KPMG

NEW YORK PUBLIC RADIO

Financial Statements and Supplemental Schedule

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
New York Public Radio:

We have audited the accompanying financial statements of New York Public Radio, which comprise the statements of financial position as of June 30, 2017 and 2016, 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 U.S. generally accepted accounting principles; 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 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 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 York Public Radio as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

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Report on Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of functional expenses is presented for the purposes 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 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.

KPMG LLP

September 28, 2017

NEW YORK PUBLIC RADIO

Statements of Financial Position

June 30, 2017 and 2016

Assets		2017	2016
Current assets:			
Cash and cash equivalents	$	18,902,524	9,050,428
Pledges and grants receivable		5,957,674	8,531,700
Accounts receivable, less allowance for doubtful accounts of $554,674 and $467,064 at December 31, 2017 and 2016, respectively		8,700,685	5,159,859
Due from partner in collaborative arrangements		328,769	—
Investments		600,000	6,104,375
Prepaid expenses and other current assets		1,199,167	729,894
Total current assets		35,688,819	29,576,256
Noncurrent assets:			
Pledges receivable, net		6,345,211	3,877,138
Investments		37,527,942	36,954,152
Cash equivalents limited as to use		225,562	213,913
Fixed assets, net of accumulated depreciation and amortization		17,370,309	19,564,132
FCC licenses		29,242,387	29,242,387
Other assets		494,131	403,937
Total noncurrent assets		91,205,542	90,255,659
Total assets	$	126,894,361	119,831,915
Liabilities and Net Assets			
Current liabilities:			
Accounts payable, accrued expenses, and deferred revenue	$	11,763,321	10,579,088
Current portion of bonds payable		900,000	855,000
Due to partner in collaborative arrangements		1,912,364	573,107
Total current liabilities		14,575,685	12,007,195
Noncurrent liabilities:			
Refundable advance		1,000,000	1,000,000
Fair value of interest rate swap agreement		1,011,508	1,600,507
Bonds payable, less current portion		8,575,820	9,454,185
Deferred rent		2,543,347	2,663,570
Other liabilities		1,915,376	1,740,957
Total noncurrent liabilities		15,046,051	16,459,219
Total liabilities		29,621,736	28,466,414
Commitments			
Net assets:			
Unrestricted:			
Undesignated		67,864,162	60,839,993
Board-designated		13,764,944	14,971,267
Total unrestricted		81,629,106	75,811,260
Temporarily restricted		15,309,414	15,217,481
Permanently restricted		334,105	336,760
Total net assets		97,272,625	91,365,501
Total liabilities and net assets	$	126,894,361	119,831,915

See accompanying notes to financial statements.

NEW YORK PUBLIC RADIO

Statements of Activities

Years ended June 30, 2017 and 2016

	2017						2016					
	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:												
Operating support and revenue:												
Contributions	$ 69,226,719	(44,706)	69,182,013	12,092,733	—	81,274,746	55,941,609	966,060	56,907,669	16,895,114	—	73,802,783
Government grants	121,119	75,000	196,119	106,720	—	302,839	121,119	75,000	196,119	400,290	—	596,409
Donated services	1,823,981	—	1,823,981	—	—	1,823,981	1,071,344	—	1,071,344	—	—	1,071,344
Production and other income	5,628,226	—	5,628,226	—	—	5,628,226	3,105,507	—	3,105,507	—	—	3,105,507
Special events revenue, net of direct expenses of $409,084 and $596,051 in 2017 and 2016, respectively	973,300	—	973,300	85,420	—	1,058,720	1,387,975	—	1,387,975	5,000	—	1,392,975
Investment income	1,167,833	—	1,167,833	—	—	1,167,833	1,033,977	—	1,033,977	—	—	1,033,977
Revenues from collaborative arrangement	1,627,185	—	1,627,185	—	—	1,627,185	1,361,076	—	1,361,076	—	—	1,361,076
Net assets released from restrictions	11,201,940	991,000	12,192,940	(12,192,940)	—	—	12,816,602	—	12,816,602	(12,816,602)	—	—
Total operating support and revenue	91,770,303	1,021,294	92,791,597	91,933	—	92,883,530	76,839,209	1,041,060	77,880,269	4,483,802	—	82,364,071
Operating expenses:												
Program services:												
Programming	55,433,918	—	55,433,918	—	—	55,433,918	49,980,428	—	49,980,428	—	—	49,980,428
Technical operations	6,009,441	—	6,009,441	—	—	6,009,441	5,940,605	—	5,940,605	—	—	5,940,605
Marketing	4,201,569	—	4,201,569	—	—	4,201,569	3,315,032	—	3,315,032	—	—	3,315,032
Total program services	65,644,928	—	65,644,928	—	—	65,644,928	59,236,065	—	59,236,065	—	—	59,236,065
Supporting services:												
Fund-raising	18,739,596	—	18,739,596	—	—	18,739,596	17,252,743	—	17,252,743	—	—	17,252,743
Management and general	6,169,975	—	6,169,975	—	—	6,169,975	5,807,191	—	5,807,191	—	—	5,807,191
Total supporting services	24,909,571	—	24,909,571	—	—	24,909,571	23,059,934	—	23,059,934	—	—	23,059,934
Total operating expenses	90,554,499	—	90,554,499	—	—	90,554,499	82,295,999	—	82,295,999	—	—	82,295,999
Increase (decrease) in operating activities	1,215,804	1,021,294	2,237,098	91,933	—	2,329,031	(5,456,790)	1,041,060	(4,415,730)	4,483,802	—	68,072
Nonoperating activities:												
Investment return, less amounts allocated for spending	2,991,749	—	2,991,749	—	(2,655)	2,989,094	(2,234,781)	—	(2,234,781)	—	(2,264)	(2,237,045)
Change in fair value of interest rate swap agreement	588,999	—	588,999	—	—	588,999	(167,287)	—	(167,287)	—	—	(167,287)
Transfers	2,227,617	(2,227,617)	—	—	—	—	2,406,350	(2,406,350)	—	—	—	—
Change in net assets	7,024,169	(1,206,323)	5,817,846	91,933	(2,655)	5,907,124	(5,452,508)	(1,365,290)	(6,817,798)	4,483,802	(2,264)	(2,336,260)
Net assets at beginning of year	60,839,993	14,971,267	75,811,260	15,217,481	336,760	91,365,501	66,292,501	16,336,557	82,629,058	10,733,679	339,024	93,701,761
Net assets at end of year	$ 67,864,162	13,764,944	81,629,106	15,309,414	334,105	97,272,625	60,839,993	14,971,267	75,811,260	15,217,481	336,760	91,365,501

See accompanying notes to financial statements.

NEW YORK PUBLIC RADIO

Statements of Cash Flows

Years ended June 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	5,907,124	(2,336,260)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization of fixed assets		2,974,373	3,201,617
Amortization of deferred financing costs		21,635	21,635
Bad debt expense, net of recoveries		117,177	90,140
Net expense from barter arrangements		(94,804)	(198,410)
Deferred rent		(120,223)	181,383
Lease incentive obligation (in other liabilities)		(27,069)	(27,069)
Change in fair value of interest rate swap agreement		(588,999)	167,287
Change in unrealized (gains) losses on investments		(3,269,595)	1,419,538
Changes in operating assets and liabilities:			
Current pledges and grants receivable		2,574,026	(1,121,367)
Accounts receivable		(3,658,003)	(497,846)
Prepaid expenses and other current assets		(469,273)	(161,419)
Due to partner in collaborative arrangements, net		1,010,488	409,497
Noncurrent pledges receivable, net		(2,468,073)	(3,362,657)
Other assets		(90,194)	(21,349)
Accounts payable, accrued expenses, and deferred revenue		1,825,437	(2,142,781)
Other liabilities		201,488	(2,368)
Net cash provided by (used in) operating activities		3,845,515	(4,380,429)
Cash flows from investing activities:			
Net increase in cash equivalents limited as to use		(11,649)	(6,273)
Purchase of fixed assets		(1,326,950)	(1,369,220)
Purchase of investments		(2,598,803)	(7,117,988)
Sale of investments		10,798,983	8,660,527
Net cash provided by investing activities		6,861,581	167,046
Cash flows from financing activity:			
Repayment of bonds payable		(855,000)	(830,000)
Net cash used in financing activity		(855,000)	(830,000)
Net increase (decrease) in cash and cash equivalents		9,852,096	(5,043,383)
Cash and cash equivalents at beginning of year		9,050,428	14,093,811
Cash and cash equivalents at end of year	$	18,902,524	9,050,428
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	369,766	369,052
Noncash investing and financing activities:			
Fixed assets purchased through accounts payable	$	127,676	674,076

See accompanying notes to financial statements.

(1) Nature of Business and Organization

New York Public Radio was incorporated in the State of New York in September 1979 as a not-for-profit corporation, primarily for the purpose of providing monetary and operational support for the City of New York Municipal Broadcasting System, later known as the New York Public Communications Group, through fund-raising activities and the rendering of services.

On January 7, 1997, the City of New York transferred the licenses and all the assets associated with WNYC-AM and WNYC-FM to New York Public Radio for $20 million payable over six years. The Federal Communications Commission (FCC) granted the transfer of the licenses in fiscal 1997.

On October 6, 2009, New York Public Radio purchased certain assets used in the operation of the radio station WQXR-FM from The New York Times Company. New York Public Radio paid a purchase price of approximately $11,626,000 in cash inclusive of direct expenses.

On July 1, 2011, New York Public Radio assumed operations under a managing program agreement of four New Jersey network radio stations, WNJT-FM, WNJP-FM, WNJY-FM, and WNJO-FM, owned by the State of New Jersey. On December 5, 2011, the FCC licenses and certain other assets were purchased from the State of New Jersey for approximately $1.0 million in cash and $1.8 million in in-kind services.

New York Public Radio is a Section 501(c)(3) organization, which is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). It is a publicly supported organization as described in Section 509(a)(1) of the Code. New York Public Radio is also exempt from state and local income taxes. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. New York Public Radio recognizes the effect of income tax positions only if these positions are more likely than not of being sustained.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

(b) Use of Estimates

The preparation of the financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used for, but not limited to, accounts and pledges receivable allowances, fair value of investments and interest rate swaps, depreciation rates for fixed assets, and functional expenses.

New York Public Radio allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be readily identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

(c) Net Assets

To ensure compliance with limitations and restrictions placed on the use of resources, New York Public Radio reports its financial resources in three net asset classes: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which New York Public Radio's Board of Trustees has discretionary control and are used to carry out New York Public Radio's operations in accordance with its Articles of Incorporation and the related bylaws.

In fiscal year 2006, New York Public Radio's Board of Trustees designated a portion of unrestricted net assets for the Campaign for New York Public Radio. Funds received in association with this campaign are to be allocated at the discretion of the Board of Trustees to the fit-out and construction of New York Public Radio's facility, debt service related to the March 2006 bond offering, lease and operating expenses associated with the facility, and programming initiatives.

In fiscal year 2013, all charitable gift annuities in excess of the related liabilities were classified as board designated by the Board of Trustees. Upon maturity of a gift annuity agreement, the revenue will be allocated at the discretion of the Board of Trustees.

In fiscal year 2015, the Board of Trustees designated unrestricted funds received in association with a future campaign and other unrestricted funds as it deems appropriate, as unrestricted funds to be allocated at its discretion in association with strategic initiatives.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of New York Public Radio.

Permanently Restricted Net Assets: Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be used.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

(d) Grants and Contributions

Grants and contributions (including unconditional promises to give) are recorded initially at fair value when received or pledged. Contributions received with donor stipulations that limit the use of donated assets are reported as either temporarily or permanently restricted support. Unconditional promises to give, with payments due in future years, are reported as temporarily restricted support, discounted to their present value. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The details of unrestricted contributions for the years ended June 30, 2017 and 2016 are as follows:

		2017	2016
Membership	$	26,586,670	23,722,487
Sponsorship		30,620,221	21,512,811
Sponsorship trade		477,556	443,778
Major donors		7,453,432	6,802,631
Bequests and planned giving		991,775	1,284,554
Foundations and not-for-profit organizations		3,052,359	3,141,408
	$	69,182,013	56,907,669

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. As of June 30, 2017, New York Public Radio has received conditional pledges and payments totaling approximately $938,000 for future support for which the conditions stipulated by the donors have not yet been met.

(e) Donated Services and Support

Volunteers have donated significant amounts of their time to New York Public Radio’s program services and supporting services. No amounts have been reflected in the accompanying financial statements for these donated services because they do not meet the criteria for revenue recognition established by U.S. generally accepted accounting principles.

Contributed services, which New York Public Radio would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The details of donated services for the years ended June 30, 2017 and 2016 are as follows:

		2017	2016
Advertising grants program fees	$	879,292	—
Legal fees		194,689	171,344
Management consulting services		750,000	900,000
	$	1,823,981	1,071,344

(f) Cash Equivalents

New York Public Radio considers all highly liquid investments, consisting primarily of money market funds, with a maturity of three months or less when purchased, and other than those intended to be held as part of the investment portfolio or those restricted as to use, to be cash equivalents. All cash and cash equivalents are held at three financial institutions at June 30, 2017 and 2016. The amount of cash and cash equivalents at these banks may exceed federally insured limits.

(g) Accounts Receivable

Accounts receivable consist primarily of acknowledgments of corporate sponsorship. The allowance for doubtful accounts is determined based upon specific analysis of past-due accounts and historical collections experience.

(h) Investments

Investments are reported at estimated fair market value based upon quoted market prices or at estimated fair value using net asset value (NAV), as a practical expedient, provided by the general partners of limited partnerships or other external investment managers. These NAVs are reviewed and evaluated by New York Public Radio. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been used had a ready market existed for such investments. Short-term investments are investments with maturities less than one year, which are not held by long-term investment managers.

New York Public Radio maintains a spending policy on its long-term investment portfolio. The spending policy used for operations may be up to 4% of a 12-quarter rolling average market value as of June 30. In addition to the spending policy on the long-term investment portfolio, investment return used for operations includes investment income on working capital cash, short-term investments and any other long-term investments not maintained as part of the long-term investment portfolio.

(i) FCC Licenses

Identifiable intangible assets with indefinite lives consist of the FCC licenses for New York Public Radio. Such intangible assets are no longer amortized but instead are subject to annual impairment tests. There were no indications of impairment noted in the annual impairment test performed for the years ended June 30, 2017 and 2016.

(j) Depreciation and Amortization

Furniture, fixtures, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. New York Public Radio provides for depreciation of fixed assets on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 17 years. Amortization

(Continued)

of leasehold improvements is provided on the straight-line basis over the lesser of the terms of the related leases or estimated useful lives of the improvements.

(k) Marketing and Public Relations

Marketing and public relations costs are expensed as incurred. For the years ended June 30, 2017 and 2016, total marketing and public relations costs amounted to approximately $2,242,000 and $1,598,000, respectively.

(l) Barter Transactions

Revenue from barter transactions (sponsorship acknowledgments provided in exchange for goods and services) is recognized when sponsorship is broadcast and is valued based on fair value (comparable cash revenue). Goods and services received are recorded as a capital asset or prepaid expense, depending on the nature of the goods or services received, and are charged to expense when rendered or used. Barter revenues were $477,556 and $443,778 and barter expenses were $382,752 and $245,368 for the years ended June 30, 2017 and 2016, respectively. A liability of $7,906 and $102,711 is included in accounts payable at June 30, 2017 and 2016, respectively, in the accompanying statements of financial position, representing the acknowledgements under barter arrangements to be broadcast in the future.

(m) Interest Rate Swap Agreement

New York Public Radio calculates and records the fair value of its interest rate swap agreement based on the differences between market interest rates at the date of the agreement and interest rates in effect at June 30.

(n) Collaborative Arrangements

New York Public Radio accounts for its collaborative arrangements in accordance with *Accounting for Collaborative Arrangements* (note 11), which prescribes that for costs incurred and revenue generated from third parties, the participant in a collaborative arrangement that is deemed to be the principal participant for a given transaction should record that transaction on a gross basis in the financial statements. Payments from New York Public Radio’s partners in the collaborative arrangements are recorded as revenues from collaborative arrangement in the period in which such payments are due to cover expenditures of the arrangement.

(o) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(p) Operating Measure

New York Public Radio includes in operations all revenue and expenses that are an integral part of its program and supporting activities. Investment return, including net realized and unrealized gains and losses, in excess of or less than the authorized spending policy, the change in fair value of interest rate swap agreement, and transfers, are recognized as nonoperating activities.

(3) Investments

New York Public Radio held the following investments at June 30:

	Fair value	
	2017	**2016**
Investments:		
U.S. equity	$ 10,241,699	9,273,021
Global equity	9,210,813	7,671,207
Emerging markets	3,160,010	2,658,878
Hedge funds	8,825,891	8,252,347
Inflation hedging	1,251,896	579,533
Fixed income	5,082,691	14,346,752
Cash and equivalents	354,942	276,789
	$ 38,127,942	43,058,527

Valuation Hierarchy

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2017 and 2016:

		Carrying value (fair value at June 30, 2017)	Fair value measurements at June 30, 2017 using: Quoted prices in active markets (Level 1)	Fair value measurements at June 30, 2017 using: Significant other observable inputs (Level 2)
Investments:				
U.S. equity	$	7,745,012	7,745,012	—
Global equity		4,990,385	4,990,385	—
Emerging markets		1,848,566	1,848,566	—
Inflation hedging		757,621	757,621	—
Fixed income		5,082,691	5,082,691	—
Cash and equivalents		354,942	354,942	—
Investments measured NAV (or its equivalent)		17,348,725		
Total investments	$	38,127,942	20,779,217	—
Fair value of interest rate swap agreement	$	(1,011,508)	—	(1,011,508)

		Carrying value (fair value at June 30, 2016)	Fair value measurements at June 30, 2016 using: Quoted prices in active markets (Level 1)	Fair value measurements at June 30, 2016 using: Significant other observable inputs (Level 2)
Investments:				
U.S. equity	$	7,187,040	7,187,040	—
Global equity		4,148,633	4,148,633	—
Emerging markets		1,596,436	1,596,436	—
Inflation hedging		280,486	280,486	—
Fixed income		13,700,336	13,700,336	—
Cash and equivalents		276,789	276,789	—
Investments measured at NAV (or its equivalent)		15,868,807		
Total investments	$	43,058,527	27,189,720	—
Fair value of interest rate swap agreement	$	(1,600,507)	—	(1,600,507)

Valuation Techniques

New York Public Radio's derivative instrument consists of an over-the-counter interest rate swap agreement, which is not publicly traded on a public exchange. The fair value of New York Public Radio's interest rate swap agreement was determined based on inputs to a model that can be corroborated with observable market data. As such, New York Public Radio categorized its interest rate swap agreement as Level 2.

Investments measured at NAV by major category, at June 30 are as follows:

Strategy		2017	2016	Redemption frequency (if currently eligible)	Redemption notice period
U.S. equity	$	2,496,687	2,085,981	Calendar Quarter	30 days
Global equity		4,220,428	3,522,574	Semi-Monthly/Monthly	3–10 days
Emerging markets		1,311,443	1,062,442	Monthly	30 days
Hedge funds		8,825,891	8,252,347	Quarterly/Annually/ Bi-Annually	60–90 days
Inflation hedging		494,276	299,047	Monthly	5 days
Fixed income		—	646,416	Daily	10 days
	$	17,348,725	15,868,807		

Investment income consists of the following in fiscal 2017 and 2016:

		2017	2016
Interest, dividend, and realized gains	$	887,332	216,470
Net appreciation (depreciation) in fair value of investments		3,269,595	(1,419,538)
	$	4,156,927	(1,203,068)

(4) Pledges and Grants Receivable

Pledges and grants receivable consist substantially of promises to give and are due from individuals and foundations. Pledges and grants receivable, net of allowance for uncollectible pledges, are due to be collected as follows at June 30:

		2017	2016
Pledges and grants receivable:			
Less than one year	$	5,957,674	8,531,700
One to five years		7,085,222	4,242,667
		13,042,896	12,774,367
Less:			
Discount (1.01%–1.62%)			
and credit rate adjustments		(740,011)	(365,529)
Pledges and grants receivable, net	$	12,302,885	12,408,838

One donor accounted for 28% and 23% of gross pledges and grants receivable at June 30, 2017 and 2016, respectively.

(5) Fixed Assets

Fixed assets consist of the following at June 30:

		2017	2016
Computer hardware	$	3,436,596	3,413,106
Leasehold improvement		24,531,250	24,400,498
Furniture and fixtures		2,501,263	2,390,001
Equipment		16,004,242	15,489,196
Vehicles		29,456	29,456
		46,502,807	45,722,257
Less accumulated depreciation and amortization		(29,132,498)	(26,158,125)
	$	17,370,309	19,564,132

New York Public Radio received capital appropriations from the City of New York, which obligated the recipient organization to operate the facility and/or maintain equipment for the respective bonding term as a nonprofit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, or artistic uses, and/or related purposes approved by the City.

At June 30, 2017, the City of New York and a government entity held a security interest in leasehold improvements of $937,500.

(Continued)

(6) Bonds Payable

In March 2006, New York Public Radio issued tax-exempt Series 2006 revenue bonds (Series 2006 Revenue Bonds) through the Trust for Cultural Resources of the City of New York in the amount of $23,000,000. Proceeds from the Series 2006 Revenue Bonds, as well as any interest income earned on the proceeds, were used to finance issuance costs, a portion of interest costs, and a portion of the cost of the renovation, construction, studio technical fit-out, and furnishing of approximately 76,000 square feet of leased space in a building that is used as New York Public Radio's principal office and broadcast studios.

The Series 2006 Revenue Bonds are secured by an irrevocable direct pay letter of credit from a bank (Wells Fargo Bank, N.A.) with a credit rating at June 30, 2017 that meets the requirements of the bond indentures. The letter of credit expires in March 2020 and is secured by certain assets pledged by New York Public Radio. The letter of credit agreement also requires New York Public Radio to maintain compliance with certain financial covenants and other restrictions. At June 30, 2017, New York Public Radio was in compliance with the financial covenants contained in its credit agreement.

As a condition of this borrowing, beginning in April 2008, New York Public Radio was required to make monthly deposits into a debt service fund. At June 30, 2017 and 2016, approximately $226,000 and $214,000, respectively, of debt service funds are included in cash equivalents limited as to use in the accompanying statements of financial position. The fund accumulates amounts necessary to make principal payments on annual serial maturity dates commencing April 1, 2009. The final maturity date is April 1, 2026. Any grants and contributions received that are restricted to the project funded by the bonds must be used to fund project costs or be deposited in the debt service fund for payment of bond principal. The Series 2006 Revenue Bonds bear interest at a rate that is reset weekly as determined by the remarketing agent. The rate effective at June 30, 2017 was 1.0%. Interest is payable on the first business day of each calendar month. New York Public Radio recognized approximately $370,000 and $369,000 in interest expense for the years ended June 30, 2017 and 2016, respectively.

The Series 2006 Revenue Bonds are subject to future mandatory sinking fund installments as follows:

Year ending June 30:		
2018	$	910,000
2019		950,000
2020		990,000
2021		1,031,250
2022		1,076,250
Thereafter		4,477,500
	$	9,435,000

Principal payments are to be made from the sinking fund installments that New York Public Radio pays as follows:

Year ending June 30:		
2018	$	900,000
2019		940,000
2020		980,000
2021		1,020,000
2022		1,065,000
Thereafter		4,755,000
		9,660,000
Less unamortized bond issuance costs		(184,180)
	$	9,475,820

(7) Interest Rate Swap Agreement

In March 2006, New York Public Radio entered into an interest rate swap agreement to manage the interest cost and risk associated with the Series 2006 bond issuance. The interest rate swap has an effective date of March 29, 2006 and is intended to reduce the risk of rising interest rates. The initial notional amount of the swap agreement is $15,000,000, to be reduced to match principal payments on the bonds payable over the period from April 1, 2009 through April 1, 2026. In accordance with the terms of the interest rate swap and related agreement, New York Public Radio pays an interest rate of 3.675% and receives interest based on 70% of USDLIBOR-BBA. Net receipts or payments under the agreement are recognized as an adjustment to interest expense. The interest rate swap agreement expires April 1, 2026. The fair value of the swap agreement is a liability of $1,011,508 and $1,600,507 at June 30, 2017 and 2016, respectively.

(8) Refundable Advance

In November 2013, New York Public Radio entered into an agreement with an outside foundation under which the foundation advanced $1,000,000 for the support of New York Public Radio’s programs for a period of 15 years through November 11, 2028. After November 11, 2028, New York Public Radio will be required, at the direction of the foundation, to contribute the funds to one or more not-for-profit organizations that are not affiliated with New York Public Radio. Any income that New York Public Radio earns on the $1,000,000 can be used to fund operations. The advance is reflected in investments and as a refundable advance in the accompanying statements of financial position.

(9) Temporarily Restricted Net Assets

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

		2017	2016
Temporarily restricted:			
Programming	$	10,516,689	13,355,896
Time restrictions		4,792,725	1,861,585
	$	15,309,414	15,217,481

$7,032,347 and $8,333,498 restricted for programming at June 30, 2017 and 2016, respectively, are also time restricted.

(10) Endowment Fund

In 2010, New York State adopted New York Prudent Management of Institutional Funds Act (NYPMIFA). The Board of Trustees of New York Public Radio has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, New York Public Radio classifies as permanently restricted net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by New York Public Radio in a manner consistent with the standard of prudence prescribed by NYPMIFA.

New York Public Radio’s endowment consists of a permanently restricted endowment fund, the principal of which must be maintained intact in perpetuity, and income earned is restricted for the development of news, information, and other programming services. New York Public Radio’s permanently restricted donor endowment fund balance was $334,105 and $336,760 at June 30, 2017 and 2016, respectively.

New York Public Radio has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment fund.

Changes in endowment net assets for the year ended June 30, 2017 consisted of the following:

		Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	—	336,760	336,760
Contributions		—	—	—
Investment return:				
Investment income		12,496	(2,655)	9,841
Appropriated for spending		(12,496)	—	(12,496)
Endowment net assets, ending of year	$	—	334,105	334,105

Changes in endowment net assets for the year ended June 30, 2016 consisted of the following:

		Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	—	339,024	339,024
Contributions		—	—	—
Investment return:				
Investment income		7,475	(2,264)	5,211
Appropriated for spending		(7,475)	—	(7,475)
Endowment net assets, ending of year	$	—	336,760	336,760

(11) Collaborative Arrangements

New York Public Radio entered into co-production agreements (the Agreements) with Partners to develop, produce, and distribute noncommercial public radio programming and digital content. Under the terms of the Agreements, New York Public Radio is responsible for the day-to-day editorial and creative control of the content.

New York Public Radio acts as the principal for certain revenue and expense transactions with third parties and, therefore, recognized these transactions on a gross basis in the accompanying financial statements.

New York Public Radio recognized the following for the years ended June 30:

		2017	2016
Temporarily restricted contributions	$	—	230,354
Unrestricted contributions		7,219,744	4,198,914
Production and other income		730,220	222,030
Various expenses		8,517,651	6,041,276

In addition to these amounts, revenues from this collaborative arrangement of $1,627,185 and $1,361,076 are also recognized in the accompanying statements of activities for the years ended June 30, 2017 and 2016, respectively, related to the portion of certain Agreements expenses for which New York Public Radio's partner is obligated to reimburse New York Public Radio.

(12) Commitments

New York Public Radio has agreements to license capacity on transmitters and lease space at the transmission facilities with third parties in New York and New Jersey. These agreements expire between September 2026 and December 2031. Total license and rent expense was approximately $1,199,000 and $1,296,000 for the years ended June 30, 2017 and 2016, respectively.

In March 2006, New York Public Radio entered into a noncancelable lease agreement for office space and broadcast studios in New York City for a term of 20 years. The lease calls for escalation charges through the lease term and includes a rent-free period of approximately 11 months. The lease also provides New York Public Radio with the option to renew for an additional 10 years provided that New York Public Radio is not in default of any of the terms of the lease agreement. The lease agreement is secured by a standby letter of credit in the amount of approximately $837,000 that expires in March 2018 and may be renewed at the option of New York Public Radio.

The aggregate minimum lease payments under the lease agreement for office space and broadcast studios are being recognized over the term of the lease on the straight-line basis. The cumulative difference between rent expense so calculated and amounts paid in accordance with terms of the lease amounted to approximately $2,543,347 and $2,664,000 as of June 30, 2017 and 2016, respectively, and has been reflected as deferred rent, a liability in the accompanying statements of financial position. Under the terms of the lease agreement, New York Public Radio is reimbursed by the landlord for certain costs incurred. The costs incurred are included in fixed assets and are amortized over the lesser of the lease term or the estimated useful lives of the assets. The amount of costs reimbursed by the landlord is recorded as a lease incentive obligation, which is amortized as a reduction of rent expense on a straight-line basis over the term of the lease. A lease incentive obligation of approximately $250,000 and $277,000 is included in other liabilities in the accompanying statements of financial position as of June 30, 2017 and 2016, respectively. Total rent expense recorded under this lease agreement was approximately $1,960,000 for the years ended June 30, 2017 and 2016.

Future minimum payments under these agreements as of June 30, 2017 were as follows:

		License agreements	Leases
Year ending June 30:			
2018	$	822,747	2,221,240
2019		851,516	2,231,534
2020		868,684	2,242,136
2021		877,771	2,253,057
2022		916,885	2,267,105
Thereafter		8,161,124	9,771,505
	$	12,498,727	20,986,577

(13) Subsequent Events

New York Public Radio has evaluated events and transactions occurring after the statement of financial position date of June 30, 2017 through September 28, 2017, which is the date that the financial statements were issued, for disclosure and recognition in the financial statements.

Schedule

NEW YORK PUBLIC RADIO

Schedule of Functional Expenses

Year ended June 30, 2017

(with comparative summarized totals for the year ended June 30, 2016)

	Program services				Supporting services				
	Programming	**Technical operations**	**Marketing**	**Total**	**Fund-raising (noncampaign)**	**Management and general**	**Total**	**2017**	**2016**
Salaries and benefits	$ 36,072,472	3,033,814	1,817,374	40,923,660	11,682,743	3,496,935	15,179,678	56,103,338	49,060,490
Consultants' fees	1,571,221	297,010	210,870	2,079,101	348,077	359,686	707,763	2,786,864	5,198,689
Marketing and public relations	325,345	—	1,633,184	1,958,529	236,347	47,605	283,952	2,242,481	1,598,003
Program acquisition and production	9,955,896	15,383	198,192	10,169,471	1,210	9,300	10,510	10,179,981	7,164,205
Membership services	—	—	—	—	3,925,899	1,345	3,927,244	3,927,244	3,539,210
Professional services	658,058	19,546	78,393	755,997	274,491	847,611	1,122,102	1,878,099	2,152,141
Travel, entertainment, and meetings	843,153	43,244	21,474	907,871	597,543	142,248	739,791	1,647,662	1,182,763
Equipment rental, repairs, maintenance, and supplies	784,090	511,864	19,437	1,315,391	486,976	238,885	725,861	2,041,252	2,073,089
Office expenses	161,389	10,826	13,560	185,775	46,344	44,030	90,374	276,149	341,541
Bad debt expense, net of recoveries	—	—	—	—	—	117,177	117,177	117,177	90,140
Postage and mailing	28,353	4,810	1,253	34,416	26,401	3,730	30,131	64,547	56,303
Insurance	214,440	16,521	10,574	241,535	46,260	22,469	68,729	310,264	319,643
Rent, utilities, and custodial	2,763,755	1,898,039	95,892	4,757,686	623,830	134,689	758,519	5,516,205	5,784,008
Financing costs and other costs	—	—	—	—	—	488,863	488,863	488,863	534,157
Total expenses before depreciation and amortization	53,378,172	5,851,057	4,100,203	63,329,432	18,296,121	5,954,573	24,250,694	87,580,126	79,094,382
Depreciation and amortization	2,055,746	158,384	101,366	2,315,496	443,475	215,402	658,877	2,974,373	3,201,617
Total expenses	$ 55,433,918	6,009,441	4,201,569	65,644,928	18,739,596	6,169,975	24,909,571	90,554,499	82,295,999

See accompanying independent auditors' report.