



Financial Statements
September 30, 2017 and 2016

Prairie Public Broadcasting, Inc.

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Independent Auditor's Report

The Board of Directors
Prairie Public Broadcasting, Inc.
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Prairie Public Broadcasting, Inc. (Organization), which comprise the statements of financial position as of September 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 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 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 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 Prairie Public Broadcasting, Inc. as of September 30, 2017 and 2016, 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 Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (actual column) on pages 22 through 32 is presented for 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (actual column) on pages 22 through 32 is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information (budget column) on pages 22 through 32 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
January 15, 2018

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	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,769,374	\$ 2,168,899
Grants receivable	329,651	362,453
Contributions receivable, net of allowance for uncollectible accounts of \$10,500 in 2017 and \$9,200 in 2016	348,718	303,261
Trade accounts receivable, net of allowance for uncollectible accounts of \$19,800 in 2017 and \$20,700 in 2016	272,682	333,684
Inventory	25,170	19,440
Prepaid expenses	595,384	553,710
Total current assets	<u>3,340,979</u>	<u>3,741,447</u>
Property and Equipment, Net	<u>9,127,767</u>	<u>10,341,409</u>
Other Assets		
Board directed endowment	3,518,405	2,642,424
Investments	3,240,669	3,181,145
Patronage refunds receivable	581,618	553,787
Total other assets	<u>7,340,692</u>	<u>6,377,356</u>
Total assets	<u>\$ 19,809,438</u>	<u>\$ 20,460,212</u>

See Notes to Financial Statements

Prairie Public Broadcasting, Inc.
 Statements of Financial Position
 September 30, 2017 and 2016

	2017	2016
Liabilities and Net Assets		
Current Liabilities		
Current portion of deferred contract revenues	\$ 6,750	\$ 6,750
Accounts payable	156,403	136,601
Accrued liabilities	623,593	598,091
Deferred grants revenues	674,126	804,079
Total current liabilities	1,460,872	1,545,521
Deferred Contract Revenues, Net of Current Portion	21,938	28,688
Total liabilities	1,482,810	1,574,209
Net Assets		
Unrestricted		
General reserves	7,813,571	7,904,755
Board designated	3,518,405	2,642,424
Property and equipment	6,765,117	8,139,289
Total unrestricted	18,097,093	18,686,468
Permanently restricted	229,535	199,535
Total net assets	18,326,628	18,886,003
Total liabilities and net assets	\$ 19,809,438	\$ 20,460,212

Prairie Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Members	\$ 1,994,390	\$ -	\$ -	\$ 1,994,390
Corporation for Public Broadcasting	1,524,927	-	-	1,524,927
Grants	428,058	-	-	428,058
State support	970,825	302,895	-	1,273,720
Underwriting	184,923	259,212	-	444,135
Fees	32,312	-	-	32,312
Gaming (net of prize payouts and cost of sales)	2,365,508	-	-	2,365,508
Other	527,541	-	30,000	557,541
Rents	666,863	-	-	666,863
Realized and unrealized gains and (losses) on investments	450,167	14,921	-	465,088
Interest	75,583	2,564	-	78,147
Net assets released from restrictions	579,592	(579,592)	-	-
Total public support and revenue	<u>9,800,689</u>	<u>-</u>	<u>30,000</u>	<u>9,830,689</u>
Expenses				
Program services				
Television	5,068,814	-	-	5,068,814
Radio	1,669,248	-	-	1,669,248
Total program services	<u>6,738,062</u>	<u>-</u>	<u>-</u>	<u>6,738,062</u>
Supporting services				
Development	468,193	-	-	468,193
General administration	1,463,016	-	-	1,463,016
Total support services	<u>1,931,209</u>	<u>-</u>	<u>-</u>	<u>1,931,209</u>
Gaming and concessions	1,720,793	-	-	1,720,793
Total expenses	<u>10,390,064</u>	<u>-</u>	<u>-</u>	<u>10,390,064</u>
Revenues in Excess of (Less than) Expenses and Increase (Decrease) in Net Assets	(589,375)	-	30,000	(559,375)
Net Assets, Beginning of the Year	<u>18,686,468</u>	<u>-</u>	<u>199,535</u>	<u>18,886,003</u>
Net Assets, End of Year	<u>\$ 18,097,093</u>	<u>\$ -</u>	<u>\$ 229,535</u>	<u>\$ 18,326,628</u>

Prairie Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Members	\$ 1,882,962	\$ -	\$ -	\$ 1,882,962
Corporation for Public Broadcasting	1,488,542	-	-	1,488,542
Grants	422,428	-	-	422,428
State support	1,083,340	303,314	-	1,386,654
Underwriting	331,481	477,525	-	809,006
Fees	30,715	-	-	30,715
Gaming (net of prize payouts and cost of sales)	2,456,076	-	-	2,456,076
Other	364,577	-	37,500	402,077
Rents	644,342	-	-	644,342
Realized and unrealized gains and (losses) on investments	164,538	9,495	-	174,033
Interest	46,828	2,470	-	49,298
Gain on sale of equipment	5,532	-	-	5,532
Net assets released from restrictions	792,804	(792,804)	-	-
Total public support and revenue	<u>9,714,165</u>	<u>-</u>	<u>37,500</u>	<u>9,751,665</u>
Expenses				
Program services				
Television	5,349,057	-	-	5,349,057
Radio	1,641,755	-	-	1,641,755
Total program services	<u>6,990,812</u>	<u>-</u>	<u>-</u>	<u>6,990,812</u>
Supporting services				
Development	465,364	-	-	465,364
General administration	1,417,716	-	-	1,417,716
Total support services	<u>1,883,080</u>	<u>-</u>	<u>-</u>	<u>1,883,080</u>
Gaming and concessions	1,707,337	-	-	1,707,337
Total expenses	<u>10,581,229</u>	<u>-</u>	<u>-</u>	<u>10,581,229</u>
Revenues in Excess of (Less Than) Expenses and Increase (Decrease) in Net Assets	(867,064)	-	37,500	(829,564)
Net Assets, Beginning of the Year	<u>19,553,532</u>	<u>-</u>	<u>162,035</u>	<u>19,715,567</u>
Net Assets, End of Year	<u>\$ 18,686,468</u>	<u>\$ -</u>	<u>\$ 199,535</u>	<u>\$ 18,886,003</u>

Prairie Public Broadcasting, Inc.
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ (559,375)	\$ (829,564)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,418,457	1,747,788
Net unrealized gain and losses on investments	(273,537)	(71,312)
Net realized gains and losses on investments	(191,551)	(102,721)
Gain on sale of equipment	-	(5,532)
Changes in assets and liabilities		
Grants receivable	32,802	(74,376)
Contributions receivable	(45,457)	(36,626)
Accounts receivable	61,002	(45,443)
Inventory	(5,730)	(106)
Prepaid expenses	(41,674)	29,551
Patronage refunds receivable	(27,831)	(26,737)
Accounts payable	19,802	(5,707)
Accrued liabilities	25,502	30,320
Deferred revenue	(136,703)	(427,103)
Net Cash from Operating Activities	275,707	182,432
Investing Activities		
Purchases and construction of property and equipment	(204,815)	(169,590)
Proceeds from sale of investments	3,198,422	1,884,378
Purchases of investments	(3,668,839)	(2,350,668)
Proceeds from sale of property and equipment	-	5,532
Net Cash used for Investing Activities	(675,232)	(630,348)
Net Decrease in Cash and Cash Equivalents	(399,525)	(447,916)
Cash and Cash Equivalents, Beginning of Year	2,168,899	2,616,815
Cash and Cash Equivalents, End of Year	\$ 1,769,374	\$ 2,168,899

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Operations

Prairie Public Broadcasting, Inc. (Organization) is a trusted public service dedicated to building an exciting and productive future for the prairie and its people. The Organization offers a window on the world through national and regional television and radio programming; creates a forum for the most important issues facing our region with locally produced, topical documentaries; partners with others to foster education for all ages; and utilizes digital technology and web services to expand those valued services. Beginning with a single television transmitter in Fargo, the Organization has grown to become the premier broadcaster of public television and radio services throughout the prairie region.

The Organization operates nine non-commercial television stations, (KBME-DT – Bismarck, ND; KCGE-DT – Crookston, MN; KMDE-DT – Devils Lake, ND; KDSE-TV – Dickinson, ND; KJRE-DT – Ellendale, ND; KFME-TV – Fargo, ND; KFGE-TV – Grand Forks, ND; KSRE-DT – Minot, ND; and KWSE—DT – Williston, ND), and ten non-commercial public FM radio stations (KCND-FM – Bismarck, ND; KPPD-FM – Devils Lake, ND; KDPR-FM – Dickinson, ND; KDSU-FM – Fargo, ND; KFJM-FM – Grand Forks, ND; KUND-FM – Grand Forks, ND; KPRJ-FM – Jamestown, ND; KMPR-FM – Minot, ND; KPPW-FM – Williston, ND; and KPPR-FM – Williston, ND). The financial statements include the accounts of all affiliated stations operated by the Organization. The Organization raises funds through pledges, donations, and charitable gaming activities at several locations.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organization are excluded from this definition.

Grants Receivable

The Organization receives grants from federal and private agencies for various programs. Grants receivable represents amounts requested from granting agencies for services performed. Grants receivable is reduced once the cash has been received from the granting agencies.

Contributions Receivable

Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable.

Receivables and Credit Policies

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments of trade receivables are applied to the earliest unpaid invoices. The carrying amount of trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

Inventory

Inventory includes gaming jar tickets, bingo paper, concession supplies and resale promotional items, and is stated at the lower of cost or market determined by the first-in, first-out method.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Property and Equipment

Property and equipment acquisitions in excess of \$1,000 for equipment and \$5,000 for buildings and land are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2017 and 2016.

Board Directed Endowment

The Board Directed Endowment includes investments set aside by the Board of Directors. The earnings on these investments are available to support operations. The Board Directed Endowment is reflected as a noncurrent asset and a board designated investment in the accompanying financial statements.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

Patronage Refund Receivable

Patronage refund receivable represents undistributed balances held by utility cooperative organizations for the account of the Organization. These patronage refunds are distributed at the discretion of the cooperatives' management and/or boards of directors.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and held in a quasi-endowment. Unrestricted net assets reserved for property and equipment represents property and equipment for engineering, radio and television broadcasting. The property and equipment are included in unrestricted net assets along with gaming and other equipment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's Board of Directors.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Fund Raising Costs

The costs of fund raising are presented as development expenses included in support services on the statements of activities. There were no joint costs allocated to fund raising costs in either year presented. Fund raising expenses were approximately \$492,000 and \$489,000 for the years ended September 30, 2017 and 2016.

Advertising

The Organization uses advertising to promote its programs. The costs of advertising and promotion are expensed as incurred. During 2017 and 2016, advertising and promotion costs totaled \$111,888 and \$95,441.

Income Taxes

The Organization is organized as a North Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Gaming Taxes

The state of North Dakota assesses a tax on gaming gross proceeds.

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 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 and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Note 2 - Property and Equipment

Property and equipment consists of the following at September 30, 2017 and 2016:

	2017	2016
Land	\$ 680,971	\$ 680,971
Buildings and improvements	4,671,554	4,602,755
Vehicles and equipment	37,755,579	37,685,807
Construction in process	61,452	-
	43,169,556	42,969,533
Less accumulated depreciation	(34,041,789)	(32,628,124)
Net property and equipment	\$ 9,127,767	\$ 10,341,409

A significant portion of the Organization's equipment for producing and transmitting programs has been purchased with federal grant funds. Federal regulations require that the federal government be given a lien on such property. The lien is for a ten-year period beginning when the asset is placed in service. Depreciation expense on property and equipment totaled \$1,418,457 and \$1,747,788 for the years ended September 30, 2017 and 2016. Construction in progress at September 30, 2017 represents costs incurred for a new tower and antenna in Minot and improvements at the Dakota Skies Bingo gaming site in Bismarck that is still in progress. The estimated cost to complete these projects are \$3,500,000 and \$50,000.

Note 3 - Investments and Investment Income

Board Directed Endowment

The Board Directed Endowment investments at September 30, 2017 and 2016 are shown in the following table. Investments in corporate debt obligations, equity securities, stock mutual funds, and alternative investments are stated at fair value. Investments in cash and cash equivalents are stated at cost plus accrued interest, if applicable.

	2017	2016
Board Directed Endowment		
Corporate debt obligations	\$ 843,362	\$ 411,813
Equity securities	779,657	904,927
Stock mutual funds	1,599,243	959,518
Cash and cash equivalents	20,803	185,779
Alternative investments	275,340	180,387
	\$ 3,518,405	\$ 2,642,424

Investments

Investments in corporate debt obligations, stock mutual funds, alternative investments, and other investments are stated at fair value. Investments in cash and cash equivalents and certificates of deposit are stated at cost plus accrued interest, if applicable. Investments include the following at September 30, 2017 and 2016:

	2017	2016
Investments		
Certificates of deposit	\$ 3,016,042	\$ 3,006,594
Endowment		
Corporate debt obligations	73,013	55,756
Stock mutual funds	115,203	84,228
Cash and cash equivalents	2,025	2,772
Other	34,386	31,795
	\$ 3,240,669	\$ 3,181,145

Investment Income

Investment income on investments, cash equivalents, and board directed investments consist of the following for the years ended September 30, 2017 and 2016:

	2017	2016
Investment income	\$ 78,147	\$ 49,298
Realized gains	\$ 191,551	\$ 102,721
Change in unrealized gains and losses	273,537	71,312
	\$ 465,088	\$ 174,033

Note 4 - Permanently Restricted Net Assets

Permanently restricted funds consist of the following at September 30, 2017 and 2016:

	2017	2016
Investments to be held in perpetuity, the income from which is to be used to support operations	\$ 229,535	\$ 199,535

Note 5 - Endowments

The Organization's endowment (Endowment) consists of funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors has interpreted the North Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At September 30, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), 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. The remaining portion of the donor restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

At September 30, 2017 and 2016, the Organization had the following endowment net asset composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
September 30, 2017				
Board-designated endowment	\$ 3,518,405	\$ -	\$ -	\$ 3,518,405
Donor-designated endowment	-	-	229,535	229,535
	<u>\$ 3,518,405</u>	<u>\$ -</u>	<u>\$ 229,535</u>	<u>\$ 3,747,940</u>
September 30, 2016				
Board-designated endowment	\$ 2,642,424	\$ -	\$ -	\$ 2,642,424
Donor-designated endowment	-	-	199,535	199,535
	<u>\$ 2,642,424</u>	<u>\$ -</u>	<u>\$ 199,535</u>	<u>\$ 2,841,959</u>

The following were the changes in the endowment net assets for the years ended September 30, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of September 30, 2015	\$ 2,056,497	\$ -	\$ 162,035	\$ 2,218,532
Contributions	397,724	-	37,500	435,224
Investment gain	188,203	11,965	-	200,168
Amounts appropriated	-	(11,965)	-	(11,965)
Balance as of September 30, 2016	2,642,424	-	199,535	2,841,959
Contributions	389,782	-	30,000	419,782
Investment gain	486,199	17,486	-	503,685
Amounts appropriated	-	(17,486)	-	(17,486)
Balance as of September 30, 2017	<u>\$ 3,518,405</u>	<u>\$ -</u>	<u>\$ 229,535</u>	<u>\$ 3,747,940</u>

Board Designated Endowment Performance since Creation

The performance of the board designated endowment since it was created by the Board of Directors is as follows:

Amount initially established in board designated endowment	\$	250,000
Board designated contributions since creation		2,410,622
Investment income (losses), net, since creation		857,783
Balance as of September 30, 2017	\$	3,518,405

The board designated endowment is recorded at fair value. The investment income (losses) noted above include interest income, realized and unrealized gains and losses, and fees.

The Organization has a budget which provides for an improvement in working capital position. The improvement goal was set at 1% of revenues from ongoing operating revenues, which excludes revenues for land, building and equipment. For 2017, any actual improvement of the working capital position above the budgeted goal is to be invested in the Organization’s Board Directed Endowment Fund in the following fiscal year.

For fiscal year 2017, the improvement goal was set at \$90,218. As of September 30, 2017 and 2016, the working capital position was \$1,880,106 and \$2,195,926, which is a decrease of \$315,820. In addition, as the working capital improvement goal for 2016 was exceeded, a transfer was made to the quasi endowment in the amount of \$73,148. This results in a decrease of \$242,672.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support the operations while seeking to maintain the purchasing power of the endowment assets. The long-term objective for the Endowment is to earn a total rate of return from investment assets which shall exceed demands placed on the portfolio to support the Organization’s spending policy plus the rate of inflation, as measured by the national Consumer Price Index. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time. Endowment assets include permanently restricted and unrestricted board designated funds. Only a majority vote of the Board of Directors would change the designation of these funds to be recorded in operating unrestricted net assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield positive results while assuming a low level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on an investment allocation with investments in mutual funds and cash equivalents.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2017 and 2016.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization’s policy is to maintain sufficient financial stability for the operations of the Organization. Interest and dividends net of investment expense are currently included in the endowments and until a decision is made regarding the use of those funds.

Note 6 - Retirement Plan

Substantially all employees of the Organization participate in a defined contribution retirement plan. Employer contributions to the plan are based on a percentage of employee compensation and are paid as accrued. Retirement expense was \$182,397 and \$174,698 for the years ended September 30, 2017 and 2016.

Note 7 - Funds Held by Foundations

There were funds totaling approximately \$247,000 and \$244,000 held by various foundations at September 30, 2017 and 2016. These amounts are not included in the assets reported in the statement of financial position. These funds are managed by the foundations. The Organization receives the interest income from these funds on an annual basis.

Note 8 - Leases

The Organization leases office and tower space to various lessees under long term leases. Rental income totaled \$838,645 and \$810,617 for the years ended September 30, 2017 and 2016.

Future minimum lease payments receivable on these leases are as follows:

Years Ending September 30,	Amount
2018	\$ 619,859
2019	367,618
2020	235,663
2021	137,207
2022	108,809
Thereafter	70,487
Total minimum payments receivable	\$ 1,539,643

Note 9 - Fair Value of Assets

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Organization's investment assets are classified within Level 1 because they include equity securities, alternative investments, and open-end mutual funds with readily determinable fair values based on daily redemption values. The Level 2 investments include corporate debt obligations in which the fair values are based on similar assets in active markets. The other assets are classified as Level 3 because the Organization values them based on unobservable (non-market) information received.

Assets measured at fair value on a recurring basis at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Corporate debt obligations	\$ 916,375	\$ 467,569
Equity securities	779,657	904,927
Stock mutual funds	1,714,446	1,043,746
Alternative investments	275,340	180,387
Other investments	<u>34,386</u>	<u>31,795</u>
	<u>\$ 3,720,204</u>	<u>\$ 2,628,424</u>

The related fair values of these assets are determined as follows:

	Total	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2017				
Corporate debt obligations				
Corporate	\$ 738,449	\$ -	\$ 738,449	\$ -
Foreign	174,246	-	174,246	-
World	3,680	-	3,680	-
Equity securities				
Consumer discretionary	122,477	122,477	-	-
Consumer staple	19,341	19,341	-	-
Energy	30,886	30,886	-	-
Financial	171,559	171,559	-	-
Healthcare	108,332	108,332	-	-
Industrial	113,853	113,853	-	-
Information technology	175,147	175,147	-	-
Materials	20,152	20,152	-	-
Telecommunication	9,955	9,955	-	-
Utilities	7,955	7,955	-	-
Stock mutual funds				
Mid-cap growth	319,305	319,305	-	-
Mid-cap blend	15,564	15,564	-	-
Foreign large growth	406,458	406,458	-	-
Foreign large blend	228,456	228,456	-	-
Diversified emerging market	180,124	180,124	-	-
Large growth	107,630	107,630	-	-
Small blend	147,420	147,420	-	-
Large blend	309,489	309,489	-	-
Alternative investments	275,340	275,340	-	-
Other investments	34,386	-	-	34,386
	<u>\$ 3,720,204</u>	<u>\$ 2,769,443</u>	<u>\$ 916,375</u>	<u>\$ 34,386</u>

	<u>Total</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
September 30, 2016				
Corporate debt obligations				
Corporate	\$ 415,995	\$ -	\$ 415,995	\$ -
Foreign	51,574	-	51,574	-
Equity securities				
Consumer discretionary	149,824	149,824	-	-
Consumer staple	52,839	52,839	-	-
Energy	34,144	34,144	-	-
Financial	195,255	195,255	-	-
Healthcare	94,957	94,957	-	-
Industrial	59,282	59,282	-	-
Information technology	210,946	210,946	-	-
Materials	8,915	8,915	-	-
Services	90,349	90,349	-	-
Utilities	8,416	8,416	-	-
Stock mutual funds				
Mid-cap growth	177,010	177,010	-	-
Large value	122,539	122,539	-	-
Foreign large blend	412,148	412,148	-	-
Diversified emerging market	82,190	82,190	-	-
Foreign small/mid growth	72,923	72,923	-	-
Small blend	134,757	134,757	-	-
Large blend	42,179	42,179	-	-
Alternative investments	180,387	180,387	-	-
Other investments	31,795	-	-	31,795
	<u>\$ 2,628,424</u>	<u>\$ 2,129,060</u>	<u>\$ 467,569</u>	<u>\$ 31,795</u>

Following is a reconciliation of activity for the assets measured at fair value based upon significant unobservable (non-market) information:

	Other Investments
Balance, September 30, 2015	\$ 30,760
Investment income (loss), net of expenses	1,718
Withdrawals	(683)
Balance, September 30, 2016	31,795
Investment income (loss), net of expenses	3,235
Withdrawals	(644)
Balance, September 30, 2017	\$ 34,386

Assets measured at fair value on a nonrecurring basis include the following at September 30, 2017 and 2016:

	2017	2016
Contributions received	\$ 1,549,605	\$ 1,542,246

Contributions receivable are reported at fair value at the date the promise is received, which is then treated as cost.

Note 10 - Commitments and Contingencies

Operating Leases

The Organization leases a portion of its equipment under operating leases expiring during the next five years. The Organization also leases land on which to place its broadcast towers. These leases are also operating leases and expire over the next twenty years. Lastly, the Organization holds gaming leases which are short-term leases as they are renewed annually. The total rental expense for all operating leases was \$230,014 and \$215,099 for the years ended September 30, 2017 and 2016.

The following is a schedule of future minimum rental payments required under all long-term operating leases as of September 30, 2017.

Years Ending September 30,	Amount
2018	\$ 52,921
2019	44,921
2020	37,208
2021	23,404
2022	19,645
Thereafter	29,671
Total	\$ 207,770

Self-Insurance

The Organization is self-insured with respect to certain employee medical costs. Terms of the plan include a stop-loss provision which limits the Organization's liability to \$35,000 per individual or approximately \$600,000 in aggregate annually.

	Beginning Balance	Expense	Claims Paid	Ending Balance
2017	\$ 27,000	\$ 509,462	\$ (509,462)	\$ 27,000
2016	27,000	376,303	(376,303)	27,000

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through January 15, 2018, the date which the financial statements were available to be issued.



Supplementary Information
September 30, 2017

Prairie Public Broadcasting, Inc.

Prairie Public Broadcasting, Inc.
Supporting Schedule to the Statement of Activities
Year Ended September 30, 2017

	Budget (unaudited)	Actual
Television		
Support and Revenue	\$ 4,699,475	\$ 4,766,461
Expenses		
Programming and production	2,735,492	2,767,396
Engineering	2,543,555	2,301,418
Development	381,430	372,576
Total expenses	5,660,477	5,441,390
Excess of Expenses over Support and Revenue	\$ (961,002)	\$ (674,929)
Radio		
Support and Revenue	\$ 1,296,837	\$ 1,209,431
Expenses		
Programming and production	1,229,956	1,193,064
Engineering	495,150	476,184
Development	81,600	95,617
Total expenses	1,806,706	1,764,865
Excess of Expenses over Support and Revenue	\$ (509,869)	\$ (555,434)
Corporate		
Support and Revenue	\$ 1,691,534	\$ 2,134,004
Expenses		
General and administrative	1,512,562	1,463,016
Excess of Support and Revenue over Expenses	\$ 178,972	\$ 670,988
Total		
Support and Revenue	\$ 7,687,846	\$ 8,109,896
Expenses		
Excess of Expenses over Support and Revenue	\$ (1,291,899)	\$ (559,375)

Prairie Public Broadcasting, Inc.
Schedule of Support and Revenue
Year Ended September 30, 2017

	Budget (unaudited)	Actual
Television		
Membership	\$ 1,537,000	\$ 1,549,605
CPB income	1,335,200	1,319,656
ND state support	588,413	505,871
MN state support	555,491	550,356
Underwriting	408,000	289,495
NCCST	267,500	230,367
Educational fees	36,000	32,312
MN capital grant	10,871	10,872
Program products	20,000	13,708
Foundation income	18,000	40,453
CPB interconnection grant	19,000	17,992
Broadcast income	10,000	5,008
Grant income	4,000	82,680
Special gifts	3,000	220,117
Memorials	1,000	-
Miscellaneous	-	151
Special events	-	(1,697)
Canadian exchange	(114,000)	(100,485)
	4,699,475	4,766,461
Total television		
Radio		
Membership	485,000	545,270
Underwriting	245,000	154,640
CPB income	192,000	187,279
ND state support	240,337	206,621
University support	50,000	-
Grant income	84,500	115,011
Miscellaneous	-	610
	1,296,837	1,209,431
Total radio		

Prairie Public Broadcasting, Inc.
 Schedule of Support and Revenue
 Year Ended September 30, 2017

	Budget (unaudited)	Actual
Corporate		
Gaming net income	\$ 804,419	\$ 644,715
Tower rent	622,529	628,363
Contracted services	179,786	186,532
Building rent	26,400	38,500
Capital patronage	25,000	38,618
Oil well royalties	8,000	4,858
Interest income	21,000	78,147
Other revenues	6,400	13,352
Realized and unrealized gains and losses	-	465,088
Endowment contribution	-	30,000
In kind	-	8,108
Gain on sale of equipment	-	600
Vending loss	(2,000)	(2,877)
	1,691,534	2,134,004
Total corporate		
	1,691,534	2,134,004
Total Support and Revenue	\$ 7,687,846	\$ 8,109,896

Prairie Public Broadcasting, Inc.
Schedule of Programming and Production Expenses – Television
Year Ended September 30, 2017

	Budget (unaudited)	Actual
Salary - Full-time	\$ 1,194,576	\$ 1,177,334
Program rights	594,440	595,983
Benefits	240,700	355,437
Production	87,900	58,117
Contracted services	164,300	151,583
Miscellaneous	121,320	127,762
FICA tax	90,000	86,688
Program information	70,540	72,231
Postage	60,950	42,743
Travel	33,400	38,740
Supplies	9,750	10,589
Dues and subscriptions	12,716	12,598
Training	11,200	4,560
Equipment repair	29,600	18,899
Telephone	3,100	4,693
Printing	6,000	4,187
Equipment	1,000	205
Set material	1,000	-
Salary - Part-time	2,000	5,047
Video tape	1,000	-
	<u>\$ 2,735,492</u>	<u>\$ 2,767,396</u>
Total programming and production expenses - television	<u>\$ 2,735,492</u>	<u>\$ 2,767,396</u>

Prairie Public Broadcasting, Inc.
 Schedule of Engineering Expenses – Television
 Year Ended September 30, 2017

	Budget (unaudited)	Actual
Depreciation	\$ 1,350,000	\$ 1,131,598
Salary - Full-time	542,300	537,083
Power costs	230,300	228,893
Benefits	153,733	164,220
Transmitter repairs and maintenance	87,630	87,070
Contracted facilities and services	47,992	47,171
Video equipment repairs and maintenance	22,500	18,205
FICA tax	42,400	40,756
Travel	25,750	18,187
Salary - Part-time	25,000	20,956
Vehicle repair	5,200	1,480
Training	2,400	1,933
Telephone	6,100	3,288
Equipment	1,500	-
Miscellaneous	750	578
	<u>\$ 2,543,555</u>	<u>\$ 2,301,418</u>
Total engineering expenses - television	<u>\$ 2,543,555</u>	<u>\$ 2,301,418</u>

Prairie Public Broadcasting, Inc.
Schedule of Programming and Production Expenses – Radio
Year Ended September 30, 2017

	Budget (unaudited)	Actual
Salary - Full-time	\$ 627,103	\$ 600,568
Program acquisition	270,000	276,062
Benefits	146,800	153,986
Salary - Part-time	46,000	47,328
FICA tax	48,600	45,032
Program production	15,223	9,594
Contracted services	18,300	17,641
Travel	15,400	7,456
Training	11,600	7,236
Satellite interconnection fees	-	10,130
Miscellaneous	12,780	11,278
Postage	4,250	3,819
Telephone	3,200	2,598
Supplies	1,200	336
Repairs and maintenance equipment	500	-
	\$ 1,229,956	\$ 1,193,064
Total programming and production expenses - radio	\$ 1,229,956	\$ 1,193,064

Prairie Public Broadcasting, Inc.
Schedule of Engineering Expenses – Radio
Year Ended September 30, 2017

	<u>Budget</u> (unaudited)	<u>Actual</u>
Power cost	\$ 182,550	\$ 169,882
Depreciation	165,000	167,593
Salary - Full-time	109,300	105,770
Benefits	12,800	14,152
Repairs and maintenance	9,000	2,184
FICA tax	8,400	8,114
Audio repairs and maintenance	4,600	6,600
Equipment	<u>3,500</u>	<u>1,889</u>
Total engineering expenses - radio	<u>\$ 495,150</u>	<u>\$ 476,184</u>

Prairie Public Broadcasting, Inc.
Schedule of General and Administrative Expenses – Corporate
Year Ended September 30, 2017

	Budget (unaudited)	Actual
Salary - Full-time	\$ 620,000	\$ 599,597
Insurance	166,000	169,794
Utilities	96,000	95,528
Depreciation	82,000	85,853
Bank charges	75,000	74,137
Benefits	90,400	67,432
Professional fees	85,200	72,822
Board of Directors	40,000	36,306
FICA tax	39,200	37,371
Travel	28,000	28,707
Interest	100	-
Dues and subscriptions	36,600	39,175
Repairs and maintenance - building	21,000	31,171
Computer	23,900	33,341
Cost of contracted services	21,662	21,026
Office supplies	17,200	15,098
Cleaning and custodial	17,600	15,852
Telephone	16,000	16,732
Postage and freight	8,400	8,400
Miscellaneous	8,600	6,297
Unemployment tax	4,000	4
Real estate tax	7,000	6,970
Promotion	2,500	847
Worker's compensation	8,200	7,410
Training	1,700	799
Hiring	8,000	2,571
Equipment	500	3,093
Interest	100	-
Rent and lease	400	368
Finance charges	-	66
Repairs and maintenance - vehicles and equipment	(12,700)	(13,751)
Total general and administrative expenses - corporate	<u>\$ 1,512,562</u>	<u>\$ 1,463,016</u>

Prairie Public Broadcasting, Inc.
Schedule of Development Expenses – Television
Year Ended September 30, 2017

	Budget (unaudited)	Actual
New member acquisition	\$ 202,700	\$ 191,216
Premiums	72,000	68,616
Membership	35,900	37,662
Bad debts	40,100	44,940
Postage	21,800	22,327
Promotion	5,000	5,485
Travel	2,000	1,485
Customer service	1,130	96
Training	800	735
Contracted services	-	14
	-	14
Total development expenses - television	\$ 381,430	\$ 372,576

Prairie Public Broadcasting, Inc.
Schedule of Development Expenses – Radio
Year Ended September 30, 2017

	<u>Budget</u> (unaudited)	<u>Actual</u>
New member acquisition	\$ 40,500	\$ 47,170
Membership	30,600	31,176
Bad debt expense	<u>10,500</u>	<u>17,271</u>
Total development expenses - radio	<u>\$ 81,600</u>	<u>\$ 95,617</u>

Prairie Public Broadcasting, Inc.
Schedule of Gaming Income and Direct Expenses
Year Ended September 30, 2017

	Budget (unaudited)	Actual
Gaming Income		
Pull tabs	\$ 5,547,020	\$ 5,536,470
Bingo	3,788,580	4,353,667
Blackjack	573,696	440,724
Paddlewheel	5,520	34,012
Promotional items	138,000	127,880
Vending	36,000	26,863
Total gaming income	10,088,816	10,519,616
Cost of Gaming Income		
Pull tab prizes	4,423,960	4,412,369
Bingo prizes	3,082,500	3,741,739
Total cost of gaming income	7,506,460	8,154,108
Adjusted Gross Proceeds	2,582,356	2,365,508
Direct Expenses	1,777,937	1,720,793
Net Gaming Income	\$ 804,419	\$ 644,715
Direct Expenses		
Salaries	\$ 782,200	\$ 736,176
State gaming tax	228,623	219,445
Benefits	123,840	120,956
Rent and leases	156,060	175,858
FICA	128,813	124,323
Gaming supplies	99,480	103,343
Depreciation	46,138	33,413
Promotion	30,240	17,692
Utilities	33,000	32,158
Real estate taxes	25,440	30,467
Vending	24,000	15,180
Contracted services	21,720	25,909
Supplies	16,140	18,967
ND employment taxes	-	5,278
Insurance	14,000	14,744
Miscellaneous	7,260	6,560
Resale supplies	5,400	4,885
Travel	11,264	12,866
Repair and maintenance - equipment	7,860	5,823
Bad debt	-	346
Repair and maintenance - building	1,800	6,306
Postage	3,785	3,499
Small equipment	4,478	1,289
Telephone	2,892	2,665
Accounting, audit, legal, and bank fees	1,754	1,644
Workers' compensation	1,500	1,001
Training	250	-
Total direct expenses	\$ 1,777,937	\$ 1,720,793