



Financial Statements
September 30, 2018 and 2017

Prairie Public Broadcasting, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Prairie Public Broadcasting, Inc. (Organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prairie Public Broadcasting, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (actual column) on pages 22 through 32 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (actual column) on pages 22 through 32 is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Fargo, North Dakota
January 16, 2019

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	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,241,458	\$ 1,769,374
Grants receivable	394,059	329,651
Contributions receivable, net of allowance for uncollectible accounts of \$12,200 in 2018 and \$10,500 in 2017	402,434	348,718
Trade accounts receivable, net of allowance for uncollectible accounts of \$19,500 in 2018 and \$19,800 in 2017	254,574	272,682
Inventory	16,050	25,170
Prepaid expenses	506,379	595,384
Total current assets	<u>3,814,954</u>	<u>3,340,979</u>
Property and Equipment, Net	<u>10,321,590</u>	<u>9,127,767</u>
Other Assets		
Board directed endowment	4,009,843	3,518,405
Investments	3,035,953	3,240,669
Patronage refunds receivable	603,914	581,618
Total other assets	<u>7,649,710</u>	<u>7,340,692</u>
Total assets	<u>\$ 21,786,254</u>	<u>\$ 19,809,438</u>

See Notes to Financial Statements

Prairie Public Broadcasting, Inc.
Statements of Financial Position
September 30, 2018 and 2017

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Current portion of deferred contract revenues	\$ 6,750	\$ 6,750
Accounts payable	487,204	156,403
Accrued liabilities	640,290	623,593
Deferred grants revenues	630,055	674,126
Total current liabilities	1,764,299	1,460,872
Deferred Contract Revenues, Net of Current Portion	15,188	21,938
Total liabilities	1,779,487	1,482,810
Net Assets		
Unrestricted		
General reserves	7,971,892	7,813,571
Board designated	4,009,843	3,518,405
Property and equipment	7,750,336	6,765,117
Total unrestricted	19,732,071	18,097,093
Permanently restricted	274,696	229,535
Total net assets	20,006,767	18,326,628
Total liabilities and net assets	\$ 21,786,254	\$ 19,809,438

Prairie Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Members	\$ 2,049,227	\$ -	\$ -	\$ 2,049,227
Corporation for Public Broadcasting	1,503,264	-	-	1,503,264
Grants	314,912	2,290,745	-	2,605,657
State support	858,333	293,290	-	1,151,623
Underwriting	294,837	101,181	-	396,018
Fees	7,387	-	-	7,387
Gaming (net of prize payouts and cost of sales)	2,356,105	-	-	2,356,105
Other	400,351	-	45,161	445,512
Rents	679,652	-	-	679,652
Realized and unrealized gains and (losses) on investments	254,183	8,814	-	262,997
Interest	104,411	3,763	-	108,174
Net assets released from restrictions	2,697,793	(2,697,793)	-	-
Total public support and revenue	<u>11,520,455</u>	<u>-</u>	<u>45,161</u>	<u>11,565,616</u>
Expenses				
Program services				
Television	4,766,312	-	-	4,766,312
Radio	1,549,982	-	-	1,549,982
Total program services	<u>6,316,294</u>	<u>-</u>	<u>-</u>	<u>6,316,294</u>
Supporting services				
Development	433,112	-	-	433,112
General administration	1,446,720	-	-	1,446,720
Total support services	<u>1,879,832</u>	<u>-</u>	<u>-</u>	<u>1,879,832</u>
Gaming and concessions	1,689,351	-	-	1,689,351
Total expenses	<u>9,885,477</u>	<u>-</u>	<u>-</u>	<u>9,885,477</u>
Revenues in Excess of Expenses				
Expenses and Increase in Net Assets	1,634,978	-	45,161	1,680,139
Net Assets, Beginning of the Year	<u>18,097,093</u>	<u>-</u>	<u>229,535</u>	<u>18,326,628</u>
Net Assets, End of Year	<u>\$ 19,732,071</u>	<u>\$ -</u>	<u>\$ 274,696</u>	<u>\$ 20,006,767</u>

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

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

Prairie Public Broadcasting, Inc.
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 1,680,139	\$ (559,375)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,365,520	1,418,457
Net change in unrealized gain and losses on investments	124,919	(273,537)
Net realized gains and losses on investments	(387,916)	(191,551)
Changes in assets and liabilities		
Grants receivable	(64,408)	32,802
Contributions receivable	(53,716)	(45,457)
Accounts receivable	18,108	61,002
Inventory	9,120	(5,730)
Prepaid expenses	89,005	(41,674)
Patronage refunds receivable	(22,296)	(27,831)
Accounts payable	330,801	19,802
Accrued liabilities	16,697	25,502
Deferred revenue	(50,821)	(136,703)
Net Cash from Operating Activities	3,055,152	275,707
Investing Activities		
Purchases and construction of property and equipment	(2,559,343)	(204,815)
Proceeds from sale of investments	4,522,637	3,198,422
Purchases of investments	(4,546,362)	(3,668,839)
Net Cash used for Investing Activities	(2,583,068)	(675,232)
Net Increase (Decrease) in Cash and Cash Equivalents	472,084	(399,525)
Cash and Cash Equivalents, Beginning of Year	1,769,374	2,168,899
Cash and Cash Equivalents, End of Year	\$ 2,241,458	\$ 1,769,374

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Operations

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

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Grants Receivable

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

Contributions Receivable

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

Receivables and Credit Policies

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

Inventory

As of October 1, 2017, the Organization adopted Accounting Standards Update (ASU) 2015-11, *Inventory: Simplifying the Measurement of Inventory*. This update requires inventory to be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Adoption of this accounting standard is on a prospective basis.

Inventory includes gaming jar tickets, bingo paper, concession supplies and resale promotional items, and is stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

Prepaid Expenses

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

Property and Equipment

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

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

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2018 and 2017.

Board Directed Endowment

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

Investments

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

Patronage Refund Receivable

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

Net Assets

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

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

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

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Revenue Recognition

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

Fund Raising Costs

The costs of fund raising are presented as development expenses included in support services on the statements of activities. There were no joint costs allocated to fund raising costs in either year presented. Fund raising expenses were approximately \$458,000 and \$492,000 for the years ended September 30, 2018 and 2017.

Advertising

The Organization uses advertising to promote its programs. The costs of advertising and promotion are expensed as incurred. During 2018 and 2017, advertising and promotion costs totaled \$99,234 and \$111,888.

Income Taxes

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

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

Gaming Taxes

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

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

Note 2 - Property and Equipment

Property and equipment consists of the following at September 30, 2018 and 2017:

	2018	2017
Land	\$ 680,971	\$ 680,971
Buildings and improvements	4,969,466	4,671,554
Vehicles and equipment	37,754,896	37,755,579
Construction in process	2,277,195	61,452
	45,682,528	43,169,556
Less accumulated depreciation	(35,360,938)	(34,041,789)
Net property and equipment	\$ 10,321,590	\$ 9,127,767

A significant portion of the Organization's equipment for producing and transmitting programs has been purchased with federal grant funds. Federal regulations require that the federal government be given a lien on such property. The lien is for a ten-year period beginning when the asset is placed in service. Depreciation expense on property and equipment totaled \$1,365,520 and \$1,418,457 for the years ended September 30, 2018 and 2017. Construction in progress at September 30, 2018 represents costs incurred for a new tower and antenna in Minot that is still in progress. The estimated cost to complete these projects are \$950,000, which will be funded through the Federal Communications Commission.

Note 3 - Investments and Investment Income

Board Directed Endowment

The Board Directed Endowment investments at September 30, 2018 and 2017 are shown in the following table. Investments in fixed income mutual funds, equity securities, stock mutual funds, and alternative investments are stated at fair value. Investments in cash and cash equivalents are stated at cost plus accrued interest, if applicable.

	2018	2017
Board Directed Endowment		
Fixed income mutual funds	\$ 1,046,557	\$ 843,362
Equity securities	975,327	779,657
Stock mutual funds	1,644,375	1,599,243
Cash and cash equivalents	28,419	20,803
Alternative investments	315,165	275,340
	\$ 4,009,843	\$ 3,518,405

Investments

Investments in corporate debt obligations, stock mutual funds, alternative investments, and other investments are stated at fair value. Investments in cash and cash equivalents and certificates of deposit are stated at cost plus accrued interest, if applicable. Investments include the following at September 30, 2018 and 2017:

	2018	2017
Investments		
Fixed income mutual funds	\$ 2,752,951	\$ 3,016,042
Endowment		
Fixed income mutual funds	101,962	73,013
Stock mutual funds	144,106	115,203
Cash and cash equivalents	1,607	2,025
Other	35,327	34,386
	\$ 3,035,953	\$ 3,240,669

Investment Income

Investment income on investments, cash equivalents, and board directed investments consist of the following for the years ended September 30, 2018 and 2017:

	2018	2017
Investment income	\$ 108,174	\$ 78,147
Realized gains	\$ 387,916	\$ 191,551
Change in unrealized gains and losses	(124,919)	273,537
	\$ 262,997	\$ 465,088

Note 4 - Permanently Restricted Net Assets

Permanently restricted funds consist of the following at September 30, 2018 and 2017:

	2018	2017
Investments to be held in perpetuity, the income from which is to be used to support operations	\$ 274,696	\$ 229,535

Note 5 - Endowments

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

The Organization’s Board of Directors has interpreted the North Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At September 30, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

At September 30, 2018 and 2017, the Organization had the following endowment net asset composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
September 30, 2018				
Board-designated endowment	\$ 4,009,843	\$ -	\$ -	\$ 4,009,843
Donor-designated endowment	-	-	274,696	274,696
	<u>\$ 4,009,843</u>	<u>\$ -</u>	<u>\$ 274,696</u>	<u>\$ 4,284,539</u>
September 30, 2017				
Board-designated endowment	\$ 3,518,405	\$ -	\$ -	\$ 3,518,405
Donor-designated endowment	-	-	229,535	229,535
	<u>\$ 3,518,405</u>	<u>\$ -</u>	<u>\$ 229,535</u>	<u>\$ 3,747,940</u>

The following were the changes in the endowment net assets for the years ended September 30, 2018 and 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of September 30, 2016	\$ 2,642,424	\$ -	\$ 199,535	\$ 2,841,959
Contributions	389,782	-	30,000	419,782
Investment gain	486,199	17,486	-	503,685
Amounts appropriated	-	(17,486)	-	(17,486)
Balance as of September 30, 2017	3,518,405	-	229,535	3,747,940
Contributions	190,999	-	45,161	236,160
Investment gain	300,439	13,672	-	314,111
Amounts appropriated	-	(13,672)	-	(13,672)
Balance as of September 30, 2018	<u>\$ 4,009,843</u>	<u>\$ -</u>	<u>\$ 274,696</u>	<u>\$ 4,284,539</u>

Board Designated Endowment Performance since Creation

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

Amount initially established in board designated endowment	\$	250,000
Board designated contributions since creation		2,601,621
Investment income, net, since creation		1,158,222
Balance as of September 30, 2018	\$	4,009,843

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

The Organization has a budget which provides for an improvement in working capital position. The improvement goal was set at 1% of revenues from ongoing operating revenues, which excludes revenues for land, building and equipment. For 2018, any actual improvement from operations of the working capital position above the budgeted goal is to be invested in the Organization’s Board Directed Endowment Fund in the following fiscal year.

For fiscal year 2018, the improvement goal was set at \$75,238. As of September 30, 2018 and 2017, the working capital position was \$2,050,656 and \$1,880,106, which is an increase of \$ 170,550. However, as the increase includes a certificate of deposit of \$250,000 that was liquidated, it is not anticipated that a transfer will be made for the fiscal year 2018 amount of above goal.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2018 and 2017.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Note 6 - Retirement Plan

Substantially all employees of the Organization participate in a defined contribution retirement plan. Employer contributions to the plan are based on a percentage of employee compensation and are paid as accrued. Retirement expense was \$168,034 and \$182,397 for the years ended September 30, 2018 and 2017.

Note 7 - Funds Held by Foundations

There were funds totaling approximately \$270,000 and \$247,000 held by various foundations at September 30, 2018 and 2017. These amounts are not included in the assets reported in the statement of financial position. These funds are managed by the foundations. The Organization receives the interest income from these funds on an annual basis.

Note 8 - Leases

The Organization leases office and tower space to various lessees under long term leases. Rental income totaled \$864,534 and \$838,645 for the years ended September 30, 2018 and 2017.

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

Years Ending September 30,	Amount
2019	\$ 706,460
2020	556,270
2021	468,299
2022	415,670
2023	289,471
Thereafter	24,584
Total minimum payments receivable	\$ 2,460,754

Note 9 - Fair Value of Assets

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

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

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

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

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

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

Assets measured at fair value on a recurring basis at September 30, 2018 and 2017 are as follows:

	2018	2017
Fixed income mutual funds	\$ 1,148,519	\$ 916,375
Equity securities	975,327	779,657
Stock mutual funds	1,788,481	1,714,446
Alternative investments	315,165	275,340
Other investments	35,327	34,386
	\$ 4,262,819	\$ 3,720,204

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

	Total	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2018				
Fixed income mutual funds				
Corporate	\$ 1,024,742	\$ 1,024,742	\$ -	\$ -
Foreign	119,259	119,259	-	-
World	4,518	4,518	-	-
Equity securities				
Consumer discretionary	121,183	121,183	-	-
Consumer staple	95,829	95,829	-	-
Energy	62,456	62,456	-	-
Financial	158,102	158,102	-	-
Health care	162,122	162,122	-	-
Industrial	78,506	78,506	-	-
Information technology	165,720	165,720	-	-
Materials	13,388	13,388	-	-
Telecommunication	112,260	112,260	-	-
Utilities	5,761	5,761	-	-
Stock mutual funds				
Mid-cap growth	141,911	141,911	-	-
Mid-cap blend	153,533	153,533	-	-
Foreign large growth	458,461	458,461	-	-
Foreign large blend	268,698	268,698	-	-
Diversified emerging market	214,697	214,697	-	-
Small growth	78,847	78,847	-	-
Small blend	86,237	86,237	-	-
Large blend	386,097	386,097	-	-
Alternative investments	315,165	315,165	-	-
Other investments	35,327	-	-	35,327
	<u>\$ 4,262,819</u>	<u>\$ 4,227,492</u>	<u>\$ -</u>	<u>\$ 35,327</u>

	Total	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2017				
Fixed income mutual funds				
Corporate	\$ 738,449	\$ 738,449	\$ -	\$ -
Foreign	174,246	174,246	-	-
World	3,680	3,680	-	-
Equity securities				
Consumer discretionary	122,477	122,477	-	-
Consumer staple	19,341	19,341	-	-
Energy	30,886	30,886	-	-
Financial	171,559	171,559	-	-
Health care	108,332	108,332	-	-
Industrial	113,853	113,853	-	-
Information technology	175,147	175,147	-	-
Materials	20,152	20,152	-	-
Telecommunication	9,955	9,955	-	-
Utilities	7,955	7,955	-	-
Stock mutual funds				
Mid-cap growth	319,305	319,305	-	-
Mid-cap blend	15,564	15,564	-	-
Foreign large growth	406,458	406,458	-	-
Foreign large blend	228,456	228,456	-	-
Diversified emerging market	180,124	180,124	-	-
Large growth	107,630	107,630	-	-
Small blend	147,420	147,420	-	-
Large blend	309,489	309,489	-	-
Alternative investments	275,340	275,340	-	-
Other investments	34,386	-	-	34,386
	<u>\$ 3,720,204</u>	<u>\$ 3,685,818</u>	<u>\$ -</u>	<u>\$ 34,386</u>

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

	Other Investments
Balance, September 30, 2016	\$ 31,795
Investment income (loss), net of expenses	3,235
Withdrawals	(644)
Balance, September 30, 2017	34,386
Investment income (loss), net of expenses	2,336
Withdrawals	(1,395)
Balance, September 30, 2018	\$ 35,327

Assets measured at fair value on a nonrecurring basis include the following at September 30, 2018 and 2017:

	2018	2017
Contributions received	\$ 1,591,681	\$ 1,549,605

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

Note 10 - Commitments and Contingencies

Operating Leases

The Organization leases a portion of its equipment under operating leases expiring during the next five years. The Organization also leases land on which to place its broadcast towers. These leases are also operating leases and expire over the next twenty years. Lastly, the Organization holds gaming leases which are short-term leases as they are renewed annually. The total rental expense for all operating leases was \$227,871 and \$230,014 for the years ended September 30, 2018 and 2017.

The following is a schedule of future minimum rental payments required under all long-term operating leases as of September 30, 2018.

Years Ending September 30,	Amount
2019	\$ 50,156
2020	38,489
2021	24,563
2022	20,804
2023	18,273
Thereafter	18,352
Total	\$ 170,637

Self-Insurance

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

	Beginning Balance	Expense	Claims Paid	Ending Balance
2018	\$ 27,000	\$ 589,196	\$ (589,196)	\$ 27,000
2017	27,000	509,462	(509,462)	27,000

Note 11 - Subsequent Events

On November 8, 2018, the Organization purchased the licenses for noncommercial educational radio broadcast stations KUND-FM, KFJM and FM Translator Station K202BK from the University of North Dakota in the amount of \$220,000.



Supplementary Information
September 30, 2018

Prairie Public Broadcasting, Inc.

Prairie Public Broadcasting, Inc.
Supporting Schedule to the Statement of Activities
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Television		
Support and Revenue	\$ 4,383,810	\$ 6,741,064
Expenses		
Programming and production	2,538,023	2,452,836
Engineering	2,218,657	2,313,476
Development	381,710	347,372
Total expenses	5,138,390	5,113,684
Excess of Support and Revenue over Expenses	\$ (754,580)	\$ 1,627,380
Radio		
Support and Revenue	\$ 1,188,814	\$ 1,103,296
Expenses		
Programming and production	1,104,445	1,064,208
Engineering	492,900	485,774
Development	89,350	85,740
Total expenses	1,686,695	1,635,722
Excess of Expenses over Support and Revenue	\$ (497,881)	\$ (532,426)
Corporate		
Support and Revenue	\$ 1,721,511	\$ 2,031,905
Expenses		
General and administrative	1,475,575	1,446,720
Excess of Support and Revenue over Expenses	\$ 245,936	\$ 585,185
Total		
Support and Revenue	\$ 7,294,135	\$ 9,876,265
Expenses		
Excess of Support and Revenue over Expenses	\$ (1,006,525)	\$ 1,680,139

Prairie Public Broadcasting, Inc.
Schedule of Support and Revenue
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Television		
Membership (1)	\$ 1,546,000	\$ 1,591,681
CPB income (2)	1,312,986	1,308,338
ND state support (4)	426,000	426,000
MN state support (4)	551,829	540,751
Underwriting (5)	273,000	237,087
NCCEMS (3)	119,000	119,004
Educational fees (6)	33,000	7,387
MN capital grant (4)	10,871	10,872
Program products (8)	20,000	10,395
Foundation income (3)	18,000	21,873
CPB interconnection grant (2)	18,000	17,896
Broadcast income (8)	10,000	2,061
Grant income (3)	154,824	150,583
FCC Repack KSRE (3)	-	2,290,745
Special gifts (8)	3,500	110,155
Memorials (8)	1,000	-
Special events (8)	-	5,628
Canadian exchange (1)	(114,200)	(109,392)
	4,383,810	6,741,064
Total television		
Radio		
Membership (1)	505,000	566,938
Underwriting (5)	242,000	158,931
CPB income (2)	183,314	177,030
ND state support (4)	174,000	174,000
Grant income (3)	84,500	23,452
Miscellaneous (8)	-	1,005
Special events (8)	-	1,940
	1,188,814	1,103,296
Total radio		

Prairie Public Broadcasting, Inc.
Schedule of Support and Revenue
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Corporate		
Gaming net income (7)	\$ 809,116	\$ 666,754
Tower rent (9)	613,413	627,652
Contracted services (8)	182,582	200,684
Building rent (9)	42,000	52,000
Capital patronage (8)	25,000	48,230
Oil well royalties (8)	8,000	8,150
Interest income (11)	37,000	108,174
Other revenues (8)	6,400	9,747
Realized and unrealized gains and losses (10)	-	262,997
Endowment contribution (8)	-	45,161
Gain on sale of equipment (8)	-	5,200
Vending loss (8)	(2,000)	(2,844)
	1,721,511	2,031,905
Total corporate		
	1,721,511	2,031,905
Total Support and Revenue	\$ 7,294,135	\$ 9,876,265
 Reconciliation to Statement of Activities:		
Total gaming and concession expenses (7)	\$ (1,689,875)	\$ (1,689,351)
 Public Support and Revenue Breakdown at Gross		
Membership (1)	\$ 1,936,800	\$ 2,049,227
CPB income (2)	1,514,300	1,503,264
Grants (3)	376,324	2,605,657
State Support (4)	1,162,700	1,151,623
Underwriting (5)	515,000	396,018
Fees (6)	33,000	7,387
Gaming (net of prize payouts and cost of sales) (7)	2,498,991	2,356,105
Other (8)	254,482	445,512
Rents (9)	655,413	679,652
Realized and unrealized gains and losses (10)	-	262,997
Interest (11)	37,000	108,174
	37,000	108,174
Total Public Support and Revenue	\$ 8,984,010	\$ 11,565,616

Prairie Public Broadcasting, Inc.
Schedule of Programming and Production Expenses – Television
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Salary - Full-time	\$ 1,089,743	\$ 1,054,451
Program rights	561,645	544,764
Benefits	313,400	367,325
Production	47,300	78,512
Contracted services	133,400	96,787
Miscellaneous	118,334	85,384
FICA tax	79,877	76,434
Program information	42,324	30,848
Postage	46,350	35,371
Travel	48,100	33,358
Supplies	9,500	9,583
Dues and subscriptions	15,400	13,888
Training	11,350	2,773
Equipment repair	10,600	11,528
Telephone	2,800	3,652
Printing	4,400	3,088
Equipment	500	-
Set material	500	88
Salary - Part-time	2,000	4,578
Video tape	500	424
	<u>500</u>	<u>424</u>
Total programming and production expenses - television	<u>\$ 2,538,023</u>	<u>\$ 2,452,836</u>

Prairie Public Broadcasting, Inc.
Schedule of Engineering Expenses – Television
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Depreciation	\$ 1,000,000	\$ 1,076,683
Salary - Full-time	552,700	560,088
Power costs	237,100	233,407
Benefits	158,900	178,244
Transmitter repairs and maintenance	72,422	79,723
Contracted facilities and services	46,685	47,204
Video equipment repairs and maintenance	41,000	39,020
FICA tax	42,400	41,667
Travel	25,400	21,385
Salary - Part-time	30,000	26,468
Vehicle repair	5,200	2,517
Training	2,000	1,830
Telephone	3,600	4,127
Equipment	750	-
Miscellaneous	500	1,113
	\$ 2,218,657	\$ 2,313,476
Total engineering expenses - television		

Prairie Public Broadcasting, Inc.
Schedule of Programming and Production Expenses – Radio
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Salary - Full-time	\$ 590,500	\$ 518,066
Program acquisition	215,232	225,209
Benefits	149,300	165,786
Salary - Part-time	37,000	60,270
FICA tax	46,100	41,215
Program production	14,223	164
Contracted services	12,800	13,688
Travel	7,800	8,950
Training	4,150	1,431
Satellite interconnection fees	10,450	10,501
Miscellaneous	9,740	13,580
Postage	3,750	3,026
Telephone	2,200	1,980
Supplies	700	342
Repairs and maintenance equipment	500	-
	\$ 1,104,445	\$ 1,064,208
Total programming and production expenses - radio	\$ 1,104,445	\$ 1,064,208

Prairie Public Broadcasting, Inc.
Schedule of Engineering Expenses – Radio
Year Ended September 30, 2018

	<u>Budget</u> (unaudited)	<u>Actual</u>
Power cost	\$ 178,600	\$ 172,075
Depreciation	165,000	166,035
Salary - Full-time	111,200	109,178
Benefits	13,400	15,360
Repairs and maintenance	8,000	2,218
FICA tax	8,600	8,303
Audio repairs and maintenance	4,600	4,118
Equipment	<u>3,500</u>	<u>8,487</u>
Total engineering expenses - radio	<u>\$ 492,900</u>	<u>\$ 485,774</u>

Prairie Public Broadcasting, Inc.
Schedule of General and Administrative Expenses – Corporate
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Salary - Full-time	\$ 570,800	\$ 574,403
Insurance	172,000	171,741
Utilities	97,000	97,877
Depreciation	72,000	78,780
Bank charges	72,000	69,555
Benefits	74,763	65,515
Professional fees	71,400	61,579
Board of Directors	34,000	41,459
FICA tax	40,600	34,993
Travel	28,000	22,353
Interest	100	-
Dues and subscriptions	38,100	35,239
Repairs and maintenance - building	55,500	50,786
Computer	32,500	33,902
Cost of contracted services	21,662	21,256
Office supplies	16,750	14,671
Cleaning and custodial	17,600	16,920
Telephone	16,500	17,047
Postage and freight	8,400	7,218
Miscellaneous	8,600	2,285
Unemployment tax	11,500	14,756
Real estate tax	7,000	10,577
Promotion	2,500	1,934
Worker's compensation	8,300	5,322
Training	1,700	1,025
Hiring	8,000	5,747
Equipment	500	-
Interest	100	-
Rent and lease	400	368
Finance charges	-	45
Repairs and maintenance - vehicles and equipment	(12,700)	(10,633)
	<u>\$ 1,475,575</u>	<u>\$ 1,446,720</u>
Total general and administrative expenses - corporate	<u>\$ 1,475,575</u>	<u>\$ 1,446,720</u>

Prairie Public Broadcasting, Inc.
Schedule of Development Expenses – Television
Year Ended September 30, 2018

	<u>Budget</u> (unaudited)	<u>Actual</u>
New member acquisition	\$ 201,200	\$ 179,517
Premiums	67,000	54,598
Membership	42,500	34,036
Bad debts	40,000	52,538
Postage	21,800	18,486
Promotion	6,100	4,444
Travel	2,000	1,884
Customer service	360	1,120
Training	750	749
	<u>381,710</u>	<u>347,372</u>
Total development expenses - television	<u>\$ 381,710</u>	<u>\$ 347,372</u>

Prairie Public Broadcasting, Inc.
Schedule of Development Expenses – Radio
Year Ended September 30, 2018

	<u>Budget</u> (unaudited)	<u>Actual</u>
New member acquisition	\$ 49,900	\$ 51,153
Membership	29,950	24,178
Bad debt expense	<u>9,500</u>	<u>10,409</u>
Total development expenses - radio	<u>\$ 89,350</u>	<u>\$ 85,740</u>

Prairie Public Broadcasting, Inc.
Schedule of Gaming Income and Direct Expenses
Year Ended September 30, 2018

	Budget (unaudited)	Actual
Gaming Income		
Pull tabs	\$ 5,684,760	\$ 5,881,213
Bingo	4,215,900	4,413,106
Blackjack	489,396	411,434
Paddlewheel	23,100	34,592
Raffle	-	2,405
Promotional items	135,000	139,897
Vending	28,000	21,970
Total gaming income	10,576,156	10,904,617
Cost of Gaming Income		
Pull tab prizes	4,545,076	4,739,593
Bingo prizes	3,532,089	3,808,919
Total cost of gaming income	8,077,165	8,548,512
Adjusted Gross Proceeds	2,498,991	2,356,105
Direct Expenses	1,689,875	1,689,351
Net Gaming Income	\$ 809,116	\$ 666,754
Direct Expenses		
Salaries	\$ 692,520	\$ 707,030
State gaming tax	258,560	218,939
Benefits	113,560	129,074
Rent and leases	166,080	173,682
FICA	113,780	114,837
Gaming supplies	98,856	101,242
Depreciation	39,684	44,022
Promotion	28,380	29,241
Utilities	30,000	27,471
Real estate taxes	28,272	30,349
Vending	14,500	10,848
Contracted services	25,200	26,981
Supplies	15,900	15,425
ND employment taxes	-	1,635
Insurance	14,736	14,635
Miscellaneous	9,565	7,750
Resale supplies	5,400	5,250
Travel	10,160	8,512
Repair and maintenance - equipment	5,460	5,452
Bad debt	2,400	1,777
Repair and maintenance - building	4,800	5,342
Postage	3,612	3,013
Small equipment	3,120	2,234
Telephone	2,650	2,397
Accounting, audit, legal, and bank fees	1,680	1,351
Workers' compensation	1,000	762
Training	-	100
Total direct expenses	\$ 1,689,875	\$ 1,689,351