



*REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)*

FOR

OREGON PUBLIC BROADCASTING

June 30, 2017 and 2016

MOSSADAMS.COM

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Report of Independent Auditors

To the Board of Directors
Oregon Public Broadcasting

Report on the Financial Statements

We have audited the accompanying financial statements of Oregon Public Broadcasting (OPB), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Oregon Public Broadcasting as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with 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 schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of OPB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OPB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPB's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
November 20, 2017

Oregon Public Broadcasting Statements of Financial Position

ASSETS

	June 30,	
	2017	2016
Cash and cash equivalents	\$ 19,647,417	\$ 14,870,450
Underwriting and other accounts receivable, net	2,973,777	2,136,298
Contributions and bequests receivable, net	1,872,119	801,799
Investments	35,768,027	32,324,114
Investments in LLC	2,213,567	2,186,960
Investments for charitable trusts and gift annuities	4,647,865	2,864,354
Prepays and other assets	1,204,728	1,179,574
Property and equipment, net	9,555,362	10,288,362
Total assets	\$ 77,882,862	\$ 66,651,911

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 2,039,712	\$ 1,828,018
Accrued liabilities	830,079	722,072
Deferred revenue	2,597,666	1,584,947
Actuarial liability for charitable trusts and gift annuities	2,240,374	1,267,570
Total liabilities	7,707,831	5,402,607
NET ASSETS		
Unrestricted	32,311,698	29,610,132
Board-designated	29,717,888	25,384,503
Total unrestricted	62,029,586	54,994,635
Temporarily restricted	4,913,506	3,143,329
Permanently restricted	3,231,939	3,111,340
Total net assets	70,175,031	61,249,304
Total liabilities and net assets	\$ 77,882,862	\$ 66,651,911

Oregon Public Broadcasting
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 21,846,479	\$ 1,852,202	\$ 100,372	\$ 23,799,053
Content creation grants and contracts	1,259,846	924,872	-	2,184,718
Other grants and contracts	5,688,443	3,051,283	-	8,739,726
Sales and services	1,681,285	-	-	1,681,285
Donated services and materials	413,300	-	-	413,300
Investment income:				
Interest and dividends	675,910	111,415	-	787,325
Realized gains on investments	525,114	95,617	-	620,731
Net unrealized gains on investments	2,161,630	395,797	-	2,557,427
Gain on investments in LLC	226,607	-	-	226,607
Gain on charitable trusts and gift annuities	144,824	22,062	20,227	187,113
Net assets released from restrictions and transfers	4,683,071	(4,683,071)	-	-
Total revenues, gains, and other support	39,306,509	1,770,177	120,599	41,197,285
EXPENSES				
Programming and content creation	13,171,236	-	-	13,171,236
Broadcasting and technology	6,057,834	-	-	6,057,834
Marketing	1,411,528	-	-	1,411,528
Management and general	5,257,373	-	-	5,257,373
Development and fund-raising	6,373,587	-	-	6,373,587
Total expenses	32,271,558	-	-	32,271,558
INCREASE IN NET ASSETS	7,034,951	1,770,177	120,599	8,925,727
NET ASSETS, beginning of year	54,994,635	3,143,329	3,111,340	61,249,304
NET ASSETS, end of year	\$ 62,029,586	\$ 4,913,506	\$ 3,231,939	\$ 70,175,031

Oregon Public Broadcasting
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 19,349,427	\$ 400,394	\$ 38,534	\$ 19,788,355
Content creation grants and contracts	858,177	1,069,384	-	1,927,561
Other grants and contracts	5,102,687	3,293,020	-	8,395,707
Sales and services	1,963,712	-	-	1,963,712
Donated services and materials	442,445	-	-	442,445
Investment income:				
Interest and dividends	563,269	92,419	-	655,688
Realized gains on investments	280,892	47,485	-	328,377
Net unrealized losses on investments	(955,221)	(130,860)	-	(1,086,081)
Gain on investments in LLC	170,617	-	-	170,617
Losses on charitable trusts and gift annuities	(80,312)	(32,262)	(4,498)	(117,072)
Net assets released from restrictions and transfers	5,067,690	(5,067,690)	-	-
Total revenues, gains, and other support	<u>32,763,383</u>	<u>(328,110)</u>	<u>34,036</u>	<u>32,469,309</u>
EXPENSES				
Programming and content creation	12,779,576	-	-	12,779,576
Broadcasting and technology	6,341,506	-	-	6,341,506
Marketing	1,341,637	-	-	1,341,637
Management and general	4,912,183	-	-	4,912,183
Development and fund-raising	5,735,641	-	-	5,735,641
Total expenses	<u>31,110,543</u>	<u>-</u>	<u>-</u>	<u>31,110,543</u>
INCREASE (DECREASE) IN NET ASSETS	1,652,840	(328,110)	34,036	1,358,766
NET ASSETS, beginning of year	<u>53,341,795</u>	<u>3,471,439</u>	<u>3,077,304</u>	<u>59,890,538</u>
NET ASSETS, end of year	<u>\$ 54,994,635</u>	<u>\$ 3,143,329</u>	<u>\$ 3,111,340</u>	<u>\$ 61,249,304</u>

Oregon Public Broadcasting

Statements of Cash Flows

	Years Ended June 30,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 8,925,727	\$ 1,358,766
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,478,330	1,780,830
Adjustment in value of broadcast license	-	14,000
Realized and unrealized (gains) losses on investments	(3,178,158)	757,704
(Gain) loss on charitable trusts and gift annuities	(187,113)	117,072
Loss on disposal of property and equipment	1,126	-
Gain on investments in LLC	(226,607)	(170,617)
Contributed equipment	-	(32,500)
Changes in operating assets and liabilities:		
Underwriting and other accounts receivable	(837,479)	(323,496)
Contributions and bequests receivable	(1,070,320)	682,926
Prepays and other assets	(61,142)	(32)
Accounts payable	211,694	248,082
Accrued liabilities	99,913	36,440
Deferred revenue	1,012,719	1,032,372
Contributions, restricted grants, and other income:		
Building	(84,954)	-
Equipment	-	(323,842)
	<u>6,083,736</u>	<u>5,177,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,635,288)	(15,577,948)
Proceeds from sale of investments	8,369,533	15,364,224
Purchase of property and equipment	(705,824)	(1,162,087)
Distributions from LLC	200,000	200,000
Proceeds from sale of equipment	3,450	-
	<u>(768,129)</u>	<u>(1,175,811)</u>

Oregon Public Broadcasting Statements of Cash Flows

	Years Ended June 30,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from matured annuities and trusts	\$ 58,241	\$ 63,705
Contributions of charitable trusts and gift annuities	(687,930)	(43,969)
Proceeds from distributions of trusts	6,095	6,140
Contributions, restricted grants, and other income:		
Building	84,954	-
Equipment	-	323,842
	(538,640)	349,718
Net cash from financing activities		
	(538,640)	349,718
INCREASE IN CASH AND CASH EQUIVALENTS	4,776,967	4,351,612
CASH AND CASH EQUIVALENTS, beginning of year	14,870,450	10,518,838
CASH AND CASH EQUIVALENTS, end of year	\$ 19,647,417	\$ 14,870,450
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets purchased under capital lease	\$ 8,094	\$ -

Oregon Public Broadcasting

Notes to Financial Statements

Note 1 – Organization and Nature of Operations

Oregon Public Broadcasting (OPB or the Organization) is a not-for-profit public broadcasting corporation incorporated in Oregon. OPB operates a network of five television and sixteen radio stations located in Oregon, serving Oregon and southern Washington. OPB also operates radio station KMHD, which is licensed to Mt. Hood Community College in Oregon.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation

The financial statements of OPB have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which is consistent with the Financial Reporting Guidelines Supplemental Guide issued by the Corporation for Public Broadcasting.

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

Unrestricted net assets reflect the cumulative effect of net activity absent donor-imposed restrictions. OPB's Board has designated the use of various contributions for their discretion. The funds are used to meet operating and capital needs.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. 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 statements of activities as net assets released from restrictions.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions.

Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

All cash and highly liquid investments with maturities of three months or less at the date of acquisition are considered cash and cash equivalents.

Note 2 – Summary of Significant Accounting Policies (continued)

Underwriting, other accounts receivable, and contributions and bequests receivable

OPB's receivables do not bear interest and are stated at amounts estimated by management to be the net realizable value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Bequests and estates are recorded upon completion of the probate process and are expected to be collected within a year. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history and type of receivable. Accounts are charged off when all collection efforts have been exhausted.

Investments

Investments in marketable equity and debt securities with readily determinable fair values are valued at their fair values in the statements of financial position. Interest and dividends and realized and unrealized gains and losses are included in the statement of activities as increases or decreases in unrestricted net assets or temporarily restricted net assets, unless the donor imposes permanent restrictions on the earnings.

Fair values of certain private equity and hedge fund investments held through limited partnerships or commingled funds are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations, assumptions, and methods are reviewed by the Organization's management and the Finance and Investment Committee.

It is the Organization's policy to recognize transfers of investments between levels in the fair value hierarchy on June 30th of each year.

Investments in LLC

The Organization accounts for its investment in limited liability companies using the equity method of accounting. Under the equity method, earnings and losses are recorded by the Organization based upon its percentage of ownership interest. Distributions of funds to the Organization reduce ownership interest while additional Organization advances increase its investment interest.

Assets held in charitable trusts and gift annuities

OPB serves as the trustee for various charitable trusts and gift annuities. Under the terms of these agreements, OPB makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. Assets remaining in the trust and annuity will be transferred to OPB at the end of the term or upon death of the beneficiaries.

OPB classifies the assets held in charitable trusts and gift annuities as investments, which are recorded at their fair value. The related liability is recorded at the estimated discounted value of the amounts due to the income beneficiaries.

Oregon Public Broadcasting

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Prepays and other assets

Prepays and other assets consist primarily of prepaid leases, broadcast licenses, and miscellaneous prepaid expenses. Prepaid leases are amortized over the lease term of 10 to 20 years using the straight-line method.

Property and equipment

Property and equipment are valued at historical cost. Donated property and equipment are valued at estimated fair value on the date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	9 – 50 years
Equipment	3 – 15 years
Computer software	2 – 10 years

New equipment and expenditures for major repairs and improvements exceeding \$5,000 are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred.

Deferred revenue

Deferred revenue is primarily content creation funding advances for projects in progress. Deferred revenue is recognized as expenses are incurred.

Actuarial liability for charitable trusts and gift annuities

The actuarial liability for charitable trusts and gift annuities has been computed using a discount factor of 3% and an estimated life expectancy of annuitants based on applicable mortality tables.

Revenue recognition

Unconditional contributions and promises to give are recognized as revenue in the period committed. Conditional promises to give, which depend on the occurrence of a future event, are recognized when the conditions are substantially met. Contributions restricted by the donor are recorded as temporarily restricted or permanently restricted, as appropriate.

Revenues from content creation grants are recognized when earned, typically on the percentage-of-completion method. Revenues from other grants and contracts are recognized when committed, if unrestricted, and when earned, if restricted, typically as expenses are incurred. Revenues under cost reimbursement contracts are considered earned when expenses, which are subject to reimbursement by the granting agency, are incurred. Revenues are reported as unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. These revenues are earned once the stipulated time restriction or purpose restriction is accomplished. Related expenses are reported as decreases in unrestricted net assets.

Sales and services revenues are recognized at the time services are provided and the revenues are earned. Any amounts received before being earned are recorded as deferred revenue.

Note 2 – Summary of Significant Accounting Policies (continued)

The Organization reports gifts of donated services and materials as unrestricted support at fair value 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 support. Absent donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising costs

Advertising and development funding promotion costs are expensed as incurred and aggregated \$184,150 and \$122,690 for the years ended June 30, 2017 and 2016, respectively.

Fund-raising expenses

All costs attributable to the production, printing, and mailing of literature to the public, that have both an educational and fund-raising appeal, have been recorded as fund-raising expenses in the financial statements as they do not meet the requirements for the allocation of joint costs as provided by accounting standards.

Functional allocation of expenses

The costs of the Organization's various activities and programs have been summarized on a functional basis in the accompanying statements of activities.

Income taxes

OPB is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, OPB qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Organization recognizes the tax benefit from uncertain tax positions, if any, only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlements. The Organization recognizes interest accrued and penalties related to tax matters in management and general expenses.

The Organization had no unrecognized tax benefits at June 30, 2017 or 2016. No interest and penalties were accrued for the year ended June 30, 2017 or 2016. The Organization files an exempt organization return and unrelated business income tax return in the U.S. federal jurisdiction and a corporate tax return in Oregon.

Oregon Public Broadcasting

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. OPB recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. OPB's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. OPB has evaluated subsequent events through November 20, 2017, which is the date the financial statements were available to be issued.

Reclassifications

Reclassifications have been made to the 2016 financial statements to conform to the current year presentation. These reclassifications had no impact on total net assets or the change in net assets.

Note 3 – Underwriting and Other Accounts Receivable

Underwriting and other accounts receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Underwriting	\$ 2,036,566	\$ 1,682,223
Content creation	925,152	491,668
Other	<u>132,155</u>	<u>79,767</u>
Total underwriting and other accounts receivable	3,093,873	2,253,658
Less reserve for uncollectible underwriting and other accounts receivable	<u>(120,096)</u>	<u>(117,360)</u>
Underwriting and other accounts receivable, net	<u><u>\$ 2,973,777</u></u>	<u><u>\$ 2,136,298</u></u>

Oregon Public Broadcasting Notes to Financial Statements

Note 4 – Contributions and Bequests Receivable

Contributions and bequests receivable after one year are discounted using an adjusted risk-free interest rate commensurate with the period over which the contribution will be received for the years ended June 30, 2017 and 2016, which was approximately 5%. The annual payments are scheduled to be received as follows at June 30:

	<u>2017</u>	<u>2016</u>
Contributions and bequests receivable due in less than one year	\$ 372,136	\$ 282,999
Contributions and bequests receivable due in one to five years	<u>1,734,000</u>	<u>600,000</u>
	2,106,136	882,999
Less unamortized discount	<u>(234,017)</u>	<u>(81,200)</u>
Contributions and bequests receivable, net	<u><u>\$ 1,872,119</u></u>	<u><u>\$ 801,799</u></u>

At June 30, 2017 and 2016, no contributions or bequests receivable amounts were past due. Allowances for doubtful accounts are established based on prior collection history and current economic factors. Based on the timeliness of payments received, no allowance has been established at June 30, 2017 or 2016.

Oregon Public Broadcasting

Notes to Financial Statements

Note 5 – Investments

Investments, presented by type, are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Investments, at fair value:		
Equity securities		
Mutual funds – fixed income	\$ 6,764,796	\$ 5,958,940
Mutual funds – international equities	6,547,170	5,452,195
Mutual funds – U.S. equities focused	6,306,982	5,467,409
Mutual fund – real return	4,033,316	3,607,660
Exchange traded funds – public real estate	2,646,464	2,477,440
Debt securities		
Commercial paper	1,998,628	2,997,022
Alternative investments		
Hedge funds	3,939,862	3,300,603
Equity funds	<u>3,519,809</u>	<u>3,051,845</u>
Total investments at fair value	35,757,027	32,313,114
Other investments, at cost:		
Miscellaneous	<u>11,000</u>	<u>11,000</u>
Total investments	<u>\$ 35,768,027</u>	<u>\$ 32,324,114</u>

Alternative investments totaling \$7,459,671 and \$6,352,448 at June 30, 2017 and 2016, respectively, include investments in hedge funds and commingled funds with holdings that include fixed income and equity funds. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Due to the risks associated with certain investments and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect account balances and the amounts reported in the statements of financial position and statements of activities.

Oregon Public Broadcasting Notes to Financial Statements

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	2017	2016
Land	\$ 2,861,540	\$ 2,861,540
Buildings and improvements	10,483,357	10,498,512
Equipment and computer software	26,599,810	28,960,066
Total property and equipment	39,944,707	42,320,118
Less accumulated depreciation and amortization	(30,787,199)	(32,319,934)
Construction in progress	9,157,508	10,000,184
	397,854	288,178
Property and equipment, net	\$ 9,555,362	\$ 10,288,362

Depreciation expense for the years ended June 30, 2017 and 2016 was \$1,442,342 and \$1,730,019, respectively.

Note 7 – Commitments and Contingencies

Operating leases

OPB is committed under various noncancellable long-term leases for property and equipment expiring through 2025. The aggregate minimum rental commitments under the leases are as follows:

Years ending June 30, 2018	\$ 81,950
2019	74,768
2020	69,971
2021	44,012
2022	23,058
Thereafter	64,106
	\$ 357,865

Rental expense was \$242,847 and \$237,872 for the years ended June 30, 2017 and 2016, respectively.

National Telecommunications Information Administration (NTIA)

The federal government has a ten-year priority lien on any facility and equipment purchased with funds from the NTIA. The lien is to ensure that broadcasting facilities funded with federal monies will continue to be used to provide public broadcasting services to the public during the period of federal interest.

Oregon Public Broadcasting

Notes to Financial Statements

Note 7 – Commitments and Contingencies (continued)

Capital purchases

There were no outstanding purchase commitments at June 30, 2017 or 2016.

Grant revenues

The grant revenues reported in the accompanying statements of activities are subject to audit and adjustment by grantor agencies. Grant revenues relating to costs, which may be ultimately questioned or disallowed by the grantor agencies, may become a liability of OPB as a result of audit findings.

Note 8 – Fair Value of Assets

Accounting literature defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. OPB determines fair value based on quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect OPB's market assumptions. These two types of inputs create the following hierarchy:

Level I – Quoted prices in active markets for identical assets.

Level II – Quoted prices for similar instruments in active markets, quoted prices for similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. OPB's own data used to develop unobservable inputs is also adjusted for market consideration when reasonably available.

OPB used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the financial statements:

Investments and investments for charitable trusts and gift annuities – Investments are comprised of marketable equity and debt securities as well as alternative investments. Marketable equity and debt security and commercial paper fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Alternative investments are valued at net asset value as reported by the fund managers and valuation experts, using relevant market data, and are subject to regular review by OPB's management and the Finance and Investment Committee. There were no changes in the valuation methodologies used by the Organization for the years ended June 30, 2017 or 2016.

Oregon Public Broadcasting Notes to Financial Statements

Note 8 – Fair Value of Assets (continued)

Beneficial interest in trust assets – The Organization’s beneficial interest in trust assets is recorded at fair value based on the fair value of the underlying trust assets as determined by the third-party trustee, which is based on quoted market prices. The third-party trustee controls the investments in the trust and makes all management and investment decisions.

Management determines the fair value measurements valuation policies and procedures, including those for Level III recurring and non-recurring measurements. The Organization’s Finance and Investment Committee assesses and approves these policies and procedures. On a quarterly basis, management (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The following is a summary categorization of OPB’s assets based on the level of inputs utilized in determining the value of such assets at June 30, 2017 and 2016:

	June 30, 2017			Total
	Level I	Level II	Level III	
Investments				
Equity securities:				
Mutual funds – fixed income	\$ 6,764,796	\$ -	\$ -	\$ 6,764,796
Mutual funds – international equities	6,547,170	-	-	6,547,170
Mutual funds – U.S. equities focused	6,306,982	-	-	6,306,982
Mutual funds – real return	4,033,316	-	-	4,033,316
Exchange traded fund – public real estate	2,646,464	-	-	2,646,464
Debt securities:				
Commercial paper	-	1,998,628	-	1,998,628
Total investments at fair value	26,298,728	1,998,628	-	28,297,356
Assets held in charitable trusts:				
Mutual funds – equities	2,573,868	-	-	2,573,868
Mutual funds – fixed income	1,459,133	-	-	1,459,133
Mutual funds – real estate	208,461	-	-	208,461
Beneficial interest in trust assets	-	-	406,403	406,403
Total assets held in charitable trusts and gift annuities	4,241,462	-	406,403	4,647,865
Investments measured at NAV (practical expedient)				7,459,671
	<u>\$ 30,540,190</u>	<u>\$ 1,998,628</u>	<u>\$ 406,403</u>	<u>\$ 40,404,892</u>

Oregon Public Broadcasting Notes to Financial Statements

Note 8 – Fair Value of Assets (continued)

	June 30, 2016			Total
	Level I	Level II	Level III	
Investments				
Equity securities:				
Mutual funds – fixed income	\$ 5,958,940	\$ -	\$ -	\$ 5,958,940
Mutual funds – international equities	5,452,195	-	-	5,452,195
Mutual funds – U.S. equities focused	5,467,409	-	-	5,467,409
Mutual funds – real return	3,607,660	-	-	3,607,660
Exchange traded fund – public real estate	2,477,440	-	-	2,477,440
Commercial paper	-	2,997,022	-	2,997,022
Total investments	22,963,644	2,997,022	-	25,960,666
Assets held in charitable trusts:				
Mutual funds – equities	1,466,585	-	-	1,466,585
Mutual funds – fixed income	882,896	-	-	882,896
Mutual funds – real estate	131,096	-	-	131,096
Beneficial interest in trust assets	-	-	383,777	383,777
Total assets held in charitable trusts and gift annuities	2,480,577	-	383,777	2,864,354
Investments measured at NAV (practical expedient)				6,352,448
	<u>\$ 25,444,221</u>	<u>\$ 2,997,022</u>	<u>\$ 383,777</u>	<u>\$ 35,177,468</u>

Oregon Public Broadcasting Notes to Financial Statements

Note 8 – Fair Value of Assets (continued)

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level III) on a recurring basis during the years ended June 30, 2017 and 2016:

	Beneficial Interest in Trust Assets
Balance at June 30, 2016	\$ 383,777
Net unrealized gains	22,626
Balance at June 30, 2017	\$ 406,403
	Beneficial Interest in Trust Assets
Balance at June 30, 2015	\$ 413,501
Net unrealized losses	(29,724)
Balance at June 30, 2016	\$ 383,777

Net unrealized gains/(losses) from investments for beneficial interest in trust assets shown in the tables above are reported in the statements of activities within gains/(losses) on charitable trusts and gift annuities.

OPB uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists investments in other investment companies by major category:

	Fair Value at June 30, 2017	Unfunded Commitments	Remaining Life	Timing to Draw Down Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Hedge funds (a)	\$ 3,939,862	\$ -	N/A	N/A	Quarterly	90 days notice	None
Equity funds (b)	3,519,809	-	N/A	N/A	N/A	N/A	None
	\$ 7,459,671	\$ -					

(a) Funds-of-funds pursuing a variety of investment strategies, generally with fixed income and equity orientations.

(b) Multi-cap investment strategy, in the U.S. and international.

Oregon Public Broadcasting

Notes to Financial Statements

Note 9 – Donated Services and Materials

Donated programming and other services by functional classification at June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Marketing	\$ 135,071	\$ 153,510
Broadcasting	97,476	94,970
Management	64,505	63,568
Programming and content creation	52,220	52,563
Development and fund-raising	64,028	45,334
Equipment	-	32,500
	<u>\$ 413,300</u>	<u>\$ 442,445</u>

The valuation of the services and materials was determined by the donors based on market prices. A substantial number of volunteers donate significant amounts of their time to OPB's program services. These donated hours are a necessary part of OPB's activities since its services could not be sustained at the current level without such support. The services contributed do not enhance nonfinancial assets or require specialized skills. Therefore, no dollar amounts have been reflected in the accompanying financial statements for these services.

Note 10 – Retirement Plans

OPB has a defined contribution plan which is open to all OPB employees who have completed one year of service. OPB's contributions are based on a percentage of eligible compensation and benefits are fully vested. Contributions totaled \$726,847 and \$657,468 during the years ended June 30, 2017 and 2016, respectively.

Oregon Public Broadcasting Notes to Financial Statements

Note 11 – Investment in Skyline Tower, LLC

OPB has an investment in Skyline Tower, LLC which was formed to construct and operate a transmission tower and facilities which holds both radio and television antennas. OPB and the other LLC member contribute on an equal basis the capital necessary to operate this tower. For the years ended June 30, 2017 and 2016, OPB made no contributions. Summarized financial information for the LLC, which is accounted for under the equity method due to OPB's significant interest, consisted of the following at June 30:

	<u>2017</u> (Unaudited)	<u>2016</u> (Unaudited)
Current assets	\$ 1,609,387	\$ 1,560,679
Noncurrent assets	<u>2,097,083</u>	<u>2,056,640</u>
Total assets	<u>\$ 3,706,470</u>	<u>\$ 3,617,319</u>
Current liabilities	<u>\$ 36,908</u>	<u>\$ 12,298</u>
Total liabilities	<u>36,908</u>	<u>12,298</u>
Equity, beginning of year	3,605,021	3,631,877
Gain from continuing operations	464,541	373,144
Member distributions	<u>(400,000)</u>	<u>(400,000)</u>
Equity, end of year	<u>3,669,562</u>	<u>3,605,021</u>
Total liabilities and equity	<u>\$ 3,706,470</u>	<u>\$ 3,617,319</u>

Note 12 – Concentration of Credit Risk

Financial instruments that potentially subject OPB to concentrations of credit risk consist principally of cash and cash equivalents, investments, and unsecured accounts receivable. OPB places substantially all of its cash and liquid investments with financial institutions; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by an investment manager. Unsecured receivables are due from a variety of sources. To date, OPB has not experienced losses at these institutions.

Oregon Public Broadcasting

Notes to Financial Statements

Note 13 – Net Assets Released from Restrictions

Net assets relating to restricted contributions and grants are released from temporarily restricted net assets to unrestricted net assets when OPB incurs expenses satisfying the restricted purposes or when other events specified by donors occur. Net assets were released from restrictions for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Restricted purposes accomplished:		
Programming and promotion	\$ 3,102,540	\$ 2,941,816
Content creation	1,376,110	1,507,834
Equipment and building remodel	84,954	486,109
Broadcasting and technology	76,305	50,811
Endowment earnings	35,988	72,551
Internships	7,174	8,569
	<u>\$ 4,683,071</u>	<u>\$ 5,067,690</u>

Note 14 – Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
The portion of endowment funds subject to a time or purpose restriction under UPMIFA:		
Programming	\$ 520,189	\$ 342,718
Endowment cumulative earnings	175,104	105,618
Internships	92,111	61,064
Total endowments	787,404	509,400
Programming	1,799,429	1,574,153
Expansion	1,148,603	277,650
Charitable trust agreements	862,036	441,487
Equipment	223,896	259,884
Internships	92,138	80,755
Total temporarily restricted net assets	<u>\$ 4,913,506</u>	<u>\$ 3,143,329</u>

Oregon Public Broadcasting Notes to Financial Statements

Note 15 – Permanently Restricted Net Assets

Permanently restricted net assets consist of amounts restricted for the following purposes at June 30:

	2017	2016
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA:		
Programming	\$ 1,876,420	\$ 1,876,420
General operations	896,330	896,330
Internships	179,975	179,975
Capital improvements	43,000	43,000
Total endowments	2,995,725	2,995,725
Trusts held for endowment	236,214	115,615
Total permanently restricted net assets	\$ 3,231,939	\$ 3,111,340

Note 16 – Endowments

OPB's endowment consists of approximately 22 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

OPB invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. OPB uses a spending rate set annually by the Board of Directors, and absent substantial changes in market or other economic conditions, the rate will be 5% of the average fair value of the fund. The average fair value is based on the fair value of the prior twelve quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. OPB may withdraw all or any part of the Board-designated endowment funds upon the affirmative vote of at least 80 percent of the Board of Directors.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results over the long-term that meet or exceed the aggregate amount needed to support both the endowment spending policy and growth in principal commensurate with the rate of inflation.

Oregon Public Broadcasting

Notes to Financial Statements

Note 16 – Endowments (continued)

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

OPB applies the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act). The Board of Directors of OPB has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, OPB classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by OPB in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, OPB considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Periodically, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires OPB to retain as a fund of perpetual duration. There were no such deficiencies reported in unrestricted net assets as of June 30, 2017 or 2016.

Oregon Public Broadcasting
Notes to Financial Statements

Note 16 – Endowments (continued)

Endowment net assets consist of the following at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 787,404	\$ 2,995,725	\$ 3,783,129
Board-designated endowment funds	28,408,647	-	-	28,408,647
Total funds	<u>\$ 28,408,647</u>	<u>\$ 787,404</u>	<u>\$ 2,995,725</u>	<u>\$ 32,191,776</u>

Endowment net assets consist of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 509,400	\$ 2,995,725	\$ 3,505,125
Board-designated endowment funds	24,344,822	-	-	24,344,822
Total funds	<u>\$ 24,344,822</u>	<u>\$ 509,400</u>	<u>\$ 2,995,725</u>	<u>\$ 27,849,947</u>

Changes in the endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ 24,344,822	\$ 509,400	\$ 2,995,725	\$ 27,849,947
Investment return				
Investment income	608,625	82,796	-	691,421
Net appreciation (realized and unrealized)	2,686,744	366,799	-	3,053,543
Total investment return	3,295,369	449,595	-	3,744,964
Contributions	1,887,334	-	-	1,887,334
Matured annuities and other transfers	64,336	-	-	64,336
Appropriation of endowment assets for expenditure	(1,183,214)	(171,591)	-	(1,354,805)
Endowment net assets, end of year June 30, 2017	<u>\$ 28,408,647</u>	<u>\$ 787,404</u>	<u>\$ 2,995,725</u>	<u>\$ 32,191,776</u>

Oregon Public Broadcasting Notes to Financial Statements

Note 16 – Endowments (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 23,957,757	\$ 703,544	\$ 2,957,191	\$ 27,618,492
Investment return				
Investment income	530,575	77,351	-	607,926
Net depreciation (realized and unrealized)	<u>(674,329)</u>	<u>(106,297)</u>	<u>-</u>	<u>(780,626)</u>
Total investment return	(143,754)	(28,946)	-	(172,700)
Contributions	1,538,157	-	38,534	1,576,691
Matured annuities and other transfers	69,847	-	-	69,847
Appropriation of endowment assets for expenditure	<u>(1,077,185)</u>	<u>(165,198)</u>	<u>-</u>	<u>(1,242,383)</u>
Endowment net assets, end of year June 30, 2016	<u>\$ 24,344,822</u>	<u>\$ 509,400</u>	<u>\$ 2,995,725</u>	<u>\$ 27,849,947</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Oregon Public Broadcasting

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon Public Broadcasting, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Public Broadcasting's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oregon Public Broadcasting's internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon Public Broadcasting's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon Public Broadcasting's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
November 20, 2017

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Oregon Public Broadcasting

Report on Compliance for the Major Federal Program

We have audited Oregon Public Broadcasting's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Oregon Public Broadcasting's major federal program for the year ended June 30, 2017. Oregon Public Broadcasting's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Oregon Public Broadcasting's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Oregon Public Broadcasting's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Oregon Public Broadcasting's compliance.

Opinion on the Major Federal Program

In our opinion, Oregon Public Broadcasting complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Oregon Public Broadcasting is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oregon Public Broadcasting's internal control over compliance with the types of requirements that could have a direct and material effect on the federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oregon Public Broadcasting's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
November 20, 2017

**Oregon Public Broadcasting
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>FDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Program</i>
47.076	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

**Oregon Public Broadcasting
Summary Schedule of Prior Year Findings
Year Ended June 30, 2017**

There are no prior audit findings noted.

Supplementary Information

**Oregon Public Broadcasting
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor or Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<i>Research and Development Cluster:</i>				
National Science Foundation Direct Program:				
Education and Human Resources	47.076		\$ 8,078	\$ 1,259,846
<i>Total National Science Foundation</i>			8,078	1,259,846
<i>Total Research and Development Cluster</i>			<u>8,078</u>	<u>1,259,846</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 8,078</u>	<u>\$ 1,259,846</u>

Oregon Public Broadcasting

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Oregon Public Broadcasting (OPB) under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of OPB, it is not intended to and does not present the financial position, changes in net assets or cash flows of OPB.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Indirect Cost Rate

OPB has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.