NEW HAMPSHIRE PUBLIC BROADCASTING

Financial Report

June 30, 2018

CONTENTS

Independent Auditors' Report

Board of Directors
New Hampshire Public Broadcasting
Durham, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Public Broadcasting (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities and cash flows 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.

Auditors' 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 of 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 auditors' 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 Broadcasting as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
New Hampshire Public Broadcasting

Prior Period Financial Statements

The financial statements of New Hampshire Public Broadcasting as of June 30, 2017, were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated December 20, 2017, expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2018 schedule of functional expense, on page 18, is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole. The 2017 schedule of function expense on page 19 was subjected to the auditing procedures applied in the 2017 audit of the basic financial statements by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report on such information stated that it was fairly stated in all material respects in relation to the 2017 financial statements as a whole.

Wipfli LLP

South Portland, Maine
February 11, 2019

Statements of Financial Position

June 30,

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	**$ 397,687**	$ 205,114
Accounts and grants receivable	**7,677**	67,011
Pledges receivable	**38,717**	10,751
Prepaid expenses	**45,390**	13,091
Investments - Board designated	**1,654,682**	1,581,251
Total Current Assets	**2,144,153**	1,877,218
Property and Equipment, Net	**2,677,062**	3,143,751
Other Assets		
Beneficial interest in split interest agreement	**29,709**	30,477
Beneficial interest in perpetual trusts	**1,679,459**	1,514,705
Total Other Assets	**1,709,168**	1,545,182
Total Assets	**$ 6,530,383**	$ 6,566,151
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 789,094**	$ 712,898
Accrued vacation	**118,601**	137,700
Deferred revenue		20,000
Line of credit	**700,000**	550,000
Short-term portion of loan payable	**24,640**	23,872
Total Current Liabilities	**1,632,335**	1,444,470
Long-Term Liabilities		
Obligations under life income agreement		1,411
Long-term portion of loan payable	**730,827**	755,416
Total Long-Term Liabilities	**730,827**	756,827
Total Liabilities	**2,363,162**	2,201,297
Net Assets		
Unrestricted	**2,338,037**	2,726,214
Temporarily restricted	**149,725**	123,935
Permanently restricted	**1,679,459**	1,514,705
Total Net Assets	**4,167,221**	4,364,854
Total Liabilities and Net Assets	**$ 6,530,383**	$ 6,566,151

The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year Ended June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	$ 2,496,761			$ 2,496,761
Corporation for Public Broadcasting	932,316			932,316
Contributions	215,924	$ 297,869		513,793
Auction	291,490			291,490
Underwriting		185,673		185,673
Contributions in-kind	335,509			335,509
Rental income	871,103			871,103
Other operating revenue	291,599			291,599
Investment income	47,996			47,996
Net assets released from restrictions	513,284	(513,284)		
Total Operating Revenues and Support	5,995,982	(29,742)		5,966,240
Operating Expenses				
Program service				
Programming and production	2,111,921			2,111,921
Broadcasting	1,475,848			1,475,848
Program information	161,652			161,652
	3,749,421			3,749,421
Supporting service				
Fund raising and membership development	2,003,456			2,003,456
Management and general	820,164			820,164
	2,823,620			2,823,620
Total Operating Expenses	6,573,041			6,573,041
Changes in Net Assets from Operations	(577,059)	(29,742)		(606,801)
Non-Operating Activities				
Investment gains	112,682			112,682
Contributions for capital purposes		132,500		132,500
Change in value of beneficial interest in split interest agreement		(768)		(768)
Change in value of beneficial interest in perpetual trusts			$ 164,754	164,754
Net assets released from restrictions	76,200	(76,200)		
Changes in Net Assets - Non-Operating	188,882	55,532	164,754	409,168
Change in Net Assets	(388,177)	25,790	164,754	(197,633)
Net Assets, Beginning of Year	2,726,214	123,935	1,514,705	4,364,854
Net Assets, End of Year	$ 2,338,037	$ 149,725	$ 1,679,459	$ 4,167,221

Statement of Activities

Year Ended June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	$ 2,356,552			$ 2,356,552
Corporation for Public Broadcasting	1,003,983			1,003,983
Contributions	81,507	$ 318,146		399,653
Auction	316,507			316,507
Underwriting		226,360		226,360
Contributions in-kind	151,667			151,667
Rental income	844,301			844,301
Other operating revenue	311,742			311,742
Investment income	67,030			67,030
Net assets released from restrictions	473,280	(473,280)		
Total Operating Revenues and Support	5,606,569	71,226		5,677,795
Operating Expenses				
Program service				
Programming and production	2,318,213			2,318,213
Broadcasting	1,562,675			1,562,675
Program information	88,156			88,156
	3,969,044			3,969,044
Supporting service				
Fund raising and membership development	1,984,474			1,984,474
Management and general	825,531			825,531
	2,810,005			2,810,005
Total Operating Expenses	6,779,049			6,779,049
Changes in Net Assets from Operations	(1,172,480)	71,226		(1,101,254)
Non-Operating Activities				
Investment gains	84,124			84,124
Contributions for capital purposes	150,000			150,000
Change in value of beneficial interest in split interest agreement		174		174
Change in value of beneficial interest in perpetual trusts			$ 28,097	28,097
Changes in Net Assets - Non-Operating	234,124	174	28,097	262,395
Change in Net Assets	(938,356)	71,400	28,097	(838,859)
Net Assets, Beginning of Year	3,664,570	52,535	1,486,608	5,203,713
Net Assets, End of Year	$ 2,726,214	$ 123,935	$ 1,514,705	$ 4,364,854

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended June 30,

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (197,633)	$ (838,859)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	641,869	692,784
Gain on investments	(112,682)	(84,124)
Provisions for allowance for doubtful accounts	4,185	7,097
Change in value of beneficial interest in split interest agreements & perpetual trusts	(163,986)	(28,271)
Contributions for long-lived assets	(132,500)	(150,000)
(Increase) decrease in:		
Accounts receivable	55,149	52,192
Pledges receivable	(27,966)	11,481
Prepaid expenses and other assets	(32,299)	(9,591)
Increase (decrease) in:		
Accounts payable and accrued expenses	76,196	(541,434)
Accrued vacation	(19,099)	(17,156)
Deferred revenue	(20,000)	15,829
Total adjustments	268,867	(51,193)
Net cash flows from operating activities	71,234	(890,052)
Cash flows from investing activities		
Purchases of property and equipment	(175,180)	(250,983)
Purchases of investments	(9,419)	(54,090)
Proceeds from the sale of investments	48,670	67,631
Net cash flows from investing activities	(135,929)	(237,442)
Cash flows from financing activities		
Proceeds from contributions for long-lived assets	132,500	150,000
Payments of life income obligations	(1,411)	(1,485)
Payments on long-term debt	(23,821)	(17,236)
Proceeds from line of credit	150,000	
Proceeds from long-term debt		771,393
Net cash flows from financing activities	257,268	902,672
Change in cash and cash equivalents	192,573	(224,822)
Cash and cash equivalents, beginning of year	205,114	429,936
Cash and cash equivalents, end of year	$ 397,687	$ 205,114

Supplemental disclosures of cash flow information:

	2018	2017
Cash paid during the year for:		
Income taxes	$ 150,128	$ 170,688
Interest	41,993	25,018

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

New Hampshire Public Broadcasting (NHPB) consists of a flagship station, Channel 11 of Durham, and two satellite stations, Channel 49 of Keene and Channel 48 of Littleton. In addition, two automated translators, Channel 15 of Hanover and Channel 18 of Pittsburg, carry NHPB programs to the Upper Valley and Upper Coos County, respectively.

The programming, production, administrative, development, and business offices of NHPB are located in the Durham facility.

Effective July 1, 2012, NHPB revised its by-laws and disaffiliated from the University System of New Hampshire (USNH) to become an independent community service organization. This change in governance was authorized by the USNH Board of Trustees by unanimous vote, during the spring of 2012. The reorganization of NHPB has been determined to be in the best interests of both USNH and NHPB. It provides NHPB with needed flexibility in an industry full of change and opportunity. An application to transfer the broadcast license from USNH to NHPB was filed with the Federal Communications Commission (FCC) at the time of disaffiliation and was approved by the FCC in 2014. Title to all cash and personal property assets was transferred to NHPB on July 1, 2012, and a 100-year ground lease was granted by the owner of the land, the University of New Hampshire (UNH), for the land that the Durham, NH, Broadcast Center building resides on.

In connection with the reorganization, NHPB has entered into a service agreement with the Boston, Massachusetts based public television organization, WGBH, to provide services in the areas of broadcast technology and membership service.

Basis of Accounting

NHPB's financial statements have been prepared using the accrual method of accounting.

Basis of Presentation

NHPB is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

> Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of NHPB and/or the passage of time.
>
> Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by NHPB.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances at year-end. Management provides for probable uncollectible amounts on the reserve method, based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Balances that are uncollectible after management has used reasonable collection efforts are written off and charged to the valuation allowance. The allowance for uncollectible accounts was $4,941 and $9,445 as of June 30, 2018 and 2017, respectively.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received and, as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable expected to be received after more than one year are discounted to the present value of their future cash flows using a risk adjusted rate of return after providing an allowance for uncollectible pledges.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their fair value on the date of receipt. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the assets are, as follows:

	Years
Buildings and improvements	10-40
Equipment	3-30

Donated Assets

Donated marketable securities and other noncash donations are recorded at their estimated fair values at the date of donation.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets – Continued

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, NHPB reports expirations of donor restrictions when the donated or acquired assets are placed in service. NHPB reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Investments

Investments are carried at fair value. The investments are considered board-designated investments and, therefore, are classified as current assets. Income and net appreciation or losses on investments of endowment and similar funds are reported, as follows: Increases in temporarily restricted net assets if the terms of the gift or NHPB's interpretation of relevant state law impose restrictions on the use of the income; or as increases in permanently restricted net assets if the terms of the gift requires that they be added to the principal of a permanent endowment fund; or as increases in unrestricted net assets in all other cases.

Beneficial Interest in Split Interest Agreement

The beneficial interest consists of a split-interest agreement held by others and is based on the present value of expected cash flows using actuarial estimates and assumptions regarding the duration of the agreement.

Beneficial Interest in Perpetual Trusts

The beneficial interest consists of two trusts held by others and are carried at its fair value as reported by the Trustees.

Restricted and Unrestricted Revenue and Support

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 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.

Donated Services and In-Kind Contributions

Donated services and in-kind contributions are recorded as revenue and expenses in the accompanying statement of activities at donor estimated fair value.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Operating and Non-Operating Activities

The Organization reports its revenues and expenses as operating or non-operating activities in the statement of activities. Non-operating activities include contributions to the board-designated or donor-restricted endowment funds, investment gains and losses of the endowment funds and split interest agreements and grants for long lived assets.

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

NHPB is exempt from federal income taxes under the provisions of Section 501(c)(3) of the U.S. Internal Revenue code. Certain of the Organization's tower rental activities, however, are unrelated business income and, therefore, subject to income tax.

Management has evaluated NHPB's tax positions and concluded that, as of June 30, 2018, NHPB does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities. NHPB is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities three years following the file of the tax return.

Cash and Cash Equivalents

For purposes of the statement of cash flows, NHPB considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, NHPB uses various methods, including market, income and cost approaches. Based on these approaches, NHPB often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. NHPB utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the inputs used in the valuation techniques, NHPB is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

- Level 2 – Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

For the years ended 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- Government, corporate, and international bonds are valued at fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

- The fair value of mutual funds and exchange-traded funds are based on share values reported by the funds as of the last business day of the fiscal year.

- Split interest agreement is based on the present value of expected cash flows using actuarial estimates and assumptions regarding the duration of the agreement.

- Perpetual trusts held by others fair value is determined by NHPB's share of the fair market value of the trust as reported by the trustees.

New Proposed Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, net asset reporting will be streamlined and clarified. The existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The ASU is effective for fiscal year 2019 for NHPB and early adoption is permitted. NHPB is evaluating the impact of the new guidance on the financial statements.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Proposed Accounting Pronouncements – Continued

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09 - Revenue from Contracts with Customers at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. The standard is effective for fiscal year 2020 for NHPB. NHPB is evaluating the impact this will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2021 for NHPB. NHPB is evaluating the impact of the new guidance on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

NHPB maintains checking accounts at various financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At any point in time, NHPB deposits may exceed this limit. During 2018 and 2017, there were periods when the account balances exceeded $250,000. Management believes that the risk of deposit loss is minimized by banking with nationally known, high quality banks.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give at June 30:

	2018	2017
Underwriting	**$ 38,717**	$ 10,751
Less allowance for uncollectible pledges		
Total unconditional promises to give	**$ 38,717**	$ 10,751
Amount due in:		
Less than one year	**$ 38,717**	$ 10,751

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2018	2017
Land and improvements	**$ 25,585**	$ 25,585
Building and improvements	**4,037,797**	4,025,270
Equipment	**12,182,240**	12,042,246
Furniture and fixtures	**249,289**	249,289
Computers	**2,138,710**	2,116,050
	18,633,621	18,458,440
Less accumulated depreciation	**(15,956,559)**	(15,314,689)
Property and equipment, net	**$ 2,677,062**	$ 3,143,751

A portion of NHPB's property and equipment was purchased with funds received from the National Telecommunications and Information Administration (NTIA). The NTIA holds a lien on this property for a period of 10 years after the project has been completed, during which time NHPB is unable to sell or otherwise dispose of the assets. The total cost of equipment purchased with such funds was $1,228,000 at June 30, 2018.

NOTE 5 – INVESTMENTS

Investments at fair value consist of the following at June 30:

	2018	2017
Cash and money market accounts	**$ 41,198**	$ 16,725
Fixed income	**323,604**	369,741
Mutual funds	**758,274**	912,670
Exchange-traded funds	**531,606**	282,115
	$ 1,654,682	$ 1,581,251

Net asset composition by type of fund for the investments as of June 30, 2018 was, as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated funds	**$1,654,682**	**$ -**	**$ -**	**$1,654,682**
Total funds	**$1,654,682**	**$ -**	**$ -**	**$1,654,682**

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 5 – INVESTMENTS – CONTINUED

Net asset composition by type of fund for the investments as of June 30, 2017 is, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated funds	$1,581,251	$ -	$ -	$1,581,251
Total funds	$1,581,251	$ -	$ -	$1,581,251

Changes in investments for the year ended June 30, 2018 are, as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	**$1,581,251**	**$ -**	**$ -**	**$1,581,251**
Investment return:				
Investment income	**47,996**			**47,996**
Net gain	**112,682**			**112,682**
Fees	**(11,549)**			**(11,549)**
Transfers out	**(75,698)**			**(75,698)**
End of year	**$1,654,682**	**$ -**	**$ -**	**$1,654,682**

Changes in investments for the year ended June 30, 2017 are, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$1,510,668	$ -	$ -	$1,510,668
Investment return:				
Investment income	67,030			67,030
Net loss	84,124			84,124
Fees	(10,805)			(10,805)
Transfers out	(69,766)			(69,766)
End of year	$1,581,251	$ -	$ -	$1,581,251

NOTE 6 – LINE OF CREDIT

NHPB maintains a $1,000,000 line of credit secured by the investment securities of NHPB with a variable interest rate of prime less 1%. The line of credit matures in April 2019 and is subject to review at that time.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 7 – LONG TERM DEBT

In December 2016, NHPB borrowed $749,000 from the United States Department of Agriculture (USDA) to partially fund the construction of two new towers, located in Hanover and the Littleton, New Hampshire. The loan bears a fixed interest rate of 2.375% and is payable in monthly installments of $2,420 over a 40-year loan term. The USDA holds a real estate mortgage on the two towers.

Also included in long term debt are loans for two vehicles.

Long term debt is summarized below:

	2018	2017
Vehicle loans	**$ 23,630**	$ 35,992
USDA	**731,837**	743,296
Total	**$ 755,467**	$ 779,288
Short term portion	**$ 24,640**	$ 23,872
Long term portion	**730,827**	755,416
Total	**$ 755,467**	$ 779,288

NOTE 8 – NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30:

	2018	2017
Underwriting	**$ 38,717**	$ 10,751
Beneficial interest in split interest agreement	**29,709**	30,477
Capital projects	**56,299**	
Programming	**25,000**	82,707
	$ 149,725	$ 123,935

Permanently restricted net assets are restricted for the following purposes at June 30:

	2018	2017
Perpetual trusts held by others	**$1,679,459**	$1,514,705

NOTE 9 – PENSION

NHPB maintains a defined contribution retirement plan. NHPB employer contribution is determined each year at the discretion of the employer, in an amount up to 6% of compensation. Employees may make additional voluntary contributions. Pension contributions by the employer in 2018 and 2017 amounted to $10,876 and $11,902, respectively, and are included in operating expenses.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 10 – LEASES

NHPB has no long-term operating or capital leases. Rent expense for short-term rental agreements was $44,496 and $45,499 for the years ended 2018 and 2017, respectively.

NOTE 11 – FAIR VALUES

Fair values of assets measured on a recurring basis are, as follows:

	Total	**Level 1**	**Level 2**	**Level 3**
June 30, 2018:				
Money market fund	**$ 41,198**	**$ 41,198**		
Fixed income	**323,604**		**$ 323,604**	
Mutual funds	**758,274**	**758,274**		
Exchange-traded funds	**531,606**	**531,606**		
Split interest agreement	**29,709**			**$ 29,709**
Perpetual trusts	**1,679,459**			**1,679,459**
Total	**$ 3,363,850**	**$ 1,331,078**	**$ 323,604**	**$ 1,709,168**

	Total	Level 1	Level 2	Level 3
June 30, 2017:				
Money market fund	$ 16,725	$ 16,725		
Fixed income	369,741		$ 369,741	
Mutual funds	912,670	912,670		
Exchange-traded funds	282,115	282,115		
Split interest agreement	30,477			$ 30,477
Perpetual trusts	1,514,705			1,514,705
Total	$ 3,126,433	$ 1,211,510	$ 369,741	$ 1,545,182

The change in value of the level 3 investments is due to the following for the years ended June 30:

	2018	2017
Balance at beginning of year	**$ 1,545,182**	$ 1,516,911
Unrealized gains on investments	**163,986**	28,271
Balance at end of year	**$ 1,709,168**	$ 1,545,182

The change in value of the assets with level 3 valuation inputs are recorded as part of the investment gains (losses) in the statement of activities.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 12 – CONTINGENCIES

Grants

NHPB receives funding in the form of grants from the Corporation for Public Broadcasting (CPB), which is a private, nonprofit corporation, and the National Telecommunications and Information Administration (NTIA). The grants are governed by various rules and regulations and are subject to audit and adjustment by the grantors. Therefore, to the extent that NHPB has not complied with the rules and regulations governing the grants, repayments to CPB or NTIA may be required. In the opinion of NHPB, there are no significant contingent liabilities relating to compliance with the rules and regulations governing these grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 13 – COMMITMENTS

At the conclusion of the spectrum auction, the FCC reauthorized and relicensed various broadcast television stations that received new channel assignments as part of the repacking process, or because they have won their auction bid to move to a different frequency band or to channel share. New channel assignments are designed to minimize costs by:

1. Maximizing the number of channel "stays," or stations assigned to their pre-auction channels, instead of being assigned to new channels;
2. Minimizing the maximum aggregate new interference experienced by any station; and
3. Avoiding reassignment of stations with high anticipated relocation costs; and prioritizing assignments to channel 5 in the Low-VHF band and off of channel 14 in the UHF band.

Those stations that must move to a new channel, including NHPB, will have to modify their existing facilities (e.g., antennas, transmission lines) to transmit on a different frequency; then they must test their equipment. Unless a station's new channel is "available" (i.e., free from interference caused by other stations), it will need to coordinate carefully with one or more other stations to prevent the testing from causing interference.

The Spectrum Act (Act) requires that the FCC reimburse costs reasonably incurred by broadcast television licensees that are reassigned to new channels.

The Act provides $2.49 billion to be expended for reimbursement payments to involuntarily repacked broadcasters such as NHPB. It also mandates that the FCC make all reimbursement payments within three years of the completion of the incentive auction. Of the broadcast stations that may be reassigned to new channels during the incentive auction repacking processes, only full power and Class A licensees are eligible for reimbursement. This includes NHPB.

The FCC will reimburse broadcasters by providing initial allocations of funds, based on their estimated costs and the amount of funds available followed by one or more additional allocations, to the extent necessary, prior to the end of the three-year reimbursement period. All entities seeking reimbursement will be required to provide an estimate of their eligible channel relocation costs.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 13 – COMMITMENTS – CONTINUED

The FCC is reimbursing 100% of all costs up to the amount approved in the budget for each station. Subject to availability constraints, funds will be issued to broadcasters for the initial allocations equivalent to up to 62.5% of their estimated costs eligible for reimbursement. The actual reimbursement percentage may be higher if actual costs are less than estimated costs. NHPB estimates that the repack process will cost from $2 million to $4 million with one half of the costs occurring in calendar 2019 and the remainder in calendar 2020.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including February 11, 2019, which was the date the financial statements were available to be issued and determined there were no subsequent events that occurred after the balance sheet date that have a material impact on the NHPB's financial statements.

Schedule of Functional Expenses

Year Ended June 30, 2018

	Program Services				Support Services		
	Programming and Production	Broadcasting	Program Information	Total	Fundraising & Membership Development	Management and General	Total
Salaries	$ 556,050	$ 369,088	$ 45,563	$ 970,701	$ 402,866	$ 328,021	$ 1,701,588
Employee benefits and taxes	128,389	111,698	11,931	252,018	111,840	48,228	412,086
Professional and financial services	67,099	248,393	93,145	408,637	555,307	267,371	1,231,315
Supplies	11,832	5,522		17,354	51,250	13,144	81,748
Pledge premium					133,182		133,182
Telecommunications	291	61,955		62,246			62,246
Postage and shipping	203	974	1,165	2,342	55,805	1,328	59,475
Promotional expenses	7,215			7,215	351,398	43	358,656
Rental and maintenance of equipment	34,006	68,703		102,709	6,497	16,328	125,534
Printing					27,490	2,502	29,992
Travel and conferences	14,742	5,855	2,425	23,022	5,412	13,826	42,260
PBS assessments and acquisition fees	873,338			873,338			873,338
Membership dues	225	167	892	1,284	14,375	18,131	33,790
Occupancy	156	333,207		333,363		817	334,180
Insurance	74,011	35,688	454	110,153	10,350	5,559	126,062
Meals and training	5,665	299	300	6,264	4,171	8,618	19,053
Taxes		150,128		150,128			150,128
Bank and credit card fees					13,038	36,244	49,282
Interest expense		896		896		41,097	41,993
Miscellaneous	2,360	89		2,449	45,449	13,181	61,079
Bad debt						4,185	4,185
Depreciation	336,339	83,186	5,777	425,302	215,026	1,541	641,869
Totals	$ 2,111,921	$ 1,475,848	$ 161,652	$ 3,749,421	$ 2,003,456	$ 820,164	$ 6,573,041

Schedule of Functional Expenses

Year Ended June 30, 2017

	Program Services				Support Services		
	Programming and Production	Broadcasting	Program Information	Total	Fundraising & Membership Development	Management and General	Total
Salaries	$ 564,693	$ 419,056	$ 53,304	$ 1,037,053	$ 393,234	$ 286,172	$ 1,716,459
Employee benefits and taxes	107,778	124,169	24,898	256,845	87,800	58,670	403,315
Professional and financial services	172,142	167,101		339,243	725,322	328,944	1,393,509
Supplies	5,421	2,839		8,260	45,624	12,525	66,409
Pledge premium					135,300		135,300
Telecommunications		83,321		83,321	30	60	83,411
Postage and shipping	1,220	332	1,750	3,302	61,749	1,539	66,590
Promotional expenses	4,394			4,394	158,840		163,234
Rental and maintenance of equipment	38,206	103,616		141,822	6,634	15,858	164,314
Printing	226			226	26,100	359	26,685
Travel and conferences	7,374	3,881	513	11,768	11,673	9,613	33,054
PBS assessments and acquisition fees	975,425			975,425		3,880	979,305
Membership dues			892	892	22,000	17,272	40,164
Utilities	72	347,849		347,921		756	348,677
Insurance	68,785	33,168	422	102,375	9,619	5,167	117,161
Meals and training	4,142	217	142	4,501	2,200	6,780	13,481
Taxes		170,688		170,688			170,688
Bank and credit card fees					41,342	33,877	75,219
Interest expense		16,357		16,357		8,661	25,018
Miscellaneous	5,317	296		5,613	24,925	26,637	57,175
Bad debt						7,097	7,097
Depreciation	363,018	89,785	6,235	459,038	232,082	1,664	692,784
Totals	$ 2,318,213	$ 1,562,675	$ 88,156	$ 3,969,044	$ 1,984,474	$ 825,531	$ 6,779,049

See accompanying independent auditors' report.