

**VERMONT PUBLIC RADIO
FINANCIAL STATEMENTS
Years ended September 30, 2017 and 2016**

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Years ended September 30, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vermont Public Radio

We have audited the accompanying financial statements of Vermont Public Radio (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Public Radio as of September 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Vermont Public Radio's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Registration number 553
January 12, 2018

VERMONT PUBLIC RADIO
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash & cash equivalents	\$ 1,199,094	\$ 1,290,651
Underwriting receivable, net	239,436	201,746
Other receivables	1,520	6,476
Pledges receivable, net	679,389	1,272,795
Prepaid expenses	<u>58,731</u>	<u>36,545</u>
Total Current Assets	<u>2,178,170</u>	<u>2,808,213</u>
Other Assets		
Property and equipment, net	11,517,786	12,207,091
Escrow	-	250,098
Investments	11,374,003	10,020,218
FCC licenses	3,262,606	3,252,606
Pledges receivable, net, less current portion	1,071,594	1,441,937
Beneficial interests in trusts	<u>845,550</u>	<u>780,779</u>
Total Other Assets	<u>28,071,539</u>	<u>27,952,729</u>
Total Assets	<u>\$ 30,249,709</u>	<u>\$ 30,760,942</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current portion of long-term debt	\$ -	\$ 341,520
Accounts payable	199,771	151,226
Accounts payable - construction	-	516,325
Accrued payroll	326,557	209,098
Deferred income	<u>55,583</u>	<u>47,778</u>
Total Current Liabilities	<u>581,911</u>	<u>1,265,947</u>
Long-term Liabilities		
Long-term debt, less current portion	<u>1,520,000</u>	<u>4,000,000</u>
Total Long-term Liabilities	<u>1,520,000</u>	<u>4,000,000</u>
Total Liabilities	<u>2,101,911</u>	<u>5,265,947</u>
Net Assets		
Unrestricted		
Undesignated	1,383,119	3,533,316
Unrestricted reserves	1,507,674	1,127,292
Net property and equipment and FCC licenses	<u>13,260,392</u>	<u>11,118,177</u>
Subtotal - unrestricted	16,151,185	15,778,785
Temporarily restricted	3,983,032	1,767,400
Permanently restricted	<u>8,013,581</u>	<u>7,948,810</u>
Total Net Assets	<u>28,147,798</u>	<u>25,494,995</u>
Total Liabilities and Net Assets	<u>\$ 30,249,709</u>	<u>\$ 30,760,942</u>

See notes to financial statements

VERMONT PUBLIC RADIO
STATEMENT OF ACTIVITIES
For the year ended September 30, 2017
(With comparative totals for 2016)

	<u>Operating</u>	<u>Non-operating</u>	<u>Total</u> <u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
Support and Revenue							
Individual giving and membership	\$ 4,807,121	\$ -	\$ 4,807,121	\$ -	\$ -	\$ 4,807,121	\$ 4,539,161
Bequests and contributions	18,293	296,374	314,667	2,074,061	-	2,388,728	2,123,610
Underwriting	2,266,694	-	2,266,694	-	-	2,266,694	2,046,279
Donated goods and services	931,731	-	931,731	-	-	931,731	898,328
Corporation for Public Broadcasting (CPB) Grants	625,671	-	625,671	209,921	-	835,592	768,364
Investment income	230,456	164,861	395,317	972,281	-	1,367,598	723,155
Change in beneficial interests in trusts	-	-	-	-	64,771	64,771	64,070
Loss on disposal of property and equipment	-	(68,908)	(68,908)	-	-	(68,908)	(253,361)
Telecasting, production and other income	143,379	242,000	385,379	-	-	385,379	380,218
Subtotal	<u>9,023,345</u>	<u>634,327</u>	<u>9,657,672</u>	<u>3,256,263</u>	<u>64,771</u>	<u>12,978,706</u>	<u>11,289,824</u>
Net assets released from restriction	<u>249,822</u>	<u>790,809</u>	<u>1,040,631</u>	<u>(1,040,631)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,273,167</u>	<u>1,425,136</u>	<u>10,698,303</u>	<u>2,215,632</u>	<u>64,771</u>	<u>12,978,706</u>	<u>11,289,824</u>
Expenses							
Program services	6,611,909	-	6,611,909	-	-	6,611,909	6,287,283
Management and general	1,488,025	-	1,488,025	-	-	1,488,025	1,353,472
Fundraising and membership	1,346,072	-	1,346,072	-	-	1,346,072	1,210,040
Capital campaign	-	77,481	77,481	-	-	77,481	181,259
Subtotal expenses	<u>9,446,006</u>	<u>77,481</u>	<u>9,523,487</u>	<u>-</u>	<u>-</u>	<u>9,523,487</u>	<u>9,032,054</u>
Change in net assets, before depreciation	(172,839)	1,347,655	1,174,816	2,215,632	64,771	3,455,219	2,257,770
Depreciation	-	802,416	802,416	-	-	802,416	553,553
Change in net assets, after depreciation	<u>\$ (172,839)</u>	<u>\$ 545,239</u>	372,400	2,215,632	64,771	2,652,803	1,704,217
Beginning net assets			<u>15,778,785</u>	<u>1,767,400</u>	<u>7,948,810</u>	<u>25,494,995</u>	<u>23,790,778</u>
Ending net assets			<u>\$ 16,151,185</u>	<u>\$ 3,983,032</u>	<u>\$ 8,013,581</u>	<u>\$ 28,147,798</u>	<u>\$ 25,494,995</u>

See notes to financial statements

VERMONT PUBLIC RADIO
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2017
(With comparative totals for 2016)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Membership Development</u>	<u>Capital Campaign</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries and wages	\$ 2,787,229	\$ 803,653	\$ 670,332	\$ 24,179	\$ 4,285,393	\$ 3,908,039
Payroll taxes	220,802	44,279	52,972	1,677	319,730	303,185
Pension expense	92,552	18,487	24,245	426	135,710	122,269
Employee benefits	<u>511,698</u>	<u>81,504</u>	<u>126,143</u>	<u>-</u>	<u>719,345</u>	<u>651,556</u>
Subtotal - Personnel	3,612,281	947,923	873,692	26,282	5,460,178	4,985,049
Program acquisitions and affiliations	1,061,744	-	-	-	1,061,744	1,058,347
Donated supplies and services	754,030	123,398	54,303	-	931,731	898,328
Occupancy	575,012	25,093	75,885	-	675,990	621,446
Professional fees	175,456	44,556	110,643	24,389	355,044	455,403
Office expenses	90,500	23,904	163,734	25,717	303,855	366,268
Information technology	212,043	12,630	33,864	-	258,537	246,384
Interest	-	112,719	-	-	112,719	95
Conferences and meetings	28,879	43,876	4,959	-	77,714	103,142
Insurance	27,145	43,916	2,797	-	73,858	61,291
Travel	51,173	1,241	4,111	1,093	57,618	77,005
Accounting fees	-	46,497	-	-	46,497	46,478
Advertising	18,365	17,100	1,185	-	36,650	36,719
Legal fees	5,281	22,158	-	-	27,439	43,073
Miscellaneous	-	23,014	2,190	-	25,204	18,548
Bad debt expense	<u>-</u>	<u>-</u>	<u>18,709</u>	<u>-</u>	<u>18,709</u>	<u>14,478</u>
Total expenses before depreciation	<u>6,611,909</u>	<u>1,488,025</u>	<u>1,346,072</u>	<u>77,481</u>	<u>9,523,487</u>	<u>9,032,054</u>
Depreciation	<u>439,239</u>	<u>333,732</u>	<u>29,445</u>	<u>-</u>	<u>802,416</u>	<u>553,553</u>
Total expenses	<u>\$ 7,051,148</u>	<u>\$ 1,821,757</u>	<u>\$ 1,375,517</u>	<u>\$ 77,481</u>	<u>\$ 10,325,903</u>	<u>\$ 9,585,607</u>

See notes to financial statements

VERMONT PUBLIC RADIO
STATEMENTS OF CASH FLOWS
Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,652,803	\$ 1,704,217
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	802,416	553,553
Loss on disposal of property and equipment	68,908	253,361
Gain on sale of translator licenses and efficiency rebate	(242,000)	(250,000)
Contributions restricted for Next Campaign and Journalism Fund	(2,074,061)	(1,745,019)
Contributions restricted for endowment	-	(19,431)
Non-operating capital campaign expenses	77,481	181,259
Non-operating investment income	(1,137,142)	(304,570)
Change in beneficial interest in trusts	(64,771)	(64,070)
Non-operating bequests and contributions	(296,374)	(335,832)
(Increase) decrease in:		
Underwriting receivables, net	(37,690)	22,773
Pledges receivable, net	100,806	15,901
Other receivables	4,956	9,632
Prepaid expenses	(22,186)	12,201
Escrow	250,098	(250,098)
Increase (decrease) in:		
Accounts payable	61,447	(100,556)
Accrued payroll	117,459	(7,818)
Deferred income	7,805	(7,478)
Net Cash Provided (Used) by Operating Activities	<u>269,955</u>	<u>(331,975)</u>
Cash Flows from Investing Activities		
Proceeds from sale of equipment	11,000	-
Proceeds from sale of translator licenses and efficiency rebate	242,000	250,000
Purchases of property, equipment and intangibles	(706,348)	(6,772,298)
Change in other investments	931	(1,968)
Non-operating interest and dividend income	271,811	291,561
Investment and other fees	(161,894)	(101,908)
Proceeds from sales of investment securities	6,213,298	5,299,461
Purchases of investment securities	(6,066,626)	(5,239,405)
Income and gains deposited or retained in endowment funds, net	(474,164)	(320,531)
Net Cash Used by Investing Activities	<u>(669,992)</u>	<u>(6,595,088)</u>
Cash Flows from Financing Activities		
Endowment gifts received	-	19,431
Capital gifts and grants received	3,233,378	2,416,716
Capital campaign expenses paid	(103,378)	(161,700)
Proceeds from long-term debt	-	4,341,520
Principal payments on long-term debt	(2,821,520)	(13,879)
Net Cash Provided by Financing Activities	<u>308,480</u>	<u>6,602,088</u>
Decrease in Cash and Cash Equivalents	(91,557)	(324,975)
Beginning Cash and Cash Equivalents	<u>1,290,651</u>	<u>1,615,626</u>
Ending Cash and Cash Equivalents	<u>\$ 1,199,094</u>	<u>\$ 1,290,651</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 112,719	\$ 61,669
Cash paid for income taxes	\$ 23,018	\$ 16,496

See notes to financial statements

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1) Summary of Operations and Significant Accounting Policies

Nature of activities

Vermont Public Radio ("VPR") is a not-for-profit corporation that operates non-commercial public radio stations in Vermont: WVPS-FM in Burlington, WVPR-FM in Windsor, WRVT-FM in Rutland, WVPA-FM in St. Johnsbury, WBTV-FM in Bennington, WNCH-FM in Norwich, WVTQ-FM in Sunderland/Manchester, WVTI-FM in Brighton, WVNK in Manchester, WOXM-FM and WVXM-FM in Middlebury, WVXR-FM in Randolph, WVBA in Brattleboro and WVTX-FM in Colchester. In addition, VPR operates WOXR-FM in Schyler Falls, New York. All of these stations are accounted for as a single operating entity. Revenue consists principally of public contributions and fees from underwriting contracts with area businesses.

Measure of operations

VPR includes in operations all revenues and expenses from regularly carried-on business. Operations do not include return on long-term investments (net of fees), changes in value of beneficial interests in trusts, investment returns not designated for current operations (net of fees), or contributions for and expenditures of capital support.

Financial statement presentation

VPR classifies net assets as follows:

Permanently restricted net assets - net assets limited by donor-imposed restrictions that the resources must be maintained permanently.

Temporarily restricted net assets - net assets limited by donor-imposed restrictions that will expire by the passage of time or action by VPR.

Unrestricted net assets - net assets not limited by donor-imposed restrictions.

Comparative financial information

The financial statements 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 VPR's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassifications did not have any impact on the previously reported net assets or change in net assets.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1) Summary of Operations and Significant Accounting Policies (continued)

Contributions

VPR classifies contributions received as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash & cash equivalents

Cash & cash equivalents include balances in operating checking accounts, interest- and noninterest-bearing liquid investment accounts, sweep accounts, money market accounts, and financial assets with maturities of three months or less, which have not been designated as part of VPR's long-term investable assets.

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a discount rate of 5%. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included in contribution revenue until the conditions are substantially met.

VPR uses the allowance method to record estimated uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

Underwriting receivable

VPR recognizes underwriting revenue when the advertising spots are aired. VPR uses the allowance method to record estimated uncollectible amounts.

Income taxes

VPR is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to VPR's tax-exempt purpose is subject to taxation as unrelated business income. Unrelated business income taxes were \$21,783 and \$16,331 for the years ended September 30, 2017 and 2016, respectively. VPR qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Code.

Allocated costs

The costs of providing VPR's programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1) Summary of Operations and Significant Accounting Policies (continued)

Donated goods and services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by VPR. Volunteers also perform various functions, primarily fundraising and administrative duties, which do not meet the criteria for recognition in the financial statements.

VPR has recorded in-kind contributions of goods and services as revenue and expenses in the accompanying Statement of Activities, consisting of donated artist fees and other professional services, tele-communications services and materials. These donations are recorded at estimated fair value.

Donated capital assets

Donated property and equipment, which is stated at fair value at the date of the gift, is reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long donated assets must be maintained, VPR reclassifies temporarily restricted net assets to unrestricted net assets when the donated assets are placed in service as instructed by the donor.

Advertising

VPR expenses advertising costs to operations when incurred. The amount incurred for advertising was \$36,650 and \$36,719 for the years ended September 30, 2017 and 2016, respectively. Additionally, VPR received donated advertising from trade agreements with area not-for-profit organizations. Total donated advertising revenue was \$606,217 and \$626,491 for the years ended September 30, 2017 and 2016, respectively.

Investments

VPR reports investments in the Statement of Financial Position at fair value in accordance with FASB ASC 820. Realized and unrealized gains and losses are included in investment income (loss) in the Statement of Activities.

VPR maintains master investment accounts for its donor-restricted endowments and unrestricted reserves. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1) Summary of Operations and Significant Accounting Policies (continued)

Fair value measurement

FASB ASC 820 provides the framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. (See note 5)

Property and equipment

Property and equipment are stated at cost and are depreciated over their estimated useful economic lives by the straight-line method. VPR's policy is to capitalize all significant betterments with a cost or value of \$1,000 or more and a useful life of at least one year.

FCC licenses

FCC licenses are indefinite-lived intangibles, are carried at cost and are tested annually for impairment, or more frequently if an event occurs or circumstances change that would indicate an impairment. The unit of accounting used to test FCC licenses represents all licenses owned and operated by VPR, as such licenses are used together, are complementary to each other and are representative of the best use of those assets. Management determined that there was no impairment of the carrying value of FCC licenses for the years ended September 30, 2017 and 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

2) Pledges Receivable

Pledges receivable consist of unconditional promises to give and are due from individuals and foundations. Pledges receivable are due to be collected as follows at September 30:

	<u>2017</u>	<u>2016</u>
Promises to give due in:		
Less than one year	\$ 736,068	\$ 1,355,399
One to five years	1,207,770	1,651,061
Greater than five years	<u>3,000</u>	<u>3,100</u>
	1,946,838	3,009,560
Discount to present value at 5% rate	(82,776)	(136,332)
Allowance for estimated uncollectible pledges	<u>(113,079)</u>	<u>(158,496)</u>
	<u>\$ 1,750,983</u>	<u>\$ 2,714,732</u>

Conditional promises are recognized as revenue when the conditions on which they depend have been substantially met. As of September 30, 2017, VPR has received conditional pledges for future support totaling approximately \$3,170,000 for Creating a Sound Future Endowment for which conditions stipulated by the donors have not yet been met.

3) Underwriting Receivable

Underwriting receivable consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 259,436	\$ 221,746
Less allowance for estimated uncollectible amounts	<u>(20,000)</u>	<u>(20,000)</u>
	<u>\$ 239,436</u>	<u>\$ 201,746</u>

4) Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Building	\$ 8,592,596	\$ 8,580,724
Towers	523,510	497,596
Transmitters, antennae and satellites	4,643,905	4,917,150
Building improvements	1,016,500	1,014,197
Studio equipment	958,830	797,530
Furniture and equipment	1,042,560	1,060,679
Transportation equipment	67,134	110,598
Assets not yet in service	<u>9,663</u>	<u>200,540</u>
	16,854,698	17,179,014
Less accumulated depreciation	<u>(5,336,912)</u>	<u>(4,971,923)</u>
	<u>\$ 11,517,786</u>	<u>\$ 12,207,091</u>

Depreciation expense was \$802,416 and \$553,553 for the years ended September 30, 2017 and 2016, respectively. Interest capitalized during the construction period was \$0 and \$61,574 for the years ended September 30, 2017 and 2016, respectively.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

4) Property and Equipment (continued)

Assets not yet in service at September 30, 2017 consist of accumulated costs relating to relocating translator equipment and new fiber installation. In 2016 assets not yet in service consisted of uninstalled equipment.

5) Investments

VPR's investments include both donor-restricted endowment funds and funds designated by the Board of Directors for unrestricted reserves. At year end, investments consist of the following:

	Fair Value	
	<u>2017</u>	<u>2016</u>
Cash and money funds	\$ 619,193	\$ 319,786
U.S. treasury note	19,870	30,036
Corporate bonds	1,759,081	1,549,631
Equity securities	2,773,703	4,148,617
Asset-backed securities	-	48,785
Mutual funds - equities	2,399,888	1,068,463
Mutual funds - fixed income	174,823	207,013
Exchange traded funds - equities	3,428,960	2,381,717
Exchange traded funds - fixed income	115,796	138,068
Alternative investment, FreshTracks II	82,689	128,102
	<u>\$ 11,374,003</u>	<u>\$ 10,020,218</u>

Investment income consists of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 272,687	\$ 292,583
Net realized gain (loss) on investment	569,095	(34,748)
Net unrealized gain on investments	687,710	567,228
Amortization, investment fees and other fees	<u>(161,894)</u>	<u>(101,908)</u>
	<u>\$ 1,367,598</u>	<u>\$ 723,155</u>

VERMONT PUBLIC RADIO
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5) Investments (continued)

Valuation Hierarchy

The following tables provide the assets carried at fair value measured on a recurring basis under the fair value hierarchy of FASB ASC 820 as of September 30, 2017 and 2016:

	Carrying value at Sept. 30, 2017	Level 1	Level 2	Level 3
Investments:				
Cash and money funds	\$ 619,193	\$ 619,193	\$ -	\$ -
U.S. treasury note	19,870	19,870	-	-
Corporate bonds	1,759,081	-	1,759,081	-
Equity securities	2,773,703	2,773,703	-	-
Mutual funds - equities	2,399,888	2,399,888	-	-
Mutual funds - fixed income	174,823	174,823	-	-
Exchange traded funds - equities	3,428,960	3,428,960	-	-
Exchange traded funds - fixed income	115,796	115,796	-	-
Alternative investment FreshTracks II	82,689	-	-	82,689
Total investments	<u>\$11,374,003</u>	<u>\$ 9,532,233</u>	<u>\$ 1,759,081</u>	<u>\$ 82,689</u>

Fair value of beneficial interests in trusts	<u>\$ 845,550</u>	<u>\$ -</u>	<u>\$ 845,550</u>	<u>\$ -</u>
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	Carrying value at Sept. 30, 2016	Level 1	Level 2	Level 3
Investments:				
Cash and money funds	\$ 319,786	\$ 319,786	\$ -	\$ -
U.S. treasury note	30,036	30,036	-	-
Corporate bonds	1,549,631	-	1,549,631	-
Equity securities	4,148,617	4,148,617	-	-
Asset-backed securities	48,785	48,785	-	-
Mutual funds - equities	1,068,463	1,068,463	-	-
Mutual funds - fixed income	207,013	207,013	-	-
Exchange traded funds - equities	2,381,717	2,381,717	-	-
Exchange traded funds - fixed income	138,068	138,068	-	-
Alternative investment FreshTracks II	128,102	-	-	128,102
Total investments	<u>\$10,020,218</u>	<u>\$ 8,342,485</u>	<u>\$ 1,549,631</u>	<u>\$ 128,102</u>

Fair value of beneficial interests in trusts	<u>\$ 780,779</u>	<u>\$ -</u>	<u>\$ 780,779</u>	<u>\$ -</u>
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VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
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5) Investments (continued)

In 2008, VPR agreed to invest up to \$350,000 with FreshTracks II, a venture capital fund. As of September 30, 2017 VPR had invested a total of \$308,142. Since 2008 stock and cash distributions received from the fund were \$115,133. The fair value of the Investment in FreshTracks II, as reported by the fund, was \$82,689 and \$128,102 at September 30, 2017 and 2016, respectively. A VPR Board member who joined the Board in 2010, was a co-founder in 2000 of FreshTracks Capital, which manages the fund, and he remains an unpaid advisor.

Changes in the FreshTracks II investment (Level 3) are as follows:

	<u>2017</u>	<u>2016</u>
Beginning Balance	\$ 128,102	\$ 118,176
Contributions	-	6,217
Included in investment income:		
Fees and expenses	(2,270)	(3,858)
Interest income	1	2
Unrealized valuation change	(43,144)	41,414
Realized loss - included in realized gain (loss) on investments	-	(33,849)
Ending balance	<u>\$ 82,689</u>	<u>\$ 128,102</u>

6) Beneficial Interests in Trusts

Beneficial interests in trusts are recorded at the fair value of the underlying investments, which approximates the present value of the future payment VPR will receive. For remainder interest trusts quantitative factors include a long-term average growth rate of 5 percent and a discount rate of 5 percent. The estimated fair value of beneficial interests in trusts as of September 30, 2017 and 2016 was \$845,550 and \$780,779, respectively.

7) Endowment Net Asset

The State of Vermont enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective May 5, 2009, the provisions of which apply to endowment funds existing or established after that date. VPR adopted UPMIFA for the year ended September 30, 2009. VPR has interpreted the law as requiring prudent management of its endowment funds with a view to supporting VPR and giving due regard to increasing the value of its donor-restricted endowment funds over the long-term, absent donor stipulations to the contrary. As a result of this interpretation, VPR 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 endowment funds. The remaining portion of the donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by VPR in a manner consistent with the standard of prudence prescribed by UPMIFA.

VPR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that VPR must hold in perpetuity as well as unrestricted reserve funds.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

7) Endowment Net Asset (continued)

Changes in endowment net assets were as follows for the years ended September 30, 2016 and 2017:

	<u>Unrestricted Reserves</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Fair value October 1, 2015	\$ 1,162,886	\$ 1,331,374	\$ 7,148,599	\$ 9,642,859
Contributions	182,963	-	19,431	202,394
Unrealized gains	59,907	507,094	-	567,001
Net investment income	20,996	132,649	-	153,645
Withdrawal for capital campaign expenses	(130,073)	-	-	(130,073)
Strategic draw	(168,247)	-	-	(168,247)
Appropriated for operations	-	(247,829)	-	(247,829)
Other	(1,140)	(359)	-	(1,499)
Fair value September 30, 2016	<u>1,127,292</u>	<u>1,722,929</u>	<u>7,168,030</u>	<u>10,018,251</u>
Contributions	295,874	-	-	295,874
Unrealized gains	80,458	607,183	-	687,641
Net investment income	84,404	597,186	-	681,590
Withdrawal for capital campaign expenses	(80,251)	-	-	(80,251)
Appropriated for operations	-	(232,089)	-	(232,089)
Other	(103)	103	-	-
Fair value September 30, 2017	<u>\$ 1,507,674</u>	<u>\$ 2,695,312</u>	<u>\$ 7,168,030</u>	<u>\$11,371,016</u>

8) Line of Credit

In December 2016 VPR obtained a \$450,000 line of credit from Community Bank N.A. with interest at 0.5% below the Wall Street Journal prime rate, with a minimum rate of 3.25%, which matures in February 2018. The effective interest rate was 3.75% at September 30, 2017. The line of credit is secured by real and personal property. There were no borrowings on the line of credit during the year ended September 30, 2017.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

9) Long-Term Debt

Long-term debt consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Community Bank N.A.:		
\$5,000,000 construction loan dated September 2015, interest only monthly installments and annual principal payments, variable interest 0.5% below the Wall Street Journal Prime Rate with a floor of 2.75% (3.75% and 3% at September 30, 2017 and 2016, respectively). Matures December 2020. Secured by assignment of pledges receivable, non-restricted marketable securities and mortgage deed. The bank held in escrow \$0 and \$250,098 at September 30, 2017 and 2016, respectively.	\$ <u>1,520,000</u>	\$ <u>4,341,520</u>
Total long-term debt	1,520,000	4,341,520
Less current portion	-	<u>(341,520)</u>
Long-term debt, less current portion	<u>\$ 1,520,000</u>	<u>\$ 4,000,000</u>

Future maturities of long-term debt are as follows for the years ending September 30,

2018	\$ -
2019	20,000
2020	1,000,000
2021	<u>500,000</u>
Total	<u>\$ 1,520,000</u>

10) Retirement Plans

VPR sponsors a 401(k) defined contribution retirement plan for employees that have attained age 21 and have completed one month of service. VPR contributes a safe harbor match equal to 100% of the first 3% of salary deferrals, and 50% of the next 2% of salary deferrals up to a maximum match of 4%. In addition, VPR, at its discretion, may make additional contributions for each employee based on a percentage of annual compensation. Total contributions to the plan were \$135,710 and \$122,269 for the years ended September 30, 2017 and 2016, respectively.

**VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016**

11) Operating Leases

VPR leases certain equipment, transmitting facilities and sites, and storage areas under operating leases that expire through 2030. Rent expense for these leases was \$228,029 and \$236,009 for the years ended September 30, 2017 and 2016, respectively.

Approximate future minimum rental payments under noncancelable agreements for the years ending September 30 are as follows:

2018	\$	207,000
2019		175,000
2020		139,000
2021		96,000
2022		46,000
Thereafter		<u>170,000</u>
Total	\$	<u><u>833,000</u></u>

12) Temporarily Restricted Net Assets

Journalism Fund

VPR established the Journalism Fund in 2010 to provide financial resources that support VPR's vision of becoming the most relevant media institution in Vermont by increasing the organization's journalistic capability and capacity.

The Fund is designed to support a range of initiatives, including but not limited to, the following:

- Projects that strengthen regional news coverage.
- Expansion of in-depth, enterprise and investigative reporting.
- Professional development and training programs that heighten the quality of reporting.
- Opportunities to create multi-platform content delivery, including on-air, online and mobile.
- Partnerships with other media organizations.
- Technology that advances reporting capacity and/or depth.

VPR Next Campaign

VPR Building Expansion & Renovation Fund

In 2014 the VPR Building Expansion & Renovation Fund was established as a primary component of the VPR Next campaign intended to comprise \$8,000,000 of the \$10,000,000 goal of the campaign. The fund was to provide the resources for VPR to expand its existing studios and renovate its historic building. The fund's purpose included direct construction costs, permitting, professional services, as well as necessary furniture, fixtures, and equipment. The building expansion and renovation was substantially complete by September 30, 2016.

**VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016**

12) Temporarily Restricted Net Assets (continued)

VPR Next Campaign (continued)

VPR Next Innovation Fund

In 2014 the VPR Innovation Fund was established as part of the VPR Next campaign and was intended to comprise the remaining \$2,000,000 of the \$10,000,000 goal of the campaign. The fund will allow VPR to be nimble in a dynamic media landscape, remain competitive in light of changing technology and demographics, and seize opportunities which strengthen its public service mission, particularly in the areas of new programming, journalism, music, and digital initiatives. The Fund was created as a flexible innovation fund that will allow the organization to take advantage of opportunities as they arise.

Through September 30, 2017 VPR had received pledges and payments of approximately \$9,800,000 for the VPR Next Campaign. The VPR Next campaign temporarily restricted balance of \$1,248,253 represents the excess of pledges received over expenditures made on a cumulative basis at September 30, 2017 and will be used for future Innovation Fund expenditures. Through September 30, 2016 VPR Next campaign expenditures were in excess of pledges received on a cumulative basis and the VPR Next campaign temporarily restricted balance was released from restriction and was \$0 at September 30, 2016.

Temporarily restricted net assets consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Journalism fund	\$ 39,467	\$ 44,471
VPR Next campaign	1,248,253	-
Unappropriated endowment balance	<u>2,695,312</u>	<u>1,722,929</u>
	<u>\$ 3,983,032</u>	<u>\$ 1,767,400</u>

13) Permanently Restricted Net Assets

Creating a Sound Future Endowment

The Creating a Sound Future (CSF) Endowment was created in 2004 when a five-year campaign was launched to raise \$10 million to provide support for VPR's long-term stability. The four specific endowment initiatives supported by the CSF Endowment are:

1. Fiscal independence
2. New program initiatives
3. New technologies
4. Continued programming

CSF donations are invested in perpetuity with the total income from these investments to be used for the stated purpose of the Fund.

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NOTES TO FINANCIAL STATEMENTS
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13) Permanently Restricted Net Assets (continued)

Charles and Terry Phillips Classical Music Endowment

The Charles and Terry Phillips Classical Music Endowment was created in 2002 with a gift of \$1,002,497 with the donor stipulation to "support the broadcast of classical music on VPR." The original fund documents specify that, in the event the VPR Board of Directors determines that conditions or circumstances are such or have so changed as to make it impossible or impractical to continue the broadcast of classical music on VPR, then the Board may apply the funds to benefit such purposes as most closely approximate the original purpose. VPR continues to use the income from this endowment to support its broadcast of classical music.

Permanently restricted gifts are invested in accordance with VPR's investment policies. The income used in each year to support the initiatives is based on the spending rate determined by the Board of Directors, and is reported as unrestricted investment income.

Permanently restricted net assets as of September 30, 2017 and 2016 consist of the following donor-restricted funds to be held in perpetuity:

	<u>2017</u>	<u>2016</u>
Creating a Sound Future Endowment:		
Beneficial interest in trusts	\$ 845,550	\$ 780,779
Direct gifts, pledge payments and pledges receivable	<u>6,164,509</u>	<u>6,164,509</u>
Subtotal - Creating a Sound Future	7,010,059	6,945,288
Charles and Terry Philips Classical Music Endowment	<u>1,003,522</u>	<u>1,003,522</u>
	<u>\$ 8,013,581</u>	<u>\$ 7,948,810</u>

14) Unrestricted Reserves

The Board of Directors has designated as reserves unrestricted investments of \$1,507,674 at September 30, 2017 and \$1,127,292 at September 30, 2016, to be used only in certain circumstances with prior approval of the Board of Directors.

15) Concentrations

VPR maintains its cash balances at certain financial institutions located in Vermont. As of September 30, 2017 and 2016, there were certain balances on deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit or held in uninsured investment or custody accounts. Although these funds were in excess of the standard FDIC insurance limits, VPR believes there is minimal risk of loss in these accounts.

As of September 30, 2017 and 2016, the investment balances held by National Financial Services (NFS) are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 and in addition to SIPC protection NFS has arranged for coverage above this limit. Within NFS's excess of SIPC coverage, there is no per-account dollar limit on coverage of securities, but there is a per-account limit of \$1.9 million on coverage of cash.

Receivable balances that may subject the Company to concentrations of credit risk consist of pledge and underwriting receivables from individuals and businesses located primarily in Vermont. Three individual donors accounted for 35 percent of the VPR Next campaign receivable balance at September 30, 2017. Six individual donors accounted for 45 percent of the VPR Next campaign receivable balance at September 30, 2016.

VERMONT PUBLIC RADIO
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16) Uncertain Tax Positions

VPR is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities, primarily tower rentals. VPR believes it has appropriate support for any tax positions taken and does not have any uncertain tax positions that are material to the financial statements.

17) Commitments and Contingencies

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of the funds to grantors. Management deems this contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

VPR receives grants from the Corporation for Public Broadcasting (CPB) for equipment purchases and signal enhancement. Under the terms of the grant agreements, for a period of ten years from the execution of the grant agreement, VPR is required to return the grant funds if it ceases to be eligible for CPB funding, voluntarily returns the broadcast spectrum to the FCC or enters into a transaction to sell, transfer, or assign the equipment acquired to an entity that is not eligible to receive CPB funding.

In connection with VPR's facility expansion, VPR obtained a landscaping bond from Merchants Bank for \$111,866 for the benefit of the Town of Colchester. This irrevocable Letter of Credit ensured completion of all landscaping as required by the Town and expired on June 18, 2016.

18) Date of Management's Review

Subsequent events were evaluated through January 12, 2018, the date the financial statements were available to be issued.