

NEW HAMPSHIRE PUBLIC RADIO, INC.

FINANCIAL REPORT

JUNE 30, 2018

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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

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Public Radio, Inc., which comprise the statements of financial position as of June 30, 2018, 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.

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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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nathan Wechsler & Company
Concord, New Hampshire
November 12, 2018

NEW HAMPSHIRE PUBLIC RADIO, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS		2018	2017
CURRENT ASSETS			
Cash	\$	1,682,067	\$ 2,193,994
Contributions receivable		514,698	356,787
Bequest receivable		15,000	33,029
Accounts receivable, less allowance for doubtful accounts of \$9,452 for 2018 and \$8,990 for 2017		354,900	304,527
Prepaid expenses		173,230	96,448
<i>Total current assets</i>		<u>2,739,895</u>	<u>2,984,785</u>
OTHER ASSETS			
Contributions receivable, less current portion, net of discount, less allowance for doubtful accounts of \$60,000 for 2018 and \$- for 2017		680,299	384,855
Endowment investments		358,521	325,940
Board designated investments		167,237	160,530
Innovation fund investments		1,493,257	731,304
Deferred compensation investment		157,866	137,423
Station and software licenses, net of accumulated amortization \$350,194 for 2018 and \$334,296 for 2017		217,679	233,576
		<u>3,074,859</u>	<u>1,973,628</u>
PROPERTY AND EQUIPMENT, net		<u>5,099,088</u>	<u>5,297,155</u>
<i>Total assets</i>	\$	<u><u>10,913,842</u></u>	\$ <u><u>10,255,568</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current portion of note payable	\$	35,764	\$ 34,712
Accounts payable and accrued expenses		165,351	99,455
Accrued salaries and benefits		237,079	198,812
Deferred revenue		57,025	64,829
<i>Total current liabilities</i>		<u>495,219</u>	<u>397,808</u>
LONG-TERM LIABILITIES			
Deferred compensation liability		175,866	155,923
Note payable, less current portion and net of unamortized debt issuance costs of \$22,306 for 2018 and \$23,618 for 2017		1,055,649	1,089,593
<i>Total long-term liabilities</i>		<u>1,231,515</u>	<u>1,245,516</u>
<i>Total liabilities</i>		<u>1,726,734</u>	<u>1,643,324</u>
COMMITMENTS (See Notes)			
NET ASSETS			
Undesignated		4,969,315	5,475,386
Board designated		365,408	338,101
Total unrestricted		<u>5,334,723</u>	<u>5,813,487</u>
Temporarily restricted		3,619,838	2,566,210
Permanently restricted		232,547	232,547
<i>Total net assets</i>		<u>9,187,108</u>	<u>8,612,244</u>
<i>Total liabilities and net assets</i>	\$	<u><u>10,913,842</u></u>	\$ <u><u>10,255,568</u></u>

NEW HAMPSHIRE PUBLIC RADIO, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018 (with comparative totals for 2017)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
	Undesignated	Board Designated	Total Unrestricted				
Revenue and support:							
Public support	\$ 3,615,135	\$ -	\$ 3,615,135	\$ 1,295,719	\$ -	\$ 4,910,854	\$ 3,734,836
Business support	2,107,641	-	2,107,641	-	-	2,107,641	2,145,710
Business support-trade	141,247	-	141,247	-	-	141,247	108,701
Corporation for Public Broadcasting funding	616,379	-	616,379	-	-	616,379	457,970
Grants and contract revenue	98,461	-	98,461	680,000	-	778,461	164,429
Vehicle donations	210,829	-	210,829	-	-	210,829	165,278
Investment income	3,971	7,307	11,278	65,874	-	77,152	119,864
Other income	62,664	-	62,664	-	-	62,664	42,153
In-kind donations	5,000	-	5,000	-	-	5,000	16,089
<i>Total revenue and support</i>	6,861,327	7,307	6,868,634	2,041,593	-	8,910,227	6,955,030
Net assets released for satisfaction of purpose restrictions, operating	956,618	-	956,618	(956,618)	-	-	-
Expenses:							
Program services	5,471,422	-	5,471,422	-	-	5,471,422	4,948,803
Management and general	1,160,493	-	1,160,493	-	-	1,160,493	784,865
Fundraising	1,723,448	-	1,723,448	-	-	1,723,448	1,687,831
<i>Total expenses</i>	8,355,363	-	8,355,363	-	-	8,355,363	7,421,499
<i>Increase (decrease) in net assets before nonoperating activities</i>	(537,418)	7,307	(530,111)	1,084,975	-	554,864	(466,469)
Nonoperating activities:							
Capital projects revenue	-	-	-	-	-	-	47,500
Bequests	-	20,000	20,000	-	-	20,000	18,557
<i>Increase in net assets from nonoperating activities</i>	-	20,000	20,000	-	-	20,000	66,057
Net assets released from time restriction, nonoperating	31,347	-	31,347	(31,347)	-	-	-
<i>Increase (decrease) in total net assets</i>	(506,071)	27,307	(478,764)	1,053,628	-	574,864	(400,412)
Net assets, beginning of year	5,475,386	338,101	5,813,487	2,566,210	232,547	8,612,244	9,012,656
<i>Net assets, end of year</i>	\$ 4,969,315	\$ 365,408	\$ 5,334,723	\$ 3,619,838	\$ 232,547	\$ 9,187,108	\$ 8,612,244

NEW HAMPSHIRE PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 574,864	\$ (400,412)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	588,547	568,572
Amortization of debt issuance costs	1,312	1,312
Realized and unrealized gains on investments	(63,564)	(69,321)
Bad debt expense, net of change in allowance for doubtful accounts	73,876	9,901
Contributions restricted for long-term purposes	-	(528)
(Increase) decrease in contributions, bequest and grants receivable	(435,326)	674,008
(Increase) decrease in accounts receivable	(124,249)	82,880
(Increase) decrease in prepaid expenses	(76,782)	18,595
Increase (decrease) in accounts payable and accrued expenses	65,896	(31,774)
Increase in accrued salaries and benefits	38,267	76,878
Increase (decrease) in deferred revenue	(7,804)	14,556
<i>Net cash provided by operating activities</i>	<u>635,037</u>	<u>944,667</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(737,670)	(29,694)
Acquisition of property and equipment	(374,582)	(185,819)
<i>Net cash used in investing activities</i>	<u>(1,112,252)</u>	<u>(215,513)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	-	528
Principal repayment on long-term debt	(34,712)	(33,184)
<i>Net cash used in financing activities</i>	<u>(34,712)</u>	<u>(32,656)</u>
<i>Net increase (decrease) in cash</i>	<u>(511,927)</u>	<u>696,498</u>
Cash, beginning of year	2,193,994	1,497,496
<i>Cash, end of year</i>	<u>\$ 1,682,067</u>	<u>\$ 2,193,994</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH FINANCING ACTIVITIES		
Cash paid for interest	\$ 34,197	\$ 35,353
Amortization of debt issuance costs	\$ 1,312	\$ 1,312

NEW HAMPSHIRE PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018 (with comparative totals for 2017)

	Program Services	Management and General	Fundraising	2018	2017
Salaries and wages	\$ 2,472,754	\$ 521,193	\$ 681,401	\$ 3,675,348	\$ 3,329,480
Employee benefits	448,772	73,293	153,963	676,028	530,715
Payroll taxes	192,394	45,576	62,194	300,164	247,071
<i>Total compensation related costs</i>	3,113,920	640,062	897,558	4,651,540	4,107,266
Independent contractors	254,618	152,609	258,161	665,388	531,470
Affiliate program acquisition fees	664,175	-	-	664,175	644,547
Transmitter and satellite expenses	248,793	-	-	248,793	236,874
Staff development and recruitment	14,841	164,625	600	180,066	56,178
Travel, catering and entertainment	77,783	51,127	34,786	163,696	127,017
Condo fees, utilities, taxes and maintenance	106,310	17,260	32,950	156,520	156,149
Dues and subscriptions	112,234	21,307	5,408	138,949	134,842
Telephone	115,352	2,917	4,258	122,527	109,725
Bank and credit card fees	-	1,819	105,207	107,026	101,061
Advertising and promotion expenses	100,491	-	-	100,491	86,715
Printing	8,315	251	86,254	94,820	115,199
Thank you gifts	-	-	76,444	76,444	82,897
Insurance	34,453	33,735	5,632	73,820	91,878
Postage	2,418	954	60,455	63,827	80,942
Professional services	25,189	37,617	-	62,806	60,755
Interest expense	28,067	2,558	4,883	35,508	36,665
Office supplies and expenses	25,240	5,409	1,381	32,030	35,740
Technology equipment, parts and supplies	24,537	378	721	25,636	37,940
Engineering equipment repairs and maintenance	18,600	-	-	18,600	9,166
Bad debt expense, net of change in allowance for doubtful accounts	-	-	73,876	73,876	9,901
Miscellaneous	9,808	470	-	10,278	-
<i>Total functional expenses excluding depreciation and amortization</i>	4,985,144	1,133,098	1,648,574	7,766,816	6,852,927
Depreciation and amortization	486,278	27,395	74,874	588,547	568,572
<i>Total functional expenses including depreciation and amortization</i>	\$ 5,471,422	\$ 1,160,493	\$ 1,723,448	\$ 8,355,363	\$ 7,421,499

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, 2017, 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, 2018, 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, 2018.

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 GAAP.

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NOTES TO FINANCIAL STATEMENTS

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.

An allowance for doubtful accounts for contributions receivable was established for the year ended June 30, 2018 for \$60,000. For the year ended June 30, 2018, 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 \$13,414 for the year ended June 30, 2018.

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, 2018.

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, 2018, 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 2015.

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.

Recent Accounting Pronouncements: In August 2016, the FASB issued, *Presentation of Financial Statements for Not-for-Profit Entities, Topic 958* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e. unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding the liquidity of assets. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. This is effective for the Corporation's fiscal year ending June 30, 2019, with early adoption permitted. The Corporation is currently evaluating the impact of ASU 2016-14 on its financial statements.

In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Corporation expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective on July 1, 2019. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact this will have on its financial statements.

In February 2016, the FASB issued, *Leases*, Topic 842 (ASU 2016-02), which will be effective for the Corporation on July 1, 2020, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset.

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NOTES TO FINANCIAL STATEMENTS

Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Corporation is currently evaluating the impact of ASU 2016-02 on its financial statements.

Note 3. Contributions Receivable

In a 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, 2018). 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, 2018. 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.

The schedule below also includes a non-campaign pledge for \$625,000. This pledge is temporarily restricted revenue and is reflected in Note 13 under The Exchange and All Things Considered. \$125,000 of this pledge is included in short term contributions receivable and \$500,000 is included under long term contributions receivable.

Contributions receivable are summarized below:

In one year or less	\$ 514,698
Between one and five years	755,110
Less discount to present value	(14,811)
Less allowance	(60,000)
<i>Total</i>	<u>1,194,997</u>
Less current portion	514,698
<i>Total long-term portion</i>	<u><u>\$ 680,299</u></u>

Note 4. Investments

Investments, which consist of marketable debt and equity securities are carried at fair value at June 30, 2018. Investments are classified as long-term assets since it is the Corporation's intent to hold these investments for more than one year.

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NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Investments consist of the following at June 30, 2018:

	Fair Value	Cost	Unrealized Appreciation
Cash	\$ 692,167	\$ 692,167	\$ -
Domestic and international equities:			
Materials	20,324	\$ 15,789	4,535
Consumer cyclical	61,254	49,135	12,119
Financial services	79,670	63,812	15,858
Real estate	13,743	10,389	3,354
Consumer defensive	32,275	25,508	6,767
Healthcare	58,553	47,072	11,481
Utilities	10,818	8,187	2,631
Communication services	14,928	11,871	3,057
Energy	33,421	26,230	7,191
Industrials	57,749	45,875	11,874
Technology	90,379	73,523	16,856
Debt security - bonds	853,734	828,034	25,700
International equity funds (see Note 9)	157,866	103,000	54,866
<i>Total</i>	<u>\$ 2,176,881</u>	<u>\$ 2,000,592</u>	<u>\$ 176,289</u>

Note 5. Property and Equipment

Property and equipment, at cost

Buildings and improvements	\$ 5,694,395
Broadcast and transmission equipment	4,162,876
Furniture and office equipment	1,520,028
Vehicles	77,238
Construction in process	(5,130)
<i>Total property and equipment</i>	<u>11,449,407</u>
Less accumulated depreciation	6,350,319
<i>Total property and equipment, net</i>	<u>\$ 5,099,088</u>

Depreciation expense amounted to \$572,649 for the year ended June 30, 2018.

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

During a 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 every ten years to the FHLB 10 year rate plus 1.75% (2.99% at June 30, 2018). The next scheduled adjustment date is November 2, 2025. 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.

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NEW HAMPSHIRE PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

Also during a 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 (6.5% at June 30, 2018).

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, 2018. As of June 30, 2018, there were no outstanding borrowings on the line-of-credit. Interest costs on the mortgage debt amounted to \$26,755 for the year ended June 30, 2018. The Bank of New Hampshire note payable had an effective interest rate of 2.56% at June 30, 2018.

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	\$ 1,113,719
Less amounts due within one year	35,764
Less unamortized debt issuance costs	22,306
<i>Long-term debt</i>	<u><u>\$ 1,055,649</u></u>

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

2019	\$ 35,764
2020	36,848
2021	37,965
2022	39,116
2023	40,302
Thereafter	923,724
	<u><u>\$ 1,113,719</u></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 2019 and 2027. Minimum future rent commitments under these lease agreements are as follows for the years ending June 30:

2019	\$ 75,745
2020	73,173
2021	70,624
2022	39,647
2023	26,912
Thereafter	61,002
<i>Total</i>	<u><u>\$ 347,103</u></u>

Rental expense for these leases for the year ended June 30, 2018 totaled approximately \$75,300.

NOTES TO FINANCIAL STATEMENTS

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 2019 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.

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, 2018 amounted to \$74,131. 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, 2018, amounted to approximately \$18,500. The total deferred compensation liability amounted to \$175,866 at June 30, 2018. This amount has been funded in a separate investment account established for such purposes.

NOTES TO FINANCIAL STATEMENTS

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 accounting services amounting to \$5,000 for the year ended June 30, 2018.

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, 2018.

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, 2018 were approximately \$405,000.

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.

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NEW HAMPSHIRE PUBLIC RADIO, INC.

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

Financial assets carried at fair value on a recurring basis consist of the following at June 30, 2018:

	Level 1	Level 3
Assets:		
Cash	\$ 692,167	\$ -
Domestic and international equities:		
Materials	20,324	-
Consumer cyclical	61,254	-
Financial services	79,670	-
Real estate	13,743	-
Consumer defensive	32,275	-
Healthcare	58,553	-
Utilities	10,818	-
Communication services	14,928	-
Energy	33,421	-
Industrials	57,749	-
Technology	90,379	-
Debt security - bonds	853,734	-
International equity funds	157,866	-
Contributions receivable	-	514,698
	<u>\$ 2,176,881</u>	<u>\$ 514,698</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.

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NOTES TO FINANCIAL STATEMENTS

	Contributions Receivable
Balance, ending of year ended June 30, 2017	\$ 741,142
Contributions	1,342,244
Payments received	(1,568,688)
Balance, ending of year ended June 30, 2018	<u>\$ 514,698</u>

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.

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NOTES TO FINANCIAL STATEMENTS

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

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: The Corporation has a policy of appropriating 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, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 125,974	\$ 232,547	\$ 358,521

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Endowment net assets as of June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2017	\$ -	\$ 104,239	\$ 232,547	\$ 336,786
Contributions		-	-	-
Investment return	-	6,283	-	6,283
Unrealized gain on investment	-	26,302	-	26,302
Appropriation of endowment assets for expenditure	-	(10,850)	-	(10,850)
Endowment net assets, June 30, 2018	\$ -	\$ 125,974	\$ 232,547	\$ 358,521

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, 2018 consisted of gifts and other unexpended revenues available for the following purposes:

Grant proceeds with reversionary rights	\$ 81,334
Innovation campaign and fund	2,745,801
Justice grant	18,061
Opiod coverage	15,395
The Exchange and All Things Considered	644,119
Portion of perpetual endowment funds subject to time restriction under UPMIFA	115,128
<i>Total</i>	<u>\$ 3,619,838</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, 2018.

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, 2018.

NOTES TO FINANCIAL STATEMENTS

Note 15. Reclassification

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. Such reclassifications have no effect on net assets as previously reported.

Note 16. Subsequent Events

The Corporation has evaluated subsequent events through November 12, 2018, 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, 2018.