NEW HAMPSHIRE PUBLIC BROADCASTING

Financial Report

June 30, 2016

CONTENTS

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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, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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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Board of Directors
New Hampshire Public Broadcasting

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 18 and 19 are presented for purposes of additional analysis and are 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 audits 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macpage LLC

South Portland, Maine
January 30, 2017

Statements of Financial Position

June 30,

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	$ **429,936**	$ 580,316
Accounts and grants receivable	**126,300**	122,715
Pledges receivable	**22,232**	70,078
Prepaid expenses	**3,500**	7,817
Total Current Assets	**581,968**	780,926
Property and Equipment, Net	**3,585,552**	2,897,901
Other Assets		
Investments	**1,510,668**	1,537,542
Beneficial interest in split interest agreement	**30,303**	30,755
Beneficial interest in perpetual trusts	**1,486,608**	1,531,999
Total Other Assets	**3,027,579**	3,100,296
Total Assets	$ **7,195,099**	$ 6,779,123
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ **1,265,697**	$ 837,918
Accrued vacation	**141,086**	145,437
Deferred revenue	**4,171**	39,749
Line of credit	**550,000**	
Short-term portion of loan payable	**7,500**	7,096
Total Current Liabilities	**1,968,454**	1,030,200
Long-Term Liabilities		
Obligations under life income agreement	**5,301**	-
Long-term portion of loan payable	**17,631**	25,131
Total Long-Term Liabilities	**22,932**	25,131
Total Liabilities	**1,991,386**	1,055,331
Net Assets		
Unrestricted	**3,664,570**	4,090,960
Temporarily restricted	**52,535**	100,833
Permanently restricted	**1,486,608**	1,531,999
Total Net Assets	**5,203,713**	5,723,792
Total Liabilities and Net Assets	$ **7,195,099**	$ 6,779,123

Statement of Activities

Year Ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	$ 2,324,237	$ -	$ -	$ 2,324,237
Corporation for Public Broadcasting	984,596	-	-	984,596
Contributions	140,673	314,700	-	455,373
Auction	320,642	-	-	320,642
Underwriting	-	219,025	-	219,025
Rental income	714,014	-	-	714,014
Other operating revenue	214,025	-	-	214,025
Investment income	87,229	-	-	87,229
Net assets released from restrictions	581,570	(581,570)	-	-
Total Operating Revenues and Support	5,366,986	(47,845)	-	5,319,141
Operating Expenses				
Program service				
Programming and production	2,294,969	-	-	2,294,969
Broadcasting	1,483,788	-	-	1,483,788
Program information	65,238	-	-	65,238
	3,843,995	-	-	3,843,995
Supporting service				
Fund raising and membership development	1,810,999	-	-	1,810,999
Management and general	948,833	-	-	948,833
	2,759,832	-	-	2,759,832
Total Operating Expenses	6,603,827	-	-	6,603,827
Changes in Net Assets from Operations	(1,236,841)	(47,845)	-	(1,284,686)
Non-Operating Activities				
Investment losses	(127,279)	-	-	(127,279)
Contributions for capital purposes	937,730	-	-	937,730
Change in value of beneficial interest in split interest agreement	-	(453)	-	(453)
Change in value of beneficial interest in perpetual trusts	-	-	(45,391)	(45,391)
Changes in Net Assets - Non-Operating	810,451	(453)	(45,391)	764,607
Change in Net Assets	(426,390)	(48,298)	(45,391)	(520,079)
Net Assets, Beginning of Year	4,090,960	100,833	1,531,999	5,723,792
Net Assets, End of Year	$ 3,664,570	$ 52,535	$ 1,486,608	$ 5,203,713

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

Statement of Activities

Year Ended June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	$ 2,524,391	$ -	$ -	$ 2,524,391
Corporation for Public Broadcasting	1,262,343	-	-	1,262,343
Contributions	238,446	320,111	-	558,557
Auction	344,907	-	-	344,907
Underwriting	-	447,625	-	447,625
Rental income	640,325	-	-	640,325
Other operating revenue	139,117	-	-	139,117
Investment income	67,727	-	-	67,727
Net assets released from restrictions	754,589	(754,589)	-	-
Total Operating Revenues and Support	5,971,845	13,147	-	5,984,992
Operating Expenses				
Program service				
Programming and production	2,316,344	-	-	2,316,344
Broadcasting	1,345,498	-	-	1,345,498
Program information	65,825	-	-	65,825
	3,727,667	-	-	3,727,667
Supporting service				
Fund raising and membership development	1,787,798	-	-	1,787,798
Management and general	1,148,270	-	-	1,148,270
	2,936,068	-	-	2,936,068
Total Operating Expenses	6,663,735	-	-	6,663,735
Changes in Net Assets from Operations	(691,890)	13,147	-	(678,743)
Non-Operating Activities				
Investment losses	(56,118)	-	-	(56,118)
Contributions for capital purposes	60,000	-	-	60,000
Change in value of beneficial interest in split interest agreement	-	(270)	-	(270)
Change in value of beneficial interest in perpetual trusts	-	-	(29,170)	(29,170)
Changes in Net Assets - Non-Operating	3,882	(270)	(29,170)	(25,558)
Change in Net Assets	(688,008)	12,877	(29,170)	(704,301)
Net Assets, Beginning of Year	4,778,968	87,956	1,561,169	6,428,093
Net Assets, End of Year	$ 4,090,960	$ 100,833	$ 1,531,999	$ 5,723,792

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

Statements of Cash Flows

Years Ended June 30,

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (520,079)	$ (704,301)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	687,734	674,397
Loss on investments	127,279	56,118
Loss on disposal of assets		3,044
Provisions for allowance for doubtful accounts	42,671	21,848
Change in value of beneficial interest in split interest agreements & perpetual trusts	45,843	29,440
Contributions for long-lived assets	(937,930)	(60,000)
(Increase) decrease in operating assets:		
Accounts receivable	62,359	(101,941)
Pledges receivable	(77,345)	26,286
Prepaid expenses and other assets	4,317	18,320
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	434,565	(12,349)
Accrued vacation	(4,351)	8,519
Deferred revenue	(35,578)	(66,016)
Total adjustments	349,564	597,666
Net cash flows from operating activities	(170,515)	(106,635)
Cash flows from investing activities		
Purchases of property and equipment	(877,655)	(294,902)
Purchases of investments	(410,112)	(1,554,118)
Proceeds from the sale of investments	326,483	1,560,720
Net cash flows from investing activities	(961,284)	(288,300)
Cash flows from financing activities		
Contributions for capital purposes	440,000	60,000
Payments of life income obligations	(1,485)	(1,165)
Payments on note payables	(7,096)	(5,622)
Proceeds from line of credit	550,000	
Net cash flows from financing activities	981,419	53,213
Change in cash and cash equivalents	(150,380)	(341,722)
Cash and cash equivalents, beginning of year	580,316	922,038
Cash and cash equivalents, end of year	$ 429,936	$ 580,316
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	$ 152,218	$ 145,297
Interest	11,045	1,632

Notes to Financial Statements

June 30, 2016 and 2015

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 five-year service agreement with the Boston, Massachusetts based public television organization, WGBH, to provide services in the areas of broadcast technology, membership service, and certain financial administration.

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, 2016 and 2015

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 $473 and $17,413 as of June 30, 2016 and 2015, 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	10-30
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, 2016 and 2015

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

In June 2015, NHPB transferred its investments from USNH to a brokerage account. The funds were held in a money market fund and invested in securities in early July 2015.

Prior to the transfer, the endowment funds were invested in an investment pool with USNH. NHPB had an agreement with USNH to manage these funds. The investments were measured at fair value by USNH and reported to NHPB at a value per unit.

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.

NHPB's investment policy and spending policy for long-term investments is as follows:

Investment and Return Objectives: The endowment is invested primarily with the objective to achieve a long-term rate of return sufficient to fund a portion of annual operating activities and to preserve purchasing power of the investments in perpetuity.

Risk Tolerance: The endowment investments managed by USNH were uninsured and uncollateralized against credit risk. The USNH and NHPB investment policies mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target asset allocations, and ongoing investment advisor and USNH investment committee review.

Spending Policy: The objective of the annual spending formula for endowment return used for operations is to provide sustainable continued future support for ongoing programs at current levels assuming moderate inflation. To the extent that endowment yield is insufficient in any one year to meet the required spending distribution, accumulated net gains are utilized to fund the distribution.

Performance Measurement: The endowment distribution rate, as a percentage of the average market value per unit for the twelve quarters from which it was derived, was approximately 5% for the investment pools managed by USNH.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Beneficial Interest in Split Interest Agreement

The beneficial interest consists of a split-interest agreement held by others and is carried at its fair value, as reported by the Trustee.

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.

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.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes – Continued

Management has evaluated NHPB's tax positions and concluded that, as of June 30, 2016, 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.

- 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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement to conform to the 2016 financial statement presentation. Such reclassifications had no effect on the change in net assets as previously reported.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Proposed Accounting Pronouncements

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. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017 or fiscal year 2019 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 2020 for NHPB. Early adoption is permitted. NHPB is evaluating the impact of the new guidance on the financial statements.

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. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. 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." The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been simplified and clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Not-for-profits will continue to have flexibility to decide whether to report an operating subtotal and if so, to self-define what is included or excluded. However, if the operating subtotal includes internal transfers made by the governing board, transparent disclosure must be provided. The ASU also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. 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.

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 2016 and 2015, 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.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 3 – PLEDGES RECEIVABLE

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

	2016	2015
Underwriting	$ 22,232	$ 108,176
Less allowance for uncollectible pledges		(38,098)
Total unconditional promises to give	$ 22,232	$ 70,078
Amount due in:		
Less than one year	$ 22,232	$ 70,078

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2016	2015
Land and improvements	**$ 25,585**	$ 25,585
Building and improvements	**4,020,844**	3,971,063
Equipment	**10,784,213**	10,265,125
Furniture and fixtures	**248,191**	229,027
Computers	**2,183,620**	2,184,070
Construction in progress	**1,027,085**	239,282
	18,289,538	16,914,152
Less accumulated depreciation	**(14,703,986)**	(14,016,251)
Property and equipment, net	**$ 3,585,552**	$ 2,897,901

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 $830,598 at June 30, 2016.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 5 – INVESTMENTS

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

	2016	2015
Cash and money market accounts	**$ 60,427**	$ 1,537,542
Fixed income	**392,774**	
Mutual funds	**951,721**	
Exchange-traded funds	**105,746**	
	$ 1,510,668	$ 1,537,542

Board-designated endowment net asset composition by type of fund as of June 30, 2016, was as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment funds	**$ 1,510,668**	**$ -**	**$ -**	**$ 1,510,668**
Total funds	**$ 1,510,668**	**$ -**	**$ -**	**$ 1,510,668**

Board-designated endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 1,537,542	$ -	$ -	$ 1,537,542
Total funds	$ 1,537,542	$ -	$ -	$ 1,537,542

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	**$1,537,542**	**$ -**	**$ -**	**$1,537,542**
Transfer	**23,700**			**23,700**
Investment return:				
Investment income	**87,229**			**87,229**
Net loss	**(127,279)**			**(127,279)**
Appropriation of endowment assets for expenditure	**(10,524)**			**(10,524)**
End of year	**$1,510,668**	**$ -**	**$ -**	**$1,510,668**

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 5 – INVESTMENTS – CONTINUED

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$1,600,262	$ -	$ -	$1,600,262
Investment return:				
Investment income	67,727			67,727
Net loss	(56,118)			(56,118)
Appropriation of endowment assets for expenditure	(74,329)			(74,329)
End of year	$1,537,542	$ -	$ -	$1,537,542

NOTE 6 – LINE OF CREDIT

In 2016, NHPB obtained a $1,000,000 line of credit secured by the investment securities of NHPB with a variable interest rate. As of June 30, 2016, there was a balance of $550,000. The line of credit matures in April 2017 and is subject to review at that time. See Note 11 for additional information.

NOTE 7 – NET ASSETS

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

	2016	2015
Underwriting receivable	$ 22,232	$ 70,078
Beneficial interest in split interest agreement	30,303	30,755
	$ 52,535	$ 100,833

Permanently restricted net assets are restricted for the following purposes:

	2016	2015
Perpetual trusts held by others	$1,486,608	$1,531,999

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 8 – PENSION AND OTHER BENEFIT PLANS

Pension Plan

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 2016 and 2015 amounted to $11,868 and $11,806, respectively, and are included in operating expenses.

NOTE 9 – FAIR VALUES

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

	Total	Level 1	Level 2	Level 3
June 30, 2016:				
Money market fund	**$ 60,427**	**$ 60,427**	**$ -**	**$ -**
Fixed income	**392,774**	**392,774**		**-**
Mutual funds	**951,721**	**951,721**		**-**
Exchange-traded funds	**105,746**	**105,746**	**-**	**-**
Split interest agreement	**30,303**	**-**	**-**	**30,303**
Perpetual trusts	**1,486,608**	**-**	**-**	**1,486,608**
Total	**$ 3,027,579**	**$ 1,510,668**	**$ -**	**$ 1,516,911**

	Total	Level 1	Level 2	Level 3
June 30, 2015:				
Money market fund	$ 1,537,542	$ 1,537,542	$ -	$ -
Split interest agreement	30,755	-	-	30,755
Perpetual trusts	1,531,999	-	-	1,531,999
Total	$ 3,100,296	$ 1,537,542	$ -	$ 1,562,754

The fair value of the asset retirement obligation measured on a recurring basis using significant unobservable inputs (Level 3) is the present value of estimated expected future cash flows.

The change in value of the level 3 investments is due to the following for the years ended June 30, 2016:

	2016	2015
Balance at beginning of year	**$ 1,562,754**	$ 1,592,194
Unrealized losses on investments	**(45,843)**	(29,440)
Balance at end of year	**$ 1,516,911**	$ 1,562,754

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

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 10 – 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 11 – COMMITMENTS

In 2015, NHPB entered into contracts to build two new towers, located in Hanover and the Littleton, New Hampshire. The total contract cost and estimated related expenditures are expected to be $1,309,300. As of June 30, 2016, NHPB had paid approximately $1,027,000 of the contracts.

NHPB has funded $550,000 of these costs with the line of credit discussed in Note 6. NHPB is currently in the process of acquiring long-term financing for the tower projects. The financing will be used to pay back the line of credit, as well as additional construction costs to be incurred. The long-term financing will be repaid with increased revenues from the towers.

NOTE 12 – LEASES

NHPB has no long-term operating or capital leases. Rent expense for short-term rental agreements was $41,115 and $39,862 for the years ended June 30, 2016 and 2015, respectively.

NOTE 13 – SUBSEQUENT EVENTS

On December 8, 2016, NHPB entered into a loan agreement with the United States Department of Agriculture. The purpose of the loan is to finance a portion of the costs related to the building of two new towers. The total amount of the loan is $749,000 and is payable over a 40 year term in monthly installments of $2,420. The interest rate on the loan is 2.375%.

Additionally, beginning January 8, 2017, NHPB is required to fund a reserve account at the rate of $282 per month until this account reaches a balance of $33,828.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including January30, 2017, 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, 2016

	Program Services				Support Services		
	Programming and Production	Broadcasting	Program Information	Total	Fundraising & Membership Development	Management and General	Total
Salaries	$ 655,192	$ 455,871	$ 46,782	$ 1,157,845	$ 433,138	$ 304,365	$ 1,895,348
Employee benefits	83,692	84,383	6,882	174,957	53,598	36,294	264,849
Professional and financial services	138,096	168,172	1,021	307,289	401,066	375,822	1,084,177
Supplies	11,533	14,619	2,126	28,278	26,681	8,038	62,997
Pledge premium	88	-	-	88	168,753	-	168,841
Telecommunications	151	82,575	-	82,726	-	-	82,726
Postage and shipping	4,527	780	834	6,141	116,694	1,713	124,548
Promotional expenses	663	-	228	891	137,031	4,398	142,320
Rental and maintenance of equipment	6	80,416	-	80,422	13,549	-	93,971
Printing	391	-	-	391	110,067	2,308	112,766
Travel and conferences	26,620	4,533	329	31,482	4,142	10,564	46,188
Administrative and facility assessments	2,544	76,484	-	79,028	42,760	18,360	140,148
PBS assessments and fees	930,903	-	-	930,903	-	1,423	932,326
Membership dues	2,170	-	126	2,296	21,079	20,445	43,820
Utilities	41	235,937	-	235,978	-	813	236,791
Insurance	65,923	31,784	403	98,110	9,217	4,950	112,277
Meals and training	7,288	116	-	7,404	14,397	8,907	30,708
Taxes	2,384	157,294	290	159,968	2,725	-	162,693
Bank and credit card fees	-	-	-	-	9,919	89,451	99,370
Interest expense	-	1,607	-	1,607	-	9,438	11,045
Miscellaneous	2,355	60	-	2,415	15,765	7,333	25,513
Bad debt	-	-	-	-	-	42,671	42,671
Depreciation	360,402	89,157	6,217	455,776	230,418	1,540	687,734
Totals	$ 2,294,969	$ 1,483,788	$ 65,238	$ 3,843,995	$ 1,810,999	$ 948,833	$ 6,603,827

Schedule of Functional Expenses

Year Ended June 30, 2015

	Program Services				Support Services		
	Programming and Production	Broadcasting	Program Information	Total	Fundraising & Membership Development	Management and General	Total
Salaries	$ 644,996	$ 445,959	$ 46,060	$ 1,137,015	$ 392,745	$ 290,450	$ 1,820,210
Employee benefits	101,509	85,695	6,359	193,563	49,340	49,540	292,443
Professional and financial services	157,509	115,769	1,437	274,715	408,070	336,121	1,018,906
Supplies	22,684	12,546	2,177	37,407	3,503	20,527	61,437
Pledge premium	-	-	-	-	251,499	-	251,499
Telecommunications	85	72,880	-	72,965	1,803	-	74,768
Postage and shipping	2,215	1,231	1,784	5,230	141,381	7,986	154,597
Promotional expenses	-	-	350	350	54,148	431	54,929
Rental and maintenance of equipment	14,567	125,084	-	139,651	816	-	140,467
Printing	5,899	-	-	5,899	80,777	1,626	88,302
Travel and conferences	21,104	5,065	879	27,048	11,193	10,811	49,052
Administrative and facility assessments	729	67,488	-	68,217	36,394	32,710	137,321
PBS assessments and fees	905,884	-	-	905,884	-	4,745	910,629
Membership dues	582	-	-	582	13,365	28,273	42,220
Utilities	89	258,966	-	259,055	-	-	259,055
Insurance	63,715	30,721	390	94,826	8,909	4,785	108,520
Meals and training	14,448	289	-	14,737	11,972	6,785	33,494
Taxes	4,489	33,294	293	38,076	2,920	145,297	186,293
Bank and credit card fees	8	-	-	8	14,547	92,814	107,369
Interest expense	-	1,632	-	1,632	-	-	1,632
Miscellaneous	2,418	1,451	-	3,869	78,467	92,011	174,347
Bad debt	-	-	-	-	-	21,848	21,848
Depreciation	353,414	87,428	6,096	446,938	225,949	1,510	674,397
Totals	$ 2,316,344	$ 1,345,498	$ 65,825	$ 3,727,667	$ 1,787,798	$ 1,148,270	$ 6,663,735

See accompanying independent auditors' report.