



Report of Independent Auditors
in Accordance with Uniform Guidance
and Financial Statements
(with Supplementary Information) for

Oregon Public Broadcasting

June 30, 2016 and 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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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, 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 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.

REPORT OF INDEPENDENT AUDITORS (continued)

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, 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 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 30, 2016, 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 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 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 30, 2016

**OREGON PUBLIC BROADCASTING
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30,	
	2016	2015
Cash and cash equivalents	\$ 14,870,450	\$ 10,518,838
Underwriting and other accounts receivable, net	2,136,298	1,812,802
Contributions and bequests receivable, net	801,799	1,484,725
Investments	32,324,114	32,868,094
Investments in LLC	2,186,960	2,216,343
Investments for charitable trusts and gift annuities	2,864,354	3,037,930
Prepays and other assets	1,179,574	1,244,353
Property and equipment, net	10,288,362	10,823,794
Total assets	\$ 66,651,911	\$ 64,006,879

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,828,018	\$ 1,579,936
Accrued liabilities	722,072	685,632
Deferred revenue	1,584,947	552,575
Actuarial liability for charitable trusts and gift annuities	1,267,570	1,298,198
Total liabilities	5,402,607	4,116,341

NET ASSETS

Unrestricted	29,610,132	28,238,168
Board-designated	25,384,503	25,103,627
Total unrestricted	54,994,635	53,341,795
Temporarily restricted	3,143,329	3,471,439
Permanently restricted	3,111,340	3,077,304
Total net assets	61,249,304	59,890,538
Total liabilities and net assets	\$ 66,651,911	\$ 64,006,879

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)	-	-
	<u>32,763,383</u>	<u>(328,110)</u>	<u>34,036</u>	<u>32,469,309</u>
EXPENSES				
Programming and content creation	13,465,466	-	-	13,465,466
Broadcasting	5,655,616	-	-	5,655,616
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
	<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	53,341,795	3,471,439	3,077,304	59,890,538
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
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 17,365,628	\$ 1,527,338	\$ -	\$ 18,892,966
Content creation grants and contracts	264,503	1,460,478	-	1,724,981
Other grants and contracts	4,599,351	2,882,844	-	7,482,195
Sales and services	1,655,622	-	-	1,655,622
Donated services and materials	415,325	-	-	415,325
Investment income:				
Interest and dividends	565,085	85,048	-	650,133
Realized gains on investments	388,059	61,044	-	449,103
Net unrealized losses on investments	(545,943)	(86,013)	-	(631,956)
Gain on investments in LLC	136,445	-	-	136,445
Losses on charitable trusts and gift annuities	(24,164)	(12,729)	(7,236)	(44,129)
Net assets released from restrictions and transfers	5,236,915	(5,236,915)	-	-
	<u>30,056,826</u>	<u>681,095</u>	<u>(7,236)</u>	<u>30,730,685</u>
Total revenues, gains, and other support				
EXPENSES				
Programming and content creation	12,356,092	-	-	12,356,092
Broadcasting	5,309,845	-	-	5,309,845
Marketing	1,286,561	-	-	1,286,561
Management and general	4,686,325	-	-	4,686,325
Development and fund-raising	5,561,911	-	-	5,561,911
	<u>29,200,734</u>	<u>-</u>	<u>-</u>	<u>29,200,734</u>
Total expenses				
INCREASE (DECREASE) IN NET ASSETS	856,092	681,095	(7,236)	1,529,951
NET ASSETS, beginning of year	<u>52,485,703</u>	<u>2,790,344</u>	<u>3,084,540</u>	<u>58,360,587</u>
NET ASSETS, end of year	<u>\$ 53,341,795</u>	<u>\$ 3,471,439</u>	<u>\$ 3,077,304</u>	<u>\$ 59,890,538</u>

OREGON PUBLIC BROADCASTING

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,358,766	\$ 1,529,951
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,780,830	1,984,404
Adjustment in value of broadcast license	14,000	-
Realized and unrealized losses on investments	757,704	182,853
Loss on charitable trusts and gift annuities	117,072	44,129
Contributions of charitable trusts and gift annuities	(43,969)	(69,701)
Changes in present value of charitable trusts	60,993	22,257
Loss on disposal of property and equipment	-	569
Gain on investments in LLC	(170,617)	(136,445)
Contributed equipment	(32,500)	(5,050)
Changes in operating assets and liabilities:		
Underwriting and other accounts receivable	(323,496)	834,118
Contributions and bequests receivable	682,926	(1,401,007)
Prepays and other assets	(32)	(93,238)
Accounts payable	248,082	37,158
Accrued liabilities	36,440	12,544
Deferred revenue	1,032,372	(403,754)
Contributions, restricted grants, and other income:		
Equipment – digital conversion and other	(323,842)	(128,519)
Net cash from operating activities	5,194,729	2,410,269
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,577,948)	(19,298,499)
Proceeds from sale of investments	15,364,224	23,018,223
Purchase of property and equipment	(1,162,087)	(519,173)
Distributions from LLC	200,000	200,000
Net cash from investing activities	(1,175,811)	3,400,551

**OREGON PUBLIC BROADCASTING
STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to annuitants and trust beneficiaries	\$ (196,689)	\$ (208,119)
Proceeds from matured annuities and trusts	63,707	60,019
Proceeds from distributions of trusts	6,140	10,057
Proceeds from gifted annuities and trusts	135,694	171,022
Contributions, restricted grants, and other income:		
Equipment – digital conversion and other	323,842	128,519
Net cash from financing activities	332,694	161,498
INCREASE IN CASH AND CASH EQUIVALENTS	4,351,612	5,972,318
CASH AND CASH EQUIVALENTS, beginning of year	10,518,838	4,546,520
CASH AND CASH EQUIVALENTS, end of year	\$ 14,870,450	\$ 10,518,838

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, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

OREGON PUBLIC BROADCASTING NOTES TO FINANCIAL STATEMENTS

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. Unrealized gains and losses are included in the increase 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. Fair values of investments commercial paper are based on quoted market prices for similar securities. 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.

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.

OREGON PUBLIC BROADCASTING

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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. 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.

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.

OREGON PUBLIC BROADCASTING NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Advertising costs – Advertising and development funding promotion costs are expensed as incurred and aggregated \$122,690 and \$162,910 for the years ended June 30, 2016 and 2015, 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 administrative expenses.

The Organization had no unrecognized tax benefits at June 30, 2016 or 2015. No interest and penalties were accrued for the year ended June 30, 2016 or 2015. 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.

Change in accounting principle – ASU 2015-07 – In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient (NAV practical expedient). ASU 2015-07 has been adopted for the June 30, 2016 year end, however, the retrospective approach requires that an investment for which fair value is measured using a NAV practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

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 30, 2016, which is the date the financial statements were available to be issued.

Note 3 – Underwriting and Other Accounts Receivable

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

	<u>2016</u>	<u>2015</u>
Underwriting	\$ 1,682,223	\$ 1,661,545
Content creation	491,668	207,576
Other	<u>79,767</u>	<u>62,403</u>
Total underwriting and other accounts receivable	2,253,658	1,931,524
Less reserve for uncollectible underwriting and other accounts receivable	<u>(117,360)</u>	<u>(118,722)</u>
Underwriting and other accounts receivable, net	<u><u>\$ 2,136,298</u></u>	<u><u>\$ 1,812,802</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, 2016 and 2015, which was approximately 5%. The annual payments are scheduled to be received as follows at June 30:

	<u>2016</u>	<u>2015</u>
Contributions and bequests receivable due in less than one year	\$ 282,999	\$ 1,484,725
Contributions and bequests receivable due in one to five years	<u>600,000</u>	<u>-</u>
	882,999	1,484,725
Less unamortized discount	<u>(81,200)</u>	<u>-</u>
Contributions and bequests receivable, net	<u>\$ 801,799</u>	<u>\$ 1,484,725</u>

At June 30, 2016 and 2015, 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, 2016 or 2015.

OREGON PUBLIC BROADCASTING

NOTES TO FINANCIAL STATEMENTS

Note 5 – Investments

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

	<u>2016</u>	<u>2015</u>
Investments, at fair value:		
Certificates of deposit	\$ -	\$ 250,109
Equity securities		
Mutual funds – fixed income	5,958,940	5,515,694
Mutual funds – U.S. equities focused	5,467,409	5,127,196
Mutual funds – international equities	5,452,195	5,252,670
Mutual fund – real return	3,607,660	3,335,288
Exchange traded funds – public real estate	2,477,440	2,021,410
Debt securities		
Commercial paper	2,997,022	4,998,834
Alternative investments		
Hedge funds	3,300,603	3,347,123
Equity funds	<u>3,051,845</u>	<u>3,008,770</u>
Total investments at fair value	32,313,114	32,857,094
Other investments, at cost:		
Miscellaneous	<u>11,000</u>	<u>11,000</u>
Total investments	<u>\$ 32,324,114</u>	<u>\$ 32,868,094</u>

Alternative investments totaling \$6,352,448 and \$6,355,893 at June 30, 2016 and 2015, 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:

	2016	2015
Land	\$ 2,861,540	\$ 2,861,540
Buildings and improvements	10,498,512	10,498,512
Equipment and computer software	28,960,066	28,028,270
Total property and equipment	42,320,118	41,388,322
Less accumulated depreciation and amortization	(32,319,934)	(30,598,935)
	10,000,184	10,789,387
Construction in progress	288,178	34,407
Property and equipment, net	\$ 10,288,362	\$ 10,823,794

Depreciation expense for the years ended June 30, 2016 and 2015 was \$1,730,019 and \$1,859,480, 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,	2017	\$ 29,543
	2018	29,000
	2019	20,244
	2020	20,244
	2021	20,244
	Thereafter	84,350
		\$ 203,625

Rental expense was \$237,872 and \$188,178 for the years ended June 30, 2016 and 2015, 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, 2016 or 2015.

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 and 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, 2016 or 2015.

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 investments at June 30, 2016 and 2015:

	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
Debt securities:				
Commercial paper	-	2,997,022	-	2,997,022
Total investments at fair value	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	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)

	June 30, 2015			
	Level I	Level II	Level III	Total
Investments				
Certificates of deposit	\$ -	\$ 250,109	\$ -	\$ 250,109
Equity securities:				
Mutual funds – fixed income	5,515,694	-	-	5,515,694
Mutual funds – international equities	5,252,670	-	-	5,252,670
Mutual funds – U.S. equities focused	5,127,196	-	-	5,127,196
Mutual funds – real return	3,335,288	-	-	3,335,288
Exchange traded fund – public real estate	2,021,410	-	-	2,021,410
Commercial paper	-	4,998,834	-	4,998,834
Total investments	21,252,258	5,248,943	-	26,501,201
Assets held in charitable trusts:				
Mutual funds – equities	1,587,299	-	-	1,587,299
Mutual funds – fixed income	922,471	-	-	922,471
Mutual funds - real estate	114,659	-	-	114,659
Beneficial interest in trust assets	-	-	413,501	413,501
Total assets held in charitable trusts	2,624,429	-	413,501	3,037,930
Investments measured at NAV (practical expedient)				6,355,893
	<u>\$ 23,876,687</u>	<u>\$ 5,248,943</u>	<u>\$ 413,501</u>	<u>\$ 35,895,024</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, 2016 and 2015:

	Beneficial Interest in Trust Assets
Balance at June 30, 2015	\$ 413,501
Net unrealized losses	(29,724)
Balance at June 30, 2016	\$ 383,777
	Beneficial Interest in Trust Assets
Balance at June 30, 2014	\$ 431,688
Net unrealized losses	(18,187)
Balance at June 30, 2015	\$ 413,501

Net unrealized losses from investments for beneficial interest in trust assets shown in the tables above are reported in the statements of activities within losses on charitable trusts and gift annuities. Total unrealized losses from Level III investments held by the Organization at June 30, 2016 and 2015 were \$29,724 and \$18,187, respectively.

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, 2016	Unfunded Commitments	Remaining Life	Timing to Draw Down Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Hedge funds (a)	\$ 3,300,603	\$ -	N/A	N/A	Quarterly	90 days notice	None
Equity funds (b)	3,051,845	-	N/A	N/A	N/A	N/A	None
	\$ 6,352,448	\$ -					

(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>2016</u>	<u>2015</u>
Marketing	\$ 153,510	\$ 149,725
Broadcasting	94,970	99,075
Management	63,568	61,011
Programming and content creation	52,563	60,592
Development and fund-raising	45,334	44,922
Equipment	32,500	-
	<u>\$ 442,445</u>	<u>\$ 415,325</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 in 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 \$657,468 and \$662,486 during the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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:

	2016 <u>(Unaudited)</u>	2015 <u>(Unaudited)</u>
Current assets	\$ 1,560,679	\$ 1,426,566
Noncurrent assets	<u>2,056,640</u>	<u>2,226,363</u>
Total assets	<u>\$ 3,617,319</u>	<u>\$ 3,652,929</u>
Current liabilities	<u>\$ 12,298</u>	<u>\$ 21,052</u>
Total liabilities	<u>12,298</u>	<u>21,052</u>
Equity, beginning of year	3,631,877	3,784,339
Gain from continuing operations	373,144	247,538
Member distributions	<u>(400,000)</u>	<u>(400,000)</u>
Equity, end of year	<u>3,605,021</u>	<u>3,631,877</u>
Total liabilities and equity	<u>\$ 3,617,319</u>	<u>\$ 3,652,929</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>2016</u>	<u>2015</u>
Restricted purposes accomplished:		
Programming and promotion	\$ 2,941,816	\$ 2,924,249
Content creation	1,507,834	2,050,118
Equipment and building remodel	486,109	58,426
Broadcasting	50,811	124,924
Endowment earnings	72,551	67,509
Internships	8,569	11,689
	<u>\$ 5,067,690</u>	<u>\$ 5,236,915</u>

Note 14 – Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
The portion of endowment funds subject to a time or purpose restriction under UPMIFA:		
Programming	\$ 342,718	\$ 476,006
Endowment cumulative earnings	105,618	160,401
Internships	61,064	67,137
Total endowments	509,400	703,544
Programming	1,574,153	1,610,759
Charitable trust agreements	441,487	473,749
Expansion	277,650	289,160
Equipment	259,884	310,695
Internships	80,755	83,532
Total temporarily restricted net assets	<u>\$ 3,143,329</u>	<u>\$ 3,471,439</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:

	2016	2015
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	857,796
Internships	179,975	179,975
Capital improvements	43,000	43,000
Total endowments	2,995,725	2,957,191
Trusts held for endowment	115,615	120,113
Total permanently restricted net assets	\$ 3,111,340	\$ 3,077,304

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, 2016 or 2015.

**OREGON PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS**

Note 16 - Endowments (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

Endowment net assets consist of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 703,544	\$ 2,957,191	\$ 3,660,735
Board-designated endowment funds	23,957,757	-	-	23,957,757
Total funds	<u>\$23,957,757</u>	<u>\$ 703,544</u>	<u>\$ 2,957,191</u>	<u>\$27,618,492</u>

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>

OREGON PUBLIC BROADCASTING
NOTES TO FINANCIAL STATEMENTS

Note 16 – Endowments (continued)

Changes in the endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$23,603,431	\$ 790,940	\$ 2,957,191	\$27,351,562
Investment return				
Investment income	540,878	83,138	-	624,016
Net appreciation (realized and unrealized)	<u>(157,884)</u>	<u>(24,340)</u>	<u>-</u>	<u>(182,224)</u>
Total investment return	382,994	58,798	-	441,792
Contributions	853,280	-	-	853,280
Matured annuities and other transfers	70,076	-	-	70,076
Appropriation of endowment assets for expenditure	<u>(952,024)</u>	<u>(146,194)</u>	<u>-</u>	<u>(1,098,218)</u>
Endowment net assets, end of year June 30, 2015	<u>\$23,957,757</u>	<u>\$ 703,544</u>	<u>\$ 2,957,191</u>	<u>\$27,618,492</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, 2016, 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 30, 2016.

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.

**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 (continued)**

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 30, 2016

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, 2016. 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 a 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.

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (continued)**

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, 2016.

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 30, 2016

**OREGON PUBLIC BROADCASTING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

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, 2016**

There are no prior audit findings noted.

SUPPLEMENTARY INFORMATION

**OREGON PUBLIC BROADCASTING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

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		\$ 3,860	\$ 848,954
<i>Total National Science Foundation</i>			3,860	848,954
<i>Total Research and Development Cluster</i>			3,860	848,954
National Endowment for the Arts Direct Program: Promotion of the Arts Partnership Agreements	45.025		-	9,223
<i>Total National Endowment for the Arts</i>			-	9,223
<i>Total Expenditures of Federal Awards</i>			\$ 3,860	\$ 858,177

OREGON PUBLIC BROADCASTING
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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, 2016. 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 the 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.