when received unless the grant contains donor restrictions or certain reversionary rights (see Note 8 and 10) in which case the revenue is recognized as an increase in temporarily restricted net assets and released to unrestricted net assets ratably over the period that the reversionary rights apply.

Investments: The Corporation carries investments in marketable securities with readily determinable fair values based upon quoted market prices. Unrealized and realized gains and losses are included with investment income in the accompanying statement of activities and changes in net assets. Purchased and gifted securities are recorded at fair value on the date of the acquisition or gift date, net of any brokerage fees.

Property and equipment: Property and equipment is stated at cost or, if donated, at fair value determined at the date of donation. The Corporation's policy is to capitalize expenditures at \$1,000 or greater for major improvements and charge maintenance and repairs to current operations when incurred.

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NOTES TO FINANCIAL STATEMENTS

Depreciation is provided for on the straight-line method in a manner which is intended to amortize the cost of the assets over the following estimated useful lives:

	Years
Buildings and improvements	7-40
Broadcast and transmission equipment	3-20
Furniture and office equipment	3-10
Vehicles	5

Contributions of long-lived assets: In accordance with FASB ASC 958-360-50, the Corporation has adopted an accounting policy implying a time restriction that expires over the useful life of donated long-lived assets. Under this policy, the donated long-lived assets are recorded as temporarily restricted support and then reclassified from temporarily restricted net assets to unrestricted net assets over useful life (if implied) or over the required period (if explicitly stated by donor). Any gain or loss on disposals of donated long-lived assets before the end of their useful life is reported as a change in unrestricted net assets and a reclassification is made to release any remaining temporarily restricted amounts to unrestricted net assets.

Station and software licenses: The cost of licensing rights acquired is being amortized on the straight-line method over periods of seven to thirty years. Amortization expense charged to operations related to these licenses amounted to \$15,898 for the year ended June 30, 2017.

Deferred revenue: Deferred revenue results when contracts for business support are prepaid in the current year and aired by the Corporation in the subsequent fiscal year. Accordingly, the payments received for the next fiscal year are deferred until the business support credits are aired by the Corporation.

Grants received that are considered reciprocal transactions generally contain conditions that could require the Corporation to return funds if the conditions are not met. Accordingly, these grant proceeds are recorded as deferred revenue upon receipt. The grant revenue is recognized according to the terms of the grant agreement, usually as the proceeds are utilized for the grant's purposes and the conditions are fully met.

Debt issuance costs: These costs are being amortized on a straight-line basis over the 20-year term of the debt (see Note 6). Debt issuance costs are included with interest expense on the statement of functional expenses.

Advertising: The Corporation charges advertising costs to expense as incurred. Advertising expenses relate primarily to programming and are primarily funded through trade.

Donated goods and services: A significant portion of the Corporation's functions are conducted by unpaid officers, board members and volunteers. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria necessary for recognition under the FASB ASC 958-605 (see Note 10).

Donated materials and equipment are reflected as in-kind donations and expenses are capitalized at their estimated value at the date of receipt. Donated professional services are recorded as both revenue and expense at estimated fair value.

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NOTES TO FINANCIAL STATEMENTS

Business support services which are done in exchange (typically an invoice) for goods or services are reflected as business support – trade. When the Corporation receives notification that donated services have been provided, the Corporation recognizes the revenue and a corresponding expense based on the value of the services which the Corporation received.

Income taxes: The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); however, certain unrelated business income is subject to federal taxation. For the year ended June 30, 2017, there was no liability for a tax on unrelated business income. The Corporation is also exempt from state income taxes by virtue of its ongoing exemption from federal income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Corporation adopted the provision of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management evaluated the Corporation's tax positions and concluded the Corporation had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Corporation is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2014.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in accounting principle: Effective July 1, 2016, the Company changes its method of presentation relating to debt issuance costs in accordance with FASB ASU 2015-03. Prior to fiscal year 2017, the Company's policy was to present these debt issuance costs in other assets on the balance sheet, net of accumulated amortization. Beginning in fiscal year 2017, the Company has presented these fees as a direct deduction to the related note payable. The financial statements for the year ended June 30, 2016 have been retroactively restated for the change, which resulted in a decrease in other assets of \$24,930 and a decrease in note payable of \$24,930.

Note 3. Contributions Receivable

In the prior year, the Corporation began an Innovation Campaign that supports three significant editorial initiatives that expand NHPR's news coverage and local program production. Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. Unconditional contributions receivable expected to be received beyond one year are recognized at fair value and a discount rate is applied when deemed necessary (3% at June 30, 2017). The Corporation estimates the allowance for uncollectible contributions receivable based upon specific review, current economic conditions and historical loss factors, if applicable. Substantially all promises to give are from members of the Board of Trustees and others strongly committed to the Corporation. Therefore, contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2017. Management will continue to monitor the collection of these promises to give and make any necessary reserve adjustments, if this estimate changes in the future.

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NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions receivable are summarized below:

In one year or less	\$	356,287
Between one and five years		399,666
Less discount to present value		(14,811)
<i>Total</i>		<u>741,142</u>
Less current portion		356,287
<i>Total long-term portion</i>	\$	<u><u>384,855</u></u>

Note 4. Investments

Investments, which consist of marketable debt and equity securities are carried at fair value at June 30, 2017. Investments are classified as long-term assets since it is the Corporation's intent to hold these investments for more than one year.

Investments consist of the following at June 30, 2017:

	Fair Value	Cost	Unrealized Appreciation
Domestic and international equities:			
Materials	\$ 26,456	\$ 22,641	\$ 3,815
Consumer cyclical	80,549	70,443	10,106
Financial services	102,288	88,961	13,327
Real estate	15,785	13,260	2,525
Consumer defensive	43,021	37,094	5,927
Healthcare	80,983	70,852	10,131
Utilities	13,251	11,108	2,143
Communication services	20,972	18,179	2,793
Energy	38,702	33,409	5,293
Industrials	71,703	62,057	9,646
Technology	112,166	98,486	13,680
Debt security - bonds	611,898	596,980	14,918
International equity funds (see Note 9)	137,423	103,000	34,423
<i>Total</i>	<u>\$ 1,355,197</u>	<u>\$ 1,226,470</u>	<u>\$ 128,727</u>

NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Property and Equipment

Property and equipment, at cost	
Buildings and improvements	\$ 5,500,519
Broadcast and transmission equipment	4,028,236
Furniture and office equipment	1,420,835
Vehicles	77,238
Construction in process	47,998
<i>Total property and equipment</i>	<u>11,074,826</u>
Less accumulated depreciation	5,777,671
<i>Total property and equipment, net</i>	<u><u>\$ 5,297,155</u></u>

Depreciation expense amounted to \$552,674 for the year ended June 30, 2017.

Note 6. Notes Payable, Revolving Line-of-Credit and Pledged Assets

During the prior year, the Corporation refinanced their tax exempt bond with a \$1,200,000 mortgage with Bank of New Hampshire at a 2.99% fixed rate of interest for the first ten years, then adjusting annually to the FHLB 10 year rate plus 1.75%. The primary banking relationship must be maintained at Bank of New Hampshire or the interest rate increases by 1%. The mortgage has a twenty-year term with monthly principal and interest payments assuming a twenty-five year amortization. Also during the prior year, in conjunction with this refinancing, the Corporation replaced its existing line-of-credit with a new revolving line-of-credit for borrowings up to \$250,000 at an interest rate at one and one-half percent above the Wall Street Journal Prime Rate (5.75% at June 30, 2017). The line-of-credit is secured by business assets and is subject to annual review. Under the terms of this agreement, the Corporation must maintain a minimum debt service coverage ratio of not less than 1.2 to 1.0. This covenant was met for the year ended June 30, 2017. As of June 30, 2017, there were no outstanding borrowings on the line-of-credit. Interest costs on the mortgage debt amounted to \$35,353 for the year ended June 30, 2017. The Bank of New Hampshire note payable had an effective interest rate of 3.03% at June 30, 2017.

Long-term debt:

Mortgage payable, Bank of New Hampshire (see above), secured by the Corporation's business assets, with a fixed rate of interest of 2.99% for the first ten years, and a monthly principal and interest payment of \$5,711, due November 2035	\$ 1,147,923
Less amounts due within one year	34,712
Less unamortized debt issuance costs	23,618
<i>Long-term debt</i>	<u><u>\$ 1,089,593</u></u>

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NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Maturities required on long-term debt are as follows for fiscal years ending June 30,:

2018	\$	34,712
2019		35,764
2020		36,848
2021		37,965
2022		39,116
Thereafter		963,518
	\$	<u>1,147,923</u>

Note 7. Operating Leases

The Corporation maintains several operating lease agreements for transmitter site rental and office equipment. These leases expire between fiscal years 2018 and 2027. Minimum future rent commitments under these lease agreements are as follows for the years ending June 30,:

2018	\$	73,704
2019		70,867
2020		68,295
2021		65,746
2022		156,813
<i>Total</i>	\$	<u>435,425</u>

Rental expense for these leases for the year ended June 30, 2017 totaled approximately \$130,000.

Note 8. Commitments and Contingencies

Certain equipment acquired with federal grant proceeds is subject to reversionary interest liens for a period of ten years from date of the grant. Property acquired with these grant proceeds may not be conveyed, transferred, assigned, mortgaged, leased or in any other manner encumbered by the Corporation, except as expressly authorized by grantor. The liens expire between 2018 and 2022.

The Corporation maintains a sick time policy in which eligible employees can accrue up to a maximum of 480 hours of sick time. Employees who had sick time balances in excess of the 480 hours, as of the implementation of this policy in January of 2010, have been grandfathered in and, as such, continue to have those hours available to use according to the terms outlined in this policy.

FASB guidance states that an accrual is not required for an obligation related to employees' accumulating rights to receive compensation for future absences that are contingent upon the absences being caused by an employee's future illness. In addition to this contingent event, the low degree of reliability of estimates of the future sick pay and the cost of evaluating do not justify the requirement for such an accrual.

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The Corporation also has a policy that allows for forty hours of vacation time to be carried forward to subsequent years. This liability is included in accrued salaries and benefits on the statement of financial position.

Note 9. Retirement Plans

For administrative purposes, during a prior year, the Corporation merged its two 403(b) Retirement Plan options into one plan. The plan is a way for employees to prepare and save for retirement. Participation is voluntary and allows employees to choose from a variety of investment options.

Tax Deferred Annuity Plan: This option in the 403(b) Retirement Plan allows for employees to contribute with their own tax-deferred contributions and is available to all employees. Employees are eligible to begin participation on the first of the month following employment and are fully and immediately vested in the plan. This is a salary reduction plan only.

Defined Contribution Plan: Under the defined contribution option in the 403(b) Retirement Plan, to be eligible to participate and for the match, when applicable, an employee must be at least 18 years of age, normally work more than 20 hours per week and have worked for the Corporation for a full year. The option in the plan includes a discretionary matching contribution component which is determined annually, based on the financial resources and budget of the Corporation. Contributions to the plan for the year ended June 30, 2017 amounted to \$79,281. The employer match contributions are tied to a three year vesting schedule with participants becoming fully vested after three years.

Deferred Compensation Plan: The Corporation sponsors a non-qualified deferred compensation plan under Section 457 of the IRC Code for certain employees. Employer contributions to the plan are discretionary and employees are not permitted to make salary deferrals under the plan. The plan provides for full vesting after one year of service. Contributions to this plan for the year ended June 30, 2017, amounted to approximately \$18,500. The total deferred compensation liability amounted to \$155,923 at June 30, 2017. This amount has been funded in a separate investment account established for such purposes.

Note 10. Donated Goods and Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Corporation received donated legal and accounting services amounting to \$6,166 for the year ended June 30, 2017.

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Contributions of donated goods and long-lived assets are recorded at fair value when received. Donated bamboo flooring is amortized in accordance with the Corporation's accounting policy described in Note 2. Accumulated amortization and corresponding amounts released from temporarily restricted net assets amounted to \$31,155 through June 30, 2017 and has been fully depreciated.

Note 11. Concentration of Credit Risk

The Corporation maintains its cash balances at various financial institutions. The Company's cash balances are insured up to \$250,000, per depositor at each financial institution. Deposits in excess of federally insured limits at June 30, 2017 were approximately \$225,000.

Note 12. Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets. The Corporation has valued their investments, listed on national exchanges at the last sales price as of the day of valuation.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

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NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Financial assets carried at fair value on a recurring basis consist of the following at June 30, 2017:

	Level 1	Level 3
Assets:		
Domestic and international equities:		
Materials	\$ 26,456	\$ -
Consumer cyclical	80,549	-
Financial services	102,288	-
Real estate	15,785	-
Consumer defensive	43,021	-
Healthcare	80,983	-
Utilities	13,251	-
Communication services	20,972	-
Energy	38,702	-
Industrials	71,703	-
Technology	112,166	-
Debt security - bonds	611,898	-
International equity funds	137,423	-
Contributions receivable	-	741,142
	<u>\$ 1,355,197</u>	<u>\$ 741,142</u>

All assets have been valued using a market or income approach and have been consistently applied. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

Contributions receivable have been valued using an income approach and have been consistently applied. The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The Corporation has elected the fair value option for recording long-term contributions receivable. As a result of this election, contributions receivable are reported at fair value initially and in subsequent periods. This option simplifies the recordkeeping aspect of accounting for contributions receivable by eliminating the requirement to amortize the resulting discount.

	Contributions Receivable
Balance, ending of year ended June 30, 2016	\$ 1,423,180
Contributions	317,200
Payments received and write-offs	(999,238)
Balance, ending of year ended June 30, 2017	<u>\$ 741,142</u>

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NOTES TO FINANCIAL STATEMENTS

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Corporation's significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 13. Endowment Funds and Net Assets

The Corporation adheres to the Other Presentation Matters section of the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB ASC 958-205-45. FASB ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Corporation adopted FASB ASC 958-205-45 during the year ended June 30, 2011. The Corporation's endowment is comprised of two named funds and currently includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation

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NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Investment Return Objectives, Risk Parameters and Strategies: The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

According to this policy, endowment assets will be invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to yield an annual distribution of not more than 4%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: Although there have been no appropriations for expenditure as of June 30, 2017, the Corporation has adopted a policy for future spending. According to this policy, the Corporation may appropriate for distribution each year not more than 4% of its endowment fund's average fair market value over the twelve calendar quarters preceding the year to which the distribution applies. In establishing this policy, the Corporation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity based on donor restrictions, and the possible effects of inflation. The Corporation expects the current spending policy to allow its endowment funds to grow at a nominal average rate, which is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 93,393	\$ 232,547	\$ 325,940

Endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ -	\$ 50,950	\$ 232,019	\$ 282,969
Contributions	-	-	528	528
Investment return	-	10,422	-	10,422
Unrealized gain on investment	-	32,021	-	32,021
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, June 30, 2017	\$ -	\$ 93,393	\$ 232,547	\$ 325,940

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NOTES TO FINANCIAL STATEMENTS

Permanently restricted net assets consist of investment principal maintained in perpetuity. The income earned may be used to support operations.

Temporarily restricted net assets at June 30, 2017 consisted of gifts and other unexpended revenues available for the following purposes:

Grant proceeds with reversionary rights	\$ 112,681
Innovation campaign and fund	2,282,564
Berlin Tower	47,500
Justice grant	20,072
Environmental reporting	10,000
Portion of perpetual endowment funds subject to time restriction under UPMIFA	93,393
<i>Total</i>	<u><u>\$ 2,566,210</u></u>

The board designated unrestricted net assets comprise a portion of the Corporation's unrestricted net assets the Board of Trustees has designated for future strategic initiatives. There were no additional amounts designated by the Board of Trustees for the year ended June 30, 2017.

Note 14. Annuity Agreements

In a prior year, the Corporation received correspondence from National Public Radio, Inc. regarding annuity agreements for which the Corporation has been named a beneficiary. Under these agreements, National Public Radio, Inc. will administer the gift annuities for a fee of 8% and the Corporation will receive the residual gifts. There were no amounts received under annuity agreements for the year ended June 30, 2017.

Note 15. Reclassification

Certain June 30, 2016 amounts have been reclassified to conform to the current year presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

Note 16. Subsequent Events

The Corporation has evaluated subsequent events through October 18, 2017, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2017.