Financial Statements
September 30, 2016 and 2015

Prairie Public Broadcasting, Inc.

EideBailly
CPAs & BUSINESS ADVISORS

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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

Other 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.

Eide Bailly LLP

Fargo, North Dakota
January 17, 2017

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	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 2,168,899	$ 2,616,815
Grants receivable	362,453	288,077
Contributions receivable, net of allowance for uncollectible accounts of $9,200 and $8,000 in 2016 and 2015	303,261	266,635
Trade accounts receivable, net of allowance for uncollectible accounts of $20,700 and $19,000 in 2016 and 2015	333,684	288,241
Inventory	19,440	19,334
Prepaid expenses	553,710	583,261
Total current assets	3,741,447	4,062,363
Property and Equipment, Net	10,341,409	11,919,607
Other Assets		
Board directed endowment	2,642,424	2,056,497
Investments	3,181,145	3,126,749
Patronage refunds receivable	553,787	527,050
Total other assets	6,377,356	5,710,296
Total assets	$ 20,460,212	$ 21,692,266

	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Current portion of deferred contract revenues	$ 6,750	$ 6,750
Accounts payable	136,601	142,308
Accrued liabilities	598,091	567,771
Deferred grants revenues	804,079	1,224,433
Total current liabilities	1,545,521	1,941,262
Deferred Contract Revenues, Net of Current Portion	28,688	35,437
Total liabilities	1,574,209	1,976,699
Net Assets		
Unrestricted		
General reserves	7,904,755	7,692,727
Board designated	2,642,424	2,056,497
Property and equipment	8,139,289	9,804,308
Total unrestricted	18,686,468	19,553,532
Permanently restricted	199,535	162,035
Total net assets	18,886,003	19,715,567
Total liabilities and net assets	$ 20,460,212	$ 21,692,266

	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	9,714,165	-	37,500	9,751,665
Expenses				
Program services				
Television	5,349,057	-	-	5,349,057
Radio	1,641,755	-	-	1,641,755
Total program services	6,990,812	-	-	6,990,812
Supporting services				
Development	465,364	-	-	465,364
General administration	1,417,716	-	-	1,417,716
Total support services	1,883,080	-	-	1,883,080
Gaming and concessions	1,707,337	-	-	1,707,337
Total expenses	10,581,229	-	-	10,581,229
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	19,553,532	-	162,035	19,715,567
Net Assets, End of Year	$ 18,686,468	$ -	$ 199,535	$ 18,886,003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Members	$ 1,879,751	$ -	$ -	$ 1,879,751
Corporation for Public Broadcasting	1,581,728	-	-	1,581,728
Grants	444,249	711,295	-	1,155,544
State support	1,197,261	322,936	-	1,520,197
Underwriting	318,448	370,391	-	688,839
Fees	37,653	-	-	37,653
Gaming (net of prize payouts and cost of sales)	2,339,880	-	-	2,339,880
Other	437,825	-	42,500	480,325
Rents	634,732	-	-	634,732
Realized and unrealized gains and (losses) on investments	(118,965)	-	-	(118,965)
Interest	24,666	-	-	24,666
Net assets released from restrictions	1,404,622	(1,404,622)	-	-
Total public support and revenue	10,181,850	-	42,500	10,224,350
Expenses				
Program services				
Television	5,547,463	-	-	5,547,463
Radio	1,629,727	-	-	1,629,727
Total program services	7,177,190	-	-	7,177,190
Supporting services				
Development	468,142	-	-	468,142
General administration	1,396,729	-	-	1,396,729
Total support services	1,864,871	-	-	1,864,871
Gaming and concessions	1,655,873	-	-	1,655,873
Total expenses	10,697,934	-	-	10,697,934
Revenues in Excess of (Less Than) Expenses and Increase (Decrease) in Net Assets	(516,084)	-	42,500	(473,584)
Net Assets, Beginning of the Year	20,069,616	-	119,535	20,189,151
Net Assets, End of Year	$ 19,553,532	$ -	$ 162,035	$ 19,715,567

	2016	2015
Operating Activities		
Change in net assets	$ (829,564)	$ (473,584)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,747,788	1,782,370
Net unrealized gain and losses on investments	(71,312)	148,284
Net realized gains on investments	(102,721)	(29,319)
Gain on sale of equipment	(5,532)	-
Changes in assets and liabilities		
Grants receivable	(74,376)	250,631
Contributions receivable	(36,626)	(34,852)
Accounts receivable	(45,443)	139,396
Inventory	(106)	2,749
Prepaid expenses	29,551	(67,389)
Patronage refunds receivable	(26,737)	(29,546)
Accounts payable	(5,707)	(94,899)
Accrued liabilities	30,320	(45,489)
Deferred revenue	(427,103)	221,977
Net Cash from Operating Activities	182,432	1,770,329
Investing Activities		
Purchases and construction of property and equipment	(169,590)	(932,654)
Proceeds from sale of equipment	5,532	-
Proceeds from sale of investments	1,884,378	783,303
Purchases of investments	(2,350,668)	(1,213,822)
Net Cash used for Investing Activities	(630,348)	(1,363,173)
Net Increase (Decrease) in Cash and Cash Equivalents	(447,916)	407,156
Cash and Cash Equivalents, Beginning of Year	2,616,815	2,209,659
Cash and Cash Equivalents, End of Year	$ 2,168,899	$ 2,616,815

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, 2016 and 2015.

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 $489,000 and $491,000 for the years ended September 30, 2016 and 2015.

Advertising

The Organization uses advertising to promote its programs. The costs of advertising and promotion are expensed as incurred. During 2016 and 2015, advertising and promotion costs totaled $95,441 and $126,986.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification has no impact on previously reported net assets.

Note 2 - Property and Equipment

Property and equipment consists of the following at September 30, 2016 and 2015:

	2016	2015
Land	$ 680,971	$ 680,971
Buildings and improvements	4,602,755	4,275,062
Vehicles and equipment	37,685,807	37,619,056
Construction in process	-	247,414
	42,969,533	42,822,503
Less accumulated depreciation	(32,628,124)	(30,902,896)
Net property and equipment	$ 10,341,409	$ 11,919,607

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 $1,747,788 and $1,782,370 for the years ended September 30, 2016 and 2015.

Note 3 - Investments and Investment Income

Board Directed Endowment

The Board Directed Endowment investments at September 30, 2016 and 2015 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.

	2016	2015
Board Directed Endowment		
Corporate debt obligations	$ 411,813	$ 341,956
Equity securities	904,927	712,080
Stock mutual funds	959,518	795,314
Cash and cash equivalents	185,779	68,556
Alternative investments	180,387	138,591
	$ 2,642,424	$ 2,056,497

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, 2016 and 2015:

	2016	2015
Investments		
Certificates of deposit	$ 3,006,594	$ 3,002,698
Endowment		
Corporate debt obligations	55,756	28,270
Stock mutual funds	84,228	46,664
Alternative investments	-	17,901
Cash and cash equivalents	2,772	456
Other	31,795	30,760
	$ 3,181,145	$ 3,126,749

Investment Income

Investment income on investments, cash equivalents, and board directed investments consist of the following for the years ended September 30, 2016 and 2015:

	2016	2015
Investment income	$ 49,298	$ 24,666
Realized gains	$ 102,721	$ 29,319
Change in unrealized gains and losses	71,312	(148,284)
	$ 174,033	$ (118,965)

Note 4 - Permanently Restricted Net Assets

Permanently restricted funds consist of the following at September 30, 2016 and 2015:

	2016	2015
Investments to be held in perpetuity, the income from which is to be used to support operations	$ 199,535	$ 162,035

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, 2016 and 2015, 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, 2016 and 2015, the Organization had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2016				
Board-designated endowment	$ 2,642,424	$ -	$ -	$ 2,642,424
Donor-designated endowment	-	-	199,535	199,535
	$ 2,642,424	$ -	$ 199,535	$ 2,841,959

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2015				
Board-designated endowment	$ 2,056,497	$ -	$ -	$ 2,056,497
Donor-designated endowment	-	-	162,035	162,035
	$ 2,056,497	$ -	$ 162,035	$ 2,218,532

The following were the changes in the endowment net assets for the years ended September 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of September 30, 2014	$ 1,781,744	$ -	$ 119,535	$ 1,901,279
Contributions	377,965	-	42,500	420,465
Investment loss	(103,212)	-	-	(103,212)
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

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		2,020,840
Investment income (losses), net, since creation		371,584
Balance as of September 30, 2016	$	2,642,424

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 2016, 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 2016, the improvement goal was set at $76,374. As of September 30, 2016 and 2015, the working capital position was $2,195,926 and $2,121,101, which is actual improvement of $74,825. In addition, a transfer was made to the quasi endowment in the amount of $74,697. This results in an actual improvement of $149,522. The improvement above the budgeted goal of $73,148 will be designated for investment in the board designated endowment in fiscal year 2017.

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, 2016. Deficiencies of this nature that are reported in unrestricted net assets were $5,517 as of September 30, 2015. These deficiencies resulted from unfavorable market fluctuations.

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 $174,698 and $169,479 for the years ended September 30, 2016 and 2015.

Note 7 - Funds Held by Foundations

There were funds totaling approximately $244,000 and $261,000 held by various foundations at September 30, 2016 and 2015. 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 $810,617 and $795,687 for the years ended September 30, 2016 and 2015.

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

Years Ending September 30,	Amount
2017	$ 687,255
2018	414,422
2019	242,374
2020	119,907
2021	36,736
Total minimum payments receivable	$ 1,500,694

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 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, 2016 and 2015 are as follows:

	2016	2015
Corporate debt obligations	$ 467,569	$ 370,226
Equity securities	904,927	712,080
Stock mutual funds	1,043,746	841,978
Alternative investments	180,387	156,492
Other investments	31,795	30,760
	$ 2,628,424	$ 2,111,536

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, 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
	$ 2,628,424	$ 2,129,060	$ 467,569	$ 31,795

	Total	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2015				
Corporate debt obligations				
Corporate	$ 349,853	$ -	$ 349,853	$ -
Foreign	20,373	-	20,373	-
Equity securities				
Consumer discretionary	100,731	100,731	-	-
Consumer staple	29,556	29,556	-	-
Energy	27,026	27,026	-	-
Financial	108,292	108,292	-	-
Healthcare	86,196	86,196	-	-
Industrial	115,593	115,593	-	-
Information technology	126,161	126,161	-	-
Materials	43,798	43,798	-	-
Services	50,255	50,255	-	-
Utilities	24,472	24,472	-	-
Stock mutual funds				
Mid-cap growth	107,559	107,559	-	-
Large value	108,996	108,996	-	-
Small growth	162,777	162,777	-	-
Foreign large blend	270,569	270,569	-	-
Diversified emerging market	86,852	86,852	-	-
Foreign small/mid growth	66,269	66,269	-	-
Large blend	24,543	24,543	-	-
Financial	14,413	14,413	-	-
Alternative investments	156,492	156,492	-	-
Other investments	30,760	-	-	30,760
	$ 2,111,536	$ 1,710,550	$ 370,226	$ 30,760

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, 2014	$ 33,168
Investment income (loss), net of expenses	(1,769)
Withdrawals	(639)
Balance, September 30, 2015	30,760
Investment income (loss), net of expenses	1,718
Withdrawals	(683)
Balance, September 30, 2016	$ 31,795

Assets measured at fair value on a nonrecurring basis include the following at September 30, 2016 and 2015:

	2016	2015
Contributions received	$ 1,542,246	$ 1,520,533

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 $215,099 and $190,116 for the years ended September 30, 2016 and 2015.

The following is a schedule of future minimum rental payments required under all long-term operating leases as of September 30, 2016.

Years Ending September 30,	Amount
2017	$ 54,655
2018	49,848
2019	37,818
2020	37,135
2021	23,404
Thereafter	49,317
Total	$ 252,177

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. The accrued liability for the estimated amount of claims incurred but not reported as of September 30, 2016 and 2015 is approximately $27,000. The claims paid for the years ended September 30, 2016 and 2015 were $376,303 and $470,738.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through January 17, 2017, the date which the financial statements were available to be issued.

Supplementary Information
September 30, 2016 and 2015

Prairie Public Broadcasting, Inc.

	Budget (unaudited)	Actual
Television		
Support and Revenue	$ 4,711,548	$ 4,869,210
Expenses		
Programming and production	2,844,040	2,740,837
Engineering	2,806,155	2,608,220
Development	403,450	385,830
Total expenses	6,053,645	5,734,887
Excess of Expenses over Support and Revenue	$ (1,342,097)	$ (865,677)
Radio		
Support and Revenue	$ 1,321,211	$ 1,282,248
Expenses		
Programming and production	1,213,224	1,167,098
Engineering	482,800	474,657
Development	80,400	79,534
Total expenses	1,776,424	1,721,289
Excess of Expenses over Support and Revenue	$ (455,213)	$ (439,041)
Corporate		
Support and Revenue	$ 1,614,355	$ 1,892,870
Expenses		
General and administrative	1,433,362	1,417,716
Excess of Support and Revenue over Expenses	$ 180,993	$ 475,154
Total		
Support and Revenue	$ 7,647,114	$ 8,044,328
Expenses	9,263,431	8,873,892
Excess of Expenses over Support and Revenue	$ (1,616,317)	$ (829,564)

	Budget (unaudited)	Actual
Television		
Membership	$ 1,537,000	$ 1,542,246
CPB income	1,290,867	1,278,523
ND state support	603,500	585,754
MN state support	542,176	510,775
Underwriting	401,000	594,468
NCCST	267,500	267,504
Educational fees	46,000	30,715
MN capital grant	50,871	50,872
Program products	20,000	14,233
Foundation income	18,000	11,113
CPB interconnection grant	18,734	18,968
Broadcast income	10,000	11,949
Grant income	4,000	12,400
Special gifts	3,000	88,941
Memorials	1,000	25
Miscellaneous	500	-
Special events	-	4,315
Canadian exchange	(102,600)	(153,591)
Total television	4,711,548	4,869,210
Radio		
Membership	480,000	494,307
Underwriting	243,300	214,538
CPB income	196,815	191,051
ND state support	246,500	239,253
University support	62,500	46,776
Grant income	92,096	95,748
Miscellaneous	-	375
Special events	-	200
Total radio	1,321,211	1,282,248

	Budget (unaudited)	Actual
Corporate		
Gaming net income	$ 788,060	$ 748,739
Tower rent	594,018	644,342
Contracted services	172,277	174,076
Capital patronage	25,000	42,226
Oil well royalties	14,000	4,830
Interest income	18,000	49,298
Other revenues	6,500	8,648
Realized and unrealized gains and losses	-	174,033
Endowment contribution	-	37,500
In kind	-	6,445
Gain on sale of equipment	-	5,532
Vending loss	(3,500)	(2,799)
Total corporate	1,614,355	1,892,870
Total Support and Revenue	$ 7,647,114	$ 8,044,328

	Budget (unaudited)	Actual
Salary - Full-time	$ 1,176,100	$ 1,132,201
Program rights	653,000	635,939
Benefits	334,100	287,605
Production	86,300	114,842
Contracted services	175,350	164,392
Miscellaneous	107,390	122,615
FICA tax	87,900	83,539
Program information	70,540	64,601
Postage	56,950	40,749
Travel	33,720	41,898
Supplies	9,950	6,890
Dues and subscriptions	13,200	12,141
Training	11,900	7,561
Equipment repair	10,600	10,105
Telephone	4,840	3,333
Printing	6,000	5,781
Equipment	1,000	837
Set material	1,000	370
Salary - Part-time	4,200	5,079
Video tape	-	359
Total programming and production expenses - television	$ 2,844,040	$ 2,740,837

	Budget (unaudited)	Actual
Depreciation	$ 1,600,000	$ 1,456,524
Salary - Full-time	555,100	523,915
Power costs	227,800	224,937
Benefits	154,400	136,480
Transmitter repairs and maintenance	87,630	61,591
Contracted facilities and services	48,025	52,433
Video equipment repairs and maintenance	38,500	35,263
FICA tax	41,000	40,295
Travel	25,750	24,027
Salary - Part-time	13,900	30,751
Vehicle repair	5,200	3,641
Training	3,000	1,830
Telephone	3,600	3,343
Equipment	1,500	(68)
Miscellaneous	750	13,258
Total engineering expenses - television	$ 2,806,155	$ 2,608,220

	Budget (unaudited)	Actual
Salary - Full-time	$ 602,806	$ 573,971
Program acquisition	280,943	281,007
Benefits	146,000	117,663
Salary - Part-time	36,194	62,173
FICA tax	45,200	44,885
Program production	24,971	14,564
Contracted services	20,800	29,995
Travel	15,420	10,370
Training	13,300	7,557
Satellite interconnection fees	9,300	8,952
Miscellaneous	7,820	9,979
Postage	4,550	2,430
Telephone	3,420	2,791
Supplies	1,500	761
Repairs and maintenance equipment	1,000	-
Total programming and production expenses - radio	$ 1,213,224	$ 1,167,098

	Budget (unaudited)	Actual
Power cost	$ 177,000	$ 172,550
Depreciation	165,000	166,994
Salary - Full-time	103,400	105,815
Benefits	12,500	8,388
Repairs and maintenance	9,000	7,832
FICA tax	7,800	7,780
Audio repairs and maintenance	4,600	2,535
Equipment	3,500	2,763
Total engineering expenses - radio	$ 482,800	$ 474,657

	Budget (unaudited)	Actual
Salary - Full-time	$ 594,000	$ 587,196
Insurance	164,000	161,798
Utilities	97,000	88,233
Depreciation	82,000	84,615
Bank charges	70,000	81,254
Benefits	67,900	61,450
Professional fees	70,200	57,028
Board of Directors	40,000	37,304
FICA tax	42,400	36,108
Travel	28,000	23,422
Interest	200	-
Dues and subscriptions	32,500	38,824
Repairs and maintenance - building	21,000	42,329
Computer	23,900	21,664
Cost of contracted services	21,662	20,413
Office supplies	15,700	18,020
Cleaning and custodial	15,900	14,254
Telephone	15,700	16,475
Postage and freight	9,200	7,981
Miscellaneous	8,600	7,646
Unemployment tax	4,000	3,727
Real estate tax	8,200	1,498
Promotion	2,500	1,050
Worker's compensation	6,600	8,673
Training	1,700	830
Hiring	4,000	8,878
Equipment	500	2,252
Interest	200	-
Rent and lease	-	368
Finance charges	-	85
Repairs and maintenance - vehicles and equipment	(14,200)	(15,659)
Total general and administrative expenses - corporate	$ 1,433,362	$ 1,417,716

	Budget (unaudited)	Actual
New member acquisition	$ 218,000	$ 205,155
Premiums	78,000	66,287
Membership	36,400	35,247
Bad debts	40,100	43,741
Postage	21,800	23,986
Promotion	4,450	8,247
Travel	2,400	1,870
Customer service	1,400	598
Training	900	699
Total development expenses - television	$ 403,450	$ 385,830

	Budget (unaudited)	Actual
New member acquisition	$ 40,500	$ 44,814
Membership	29,400	21,018
Bad debt expense	10,500	13,702
Total development expenses - radio	$ 80,400	$ 79,534

	Budget (unaudited)	Actual
Gaming Income		
Pull tabs	$ 5,315,200	$ 5,395,303
Bingo	3,939,600	3,689,702
Blackjack	586,620	520,139
Paddlewheel	-	9,865
Promotional items	152,400	142,692
Vending	36,000	34,188
Total gaming income	10,029,820	9,791,889
Cost of Gaming Income		
Pull tab prizes	4,153,844	4,300,371
Bingo prizes	3,388,200	3,035,442
Total cost of gaming income	7,542,044	7,335,813
Adjusted Gross Proceeds	2,487,776	2,456,076
Direct Expenses	1,699,716	1,707,337
Net Gaming Income	$ 788,060	$ 748,739
Direct Expenses		
Salaries	$ 754,400	$ 763,810
State gaming tax	213,887	206,238
Benefits	93,960	106,664
Rent and leases	155,160	155,681
FICA	124,577	127,920
Gaming supplies	102,540	96,659
Depreciation	48,112	39,655
Promotion	25,900	19,908
Utilities	32,400	32,847
Real estate taxes	24,720	26,040
Vending	24,000	20,014
Contracted services	21,540	21,390
Supplies	15,424	15,877
ND employment taxes	-	3,374
Insurance	14,000	13,873
Miscellaneous	8,400	15,250
Resale supplies	6,600	5,227
Travel	12,180	10,228
Repair and maintenance - equipment	5,340	10,118
Bad debt	3,200	122
Repair and maintenance - building	1,200	120
Postage	3,380	3,789
Small equipment	2,520	6,709
Telephone	2,676	2,701
Accounting, audit, legal, and bank fees	2,100	1,713
Workers' compensation	1,500	1,267
Training	-	143
Total direct expenses	$ 1,699,716	$ 1,707,337